



Guide

# Smart working How smart is UK PLC? Findings from organisational practice

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# Foreword

Last year the CIPD commissioned Capgemini to explore how work organisation and job design are contributing to performance in today's organisations. Their first report, published in March 2008, suggested that a new way of organising work was emerging. This second report draws on wider evidence to convincingly conclude that 'smart working' represents a new organisational paradigm.

The report finds that more than nine out of ten CIPD members who recognise smart working agree that it has a positive impact on business performance. Key drivers include management philosophy, IT advances, attracting talent, cost reduction and productivity gains. The new paradigm is underpinned by changing management mind-sets and a set of values including freedom, flexibility and collaboration.

On the downside, a majority of respondents are unconvinced that employers are deliberately designing roles that embrace smart working concepts, and job design processes have not kept up with the aspiration to redesign organisations.

Some CIPD members understand smart working and are passionate about it. Others are still unclear what it means. There is a significant job of work to be done to clarify what is involved in smart working and to support those organisations that have set out on the journey. I believe this report will make a major contribution on both fronts.

The CIPD has recently embarked on a major programme of work entitled *Shaping the Future* designed to help organisations gear up to cope with the fast-changing world in which they now operate. We intend the programme will help to close the gap between theory and practice and see that our research is used to drive performance. This means widening our focus to embrace not just HR practice but a variety of other disciplines including strategy, leadership and organisation development.

Smart working will be an integral part of this agenda. Although many organisations offer employees the opportunity to work flexibly, smart working is much more than that. The report comments on the

phenomenon of 'lean' production as a vehicle for process improvement involving cross-functional teams who are encouraged to think flexibly. There are parallels here with smart working, confirming that it can be a response to the ongoing requirement to 'do more with less'. Smart working can also contribute to innovation and the management of change.

Through *Shaping the Future*, the CIPD will be encouraging and enabling experimentation, shared learning and the vigorous translation of effort and energy into projects that count, and that drive forward competitive advantage, sustainable business success and employee well-being.

We will be following up this report in two main ways. Firstly we will be publishing an online toolkit to help organisations answer questions such as:

- How smart is my organisation?
- How might we work smarter?
- What smart working interventions might be relevant for my organisation?

Secondly, following a session at our 2008 Annual Conference, we will be holding action-learning events at which CIPD members will be able to discuss the issues they are encountering in implementing smart working.

Change on this scale cannot be owned by a single function. As the report makes clear, smart working is an inclusive framework that embraces not only high-performance working but also the physical environment and IT. For the HR function, smart working presents an outstanding opportunity to think strategically and engage more fully with the business. It is self-evident that if new ways of working are to become fully embedded in organisations, HR needs to be in there pitching.

The CIPD is very grateful to Capgemini for producing a report which should stimulate much fresh thinking and action.

Linda Holbeche  
Director, Research and Policy

# Executive summary

- Phase one of this research consisted of a review of existing literature and case studies to explore key themes that had started to emerge about the organisation and management of work. The case studies strongly suggested that there had been a paradigm shift towards crafting jobs that featured a greater degree of:
  - freedom to act
  - virtual teams or work groups
  - outcome-based performance measurement
  - flexible working practices
  - technology-enabled work environments
  - high-trust working relationships.
- Our initial research concluded that ‘smart working’ is driving a very different approach to work. Smart working is about managing and optimising both the physical and philosophical work environments for employees in such a way that releases energy and therefore drives business performance.
- Our phase-two research explores this idea in more depth, and using a large sample reference group assesses the existence of a new paradigm.
- Phase two consists of three main strands: a survey of HR practitioners, additional case studies, and the development of a practical toolkit.
- Our research provides significant evidence to support the smart working paradigm, and presents an emergent ‘four pillar model’ of smart working incorporating: management value, high-performance work practice, leverage of technology and physical environment interventions.
- Our research provides evidence to support a paradigm shift, finding that organisational practice currently exists across the smart working spectrum, with some organisations accepting significant benefit from smart working and others making tentative or progressive steps towards implementing it, while some organisations appear yet to be convinced.
- We believe that smart working represents a journey at both organisational and national level; and we conclude that this journey has only just begun. We suggest that there are a number of pre-requisites for smart working to gain traction in an organisation. In particular, we believe that a focus on the core beliefs and culture of the organisation is the underpinning factor that makes an organisation ‘smart’. It is a ‘smart mindset’.
- We reflect on the future of smart working and conclude that there is a crucial role that the HR function needs to play if the significant benefits of smart working are to be realised.

# 1 Introduction

Our first-phase report suggested that a new way of organising work was emerging.

Phase one of this research consisted of a review of existing literature and case studies to explore key themes that had started to emerge about the organisation and management of work. The case studies strongly suggested that we might be seeing a paradigm shift towards crafting jobs that featured:

- a higher degree of freedom for individual employees and teams to act
- virtual teams or work groups – sometimes formed to tackle specific projects, but also introduced where dependence on a single physical location was no longer viable or appropriate
- a shift towards assessing performance in terms of outputs rather than hours of attendance completed
- a degree of flexibility towards work location and working hours
- work environments that made at least some use of enabling technologies and configurations
- high-trust working relationships
- smart working practices that sought to create meaningful benefits for employees, while ensuring that customer and organisational needs were still met.

Our initial research concluded that ‘smart working’ is driving a very different approach to work. Smart working is about managing and optimising both the physical and philosophical work environment for employees in such a way that it releases energy and therefore drives business performance.

Smart working is not simply flexible working, Web 2.0, flat organisation structures or productivity enhancements – although it might well incorporate some or all of these elements. Our findings enable us to suggest that the key consolidating feature is a smart working mind-set and a set of associated values adopted by some organisations.

In our phase-two research, we want to explore this idea in more detail and add weight to our initial conclusions.

The research challenge for phase two is therefore designed to achieve the following:

- assess and validate the existence of the new organisational paradigm of smart working using a larger sample reference group
- test the working assumptions and seek to identify the relationship between business drivers, outcomes and intervention
- measure the impact of this on organisational performance
- identify factors that influence organisational fit or suggest pre-requisites for success
- explore the implications for managers and for the HR function
- provide a toolkit which could support a wide range of organisations looking to benefit from smart working.

Phase two consists of three main strands:

- a survey of HR practitioners designed to explore whether the concept of smart working is meaningful and, if so, what the principal elements and drivers are
- additional case studies exploring the issues raised in more detail and with a wider range of public and private sector organisations
- development of a practical toolkit to support organisations in realising smart working objectives, containing:
  - a diagnostic tool
  - guidance on interventions
  - a methodology for assessing benefits generated by adopting smart working
  - an approach to building a robust business case for smart working based on genuine business need
  - an employee survey to enable organisations to assess progress and inform future plans.

Findings from the research were compared with results from a wider range of related studies to assess the confidence with which we could assert that conclusions, and recommended interventions, applied across a wide range of organisation types and sizes. Although there are differences in detailed findings, the degree of common ground in the basic ideas suggests that smart working is a sufficiently robust concept that cannot be ignored by organisations wishing to attract and retain the most talented individuals.

### The survey

The survey was designed to explore whether the smart working concept was meaningful and to capture views about the strength or weakness of the benefits potentially associated with it. A short questionnaire was developed with three components:

- questions designed to gather some basic information about the respondents and the organisations that they work for
- a series of statements about smart working, where respondents were asked to indicate the extent to which they agreed or disagreed
- separate itemised lists of potential smart working interventions and drivers, with respondents highlighting those that they believe to apply to their organisations.

Responses were collected through an online survey administered by the CIPD, with respondents invited to provide their input through one of three routes:

- an email invitation to a random sample of CIPD members and other HR practitioners
- several articles in the CIPD's weekly e-newsletter inviting people to take part in the research and including a link to the online survey
- a link to the survey included in a related article in an online blog.

A significant number of surveys were only part-completed. Although the response rate was lower than anticipated, we took the decision to exclude these part-completed surveys from the data that was subsequently analysed to avoid potential bias or distortion of the results. We received 270 valid responses. Analysis of the basic information provided

by most respondents about the organisations that they currently work for suggests that the group was broadly representative of the organisation size, sector and geographical spread of the CIPD membership.

### The case studies

As part of phase-two research we carried out structured interviews with a number of organisations. In some cases, these discussions were designed as a follow-up to the initial meetings included in our earlier report. However, we also contacted a number of organisations that indicated they were willing to take part in a more detailed follow-up to the responses that they gave to the smart working survey. This enabled us to collate input from a wider range of organisations, providing useful additional insights into the challenges and lessons learned from organisations at different stages on their smart working journey.

Case studies from the following organisations are included in this report:

- Allen and Overy
- British Telecom (BT)
- Centrica
- Microsoft
- Merrill Lynch
- Qualifications and Curriculum Authority (QCA)
- UBS.

### Secondary research

Although smart working – in the sense of a combined focus on the interaction of management values, high-performance work practices, physical work environment and enabling technology – has not been specifically researched elsewhere, there is a wealth of related studies. We referenced a wide range of academic papers in the first phase of this research. However, we have supplemented this for our phase-two report, by reviewing additional case-study-based research. We have found the insights gained through these case studies to be helpful in showcasing the new paradigm in practical terms as well as through understanding the advantages and disadvantages of approaches to each area. They also provide a useful additional perspective on many of the learning points highlighted by the detailed case studies presented in this guide.

## 2 Key findings

The organisations that we profiled or surveyed for this phase of our research are at varying points on the smart working spectrum. Some have made tentative steps while others have achieved significant progress in this area. For some other organisations, smart working is simply not yet an imperative. Whether by accident or design, though, there is a clear trend towards a different experience of work in today's business environment.

Over the next few pages, we present the key themes from our analysis of smart working in the contemporary workplace. We find significant evidence to support the smart working concept, and suggest an emerging model to characterise and add clarity to the smart working paradigm.

In practical terms we see four areas of focus or levers that organisations apply to achieve smart working:

- management values
- high-performance work practices
- physical environment innovations
- leverage of technology.

We suggest that these are the 'four pillars of smart working'. However, what is clear is that it is the combined impact of interventions in each of these areas that enables an organisation to be 'smart' in line with our definition.

We believe that smart working represents a journey at both organisational and national level; and we conclude that this journey has only just begun. We suggest that there are a number of pre-requisites for smart working to gain traction in an organisation. In particular, we believe that a focus on the core beliefs and culture of the organisation is the underpinning factor that makes an organisation 'smart'. It is a 'smart mind-set'.

We reflect on the future of smart working and conclude that there is a crucial role that the HR function needs to play if the significant benefits of smart working are to be realised. There is also a growing impetus from the finance department, however, to leverage the hard savings which flexibility can engender and therefore there is now a functional consensus on the need to progress in this area.

### **The concept of smart working has real relevance in today's workplace**

Findings from the survey, second-phase case studies and secondary research provide compelling evidence that the smart working concept is meaningful in the current business environment.

A huge majority, 95.9%, of respondents to our survey agreed that the concept of smart working is relevant to today's organisations. However, a smaller proportion, 68.5%, of respondents strongly or somewhat agreed that smart working exists in their workplace.

95.9% of respondents agreed that the concept of smart working is relevant to today's organisations.

Respondents from small organisations (that is those employing 250 or fewer people) and large organisations (that is those employing more than 10,000 people) are more likely to strongly or somewhat agree with the statement that smart working exists in their workplace than those from medium-size organisations: 76.3% of respondents from the largest and smallest organisations strongly or somewhat agree with the statement, compared with 61.5% from medium-size organisations.

We probed the ways in which smart working is realised in organisations. The most common smart working interventions are shown in Table 1.

‘smart working’ – the common integrating factor being the principles that sit behind the choice of intervention.

Table 1: The most common smart working interventions

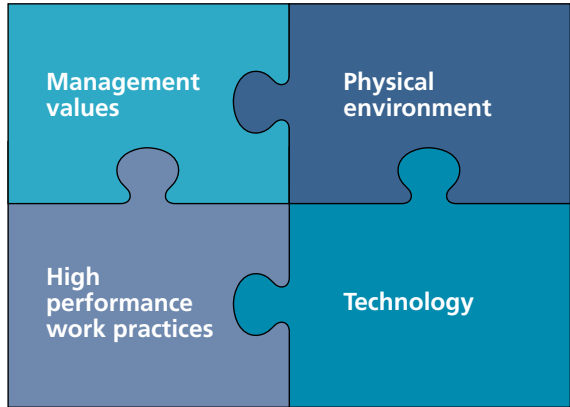
Intervention	%
Flexible working	62.2
Flexible physical work environment (for example hot desks)	48.5
Advanced information and communications technology	47.5
Performance management that recognises contribution and achievement, not simply effort expended	41.9
High degree of personal autonomy	41.5

Other frequently mentioned interventions included virtual teams, pay and bonuses that recognise contribution and achievement, high-trust management and self-managed teams.

We therefore propose an emerging model of smart working, which can be viewed as a jigsaw made of four pieces that interlock and combine to create smart working.

Many of our case studies started the smart working journey with the adoption of flexible working practices. Although part of the motivation for this was the need to ensure compliance with the relevant legislation, other factors were often more powerful in shaping the chosen approach. In some cases, the primary driver was the need to respond to cost challenges – for example, a requirement to achieve significant savings in property spend. For others, the trigger was recognition of the need to increase levels of employee engagement, and often as part of a campaign to improve staff retention rates. The common factor is that the organisations saw real financial and operational benefits from focusing on this issue.

Figure 1: An emerging model of smart working



These findings might be perceived to indicate that for many organisations, flexible working and physical work environment interventions are the cornerstones of smart working. However, our case studies provide clear evidence to suggest that this would be an over simplification.

Looking at organisational practice across each of these levers, we identified common features.

**Management values**

- ‘high-trust’ management culture and organisational beliefs: a belief that people will generally strive to perform
- philosophy of collaboration between employer and employee: participative decision-making and open communication
- a high degree of individual freedom to act, discretion and autonomy in work practices
- managed by outcome (recognises and rewards achievement, not simply effort expended).

There are a number of routes that organisations have taken in implementing smart working initiatives; and from our research we see that there are a number of common elements that define smart working in an organisation. What is clear, however, is that it is the combined effects of these interventions that create

### High-performance work practices

- high degree of employee involvement and consultation
- a philosophy of empowerment
- investment in skill enhancement and talent development
- reward, benefits and performance management practices that drive high performance
- high-performing teams
- high levels of employee engagement.

### Physical work environment

- a flexible and effective work environment that optimises the opportunity for people to work effectively, whether working in groups or individually
- tracking of relevant creativity metrics such as innovation development and sales conversion.

### Technology

- Opportunities to use technology to drive much greater collaboration in the distribution, management and delivery of work are maximised.

The toolkit that accompanies this guide provides guidance, practical steps and measures for organisations to take across each of these four areas.

### Smart working is different from what has gone before: there has been a paradigm shift

We believe that our case studies from this phase as well as phase one indicate a real sense of change around the constructs of job role and the management philosophies that underpin them. Responses to our survey support this assertion.

**Ideo** is a 350-person design firm with offices in California, Boston, London and Munich. But Ideo's impact on the corporate world is far greater than the sum of its sales (\$62 million in revenue in 2003). It has a client list that spans the globe, including Hewlett-Packard, Palm, Handspring, Apple, AT&T Wireless Services, Nestle, Vodafone, Samsung, NASA and the BBC.

Ideo has been a major force in the world of design. It has designed hundreds of products and won more design awards over the past decade than any other design firm. The firm advises clients by teaching them about the consumer world through the eyes of anthropologists, graphic designers, engineers and psychologists, and attributes its success to its innovative working practices. 'Bodystorming', 'behavioural mapping', 'quick and dirty prototyping', 'deep dives', 'unfocus groups', 'shadowing' and 'be your customer' are established working practices at Ideo.

Ideo's organic organisational structure helps to enable this way of working. The business operates around conceptual studios, each run as a small business with a leader responsible for its own profit and loss. 'Hot teams' operate within each studio, brought together for a predetermined period of time and encouraged to develop multi-disciplinary skills and excel at developing strong relationships, both with each other and with customers. Therefore there is much movement between teams and among studios.

Culture is key to the Ideo philosophy: rules are rejected and politics are banned. Ideo hires people who are excited about their work, and comfortable operating in autonomous work groups. Leaders in Ideo emerge rather than get appointed and most team members do not have formal job titles. The work environment is designed to enable team members to be their best in self-directed, flexible teams.

*'Everyone at IDEO is expected to connect with peers globally to collaborate, share knowledge, and build on each others' idea'*

In our survey, 87.1% of respondents believed that smart working has more relevance for organisations today than in the past, with 61.9% strongly agreeing. Indeed, 95.9% of respondents to our survey believed that the concept will become more relevant to future organisations. In fact an even higher percentage strongly agreed with this statement (72.6%) than that smart working had relevance for organisations today (69.6%).

87.1% of survey respondents believed that smart working has more relevance for organisations today than in the past.

Another way of looking at this is to consider the contemporary drivers for organisations to work smartly. Table 2 shows what our survey responses indicated that the most common drivers for smart working were felt to be.

Five other factors were each mentioned by more than 25% of respondents:

- organisational restructuring
- gaining competitive advantage
- employer brand
- relocation
- customer service relationship systems and processes.

**Organisations are at different points on the smart working spectrum**

So, smart working has relevance for organisations today, but more survey respondents felt that smart working had relevance than considered their organisations to work smartly.

From our survey, case-study evidence and review of secondary research, we can see that organisations are at different stages of the smart working journey.

The organisations that we profiled or surveyed for this phase of our research were at different points on the smart working spectrum. Some organisations have made tentative steps to work smartly, some organisations have achieved significant progress in this area and for some organisations smart working is simply not an imperative. Also it must be recognised that what is smart for one organisation may not be identical to that for another. Some of those organisations that struggle with working flexibly for example were found to be smart in other ways; the drivers are always business-led.

Table 2: Drivers of smart working

Driver	%
Management philosophy	68.1
IT advances	68.7
Attracting talent	60.0
Cost reduction	52.2
Productivity gains	46.7

**WL Gore** is almost as well known for its GORE-TEX fabrics as for its reputation as repeat winner of *The Sunday Times* and *Fortune* lists of 'Best companies to work for'.

Gore's fundamental belief in maximising the potential of its people is key to the success of the business. Gore's unique culture, which fosters creativity, self-motivation, participation and equality has proven to be a key contributor to associate satisfaction and retention. Culture and business are not viewed as separate entities at Gore and its cultural framework drives how the company operates at a macro, individual and team level.

The business operates a non-hierarchical, flat 'lattice' organisation. There are no traditional organisational charts, no ranks or job titles and no chains of command nor pre-determined channels of communication. All new recruits join with equal 'ranking'.

When somebody leaves the firm, another person is not automatically hired. The position is re-evaluated to see if it is still relevant and applicable to the needs of the business. In this way the work/role design is constantly evaluated and refreshed by all members of the organisation. Gore welcomes overlaps in different work areas. Constant role refresh is achieved by each associate taking a keen interest in ensuring their role is enabling them to maximise their contribution to the business and they are always looking for new opportunities to stretch what they do.

Associates make a commitment to contribute individually and collectively to work areas or projects according to their skills. Individuals are encouraged to take an interest in a wide variety of job areas or projects. Providing the core responsibilities within their role are carried out, an associate can then stretch and build on their role to suit their interests, aspirations and the business needs. This structure gives associates the opportunity to use their own judgement, take ownership of work areas and access the resources they need for projects to be successful.

**There is a trend emerging for a different type of role, but work and job design processes are yet to respond**

Many organisations now operate within a flexible environment, but this is not just about the physical work environment. Organisations are providing their people with a greater level of autonomy, choice and freedom than we have seen before.

Although respondents to our survey see the employer and employee relationship as being more collaborative now than it was in the past, they were less certain about this than some other issues, with only 17% of respondents strongly agreeing that this was the case. However, what is interesting is that many of these organisations offer flexible working practices, which does seem counter intuitive. We suggest that this may be an effect of the different baseline assumptions of the contemporary workforce. Put simply, increased

autonomy in job roles is now the norm. This may not equate to giving employees the right to work from home; several of our studies cited greater autonomy as an important factor but close, collaborative and co-located teamworking is still an important factor for business success.

Respondents to our survey were also unconvinced that employers are deliberately designing roles that embrace smart working concepts, with only 9.6% strongly agreeing and 35.2% somewhat agreeing. Given the wealth of academic and practitioner material on this topic, this is perhaps one of the most surprising results. However, we believe this finding gives weight to our view that simply implementing technological or physical workplace interventions does not make an organisation smart. Smart working is about a fundamental change to the assumptions that govern and shape the working relationship.

Furthermore, this finding possibly presents the most opportunity and challenge for organisations, and particularly for the HR function, in championing the components of smart working, as well as taking a strategic role in the design of roles and organisation structures in the business. While organisations have an ambition to build autonomy and innovation formally into job roles, this is still an aspiration rather than reality.

### **The Lean phenomenon**

Lean manufacturing or Lean production, often known simply as 'Lean', is a process improvement methodology which emerged mostly from Toyota production systems in Japan. Lean thinking derived from various studies which analysed the success of Japanese companies after World War Two.

The philosophy of Lean is centered on finding the optimal way of delivering business activities through the removal of waste and enabling of 'flow'. Key to Lean is a focus on overall customer value.

Lean provides a set of tools which break down processes to pinpoint opportunities for removal of blockers and identify opportunities for continuous improvement, for example Value Stream Mapping, Five S, Kanban (pull systems), and poka-yoke (error-proofing). In addition, Lean approaches to improving 'flow', or the smoothness of work, include production leveling and 'pull' production (identifying customers' core requirements).

This is a fundamentally different approach to most improvement methodologies, as it is not the goal but the prime approach to achieving it that differentiates the Lean way.

The success of many Lean interventions is not just about the tools, but about the approach to work that it embraces. Implementation of Lean usually starts with the creation of a community drawn together by their mutual understanding of various parts of the work activity. It will group the people who deliver the work, those that supervise, customers and other relevant stakeholders to work together to look at the problem from multiple perspectives. The Lean taskforce will operate independently, with outcome being their mutual goal. They will not be managed, but may have facilitators who provide the environment, tools and inputs to the process that enable success. There will generally be no hierarchy within a Lean team, but skills, perspectives and insights of team members will be understood by all participants.

Lean team members will be encouraged to think flexibly and be adaptable to change. Importantly they will have a sense of ownership of their performance challenge. The cultural and managerial aspects of Lean are just as important as, and possibly more important than, the actual tools or methodologies of production itself.

Table 3: Values associated with smart working

Value	Description
Freedom	<ul style="list-style-type: none"> <li>• high degree of personal autonomy and management trust</li> </ul>
Flexibility	<ul style="list-style-type: none"> <li>• technological or policy interventions to break down traditional patterns of working or physical constraints; also multi-skilling and evolving team/individual role profiles and performance criteria</li> </ul>
Energy	<ul style="list-style-type: none"> <li>• a culture that celebrates and expects a spirit of dynamism</li> </ul>
Collaboration	<ul style="list-style-type: none"> <li>• a recognition that the employment relationship is a two-way interaction; a culture that recognises the power of synergy and harnesses the energy, productivity and creativity of groups</li> </ul>
Meaning	<ul style="list-style-type: none"> <li>• recognition that humans seek to find relevance and significance in their work and activities, and that organisations are contributors to the communities within which they operate</li> </ul>
Fun	<ul style="list-style-type: none"> <li>• embracing enjoyment of work, and believing that this makes people more productive</li> </ul>
Eradication of waste	<ul style="list-style-type: none"> <li>• a philosophy to strip out unnecessary effort, process or bureaucracy</li> </ul>
Focus	<ul style="list-style-type: none"> <li>• understanding point-in-time priorities and deploying to them</li> </ul>
Holistic	<ul style="list-style-type: none"> <li>• viewing the entirety of the system within which the organisation operates or manages</li> </ul>
Responsibility	<ul style="list-style-type: none"> <li>• understanding the social as well as economic obligations of the organisation</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>• building for the future from an organisational and social perspective</li> </ul>

### Smart working is about a set of values

In our survey, 61.8% of respondents cited management philosophy as a key driver of smart working. Table 3 shows that the organisations we profiled in this and our phase-one report share all or some common values which we believe to be the cornerstone of smart working.

Google founders Larry Page and Sergey Brin built their company around the idea that work should be challenging and the challenge should be fun.

So how are these values applied? We suggest that smart working presents itself as a force field or 'smart field' within such organisations. Smart fields embrace the values outlined above, and are evidenced in: organisational approaches to management style (and indeed manager training, tools and performance expectations), people policy, workplace governance (such as communication mediums and the way decisions are made) and organisational culture and value systems.

### Smart working is achieving real benefits for organisations

In our survey, 92.4% of respondents who recognised smart working in their place of work (63.6% of the whole sample) strongly or somewhat agreed that smart working has a positive impact on productivity or business performance. Only 4.1% of respondents believed that smart working is wasteful in terms of time or resources.

92.4% of respondents who recognised smart working agreed that smart working has a positive impact on business performance.

Respondents were even more positive about the importance of attracting and retaining highly skilled individuals: 41.5% strongly agreed that this was a priority, with another 42.6% somewhat agreeing. Only 3.4% strongly or somewhat disagreed. Although respondents believe that smart working has a positive impact on meeting the diverse needs of different age groups and recruiting and leveraging the new talent

of Generation Y, they are slightly less confident about the latter benefit. While 50.7% strongly agree with the first statement, 44.8% agree with the latter.

Those who strongly agree that smart working exists in their workplace are more likely to take a positive view of the benefits than those who only somewhat agree. For example, 69.8% of respondents who strongly agree that smart working exists in their workplace also strongly agree that it has a positive impact on productivity or business performance. This compares with 37.2% strongly agreeing with the statement if they only somewhat agree that smart working exists in their organisations.

Smart working isn't simply about standing out from the crowd; the organisations that we profiled have identified significant business benefits. These include:

- significantly higher rates of motivation and employee engagement

- low rates of absence and attrition (particularly in under-represented groups such as returning mothers, those with disabilities and carers)
- decreased property and travel costs
- higher employee productivity and performance
- increased ability to attract and retain talent
- responsible use of resources and environmental benefits.

So the argument that smart working drives business performance is compelling.

We believe that smart working can offer a real differentiator for organisations. The truly smart organisation realises a level of focused business performance that is almost impossible for competitors to copy. By focus, we mean clarity about:

- the key performance priorities at a point in time
- a level of ownership of performance outcomes
- making the best use of talent inside and outside of the organisation to deliver performance outcomes.

**Semco** is a highly successful Brazilian company best known for its radical form of industrial democracy and decentralised, participatory management style.

Under the leadership of Ricardo Semler, revenue grew from \$4 million in 1982 to \$212 million in the 2000s, an annual growth rate of up to 40% a year. Semler has attracted worldwide interest for his innovative business management policies and philosophy.

Semco recognised the need for product diversification, and established a nucleus of technological innovation to develop new businesses and product lines. Within six months, the unit identified 18 such opportunities. Following the success of this initiative, satellite units were encouraged throughout Semco. By the late 1980s, these satellite units accounted for two-thirds of its new products and two-thirds of its employees.

Brazil's economy went into a severe downturn in the 1990s, forcing many companies out of business. Workers at Semco agreed to wage cuts, taking instead a 39% share of profits. Management salaries were cut by 40% and employees were given the right to approve every item of expenditure.

Performing multiple roles during the crisis gave workers greater knowledge of the operations and more ideas about how to improve the business. Reforms implemented during that time led to 65% reduction in inventories, a marked reduction in product delivery times and a product defects rate that fell to less than 1%. As the business climate improved, Semco's revenue and profitability improved dramatically.

*'The Semco Way: it is not by chance that unconventional ideas are created at this company. They are created and managed within an open management model, different from conventional models and this is exactly what we want.'*

## Smart working is a journey and the journey continues – pack well!

So, our survey demonstrated that members felt smart working has real relevance for today's organisations, yet a smaller proportion of respondents recognised smart working in their places of work.

Our research indicates that, for many organisations, realising the smart working vision is a continuous journey.

Our case studies provide practical signposts for organisations looking to work smarter. The purpose of the toolkit, which accompanies this report, is to provide practical resources to support practitioners. Our toolkit suggests making pre-departure checks by evaluation of the context within which the business operates.

This requires consideration of:

- the specific requirements of your business to perform (in line with business strategy)
- the elements specific to the nature of the work in the industry: the people requirements and context, the operational requirements of the work (for example the requirement to operate across geographical or time zones)
- the talent agenda for your business and the people-related opportunities and threats
- the assumptions, values and cultural beliefs that the organisation holds about the deployment of people and how this is manifested in the way people currently work
- business challenges, strengths, weaknesses, opportunities and threats – including competitor activity and the drivers of differentiation in the industry
- other constraints or opportunities, such as appetite for change, leadership, people, philosophy and vision, capacity or resources for change.

Our toolkit also provides a diagnostic tool which helps organisations to consider the preconditions for smart working success and those interventions already in place in a business, to understand the potential for working smarter and how efforts might be focused.

From our case studies, a number of preconditions for success can be summarised as follows:

### • Smart working as an organisational value

- BT's commitment to challenge traditional assumptions about the nature of work and the ways in which performance is recognised. Centrica's move away from work as a place you go, to an outcome that you produce. QCA's and Allen & Overy's recognition that trust is central to the smart working proposition. Merrill Lynch's philosophy of offering choice to their people. Each case study demonstrates that smart working is core to the organisation's values.

### • Aligning smart working vision to the business strategy

- At Microsoft and UBS, smart working is used to drive performance outcomes such as innovation that are not only core to the organisations' success but are strategic priorities for the business. At Allen & Overy the focus is very much on attracting and retaining talent – the war for talent being the predominant business driver in the legal sector.

### • Integration of smart working into the business culture

- The working culture at Centrica has been aligned to the new ways of working driven by project Work:Wise. Merrill Lynch has worked to align its culture to values of integrity, respect for the individual and trust. At QCA, the core purpose of the Ways of Working (WoW) project is to optimise the working culture. Allen & Overy have had to break down some deep-seated historical barriers to adopt smart working but the results are now dispelling cultural resistance.

### • Leadership commitment to the vision

- Each of our case study organisations was able to implement smart working, and sustain it into normal business operations as a result of commitment from the business. Indeed, at Semco, Google and WL Gore smart working is the leadership vision.

- **Support for a programme of change**
  - At QCA, the WoW programme establishes a formalised programme and provides the resources to deliver and sustain the change, as well as signposting the organisational commitment to working differently. At Allen & Overy a proactive global HRD ensures that smart working remains on the managing partner’s agenda.
- **Redefinition of talent**
  - BT’s view that talent can be found in the communities that exist within and around the organisation. In all of our case studies, we recognise the desire to create a work environment that meets the needs of various constituents within the workforce, not least to balance the differing motivators of generations (Generation X and Y for example) within the organisation.

The next step for organisations is often to think about the specific smart working interventions that might be relevant for them. The relevance of a smart working intervention is dependent upon several factors. These include:

- the current and intended culture of an organisation
- the contextual constraints including finance and the nature of the working environment
- the level of active sponsorship from business leadership.

Although the case studies suggest that there is common ground, they also demonstrate that there is more than one way to achieve smart working in an organisation. Smart working is about thinking about how best to optimise the working environment and introduce smart fields. The interventions that we suggest within our toolkit are designed to stimulate thinking, provide a practical point of reference and encourage consideration of what might work for an organisation.

When implementing smart working interventions, organisations must be mindful of the impact on established norms of the business, as any change to existing patterns of working represents a significant behavioural change. The organisations that we profiled recognised the impact of this, and developed approaches and strategies to assess current culture

and work with their business leadership to articulate a desired culture.

All too often a business will embark on change, whether it be a large-scale IT transformation programme or a simple process redesign project, without fully assessing how the assumptions, practices and values of the organisation need to be re-aligned to fit with the change. This is also the case with smart working, where organisation-wide changes may challenge management values, high-performing work practices, physical environment and technology with far-reaching cultural implications.

#### **Why is culture important?**

- Organisations with strong cultures aligned to their strategy significantly outperform others.
- Organisations where culture is aligned with employee expectations are more likely to attract and retain their people.
- With each change, assumptions, practices and values in the organisation need to be re-assessed to ensure that they are in line with the organisational direction.

Successful change is planned, tracked and managed; the impact of the change is understood and strategies are put in place to deliver. Thought is given to the communications required for groups and individuals, and the key stakeholders that influence the project are identified and evaluated.

Implementing smart working represents an investment in terms of time, resource and finance. It also requires business commitment to progress and an idea of what success looks like.

Articulating the expected benefits of the investment and tracking progress in realising those benefits will also be an important milestone for organisations on a smart working journey.

The organisations that we have profiled shared the following lessons in quantifying project benefits:

- that consideration must be given to both the quantifiable (financial) and non-quantifiable (non-financial) benefits

- that the benefits case (and in most cases the financial benefits) was key to securing approval to invest in smart working
- that benefits tracking processes helped secure ongoing support from key leaders in the business
- that measuring progress against the benefits case provides markers to evaluate the effectiveness of the change
- that building a benefits case, not always considered an HR skill-set, was useful in positioning HR as a strategic player in the business.

The organisations that we profiled all agreed that smart working is a continuous journey. They shared with us the importance of continually reviewing how smartly the organisation is working, requesting feedback from staff in the business and identifying opportunities to continuously improve.

### To the future, and beyond...

Our view of the future is both prediction and challenge.

We have demonstrated that smart working has relevance to organisations today, and that respondents to our survey believe that relevance will grow in the future.

We are also convinced of the opportunity for UK PLCs to work smarter. Many organisations have established the benefits of flexible working practices, and we see more opportunity for organisations to reflect on the physical set-up and delivery of work.

Our prediction is that more organisations will recognise the benefits of smart working from management value, high-performance work practice, technological and work environment perspectives. Partly, we see this being driven by greater awareness of the opportunity and benefit, and partly due to the expectations of new entrants to the workforce, particularly Generation Y.

Our challenge to organisations is to reject traditional assumptions around the work relationship and the organisation of work, and to be open to new thinking about how to raise business performance, engage talented people and gain real differentiation from local and global competitors.

However, implicit within this is a fundamental challenge to current assumptions around the management and delivery of work.

The shape of jobs has changed, but what could this mean for the shape of organisations more widely? Extending the smart working principle could mean a fundamental rethink about the profile of organisations. Considering the organisation as a system, and indeed a 'smart system', has implications in several areas.

- **Shape**

The traditional assumption that an organisation is built on rigid structure, is static and consists of hierarchy and processes, is challenged by smart working. So the idea of a fluid organisation, a virtual organisation or the organisation as a definition of the communities that exist within and outside of it, gains credence.

- **The emotional organisation**

Creating smart fields within organisations, recognising the commitment for commitment value, reducing bureaucratic policy and embracing principles of trust, accepting risks and mitigating rather than punishing: this is management beyond trust.

- **Smart talent sourcing**

Smart organisations look at talent in its broadest sense. They think about ways to leverage talent both inside and outside of the organisation.

- **Managing chaos**

Being comfortable in recognising that the work environment is in a constant state of flux and that smart organisations are agile in their response to changing situations.

- **The HR value proposition**

Smart working challenges HR to operate as a strategic partner to the business and must take the role of smart champion and act as guardian of more productive ways of working.

# 'Deep dive' case studies

## Case study 1: UBS

UBS is a leading global wealth manager, investment banking and securities firm, and one of the largest global asset managers. With headquarters in Zurich and Basel, Switzerland, UBS operates in over 50 countries and from all major international centres, employing more than 80,000 people worldwide.

### Overview

The Process Excellence programme was initiated in Operations. Initially, the UBS approach was based on recognition that competitive pressure and a gap in the current strategy led to the need to challenge and improve business processes as a means of delivering client, business and other stakeholder benefits. This resulted in a focus on:

- understanding and measuring client-facing and enabling business processes
- continuous improvement of business processes, setting goals based on process excellence in Operations
- creating a shift in the organisation culture to become more process- and measurement-oriented.

Responding to this, Operations created Process Change teams to accelerate progress on more strategic change, but also to recognise opportunity from engaging people within individual work units in tactical 'bottom-up' change by enabling them to:

- feel comfortable challenging why work was being done in a particular way
- make those challenges in an informed way
- provide the basic infrastructure (metrics, dashboards, training, communication, recognition/reward) to support the behaviour change that UBS was seeking.

The business rationale for this initiative was grounded in the recognition that:

- UBS faced challenges in terms of increasingly demanding clients, commoditising markets and rising volumes leading to capacity challenges
- there were known opportunities if legacy processes and systems could be tackled
- there was a desire to simplify and standardise processes inside the business as a means of differentiating service to customers.

After three years of deployment of Process Excellence, the tracking data that UBS has gathered clearly demonstrate the contribution that the approach continues to make, to help to meet emerging cost-efficiency and productivity challenges as well as yielding compelling ROI figures year on year for the programme.

## Case study 1: UBS (continued)

### The UBS approach to continuous improvement (tactical and bottom-up)

UBS focuses on programmes of work that impact on people's daily work and lives. This harnesses the desire to improve ways of working through:

- improving processes to make them more efficient, reducing the time and/or resource required to complete tasks
- converting queues to workflows
- eliminating waste from processes
- enabling work teams to analyse and understand the root causes of problems so that they are better able to identify the most appropriate solution(s)
- empowering local teams to go ahead and make changes, track progress and share successes and learning points with colleagues across the organisation.

UBS has supported this initiative by providing extensive education in Process Excellence tools drawn from Six Sigma, Lean and total quality management. Examples of the tools in widespread use include:

- creativity
- root cause analysis – including fishbone (Ishikawa) diagrams
- measurement and diagnostic tools (for example Pareto charts)
- process mapping.

Local activity is supported and encouraged through a range of channels:

- intranet
- events
- workshops
- specialist facilitators from the Process Excellence team.

In providing this support, UBS has found that it is important to tailor the mix of interventions used to suit widely varying cultures across their organisation. Although this factor is particularly significant for organisations operating globally, it should also be considered even where different teams or functional specialists operate within a single site.

### Measurement

UBS adopts a rigorous approach to measuring the costs and benefits of centrally driven strategic-improvement programmes and projects. This includes:

- establishing baseline metrics for the relevant process or processes
- re-assessing the performance once improvements have been implemented to establish expected 12-month benefits from change
- periodic reviewing to test whether on track to deliver and checking whether full benefits materialised as expected (for example where volumes drive benefit).

Tactical activity driven by locally focused improvement activity is also measured, but in a simpler way that focuses on calculating expected benefits. The approach uses key productivity metrics to calculate the estimated benefit using standard data for fully loaded cost per employee. So, for example, the expected benefit can be calculated by multiplying the reduction in time taken to complete a given task

## Case study 1: UBS (continued)

or process, by the volume of that activity completed over the set time period (for example, day, week).

Results from tracking activity are compiled by the Programme Management Office and reviewed by a strategic governance body. For 2007, the tracked benefits from both strategic projects and tactical continuous improvements, represented a 10% productivity improvement, with a significant percentage of these flowing from individual or team-driven tactical changes.

Part of the success of the approach that UBS Operations has taken comes from the encouragement given to contribute and leverage existing ideas, in addition to local recognition activity. Successes are marketed internally, using visually powerful media (for example professionally formatted brochures, and the intranet). Although this has been very successful, UBS recognises that there are some cultural barriers to adoption and continue to work to address this.

### Lessons learned

UBS has learned some important lessons from its activities to date. In particular:

- One of the most powerful ways of encouraging teams to generate new ideas is to ensure that as many as possible of those ideas are implemented – having passed through a simple screening process – and are seen to have been implemented.
- Although some activity inevitably focuses on well-known or familiar issues, it is important to provide a clear signal that teams and individuals will be equally supported in suggestions that address emerging or anticipated future problems.
- Care is needed when declining an idea, to avoid creating a disincentive to future suggestions.
- Some form of recognition is important in building and sustaining the flow of ideas from teams and individuals. Although a modest, low-cost, standardised and tangible element is effective, timely manager or peer group recognition combined with the motivation of seeing your own idea implemented, appears to be significantly more powerful in reinforcing these new behaviours.
- A simple visual process for knowing what is going on is vital to ensure that people engage fully and see progress. It also raises awareness across teams, supporting the important aim of spreading good practice as quickly as practicable across all relevant parts of the organisation.

### Embedding the approach

Experience in one territory (Hong Kong) illustrates this new focus on improvement through local innovation:

- The initiative started at the end of 2004 with a centrally co-ordinated team providing a small amount of part-time input and support to the local team of approximately 250 people.
- Right from the outset, the emphasis was on delivering rapid impact while transferring skills to enable the local team to create and maintain momentum.
- The profile of the initiative was raised through presenting awards for innovative ideas at 'town hall' meetings attended by all the local team. Although the awards had a modest tangible element, the most powerful factor was peer recognition.
- Results from the employee surveys confirm that people were now seeing that raising improvement ideas is valued.
- As noted previously, UBS ensures that basic measures are put in place to track the benefits generated

## Case study 1: UBS (continued)

by these innovations. As a result, it can be confident that up-front investment has been repaid many times over by the cost and quality improvements generated. This helps to ensure continued support for the initiative at senior level.

### Evolution

As a business managing £trillions of assets on behalf of clients, there is a clear awareness that the firm must manage change responsibly. UBS also recognises the need to manage potential interdependencies, such as improvements in Process A upstream leading to worsening outcomes for subsequent or linked Process B downstream.

To protect against that, ideas were initially allocated to specific 'reviewers' with the necessary (wider) perspective. Reviewers were then given an agreed timescale to respond to ensure that this process did not become a barrier to progress. However, as confidence has built and capability has matured, UBS has empowered (where appropriate) individuals or teams to make changes and report them afterwards. This has been helped by the fact that self-managed work teams are relatively common.

### Flexible or smart working

One of the interesting differences between this case study and some others is that, while this programme clearly supports adoption of smart working practices, it was not specifically designed to enable particular kinds of flexible working.

However, UBS has found that initiatives to improve productivity have enabled teams to make progress in tackling known issues. For example, improvements in rostering identified by local teams have helped to tackle the long working hours traditionally associated with some parts of the finance sector.

It is also important to note that although the central team has initiated continuous process improvement and facilitated the early stages, over time the deployment has extended to the point where most improvements are being generated and managed to implementation by local teams. This has meant that a relatively modest investment in central support has resulted in large-scale or long-term benefits to the organisation and its employees.

## Case study 2: Merrill Lynch

Merrill Lynch is one of the world's leading wealth management, capital markets and advisory companies with a presence in 40 countries. Merrill Lynch employs approximately 7,000 people in the UK and 60,000 globally.

Merrill Lynch is proud to be an employer of choice 'where people are comfortable joining because they know that meritocracy and performance are what matter'. This reputation is partly built upon Merrill Lynch's policies of offering choice to its employees and the ability to recognise that different people may work better if offered different work environments, or ways of working that are tailored to suit their individual needs.

It is therefore not surprising that Merrill Lynch has adopted a number of smart working practices in the workplace and is eager and willing to embrace new smart working practices which satisfy and motivate their staff.

Merrill Lynch's Co-Head of Employee Relations and HR Services, Sheana Barrett, considers what smart working means to Merrill Lynch and what the future might hold for smart working:

Smart working is broader than flexible working, it is an approach to how we organise our work in order to provide our staff with a greater level of connectivity.

For Merrill Lynch, smart working is a gradual movement towards offering staff an improved work-life balance. One of the biggest benefits of implementing such practices is the high level of retention that is maintained because people are choosing to work in Merrill Lynch as a result of the smart working programmes in place.

Another big benefit is that smart working challenges old-school perceptions and forces a shift in views which have always been accepted to be the norm in the past. An example of this is the way that managers are far more open to allowing their staff to experiment with flexible working than ever before.

A number of smart working initiatives have been gradually introduced over time. Examples of these are:

- A cultural shift, which is more focused on celebrating diversity and employee choice and on changing attitudes. This includes seeing the value of working differently, part of which involves training managers to accept diversity and to open up to the possibility of greater flexibility and greater inclusion.
- Investment in communications technologies: teleconferencing facilities and mobile-working enablement, the introduction of Blackberry to allow remote access, and the set-up of video phones to enable 'face-to-face' interaction with colleagues in other countries or parts of the country.
- Creation of a shared service centre in Camberley where work environment has been transformed by the removal of static desk configuration, and the introduction of flexible desk space and hot-desking areas.

### **Smart working is about demonstrating 'integrity, respect for the individual and trust'**

Merrill Lynch is acutely aware that their workforce are demanding more flexible working arrangements and better work-life balance. To this end they have adapted their recruitment strategy to keep up with these evolving trends as they are keen to retain and get the best out of their existing staff and to attract more from the talent pool.

## Case study 2: Merrill Lynch (continued)

Other parts of the business allow phased return-to-work for new mothers or those returning from sick leave. 'The focus is around the individual and respecting diversity and we try to accommodate the individual circumstance as much as possible.'

One of the greatest challenges to companies of the future is the issue of work-life balance, which is becoming a real social issue that is influencing the attitudes of individuals towards employment. As people want to balance their work and home life more and more, they need access to a greater level of control in their work. Merrill Lynch recognises that society is changing and that the way that staff work has to be in tune with these social changes. The aim is, where possible, to cater for the differing aspirations of workers at all stages of life.

So far, there has been little measurement within Merrill Lynch to accurately gauge the success of these initiatives. However, greater levels of retention indicate that overall job satisfaction within the organisation has improved. Although there are no specific smart working plans in place at the moment, Merrill Lynch believes that the smart working journey needs to continue. The key is to assess each case separately and to try to offer smart working initiatives that work for the individual.

## Case study 3: Microsoft

Microsoft is a global organisation, headquartered in the USA. Microsoft provides software platform and services, including business applications, home-computing solutions, entertainment packages and devices.

Microsoft sees the primary purpose of smart working as helping people work most effectively, making full use of innovative technologies and taking action to enable people to work more flexibly.

### Flexible working

In common with many larger employers, Microsoft has well-established formalised policies for flexible working. Specifically, these include:

- job-sharing
- part-time working
- condensed hours.

Microsoft track take-up of formal policies and support them in various ways. This potentially includes introducing a matching tool to facilitate job-shares. Although there is a formal application process which employees can use to express interest in any of these forms of flexible working, the main influence on decision-making is the fact that it is well embedded in the history and culture of the organisation, reflecting its heritage as an innovative technology company.

As a result, Microsoft supplements formal policy with a range of more informal approaches to enabling and supporting flexible working. For example:

- most roles do not have set working hours or work locations, and, as seen below, HR will support employees in challenging assumptions about where and when work can be done
- there is a culture of trust and accountability, with a focus on meeting challenging goals and targets rather than demonstrating attendance through hours worked on site.

Microsoft recognises that there are challenges in adjusting to this way of working. For instance, effective homeworking requires a more disciplined approach to diary planning than more conventional office-based working. Information and best practice guidance are provided through the intranet to help people to make this adjustment.

### Enabling technologies

As might be expected, Microsoft supports locationally independent working by widespread use of enabling technology including:

- broadband access
- smartphones
- laptops
- webcams.

Extensive use is also made of software that enables more effective collaborative working. This includes:

- Roundtable – a virtual conferencing tool that provides a 360° view of meeting attendees
- LiveMeeting – allows participants to show or share documents
- OneNote – creates a virtual whiteboard for use during discussions

### Case study 3: Microsoft (continued)

- Groove – allows documents to be shared on- or offline
- Instant messenger – allows quick answers to brief questions.

Although many employees readily adopt these enabling technologies, usage is also encouraged and supported by:

- 'champions' within the team, with a role to promote good practice
- lunchtime briefing sessions, giving employees the opportunity to learn in short, fairly informal sessions.

Microsoft has found that the combination of enabling technology, formal and informal support, enables good practice to spread quickly from colleague to colleague.

#### Physical environment

Most employees currently have fixed desks, but the latest building on campus sees the introduction of Workplace Advantage, a Facilities Team initiative to look at how to manage space and desk availability most effectively. The starting point is to review how many days on-site working a team or individual needs to work effectively, and then to plan provision based on that.

Hot-desking is an important part of managing the need for flexibility in provision of office space. However, it is recognised that this does not suit all employees equally well, and that some find this a more disruptive working environment than conventional working. For most, however, the advantages in terms of flexibility outweigh the concerns.

If successful, the pilot scheme will lead to progressive roll-out across the campus. Support to collaborative working is also provided by ensuring that the whole campus has good wireless access. This includes enabling people to work in the open air in the landscaped grounds if they wish to do so.

The physical environment also helps face-to-face contact. Each building has an atrium enabling colleagues to meet informally to discuss issues over a coffee. Quiet space is also provided to enable more focused working when required.

#### Job design

Microsoft does not specifically design jobs to enable flexible working, but is open to proposals on flexible working patterns from employees. Provided there are no significant barriers – for example, specific customer needs that can only be met through some restrictions on employee flexibility – there is then a testing period of around three months to see whether the arrangement works for the individual, their line manager and colleagues. This supports learning from doing, rather than assuming that something wouldn't work because that is not the way that it is currently done.

Although this is often managed through discussion between the employee and their line manager, HR is involved, particularly where the issue is raised through the formal process. This ensures that Microsoft is compliant with the relevant legislation.

### Case study 3: Microsoft (continued)

Good practice is promoted via a flexible working portal, which HR developed with support from the Global Diversity Team. The portal contains useful case studies that employees and managers can access, helping to dispel myths about which roles can and can't adopt flexible working principles successfully.

Although, as noted above, there are some roles for which achieving flexibility can be harder – particularly where they are directly customer-facing (for example sales roles) – it has been possible to make some progress by introducing job-share despite initial concerns.

#### Employees

Microsoft explicitly recognises that smart working is not just about enabling employees to meet parental commitments. Microsoft believes that the flexibility and support to smart working that they offer is an important factor in attracting and retaining key talent. It has a particularly important role to play in attracting emerging Generation Y employees who have a very different expectation of the working environment and take many of the technology enablers that Microsoft provide as a given.

Although smart working offers many benefits for both employer and employees, there is a shadow side: an 'always available' culture. This can be seen as directly equivalent to old-style presenteeism, under which judgements about employee performance are seen to be influenced by the hours they spend at the workplace.

Microsoft recognised this issue through employee survey feedback and researched it in more detail through interviews with 180 people. This led to the establishment of a Stress Committee to develop and champion an action plan to address root causes. The support provided not only helps individuals to address their concerns, but also sends a clear signal that Microsoft recognises that the greater freedom of action available to people does not automatically enable them to achieve a better work-life balance.

Last but not least, another example of the support provided is return-to-work coaching. This is outside the normal line manager support, enabling a more open discussion and review of potential flexible working options.

## Case study 4: Allen & Overy

Allen & Overy (A&O) is recognised globally as one of the top-tier international law firms; with over 5,000 people employed in 28 major international centres, the firm is one of the largest and most successful legal practices in the world.

In phase one of this research, we profiled Allen & Overy's moves to adopt the key principles of smart working in the areas of management values, physical environment, high-performing work practices and technology. As we hear below, the journey continues.

Under Genevieve Tennant, Global Director of HR, the firm has gradually been adopting the principles of smart working, driven by the need to attract and retain the brightest associates. There is also a drive to ensure that the firm retains more of its talented female lawyers in a profession which sees many women leave prior to partnership. One of the keys to this is changing attitudes towards flexibility and there are ongoing initiatives in this area. Genevieve believes that embracing change within a robust and proven organisational model is essential if Allen & Overy is to retain its place amongst the leading global firms.

### Allen & Overy's definition of smart working

Smart working from an A&O perspective is closely aligned to the CIPD's definition. It is about creating 'an environment where people are clear about performance expectations and are given accountability for delivering on those expectations. People need to be measured on the quality of output rather than hours spent in the office.' Smart working at A&O is grounded firmly in business needs. A law firm is subtly different from the other companies we have discussed in the case studies, in that close teamworking is deemed to be so important that teams often must be physically co-located. The focus is not always so much on homeworking therefore but more about environment, organisational structure and the design of office space.

Having said this, the firm is clear that the new generation of lawyers (male and female) expects more autonomy and indeed the firm itself is keen to encourage a high level of entrepreneurship and innovation amongst its staff. Outcome-based metrics are therefore being incorporated into people's objectives and there is an increasingly 'high-trust' management culture based on the belief that people will generally strive to perform.

### Organisation structure

The partnership structure remains an essential ingredient in creating the right environment for smart working at Allen & Overy. The firm portrays a modern, exciting image while maintaining its history and traditions. It has an enviable employer brand which is regularly quoted as a real attraction by new recruits. There is also consistent feedback from clients that the firm is easy to do business with. People say they enjoy working with the firm and this feedback has come from clients, suppliers and partners. The firm puts much of this down to its emphasis on the values of mutual respect and trust but Tennant is quick to add that this does not mean the firm is not also competitive, aggressive and hungry for new business.

The fact that it is almost entirely a people business means that the HR function at Allen & Overy plays an increasingly important facilitating role in enabling the firm to attract, motivate and retain the best possible-quality of staff at all levels. The firm's use of connected and supportive people management processes is an ongoing priority.

'Allen & Overy leads the legal profession in its people management practices,' says Tennant. 'We are constantly focused on the war for talent in all areas of the business and have taken many initiatives to

## Case study 4: Allen & Overy (continued)

be the employer of choice in the legal sector.’ Across the three key groupings (partners, associates and support) there is an acknowledgement by HR that there is now much increased mobility in the legal sector and that innovation is a constant necessity in the face of this challenge.

### A recap on some of the initiatives taken so far

‘High Performance work practices’ have been adopted in the form of innovative incentive schemes, family-friendly policies, flexible benefits (including holiday trading), career breaks and sabbaticals. The firm is also focused on the pursuit of excellence in support functions and selective outsourcing where this is perceived to increase quality at a competitive price. While the partnership model has endured for centuries, it seems set to allow the brightest and most individualistic employees the freedom to develop in the new organisational paradigm; it certainly accommodates the sorts of freedom and autonomy that ‘Generation Y’ purports to crave. The firm also supports corporate social responsibility and employee well-being and actively encourages pro bono work and providing help and support to local schools and various charities.

### Key features of smart working at A&O

- Organisational structure enables entrepreneurship and innovation.
- People management interventions are increasingly seen as critical to the success of the firm.
- There is an increase in the use of flexible office space and collaboration zones.
- There is an increasingly strong focus on developing team dynamics including increasing use of executive coaching.
- New career paths have been introduced to retain those who may not aspire to partnership.
- Partners are encouraged to actively engage with associates on a range of business issues.
- Career breaks and flexible working arrangements are becoming more prevalent.
- Blackberrys and laptops enable mobile-working, audio- and videoconferencing and webinars support greater international collaboration and virtual teamworking.
- Online training is increasingly being adopted.

### Resistance to change

Genevieve admits that there have been challenges along the way in the form of inevitable resistance to change from some quarters. Some partners felt that they needed to have their people in the office and there was a concern that people would not necessarily prioritise their work and business development initiatives in an effective way if this was not the case. Given effective communication and some education, there is an increasing acceptance that people do in fact tend to overdeliver. As professionals A&O finds that its people generally give far more than is technically expected of them and this is changing attitudes towards flexibility. There is also awareness that in a 24/7 world, there is more blurring between home and work and therefore flexibility on both sides is essential. The war for talent means that they simply cannot afford to lose the talented people they have and this is driving a more flexible mind-set amongst the partners.

There is a move away from presenteeism coupled increasingly with the emergence of virtual teams working internationally who cannot be expected to be co-located. Indeed Allen & Overy is keen to avoid the potentially unhealthy side to flexible working of people working too much. At a recent partner retreat in Barcelona, people were asked to give in their Blackberry as they arrived and the feedback on this initiative was very positive. Partners commented that they felt liberated and were able to focus fully on the conference and derive maximum benefit from the time spent together.

## Case study 4: Allen & Overy (continued)

### Working environment

When the London headquarters moved to its current location in 2006, great attention was paid to the quality of life of all employees at the firm. The building was developed with environmental issues in mind, recycling and solar power being only two of the obvious signs of this. The design of the building was equally important, with a focus on open space to encourage collaboration, and lots of light to engender feelings of well-being. Health and fitness was also a big consideration. There is an on-site fitness centre, health screening facilities, dental facilities and more, all accessible during office hours to minimise inconvenience to employees. There are ongoing initiatives in this area.

### Innovation in business development

The alumni network is a recognised source of new business and knowledge-sharing and a highly valued part of the organisational model. The firm produces a yearbook for all alumni and encourages a variety of activities such as art exhibitions and discussion forums. The firm's Facebook group has thousands of members, including both current employees and alumni, and is indicative of the brand loyalty that the firm's approach engenders.

In addition to this, senior associates are now given a business development budget which they can use to keep in contact with their peers. There is a recognition that friends and former colleagues may well turn out to be future clients so everyone is encouraged to develop an active network of contacts.

The firm encourages challenge and allows employees to stretch themselves and explore their limits. Increasingly associates are expected to manage their own careers and to seek out opportunities for themselves. The organisation is giving much more clarity as to what is expected of its people in the form of a competency model and detailed performance objectives linked to business priorities. It is in short becoming more future and development focused and less backward-looking in its performance management processes.

### Information technology

Taking advantage of advances in communications technology, Allen & Overy has rolled out state-of-the-art knowledge management software, available on Blackberry, giving staff a high degree of autonomy in where and when they work. This is particularly important as the firm becomes ever more global. As a result, increased flexible working is becoming inevitable, although this is always balanced by the needs of the business and the recognition that clients come first, something all employees at Allen & Overy understand.

A&O identifies multiple benefits associated with the adoption of smart working:

- The ability to attract higher-quality candidates and understand how best to develop skills and competencies; indeed the skills and competencies required of associates has been captured in a global competency framework.
- Higher rates of staff engagement as measured through the bi-annual staff survey.
- Innovation in business development – results are starting to be evident from a programme which allows associates to take more responsibility in the earlier years of their careers.
- Improved recruitment: a wider geographical area of recruitment allows for recruitment of scarce skills and resources from a more diverse range of backgrounds.
- The firm has implemented a new performance management process to encourage more regular feedback and better career development.
- Retaining women remains a key priority. Emergency childcare facilities, maternity coaching, parenting seminars and a parents@A&O wiki, are just some of the initiatives introduced in the past few years.
- Greater customer satisfaction. This is of massive importance as approximately 80% of work comes from 20% of clients.

## Case study 5: Centrica

Centrica is an international integrated energy organisation, headquartered in the UK; its brands include British Gas, British Gas Services, DynoRod, Centrica Energy, Centrica Storage and Direct Energy. Centrica employs approximately 29,000 people in the UK and 4,000 overseas.

In phase one of this research, we profiled Centrica's Project 'Martini' (later renamed Work:Wise). The project had been established to identify and implement new working practices to take advantage of new and upgraded working facilities, which included state-of-the-art office facilities and investment in IT, particularly communications technologies. The business case for flexible working was built on the idea of significant commercial property savings and promoting Centrica as an employer of choice. But, more than this, as Centrica's Melanie Flogdell told us, the changes were intended to form part of the business strategy and working culture and processes.

### A recap on the key features of Work:Wise at Centrica

- Transformation of physical work environment: removal of static desk configuration, flexible desk space and hot-desking within team footprints, touch-down, break-out and collaborative work zones created.
- Removal of automatic parking spaces to challenge assumptions about need to travel to the office.
- Investment in communications technologies: teleconferencing facilities and mobile-working enablement.
- Introduction of web-based collaborative technologies.
- Culture change, including building smart working line manager capability and working with teams to determine working conventions.

The project has delivered significant business benefits, including £10 million per annum property savings, travel savings equivalent to 13 return trips to the moon, 38% improvement in work-life balance feedback and increases to employee engagement.

In this phase-two research, we returned to Centrica to hear about recent evaluation of the project and to ask what Centrica has learned about smart working a year on.

### Smart working is a very different way of working and the change needs to be managed

Flexible working requires a change in attitude and approach from the whole organisation. Flexibility is not a one-off project initiative but needs to be integrated into the business strategy.

Lessons learned include:

- engage employees and managers in the process to support the change
- establish a flexible working champion in each business area; this should be a senior person who is a flexible working enthusiast and can ensure that business strategy makes the most effective use of flexible working patterns
- publicise positive case studies
- set clear objectives and manage on output, not attendance
- ensure you provide the tools to support the job and ensure the health and safety policy is being adhered to
- recognise that smart working increases the need for team-building activities across the company, and build in extra budget to provide facilities and expenses for these events.

## Case study 5: Centrica (continued)

### Anticipate the challenges and be prepared to address them

#### *Managers may be concerned over loss of control*

Develop compulsory manager coaching sessions that deal explicitly with the nuances of smart working, including managing a remote workforce, performance management, team cohesion, trust and communication.

#### *Inaccurate or ever-changing organisation charts*

Up-to-date team information is vital to taking teams through a programme in very tight timescales. Create an effective process to check and double-check team structures.

#### *No robust information on employees' technical equipment*

A personal survey form was created to capture people's current hardware and software details, and also to assess work practices and their propensity for flexibility. Thus new 'mobile' equipment, or necessary upgrades, could be ordered in bulk.

#### *Parking and facilities*

Flexible working can mean more people based at a site, which has a knock-on effect on parking, access cards, restaurant opening times, security procedures and so on. The Property and Facilities Department must be involved in the design and implementation of new working practices to ensure that support for people is available.

#### *Technology support*

A remote worker with faulty technical equipment is a frustrated and unproductive worker. Work:Wise introduced a dedicated helpdesk just for mobile workers and enhanced service-level agreements around technology support services, for example, the 24-hour replacement of faulty laptops.

#### *People work too hard*

Broadband is 24/7 but your people shouldn't be. While productivity often increases with flexibility, it shouldn't simply be a way of extending working hours. The team-based training at Centrica means that teams set their own expectations and parameters for working together. They produce a mandate that sets out when phones will be answered and when e-mails will be responded to and so on.

#### *Health and safety issues away from the office or in unfamiliar sites*

Centrica couldn't find health and safety films for remote working so they made their own and all mobile workers are shown it.

### Implement temperature checks to help assess how well you are doing

Following the implementation of Work:Wise, Centrica undertook focus groups and a survey to gain feedback from its people.

On a five-point (one to five) scale, the results for the various aspects of Work:Wise were:

- service or support received: 3.55
- training / coaching: 3.69
- communications: 3.50
- supply of equipment: 3.37
- overall: 3.60

## Case study 5: Centrica (continued)

Other evaluation showed that flexible workers had significantly higher levels of job satisfaction and job fulfilment than non-flexible workers. They also had significantly higher levels of organisational commitment and empowerment and this had a positive effect on work–life balance and stress. In addition, 89.5% of managers and 94.5% of flexible workers reported that flexible working either had a positive or no effect on the quantity of work delivered; 94.5% of managers and 97.7% of flexible workers reported that flexible working either had a positive or no effect on the quality of work delivered.

### **Smart working is a journey and the Centrica journey continues**

The ongoing success of flexible working requires the continued embedding of Work:Wise thinking within ‘business as usual’. In cultural terms, ongoing training and support should be offered to teams to ensure the good intentions of their ways-of-working charters are realised. In terms of infrastructure, the right office design and facilities (for example parking, hot-desks, WLAN) should be in place to encourage people to change the way they work and remove obstacles to productivity.

Although the project was implemented in 2004, the Work:Wise team is now reduced to one person, with established ‘business as usual’ processes for recruitment, technology and performance management – responsibility being devolved into the central functions, with a number of ‘ambassadors for flexibility’ ensuring continuity and quality.

### **Smart working certainly saves cost and increases property utilisation, but the soft benefits are significant**

#### **Recruitment and retention**

Many interviewees indicated it was important in their decision to accept a job with Centrica, or would be important in considering a future opportunity with another organisation. A number of individuals believed that the arrangements for flexible working that they had with Centrica were superior to those they would be able to secure elsewhere and this was a strong factor in keeping them with the company.

#### **Careers**

Data from the interviews indicated that employees did not think that working flexibly was likely to impact on their careers and a number reported that they had been promoted since they began working flexibly.

#### **Technology and support**

Eighty per cent of respondents indicated that the technology provided by the company to support flexible working was adequate. In the interviews respondents expressed a high degree of satisfaction with the technology provided. In relation to support provided, most interviewees indicated that the company had been very supportive in providing equipment to work remotely, including paying for, or contributing to the cost of things, such as desks, chairs and telephone ear pieces to be used at home.

## Case study 5: Centrica (continued)

### Smart working is part of the culture at Centrica

Participants of Work:Wise generally felt that it was an excellent programme, and like working for a company at the cutting edge of working practices. Having tried flexible working, they would not want to go back to the old way of working. Many said the new flexible working culture makes them reluctant to leave Centrica. Generally, people feel more trusted and more in control, and so report taking more personal responsibility for getting their work done, and this results in increased effectiveness and productivity.

### Look to the future and continuously improve

Smart working isn't just about implementing flexible working for HQ London roles. The philosophy has spread to operational roles too.

It is generally recognised that certain types of work lend themselves to the different forms of flexible working more readily than others. All mobile and homeworkers within Centrica are evaluated to align their equipment and practices with the Work:Wise standard, to gain improvements in employee engagement and productivity. Call centre optimisation has meant a combination of more efficient desking and better-integrated teleworking or rostering. Centrica's 8,500 engineers all work remotely using the latest laptop technology.

Moving forward, Centrica has the opportunity to revisit its smart working proposition and look at where enhancements can be made.

## Case study 6: The Qualifications and Curriculum Authority

The Qualifications and Curriculum Authority (QCA) is a public body sponsored by the Department for Children, Schools and Families (DCSF), which is responsible for maintaining and developing the national curriculum and associated assessments, tests and examinations.

Mike Mordecai, responsible for Project WoW (Ways of Working), told us about the decision to introduce new ways of working within the QCA and what future challenges he anticipated.

The QCA is currently in the early stages of its smart working journey. During 2007, the WoW team investigated new and different flexible work practices which would have the dual benefit of enhancing the QCA's overall efficiency and effectiveness, while also better meeting people's personal work preferences. The pilot was launched in May 2008 involving the complete refit of a department and the removal of the static desk set-up, replacing these with hot-desking facilities and collaborative work zones.

The pilot incorporated 52 desks, which can accommodate approximately 70 staff. All desks can be booked electronically and are equipped with a landline, a laptop docking station, a monitor and a keyboard. All employees have been issued with a mobile phone or Blackberry to receive incoming calls. A clear desk policy operates overnight and all desks have to be booked using the new booking software. A multi-function device (MFD) replaces the previously large number of printers, copiers, scanners and faxes.

The main business drivers for adopting smart working principles are:

- testing new ways of working to provide lessons learned for the move to a new location
- retaining staff through the transition period
- enabling London-based staff to stay with the organisation when it moves to Coventry without necessarily having to physically relocate
- relocation to purpose-built offices provides a rare opportunity to review the entire organisation's working practices, productivity and staff benefits (in attraction and retention).

QCA has revamped its working options. Thanks to technological advances such as improved remote access solutions, QCA staff have been actively encouraged to look at new flexible working options, such as:

- flexitime
- compressed working week
- part-time working
- job-sharing
- term-time working
- partial retirement
- ad hoc remote working
- working at home
- home-based working.

Many parts of the public sector have already established a strong record on flexible working policies which help attract and retain staff. Smart working makes implementing many of these policies easier. As the QCA embarks on a recruitment campaign in Coventry, it is strongly felt that the working environment and practices that smart working offers will be a real selling point to potential recruits.

## Case study 6: The Qualifications and Curriculum Authority (continued)

Some of the key smart working initiatives that have been launched as part of this pilot are as follows:

- the physical work environment on the second floor of the London office has been completely transformed: removal of static desk configuration, flexible desk space and hot-desking within team footprints, touch-down, break-out and collaborative work zones created
- investment in communications technologies: teleconferencing facilities and mobile-working enablement
- introduction of web-based collaborative technologies
- culture change, including building smart working line manager capability and working with teams to determine working conventions.

By adopting these greater flexible working practices, the QCA aims to:

- attract and retain staff in order to meet business demands
- develop a culture of flexible and collaborative working behaviour that is capable of dealing with organisational change
- achieve value for money in the provision of office accommodation and services.

The QCA is in the early days of implementation and so is using the pilot to learn as much as possible about the initiatives that work best for them. A key lesson learned from the pilot so far is that good measurement is key and without this, it is impossible to tell what kind of impact these changes have had. Also it is important to develop people's confidence in the technology infrastructure if an organisation is to be successful in changing its working practices.

As the QCA is still in the pilot phase of its smart working journey, the value is still emerging and is not yet completely clear. Staff and managers are being surveyed regularly and original assumptions are being challenged. Internal research and evaluation teams are being used to design surveys that provide a rich mixture of quantitative and qualitative data. This data has proved invaluable in helping the QCA look at both the new building design and how some corporate services functions and processes will need to change to support smarter working and to drive out some of the predicted efficiencies.

### **Managers are beginning to realise how important trust is for working relationships to be effective**

For a manager it is about enabling knowledge-sharing and team cohesion, which can be very challenging. Implications for a variety of management processes and delegations need exploring in depth. The pilot is throwing up a wide variety of interesting challenges in every area of corporate services, for example in IT, HR, finance and procurement. A more mobile workforce needs different types of support and shared space means resources are used and shared differently.

## Case study 6: The Qualifications and Curriculum Authority (continued)

Three staff surveys have been carried out since the pilot launch. Each has concentrated on different aspects of the pilot – initial teething problems and concerns, infrastructure and cultural/management issues. The best rated features of the pilot so far include:

- mobile technology – laptops, blackberries etc
- mixing with colleagues from other teams
- more meeting space
- better utilisation of storage space and clear desk policy.

Worst rated features include:

- noise levels
- lack of privacy
- loss of team cohesion.

Survey results at this stage suggest that the majority of people feel that the benefits of the pilot outweigh the negatives with satisfaction increasing through the period. A further survey is planned to dig deeper into some of the cultural and team cohesion issues highlighted, and all of the survey results are being fed into the key relocation workstreams within the relocation to Coventry programme.

## Case study 7: British Telecom (BT)

British Telecom (BT) is one of the world's leading providers of communications solutions and services. Operating in 170 countries, it provides networked IT services, local, national and international telecommunications services, broadband and Internet products and services. BT consists principally of four lines of business: BT Global Services, Openreach, BT Retail and BT Wholesale.

The nature of BT's operations, both now and historically, requires significant geographical dispersion and the property portfolio includes a presence in every town in the UK. As a company with a large office-based population, the potential for working smarter leveraging BT's communications technology seemed a logical way to reduce property costs, deliver on environmental responsibilities and drive the engagement of BT's people. Not surprisingly, as an organisation offering smart working technology to its customers, BT was keen to act as a centre of excellence in flexible working. In doing so, BT created the momentum and established tools and ways of working that now exist across industry.

We profiled BT as part of the first phase of this report, and learned how they overcame physical boundaries to ensure that BT people can effectively respond to customers, interact as a team and perform their work duties regardless of where they are located. And we learned how the principles of flexibility, autonomy and freedom have become engrained as part of BT's management ethos and work culture.

We returned to BT in this second phase of our report, and asked BT's Head of Diversity Portfolio, David Wilson, to reflect on what smart working means to BT and to look to the future and tell us what he sees:

### **Smart working is about a fundamental need to maximise the productivity of an organisation, but to get there you need to challenge traditional assumptions**

Businesses may have several possible drivers for smart working: cost, the green agenda and opportunity afforded by technology, but the productivity requirement is probably king.

One of the huge benefits of smart working and the evolution towards it is that it challenges management practices, and apathies, accepted by default. A key example is the way in which productivity measurement might be perceived. When considering how to measure productivity of flexible workers, you need to challenge yourselves on how, or if, you measure the productivity of non-flexible workers.

The persistent belief that attendance is good, and 'presenteeism' (commonly translated into long-hours culture, but is actually much more than that), will need to be addressed with more urgency in the future. Technology challenges the way we access information and process our lives. We need to consider the way that children are studying and managing their social lives online and look to the future as to the tools we will provide for people to do their jobs. The concept that attendance is a thing you do will become more and more alien to Generation Y. We need to truly think about, and manage, the outcomes of work.

### **Smart working is about management beyond trust**

In a smart working world, we need to look at the role of the manager and their impact on its success or failure. The future will require a commitment for an adult and a collaborative relationship. This goes beyond trust. Trust is and has always been needed in any working environment. Remote or flexible working simply highlights the need for trust.

## Case study 7: British Telecom (BT) (continued)

A common misconception is that smart working is simply the shift from office to remote working, but smart working has existed in many other environments. Take for instance a road sweeper. Road sweepers have always operated autonomously, and management approaches have needed to support this, for example, performance management and reward based on the outcomes of work. Smart working does not just exist in buildings.

### Smart working requires a redefinition of talent

The traditional employment assumption is that you must strive to get the very best talent inside your organisation, and therefore employers develop solutions to attracting and building talent and giving this to the outside world. As we move forward, access to knowledge and the best talent for most employers is likely to be found somewhere else; perhaps there are more talented people to be found outside the organisation than inside?

How does this manifest itself in future employment? Why am I bothered where talent is, when I can access it all over the world through Internet technologies? With worldwide social and economic developments, the one-laptop-per-child project being a relevant example, skilled talent will exist across geographic and social boundaries. Organisations that appreciate this could access this knowledge and turn intellect into profit. This challenges employers to switch to a smart deployment model over an employment model.

Some parts of BT's business are operating spilt shifts in a way that has not been seen before. For example, our conference booking system is managed and focused around customer demand; our agents work 30 minutes on and 30 minutes off. This approach has provided accessibility to a wider talent pool, which reaches people to whom the conventional constructs of a job were unsuitable, and whose only previous option had been not to work. The ways that work is currently constructed and rewarded limits many of those people to whom we have a social responsibility to cater for. For example, the ageing population and those with disabilities, travel barriers, parents, carers, school governors and so on. Smart working enables employers to make themselves more accessible to more talented people.

### Smart working challenges us to reconsider the traditional constructs of a job and the design of organisations

Smart working challenges us to revisit the assumptions underpinning the way that jobs have traditionally been designed and managed. Consider the definition of 'full-time' employment. Do employers believe that their people are working on the highest priorities of the organisation at all times? Do customer requirements actually offer this as a real possibility? How many more roles could be delivered on a part-time basis? How many people might have more than one employer at a time?

Smart working asks us to think about organisation design in terms of the communities that exist within and around the enterprise. Traditional structural paradigms will be less relevant in the future. We need to move from the old world where employers would reject innovations 'not invented here' to a culture of 'proudly found elsewhere'. Consider, for example, the emergence of text messaging. This was never seen as a viable product by telecommunication business, but as a background technical solution. It was consumers who took this innovation and developed a proposition, which included a language (text speak) without the involvement of any supplier. Thinking of the world in these terms enables us to think about how communities of people around our organisations can add value to the business through contributing to product development or service requirements, to unlock real potential.

# Conclusion

We believe that this second-phase report has proved that smart working as a concept has real relevance to organisations today. Further, we have identified a wide range of organisations in both the public and private sectors, at varying stages of their journey towards smart or, at least, smarter working.

This enables us to state with confidence that empowering employees with greater flexibility over hours, location and working methods and delivering greater organisational efficiency are mutually reinforcing rather than mutually exclusive goals.

Indeed, we believe that there is strong evidence that adopting smart working practices and mind-set is a crucial enabler to sustainable organisational success, and to market differentiation.

The case studies give us confidence that smart working can deliver meaningful benefits for both organisations and employees. However, in every case

potential business, customer and employee benefits from smart working but who are not (as yet) making full use of all four levers.

We conclude that there is likely to be a multiplicative relationship between the pillars (see Figure 2), and this is the assumption that underpins the toolkit which accompanies this report.

Therefore, organisations will only achieve a step change in performance by looking at all four areas. This provides a rationale for HR practitioners to get excited about the concept of smart working, because they have (or should have) useful insights on the first two issues, and a good appreciation of how technology and the working environment impact employee effectiveness.

Given the results achieved by our case study organisations, we believe that we are now at a potential tipping point. The typical working lives of many,

Figure 2: The relationship between the four pillars of smart working

$$\text{management values} \times \text{high-performance work practices} \times \text{enabling technology} \times \text{physical working environment} = \text{Outcome}$$

these organisations have also had to tackle barriers and unforeseen issues in order to succeed, so the case studies also offer valuable learning points that highlight potential pitfalls and how these can be managed or mitigated.

Our research has never set out to suggest that there are large numbers of organisations in the UK which exemplify 'smart working'. It is an emerging concept, and therefore the window that our research opens reveals a range of organisations that recognise the

perhaps even most, employees is currently far removed from anything that might reasonably be described as 'smart'. It is, rather, characterised by long hours. As one commentator put it, the 'working week' has become the 'waking week' in poor physical environments, with inefficient and un-engaging work practices. This is unsustainable in the face of competitive pressure and the need to attract and retain a talented workforce. Looking back from 2020, we see smart working becoming conventional wisdom, at least for those organisations that look to thrive.

Therefore, we suggest a view of the current smart working paradigm as that of two overlapping circles, one containing all the solutions that deliver benefits to the organisation, the other which contains all the solutions which deliver benefits to the individuals working in those organisations. Our challenge is to use the insights we have to guide organisations to implement the ways of working that sit in the intersection between the two.

Our initial research concluded that smart working might be crucial in closing the UK productivity gap, and allow a differentiation that enables the UK to compete effectively in the global economy and this conclusion holds true in our second-phase research. The aim of the accompanying toolkit is to enable more companies to embark on their own smart working journeys.

So we conclude that smart working exists, has proven benefits, but is in its infancy. Those organisations at the far end of the smart working spectrum clearly demonstrate the benefits through achievement of superior business performance outcomes, and this sets a challenge for the HR function to act as the ambassador for smart working.

We believe that HR has a vital role to play in supporting organisations on this journey and that many of the key enablers sit squarely at the door of HR. Perhaps the answer to unlocking real acceptance of smart working lies in something of a role reversal with HR directors presenting the benefits and cost savings achievable to the finance directors. With the finance director and the CEO on board we would be likely to see a rapid increase in the uptake of smart working practices.

The future will be bright, therefore, as long as it is smart.

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