Deloitte Access Economics

The Connected Workplace

War for talent in the digital economy

2013

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Executive summary

Australian and New Zealand business leaders are in a war for talent. In a highly-competitive labour market, there is a shortage of skilled employees.

War for talent

Consider the following facts:

- The next five years are projected to see fewer than 125 people exiting education for every 100 people retiring – the highest ratio in Australia's history (Deloitte, 2011)
- According to a 2010 Australian Industry Group survey, nearly half of businesses considered that there was a high to extreme risk of skills shortages impacting negatively on their businesses in the next five years
- During the year ending on 30 June 2011, 20% of businesses reported the inability to find skilled workers within the labour market or within their own business as a barrier to innovation (ABS, 2012b)
- A recent Deloitte report, **Digital Disruption: Short Fuse, Big Bang?** (2012c) found that one third of the Australian economy faces a 'short fuse, big bang' scenario – meaning a dramatic change in revenue sources within the next three years. The report emphasised that businesses need to elevate their digital strategies to avoid becoming digital 'road kill'.

In sum, there are fewer skilled employees, but they are critical for innovation and business success. If businesses do not win the war for talent they put their futures at risk.

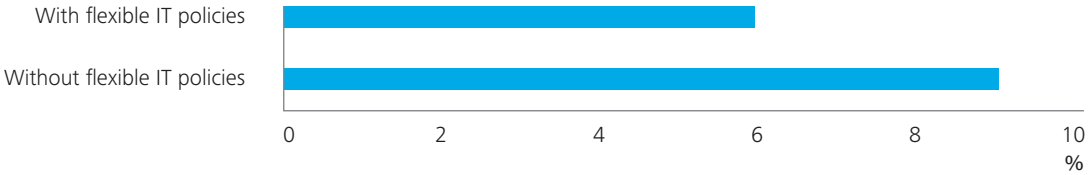
A successful digital strategy is where a business uses devices and applications and develops supporting policies to maximise the benefits of new technologies.

This report finds that flexible IT tools and approaches play a major role in overall employee satisfaction and retention. It is based on a new survey of over 500 employees across Australia and New Zealand, and targeted consultations with business leaders.

Flexible IT policies such as the ability to use technology to work from home or use social media play a major role in overall employee satisfaction and retention. Employees without access to flexible IT policies are less satisfied with their job. Only 62% of employees without access to flexible IT policies report feeling satisfied at work. Up to 83% of employees with access to flexible IT policies (such as social media access) report feeling satisfied at work.

Do flexible IT policies affect the likelihood of whether employees plan to leave their current employer? Our results suggest they do. More detail is provided in the body of the report, but in short, 9% of those without access to flexible IT policies are dissatisfied and plan to leave their current employer within the next twelve months. By contrast, only 6% of those with flexible IT policies (such as telework and access to social media) say the same thing.

Chart i: Flexible IT policies and dissatisfied employees planning to leave



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

These findings suggest that businesses looking to win the war for talent need to give employees tools they want to use and be flexible in their IT approach.

This means giving employees the opportunity to use cutting-edge devices – or their devices of choice – flexibility about the platforms and applications they use in addition to the ability to harness workplace-specific social media to build employee engagement

We estimate the potential financial benefits of businesses adopting more flexible approaches to IT and realising reduced costs of employee turnover. The estimate is based on flexible IT policies reducing turnover by half of the difference between those with and without flexible IT policies, which equals 1.8 percentage points. We use a Randstad estimate of replacing the cost of skilled employees as 75% of their annual salary, and take an average annual salary level of $55,000.

- For an average medium-sized business with 30 employees, this could represent a reduction in costs of around $22,000 per year
- For an average large business with 500 employees, this could represent a reduction in costs of around $350,000 per year
- Small businesses also benefit, but it depends significantly on the number of employees.

Importantly, these are not one-off financial benefits, but can build over time, as businesses improve employee engagement. For example, over a 10 year period, using a discount rate of 7%, an average large-sized business with flexible IT policies has the potential to save around $2.6 million.

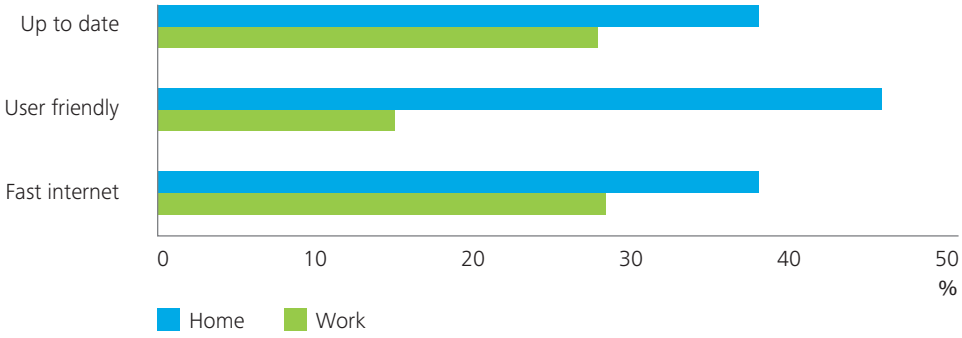
While digital strategies might typically be judged by what they contribute to productivity or efficiency, there is also an overlooked human dividend from sophisticated and flexible digital strategies.

Workplace IT is holding back a nation of early adopters

Superior experiences with digital technology in personal life are also driving change and contributing to employee frustrations at work. For many employees, going to work is likely to be a step-down from what they have become used to in their home environment.

The survey asked employees to compare their work and home technology experiences and found that on average employees were more satisfied with their home technology. It was considered better in three ways: it was more up-to-date (38% of employees), had faster internet access (38% of employees) and was more user-friendly (46%).

Chart ii: Digital technology – home and work (% of those surveyed)



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

However, many businesses struggle to get the basics right. More than half of employees report a problem with the internet being too slow, computers being too slow and assistance from the IT department being inadequate.

If businesses are to compete in the war for talent and offer the degree of sophistication that employees expect, they need to invest in fundamental infrastructure like fast internet connections, adequate computers and IT support.

Employees are driving IT change in the workplace. A Deloitte Access Economics report (2012a) outlined key trends in the pace of change in the emerging digital economy:

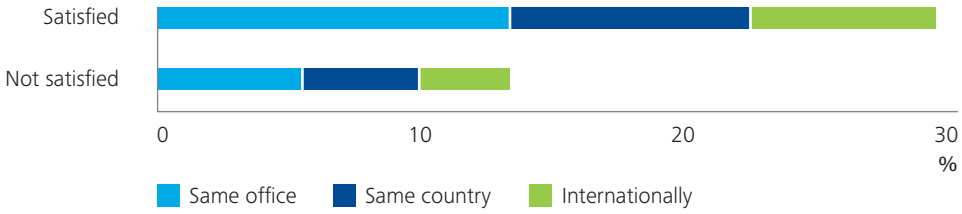
- Companies are increasingly integrating mobile into their businesses as part of both internal and external digital strategies
- Consumers are driving change. Meeting consumer expectations is an important driver for adoption of technology in businesses. Businesses surveyed indicated that this is more important than reducing costs, increasing revenue and matching competitors' offerings
- Employees are gaining familiarity with new technology as consumers and transfer this to their workplace – accelerating digital adoption. This transfer is best seen in the trend of bring-your own device (BYOD), where employees bring their own laptop or smartphone to work and are allowed to connect to the firm's IT network
- Recent Forrester research tells us that 66% of employees now use two or more devices every day and employees increasingly expect to be able to use the same (or at least similar) tools in the workplace to those they use in their personal lives. And businesses are taking notice – 55% of organizations are placing high or critical priority on supporting a larger number of smartphones in the next 12 months.

Collaboration, innovation and productivity

Collaborative employees are satisfied employees. Satisfied employees had higher reported levels of collaboration – they collaborated 28% of the working week with colleagues in the same office, country or internationally. Employees who were not satisfied collaborated only 12% of their time during the week.

The biggest barriers to collaboration are workplace culture and management structure

Chart iii: Time spent collaboration with colleagues – by the level of satisfaction with current employer

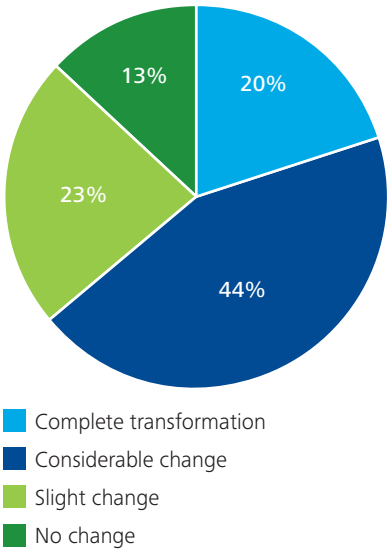


Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

Although key, technology forms only one part of the strategy for businesses looking to encourage collaboration. Traditional human resource issues, like workplace culture and management structures, were identified as the biggest barriers to employee collaboration (32% and 28% of employees respectively). Only 26% and 16% of employees reported communications systems and inadequate technology as barriers to collaboration.

Most employees (87%) report that businesses can drive innovation through digital technologies. However, only 20% of innovations were complete transformations. The majority of innovations (67%) were less significant 'considerable' or 'slight' changes.

Chart iv: Digital technologies leading to innovation



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

Some argue digital technologies allow work to 'intrude' on personal time at home. Others, including business managers, suggest digital technologies bring more personal distractions into the workplace. Although far from definitive, our results suggest that internet use can have both impacts.

Average internet use of eight hours a day is divided between use at work or at home and for work purposes or personal use. We find that the time spent using the internet for personal things at work is offset by using the internet at home for work purposes.

Use of the internet at work increases employee productivity. Remote access to emails, being provided with a laptop, collaboration with colleagues, and having access to Wi-Fi at work also increases productivity. Our survey found there were also productivity improvements from a range of other technologies as detailed in Chapter 3.

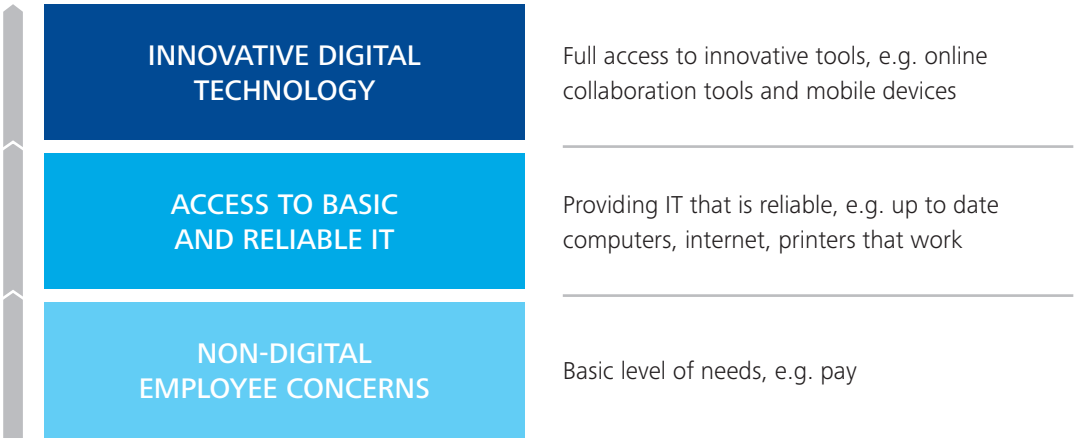
Digital roadmap

The war for talent in the digital economy is not just about technology, it is about combining technology and HR systems to create workplace and cultural changes.

The following diagram shows the digital hierarchy of needs. Increasing employee satisfaction and retention is about moving up the digital hierarchy of needs.

Aside from important employee concerns, such as pay and a positive working culture (which do not relate to digital technology), there are many digital basics that companies need to get right to minimise employee dissatisfaction. It is not surprising that employees are still frustrated by not having access to the 'bread and butter' of technology: access to reliable devices, basic applications, fast internet, IT support and flexible IT polices. Indeed, many of the more sophisticated technologies such as video conferencing from laptops will not work if fast Internet is not available.

Figure v: The digital hierarchy of needs



War for talent in action

Businesses have real examples of the war for talent in action. Woolworths, allow some of its employees to work from home helping it tap into a wider talent pool of staff, including those who live for away from its headquarters. Air NZ and Fairfax recognise that the workplace is no longer a '9 to 5' environment and employees expect the right tools to do their job flexibly.

Technology plays a substantial role in an organisation's HR strategy, which likely includes ensuring high levels of employee satisfaction. Handing out tablets to employees will not necessarily increase their engagement and productivity at work. However, a clearly planned and strategic approach to rolling out digital technologies is likely to make employees feel more involved, inspired and ultimately more engaged with the business. The following roadmap outlines five stages an organisation can move through to achieve this.

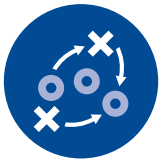
Chart vi: Digital roadmap

STAGES

1 COMMUNICATE

2 INSPIRE

THE WAYS IN WHICH YOU BUILD DIGITAL CULTURE



TALK TO EMPLOYEES AND SHARE THE STRATEGY

- Ask employees what they want and ask them how technology could be used to facilitate this
- Conduct and employee satisfaction survey
- Consult with employees on the technology strategy.

SPEAK TO THE EXPERTS

- Meet with industry experts to understand what technology is on offer and how it can help your organisation.

THE WAYS IN WHICH YOU INTRODUCE NEW TECHNOLOGIES

CREATE A CLEAR PURPOSE

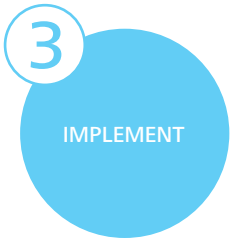
- Identify the key reasons for adopting new technologies.

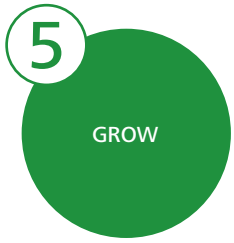
INSPIRE EMPLOYEES

- Excite and inspire employees by providing expos and demonstrations of the technologies.

BENEFITS

- A greater understanding of employees and their needs leading to improved retention strategies
- A greater understanding of the technology solutions and ways to approach these challenge.
- Increased employee excitement and engagement leading to lower turnover rates
- New cultural shifts, positioning the organisation as an attractive place to work.





THE WAYS IN WHICH YOU EMBRACE TECHNOLOGY CHANGES

BALANCE OLD AND NEW

- Change can be difficult, help employees to migrate from old to new system
- Allow for a natural uptake of technology.

EXPERIMENT

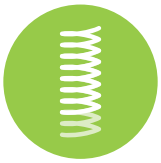
- Test new technologies and methods of working to understand its impact on employees and their work.

- Increased collaboration and information sharing
- Productivity improvements such as lower cost to serve customers
- Cost savings from more efficient operations.

THE WAYS IN WHICH YOU PROVIDE CONTINUOUS AND THE RIGHT METHODS OF SUPPORT

HELP EMPLOYEES TO HELP THEMSELVES

- Provide ongoing support and education
- Educate and empower employees to teach their peers how to use certain technologies.



BE FLEXIBLE

- Give employees a choice over technology and allow them to make requests.

- Increased employee retention as employees feel supported in the workplace.

THE WAYS IN WHICH YOU RE-CONNECT, INNOVATE AND GROW

INNOVATE AROUND PROCESS

- Brainstorm how new technologies can be used in the workplace to help employees with their work.

TAP INTO EMPLOYEE SATISFACTION LEVELS

- Organisations can understand employees through tools such as internal social networks.

- Innovation leading to productivity improvements
- Competitive advantage in attracting talent
- Build a contemporary digital culture which helps attract talented employees.

1 Introduction

Google commissioned Deloitte Access Economics and Deloitte Digital to prepare a report on the workplace impacts of digital technologies.

The internet, cloud-based business software, social media, smart devices and the trend of employees using their own devices, and web applications, are changing how people live and work. Some business leaders are integrating these technologies into work practices to increase productivity and employee collaboration and drive innovation. But not all have a serious digital strategy.

This report analyses the pace of change in the use of digital technology use and the drivers of change. However, its main fresh contribution is about the link between digital technologies and employee satisfaction.

This report is founded on the hypothesis that greater access to digital technologies would increase productivity and build employee engagement and improve satisfaction. In turn, this should reduce employee turnover and help businesses retain the best talent at a time when human resources managers need more ammunition to win the war for talent in the digital economy. Our results show a strong link between digital strategies and success in the war for talent, with some interesting insights into what is most important and what makes employees tick.

1.1 Framework for analysis

Our report is based on a review of existing literature, a new survey of over 500 employees across Australia and New Zealand, and targeted consultations with business leaders.

We synthesized the results from these findings to draw out the key conclusions of interest to a business and general audience.

We used these results and our own know-how to devise a roadmap for business leaders crafting or trying to improve their digital strategies – including a range of high-level and practical action points.

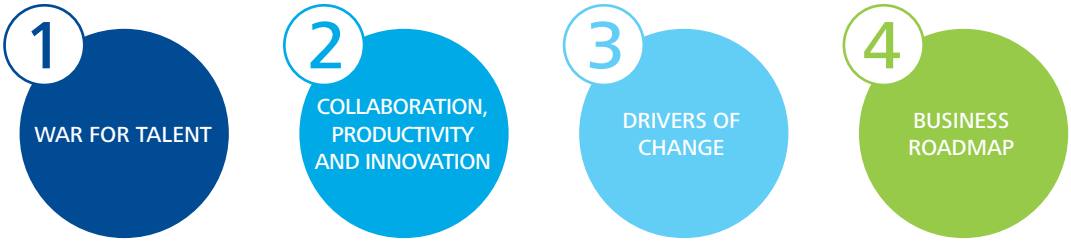
Chapter 2 outlines the link between digital strategies and the war for talent in the digital economy. We test the hypothesis that more sophisticated use of digital technologies and more flexible IT policies are useful for building employee engagement and reducing employee turnover. We also look at some of the key frustrations that workers have on the job, and what they consider when thinking about changing jobs.

Chapter 3 is about collaboration, productivity and innovation. These are common areas that business leaders think about when considering implementing digital strategies. Digital technologies clearly offer more opportunities for collaboration, but we also find that workplace culture and other traditional matters are important. Most digital technologies support productivity growth. The main way they support innovation is not through complete transformations, but by driving change over time.

Chapter 4 is about digital trends. It is about measuring the pace of change and its drivers. We find that individuals are critical for driving change, and often bring their superior personal experience and competencies into the workplace. We also find a general blurring of work and life spheres over time.

Chapter 5 is the digital roadmap for business. It turns our research into a guide for business leaders and managers. It includes advice about business strategy and practical steps business leaders can take to move their businesses from being digital learners to digital leaders. The framework for analysis is summarised in Figure 1.1.

Figure 1.1: Deloitte's methodology – Digital technologies in the workplace



- Flexible IT policies
- Satisfied employees
- Reduce turnover.

- Satisfied collaborators
- Driving innovation
- Driving productivity.

- Speed of change
- Key role of individuals
- Work life balance.

- Hierarchy of needs
- Learners, explorers and leaders
- Roadmap actions.

1.2 Scope of this report

This study is primarily about business strategy

It is not a technology implementation guide, nor does it contain economy-wide estimates of the benefits of digital technology, such as for economic growth or productivity.

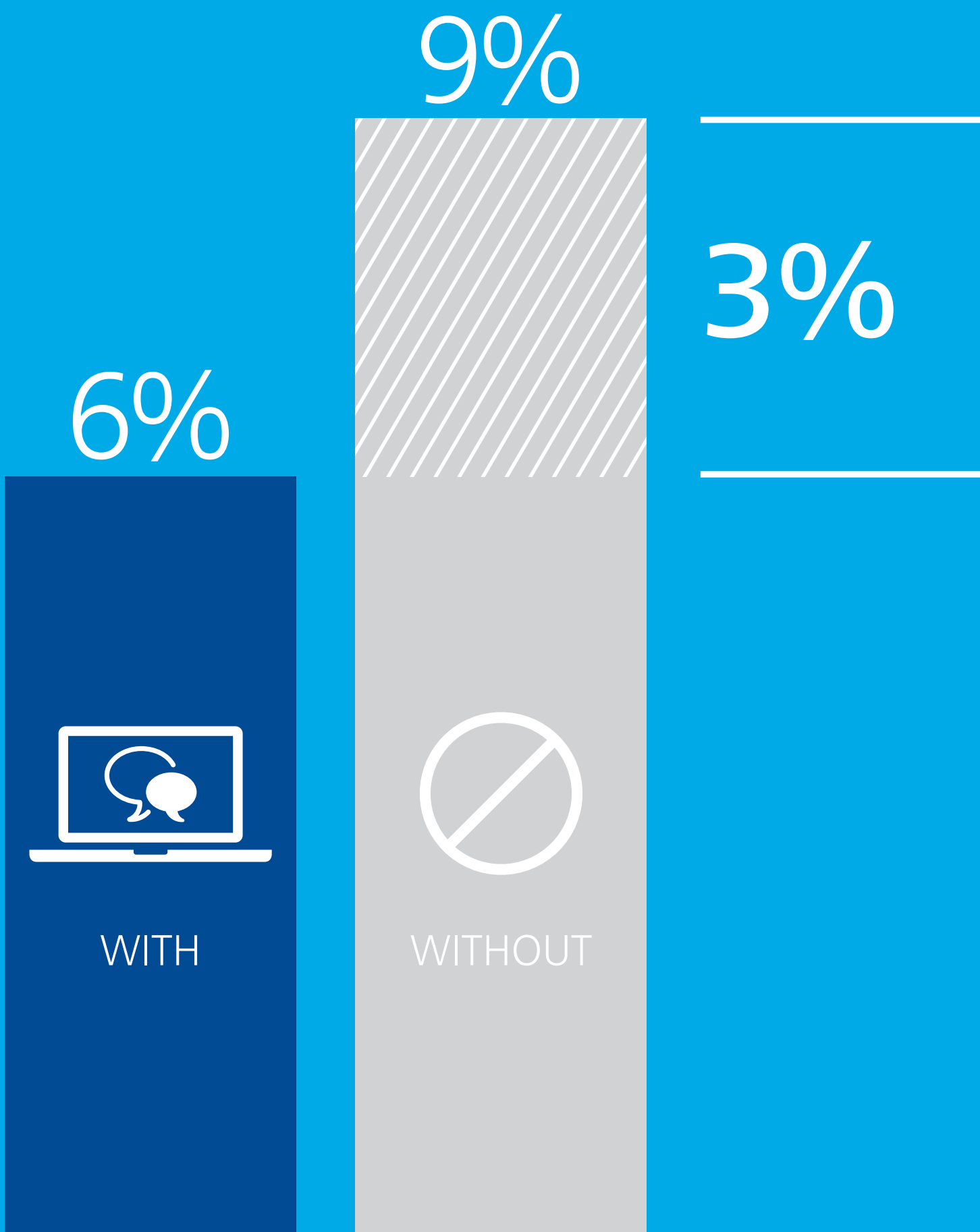
These have been estimated elsewhere, such as in previous Deloitte Access Economics report for Google and the Australian Mobile Telecommunications Association.

2

War for talent

Employees without access to flexible IT policies were more likely to be planning to leave their employers.

Flexible IT policies and dissatisfied employees planning to leave


9%
3%
6%
WITH
WITHOUT

2 War for talent

If businesses do not win the war for talent and develop serious digital strategies, they put their future at risk

2.1 Challenges in finding talent

Australian and New Zealand business leaders are in a war for talent, which has only just begun (Sorrell, 2013). They operate in a highly-competitive labour market, where there is a shortage of the skilled employees they need for increasingly sophisticated business tasks.

Consider the following facts:

- The next five years are projected to see fewer than 125 people exiting education for every 100 people retiring – the highest ratio of job market retirements to new entries in Australia's history (Deloitte, 2011)
- According to an AI Group survey in 2010, nearly half of all businesses considered that there was a high to extreme risk of the skills shortages impacting negatively on their business in the next five years
- During the year ended 30 June 2011, 20% of business reported the inability to find skilled workers within the labour market or within their own business as a barrier to innovation (ABS, 2012b)
- A recent Deloitte report, **Digital Disruption: Short Fuse, Big Bang?** (2012c) found that one third of the Australian economy faces a 'short fuse, big bang' scenario – meaning a dramatic change in revenue sources within the next three years. The report emphasised that businesses need to elevate their digital strategies to avoid becoming digital 'road kill'.

In sum, there are fewer skilled employees, but they are critical for innovation and business success. If businesses do not win the war for talent and develop serious digital strategies, they put their future at risk.

The war for talent is not going to diminish over the long term. Falling birth rates and the ageing population will increase skill shortages into the future (Sorrell, 2013). By 2030 there will be over five million Australians aged 55–70 and based on current participation rates only 1.73 million of them will still be in the workforce (Deloitte, 2011). The ability for business to attract talent will be a key point of differentiation in the future.

Only 62% of businesses in mid-2012 were around five years earlier

The best workplaces and managers will win the war for talent – attracting and retaining the best talent and running the most innovative and profitable businesses. Some businesses will survive with low cost models that are less talent-dependent, but many will not. The competitive environment has always reduced the survival rate of businesses. Consider that in mid-2012, only 62% of businesses that were around five years earlier were still around.

Competition will be for employees rather than for jobs. Deloitte's first report in its Building the Lucky Country series, **Where is Your Next Worker?** in 2011 outlined the problem and what businesses could do about it. Strategies include recruiting a web-based workforce, comprising both local and international workers, who can work remotely. More flexible working conditions will encourage workers who are juggling work and family commitments into employment. Employees can also be sourced within businesses, encouraging and promoting employees through innovative leadership strategies, succession planning and career strategies.

Every year, 11% of employees change their employer (ABS, Labour Mobility Survey, 2012). In 2008, the Australian Human Resources Institute estimated annual employee turnover at 18.5%. This is one measure of the number of people who stopped liking their job and went somewhere else.

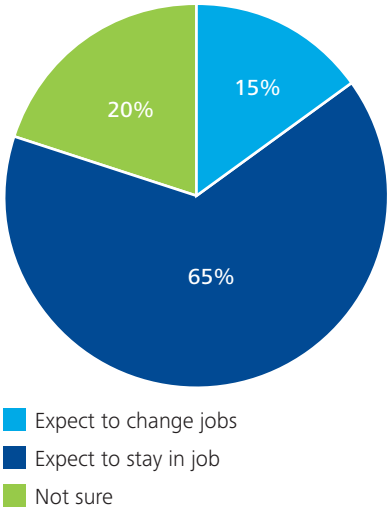
Annual turnover is 18.5% of employees

There are many causes of voluntary employee turnover. Many employees seek better work conditions or just a change; around 32% of employees left their previous jobs for these reasons. Around one quarter of people left their previous job because of family reasons. More than one in five employees left because of unsatisfactory working conditions.

The main costs of employee turnover include recruitment, training and lost productivity in early stages of employment. The net costs exclude the savings of not paying salary while the job is vacant. Randstad (formerly Vedior Asia Pacific, 2007) estimates that replacing skilled employees can cost up to 150% of their annual salary, and they use 75% as a conservative figure in calculating business costs.

A significant number of employees were considering their future in 2012. Only two-thirds (65%) of employees expect to be with their current employer in 12 months' time; 15% of people expect to change their jobs in the next 12 months.

Chart 2.1: Expectations of staying with current employer – next 12 months



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

There is a strong link between job satisfaction and whether employees are likely to be with their current employer in 12 months' time. People likely to stay were more likely to be satisfied with their job (75%). People expecting to change jobs were less likely to be satisfied (47%).

Box 2.1: Westpac Bank – the war for talent for ICT employees

As one of Australia's largest and best-known organisations, Westpac Group is very familiar with the challenges associated with the 'War for Talent'. This is particularly the case for Information and Communication Technology (ICT) employees, where the Group is one of the largest employers of technology skills in the country.

In recognising the challenges in the industry, the organisation has taken a public stance on issues such as ICT skills shortages, declining university entrants and the difficulty of attracting women into the industry. The debate of these issues has been led by the Group's CIO, Clive Whincup, who has been a vocal industry advocate since his appointment into the role in 2011.

In order to attract and retain the best ICT talent, Westpac determined that they had to implement a simple, innovative and flexible approach to IT. This approach is characterised in two ways – where and how the bank does business. 'Where' the bank does business pertains to a mobilising a workforce across geographies, specifically in Australia and Asia, and the 'how' refers to what work the bank focuses on, what skills are and the way we approach and the approach to performing work.

As part of a wider technology roadmap, the bank plans to standardise the operating systems and email platforms currently in use across the Group and significantly reduce the number of applications in use.

The bank is looking to redesign key jobs so that they are less transaction based; able to be performed more flexibly; and organised in a way that can meet customers where and how they want to deal with the bank.

This will require a new organisational capability for strategic workforce planning to be built.
In terms of remote access, staff can log into a virtualized environment using a secure web portal or by using a VPN on their work laptop.

Westpac Group has thousands of BlackBerrys, iPhones, iPads and Windows Phone devices deployed across divisions. The requirement for a mobile device is at the discretion of the employee's immediate manager. Bring your own device is supported in the BT Financial Group brand and Westpac Group Technology is looking at ways of extending this policy across the Group.

Westpac has also developed a world-first application that securely delivers confidential papers to tablets that are issued to the Board of Directors. This internally built application allows Westpac Group Board members to electronically read, annotate and store these papers in preparation for committee and board meetings.

Technology also plays a big role in both the hiring and onboarding process. These processes are automated to provide new starters with a complete online experience from receiving and accepting the offer online through to the upload of their details into the relevant HR systems.

Westpac actively promotes its flexible working practices which allow employees in applicable roles to work from home and telecommute. This, combined with the Group's sustainability philosophies, is a positive contributor to employee engagement and is used as a key attraction point for lateral hires.

2.2 IT policies

It is critical to attract and retain the best employees. To examine what businesses can do, we examined the link between firm IT policies and job satisfaction. This included policies covering:

- Computer access for personal use
- Social media access at work
- Bring your own device
- Using technology to work from home
- Telework.

These are the questions facing business. Between 2010 and 2011, Fair Work Australia reported a fivefold increase in the number of work place agreements which formally ban their staff from accessing Facebook, Twitter and other social media sites (Sydney Morning Herald, 2012). Agreements also seek to control the content of employee's social media pages, including banning employees from making reference to employers or colleagues.

Other studies (such as Deloitte Access Economics, 2012b) have demonstrated that businesses that provide telework to employees have the opportunity to benefit from workers returning to, and entering, the workforce. Most people not currently in the labour force who had caring or family commitments, but who were previously in paid employment, had intentions to return to work. More than half of these people indicated that they would return to work with their previous employer if telework was available to them.

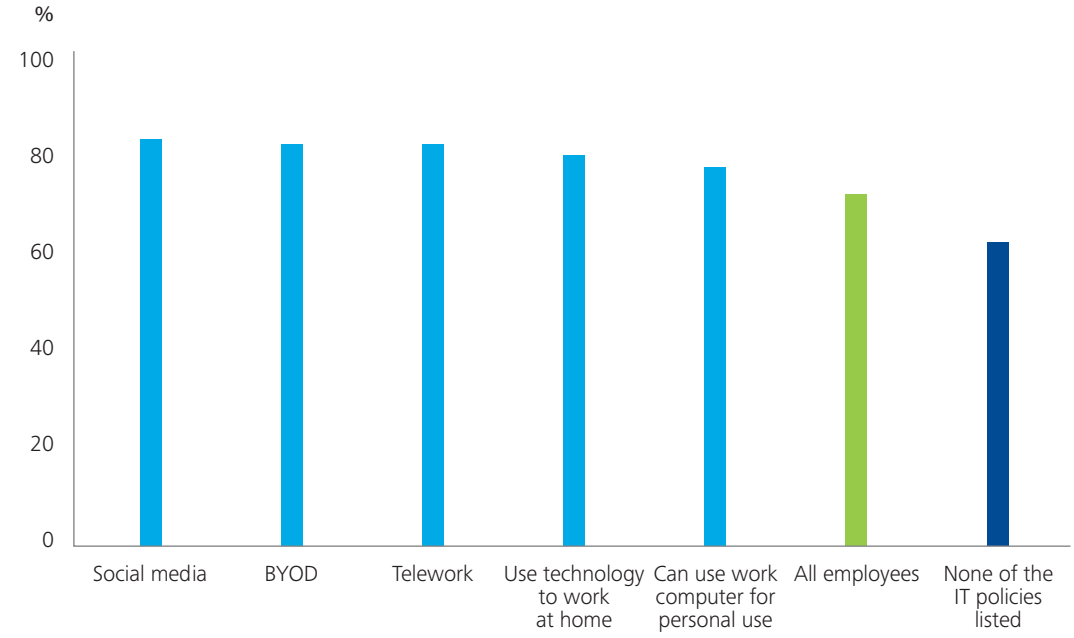
Businesses that offer more flexible IT policies have more satisfied employees. While implementing these arrangements involves costs – implementation costs, concerns over productivity and security, and additional expectations of management – they can also result in cost savings, and have a clear dividend: more satisfied employees.

Flexible IT policies such as access to social media at work and ability to telework play a major role in overall employee satisfaction and retention. Employees without access to flexible IT policies are less satisfied with their job. Only 62% of employees without access to flexible IT policies report feeling satisfied at work. Up to 83% of employees with access to flexible IT policies (such as social media access) report feeling satisfied at work.

The chart below does not show the number of people with access to various flexible IT policies. It shows that of the people with access to those policies, what proportion is satisfied. The final bar shows the proportion with none who are satisfied.

Up to 83% of employees with access to flexible IT policies (such as social media access) report feeling satisfied at work

Chart 2.2: Flexible IT policies and job satisfaction rates



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

Do flexible IT policies affect the likelihood of whether employees plan to leave their current employer? Our results suggest they do. However, workplaces with flexible IT policies are likely to have many other things as well that make their employees more satisfied. It is unlikely that flexible IT policies alone make employees happier.

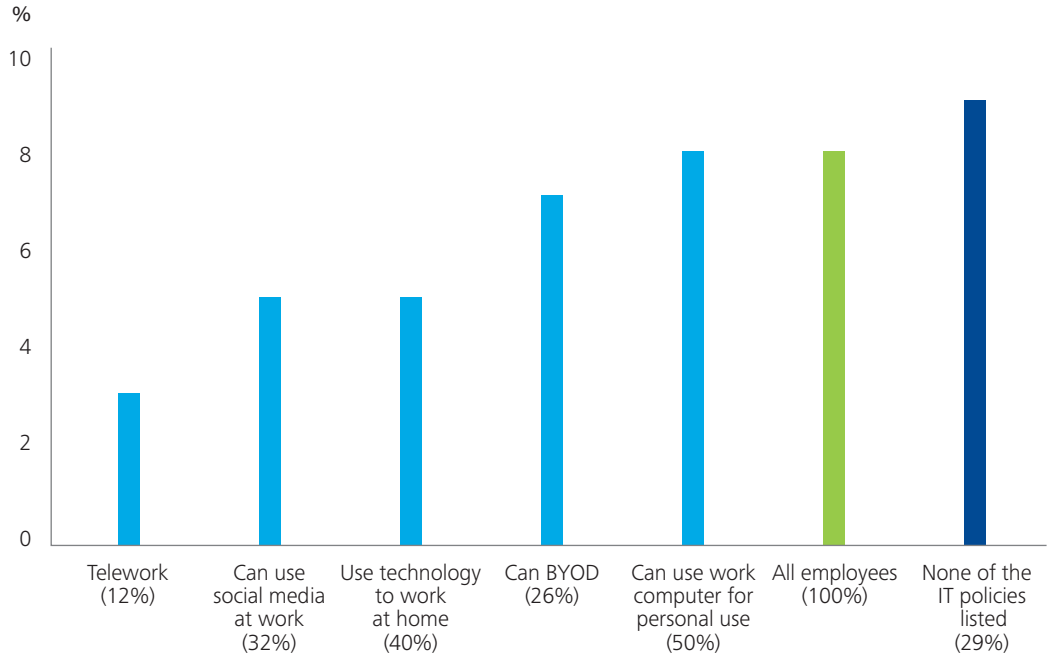
There will be some employees who do not plan to leave despite dissatisfaction with their employers. There will also be some employees who plan to leave their employer despite being satisfied. Therefore, to narrow our focus, we have calculated using our survey results, just those employers who are dissatisfied and plan to leave their current employer. We calculate this for those with different access levels to flexible IT policies.

As shown in the chart below, the proportion of all employees who are not satisfied and plan to leave their employer is 8%.

The proportion with no access to flexible IT policies (such as telework or social media use) who are dissatisfied and plan to leave is higher, 9%. The proportion with access to flexible IT policies and are dissatisfied and plan to leave is lower (3% to 8%).

These findings suggest that businesses looking to win the war for talent need to give employees tools they want to use and be flexible in their IT approach. This means giving employees the opportunity to use cutting-edge devices – or their devices of choice – flexibility about the platforms and applications they use in addition to the ability to harness workplace-specific social media to build employee engagement.

Chart 2.3: Flexible IT policies and dissatisfied employees planning to leave



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

Note: Can use work computer for personal use is slightly higher than the all employees average, but is included to left with the other flexible IT policy results for readability.

Note: Proportion of all employees with access shown in brackets.

Reading note: This chart does not show the proportion of people with access to flexible IT policies, the proportion dissatisfied overall, nor the proportion who are leaving overall. It should be read as 'of those who can access telework (which is 12% of all employees), 3% are not satisfied and want to leave'; and 'of those without access to flexible IT policies (which is 29% of all employees), 9% are not satisfied and want to leave'.

We estimate the potential financial benefits of businesses adopting more flexible approaches to IT and realising reduced costs of employee turnover. The estimate is based on flexible IT policies reducing turnover by half of the difference between those with and without flexible IT policies, which equals 1.8 percentage points.

We use a Randstad estimate of replacing the cost of skilled employees as 75% of their annual salary, and take an average annual salary level of $55,000.

- For an average medium-sized business with 30 employees, this could represent a reduction in costs of around $22,000 per year
- For an average large business with 500 employees, this could represent a reduction in costs of around $350,000 per year
- Small businesses also benefit, but it depends significantly on the number of employees.

These cost savings build over time.

- Over a 10 year period, for an average medium sized business flexible IT policies have the potential to save around $158,000
- Over a 10 year period, for an average large sized business flexible IT policies have the potential to save around $2.6 million.

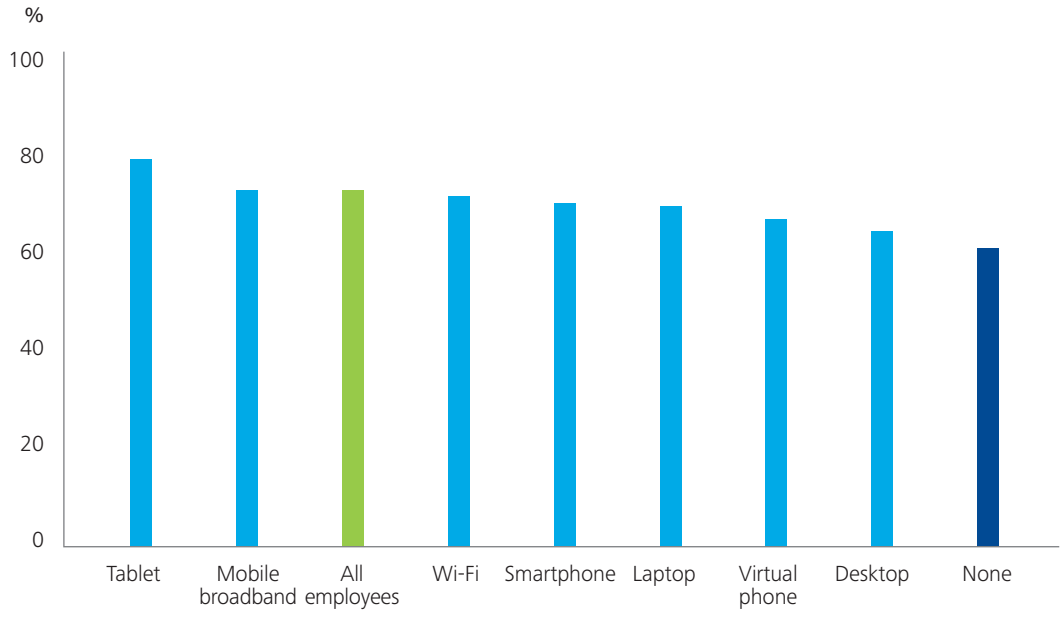
While digital strategies might typically be measured by what they contribute to productivity or efficiency, there is also an overlooked human dividend from sophisticated and flexible digital strategies.

2.3 Devices and uses

There is a link between digital technologies – devices and applications – and job satisfaction. Among employees with tablets, 79% were satisfied, compared with the average of 72%. Desktops recorded lower rates of job satisfaction. Employees with no access to these technologies had the lowest rates of satisfaction. Not offering employees access to the technologies they want can undermine job satisfaction.

We also note that there is a link between job satisfaction and digital applications (note, not pictured). Average level of job satisfaction was 72%. Job satisfaction was higher (80%) for those who could use online collaboration tools. Above average rates of satisfaction were also recorded for instant messenger, mobile apps, social media use and remote access to emails (72% to 75%). Employees who could not access these applications had low rates of satisfaction (47%). Not offering employees access to the digital applications they want can undermine job satisfaction.

Chart 2.4: Devices and job satisfaction rates



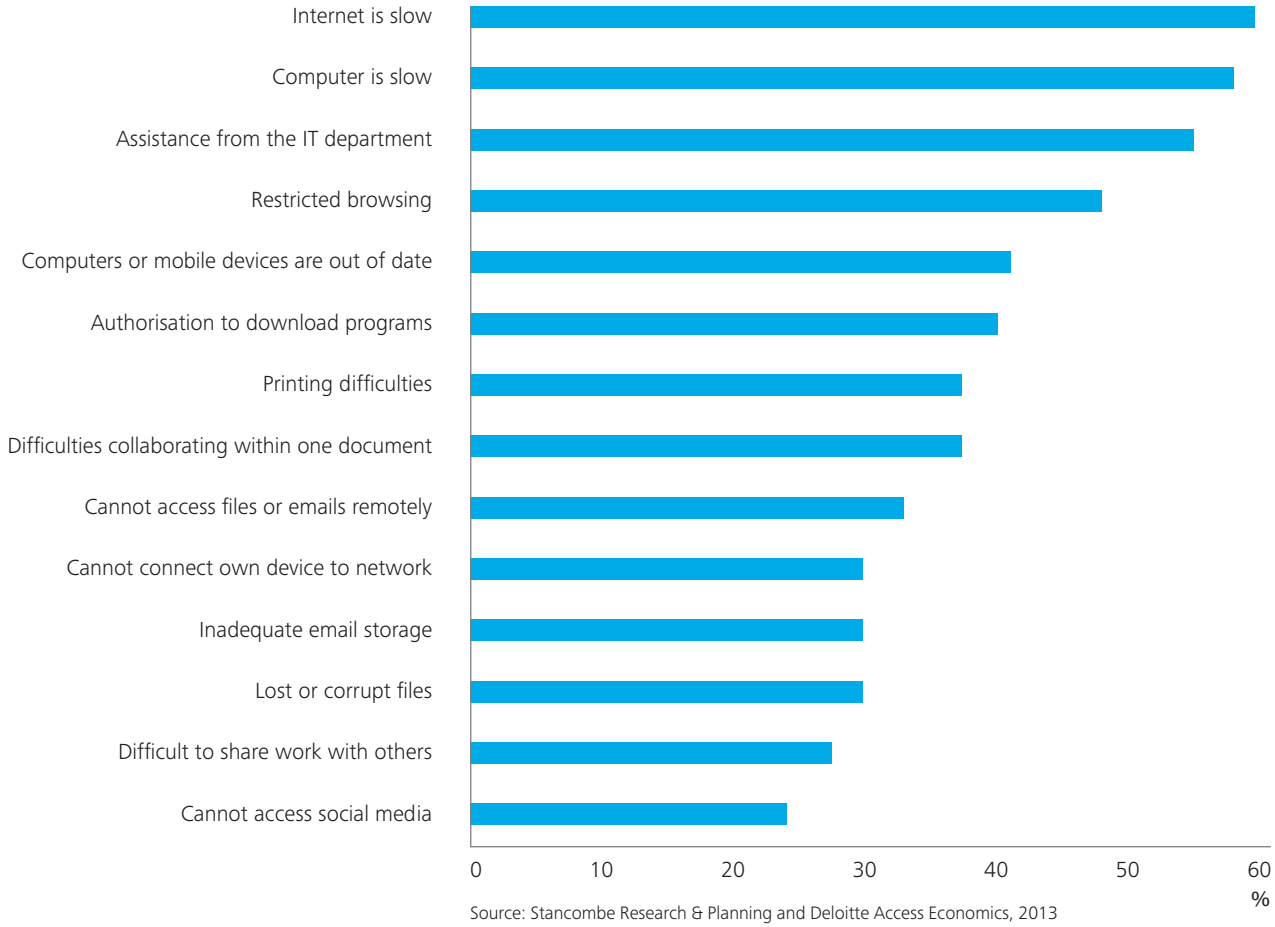
Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

2.4 A hierarchy of digital needs

How do digital technologies compare with traditional employee expectations? This section considers common IT frustrations and what people think about when considering a job change.

Employees report a high level of frustration with a range of common IT problems. More than half of employees surveyed report problems with the internet being too slow, computers being too slow and assistance from the IT department being inadequate.

Chart 2.5: Frustrations with digital technologies provided to you by your employer (% of frustrated employees)



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

Note: respondents could choose more than one option

Some of the other proportions are difficult to interpret. A third or fewer employees report frustrations with accessing social media or having difficulty sharing work with others. Some digital applications may have lower levels of penetration and hence lower levels of frustrations.

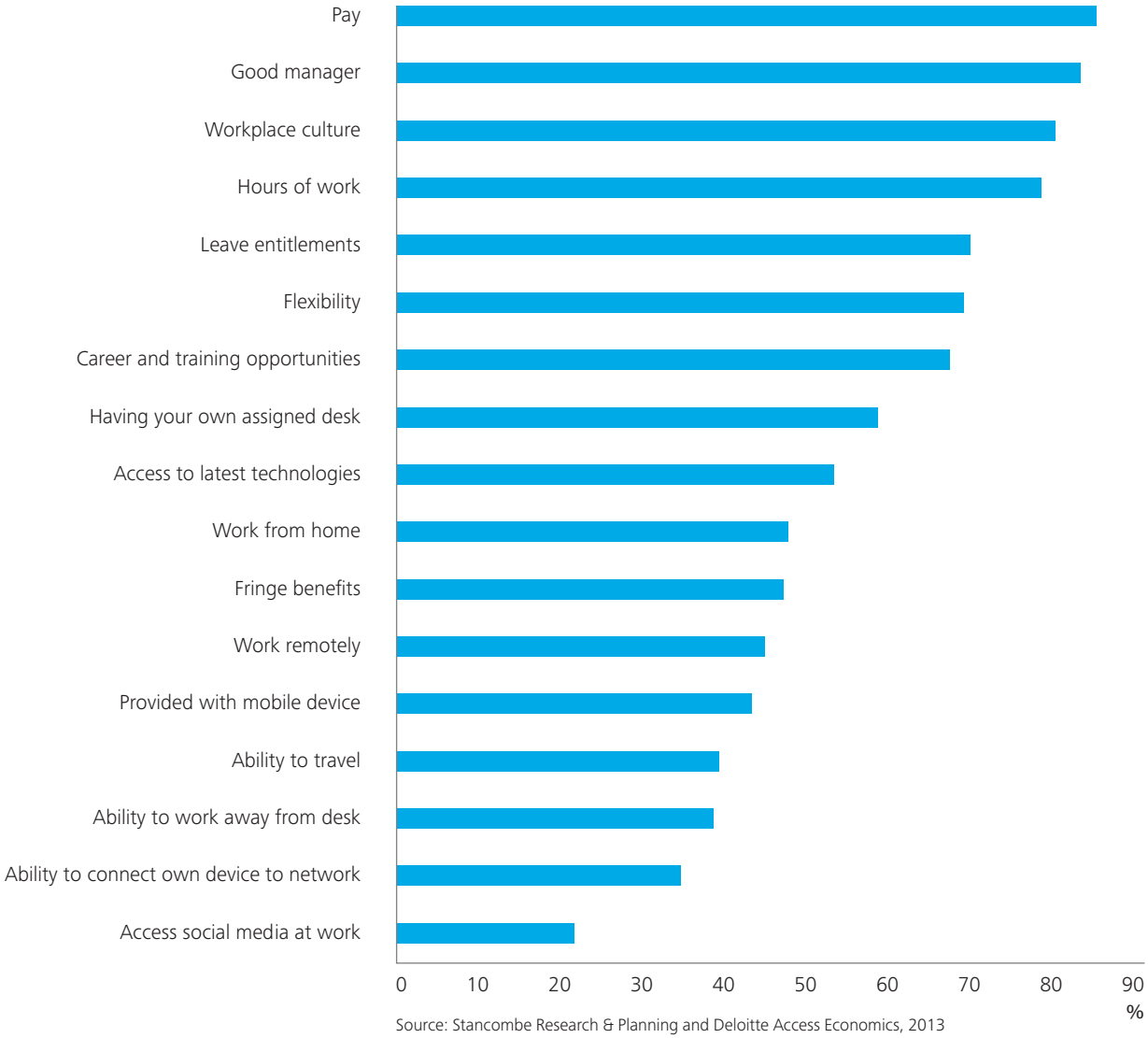
Employees have many considerations when they mull over a change in employment. The most important will clearly be material concerns such as pay and hours of work (considered important by around four in five employees).

This mirrors a finding from our consultation with the NSW Department of Trade and Investment, which found the continued importance of many traditional workplace matters.

A range of digital strategy matters are important considerations for employees

Over 50% say accessing the latest technologies at work is an important consideration when changing employment. Significant levels also identify working from home, working remotely or being provided with a mobile device as being an important consideration. Some less significant features included being able to connect their device to the network and being able to access social media at work.

Chart 2.6: Important considerations when changing employment (% of employees)



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

Digital strategies play an important role in human resources management. There are many traditional concerns among employees. In the digital realm, there are many basics companies need to get right to minimise employee frustrations.

Greater access to digital devices and applications helps build satisfaction, and flexible IT policies that empower employees are the most successful.

There is little doubt that employers need to have these results in mind when they are thinking about winning the war for talent in the digital economy.

Box 2.2: Woolworths' digital strategy for employee satisfaction and productivity

Woolworths is the largest online retailer in Australia today, and technology is increasingly becoming a focus to differentiate Woolworths from its competitors and as a way of improving individual, team and company productivity according to Head of Run IT, Damon Rees.

Staff are demanding technology that empowers them to work and collaborate in more flexible and dynamic ways and new people joining the organisation are bringing higher expectations of the technology they need in order to be successful.

The global trends of 'mobility' and 'consumerisation of technology' resonate strongly within Woolworths. Employees at Woolworths now expect to have access to technology that will enable them to work in the way they choose.

In 2012, iPads were provided to all Australian Supermarket and Big W store managers, so they could manage multiple tasks via their device whilst being on the store's floor and accessible to their customers and staff. Activity management and sales reporting are being delivered to the mobile devices and new applications for example, all tablets feature a 'tap for support' application allowing employees to log support requests with a few quick taps rather than a call to the helpdesk, saving staff time.

Rees says, "Whilst we've made a lot of good progress, in some aspects of our business when staff leave home they switch off current technology and switch on old technology as they enter the workplace.

This experience is not consistent with our brand proposition of being a true leader in digital and multi-channel retailing for Woolworth's own customers."

Woolworths is preparing to transform the workforce computing capabilities for staff with the goal of providing its people with access to the right applications and information, from the right location, using the right device. To deliver this, the new platform has been designed from the start for mobility and bring your own device (BYOD). BYOD at Woolworths is extensively used and is predominantly orientated around employee choice rather than as a mechanism for cost reduction. Over the next six to 12 months, Woolworths plan to build on their BYOD capabilities with a goal to enable staff to be fully productive from their devices.

Providing the right technology capabilities for staff is only half the game. The other half is helping individuals, teams and businesses to maximise their value from these new tools. In order to achieve this, Woolworths has recently created a Technology Centre, akin to the Apple Genius Bar. The Tech Centre was established as a one-stop-shop to assist employees with their personal and work related technology needs, and to encourage employees to embrace and become confident with these technologies.

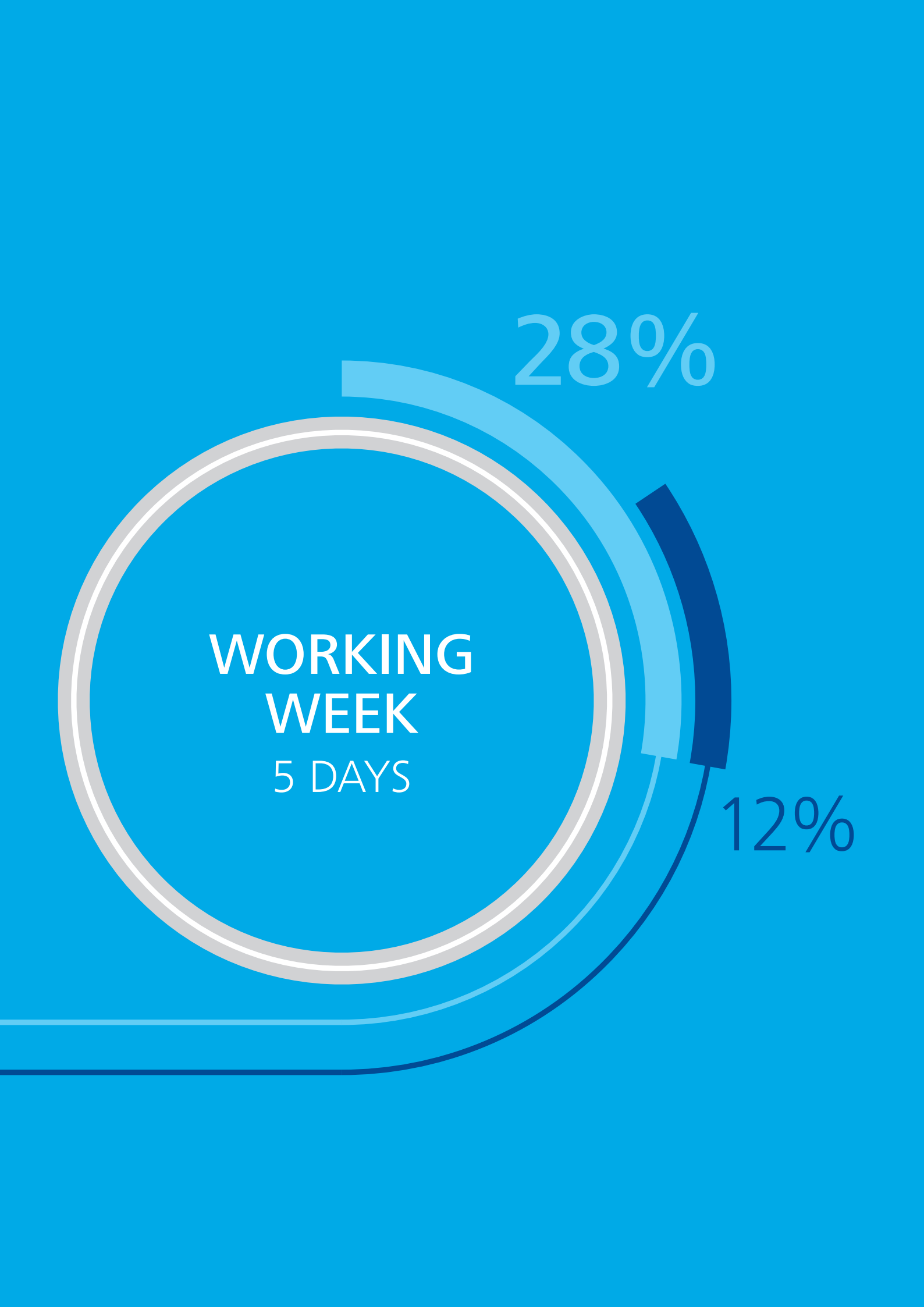
Rees believes that the differences between personal and work devices are becoming increasingly arbitrary as mobile devices and more flexible work modes are bridging the two previously separate worlds.

3

Collaboration, innovation and productivity

Satisfied employees have higher reported levels of collaboration.

Time spent collaboration with colleagues: by the level of satisfaction with current employer


28%
WORKING
WEEK
5 DAYS
12%

3 Collaboration, innovation and productivity

Collaboration, productivity and innovation are common areas that business leaders think about when considering implementing digital strategies. Digital technologies clearly offer more opportunities for collaboration, but we also find that workplace culture and other traditional matters are important

Most digital technologies support productivity growth. The main way they support innovation is not through complete transformations, but through driving change over time.

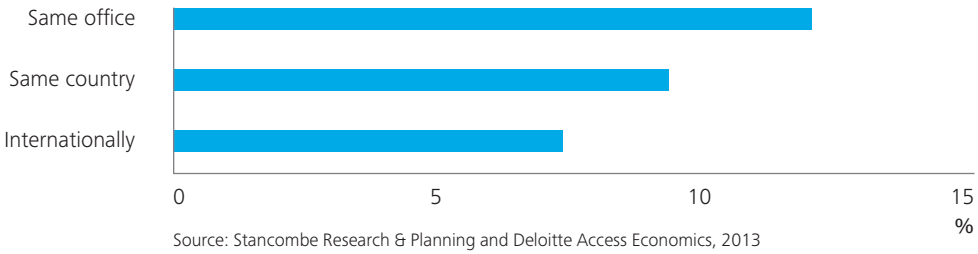
3.1 Collaboration

Collaboration is where employees work on joint projects. This could involve meetings, workshops, problem solving or other activities.

Most collaboration occurs between employees in the same office – about 11% of their working week, on average. This is the equivalent of around four hours per week for a full time employee.

A smaller share of the working week involves collaboration with employees in other cities in the same country, and international collaboration.

Chart 3.1: Time spent working with colleagues (% of work day)



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

Collaboration can be enhanced by digital technologies, including the cloud. For example, the McKinsey Global Institute (2012) found that businesses which implement social technologies for employee interaction, increases the productivity of high-skilled workers by 20–25%. Companies which use internal social media to communicate with employees can reduce the amount of time employees spend searching for company information by around one-third.

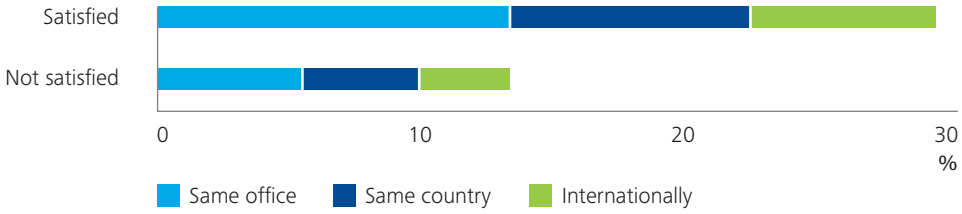
There are three necessary elements in a successful collaboration. According to the Government of Canada (2011) this includes a community, which has its own set of managing principles. Technology which allows team members to share documents and work with one another is also necessary. Activities should be appropriate for collaboration, e.g. documents should be easy to read by participants, this is the heartbeat of the collaboration process. More and better collaboration enabled by digital technologies will lead to more innovation and better business performance.

Collaborative employees are satisfied employees. Satisfied employees had higher reported levels of collaboration – they collaborated 28% of the working week with colleagues in the same office, country or internationally. Employees who were not satisfied collaborated only 12% of their time during the week.

By supporting collaboration in the workplace, business leaders can build employee satisfaction.

The biggest barriers to collaboration are workplace culture and management structure

Chart 3.2: Time spent collaboration with colleagues: by the level of satisfaction with current employer

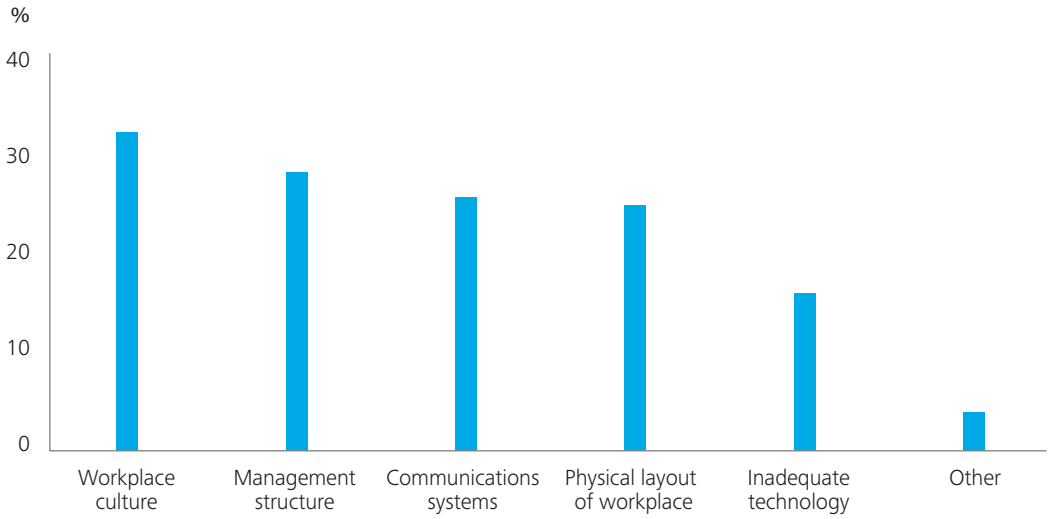


Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

So how can businesses encourage collaboration? Technology is only part of the story, with only 26% and 16% of employees finding communications systems and inadequate technology were barriers to collaboration.

What were the big collaboration blockers? Traditional human resource issues like workplace culture and management structure were the biggest problems for 32% and 28% of employees respectively.

Chart 3.3: Limitations to collaboration (% of employees surveyed)



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

Note: respondents could choose more than one option

Box 3.2: Fostering employee collaboration at Air New Zealand

According to CIO Julia Raue Air New Zealand (NZ) takes the approach that if technology processes are seamless and simple employees will naturally adopt them. So while it provides digital technologies to employees it does not impose them. Raue believes Air NZ is recognising the opportunities presented by technology to work differently and are adopting these sooner than other organisations. Currently Air NZ is undergoing a workplace program to better segment the organisation and tailor user tools and devices to specific user groups.

The Air NZ philosophy is about ensuring safety and security amongst its employees and working collaboratively with employees to ensure their technology needs are being met. They have adopted a flexible approach to digital technologies and employees can request access to devices for work related purposes. Raue acknowledges that "people need access to information regardless of where they are".

The workday is not 9am–5pm, so Air NZ supports employees who wish to work from their own secured devices.

The business of Air NZ lends itself to a collaborative environment due to the large number of employees at dispersed office locations. Recognising the increase in demand for collaboration, Air NZ is looking to understand how they can use its existing SharePoint technology to better share knowledge and manage skills. "Evolution of social platforms will allow us to better leverage employees collective knowledge" says Raue.

Raue believes there is a greater preparedness to use social enterprise and collaboration tools at work rather than in a personal context. Air NZ has implemented a social media and website usage policy in which an employee is able to spend thirty minutes on personal tasks per day; any additional time should be business related.

3.2 Innovation

The Australian Bureau of Statistics distinguishes four categories of innovation:

- Innovation of **goods or services** has taken place if the characteristics or intended uses of goods or services are new to a business, or differ significantly to what was previously offered
- Innovation of **operational processes** includes new or significantly improved methods of producing or delivering goods or services
- Innovation of **organisational or managerial processes** improves business performance through new or significantly improved business strategies
- Innovation of **marketing methods** increases the appeal of goods or services of a business or encourages a business to enter new markets by offering new or significantly improved design, packaging or sales methods.

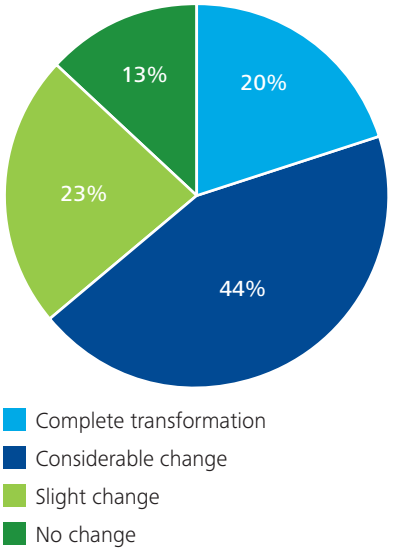
Digital technologies can drive improvements right across the business.

Our survey found that the overwhelming majority of employees saw innovation resulting from digital technologies – 87%. This is a significant result showing that businesses can use digital technologies and increase innovation.

Perhaps as interesting, was that, while some employees (20%) reported a complete transformation from innovation, the majority of innovations (67%) were less significant 'considerable' or 'slight' changes.

Understanding these 'mini-innovations' is something that will differ from business to business, but it does suggest that leaders looking for the dividend from digital technologies might be looking in the wrong place if they are expecting complete transformation.

Chart 3.4: Digital technologies leading to innovation



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

3.3 Productivity

Digital technologies improve productivity in different ways. Consider what has previously been found:

- Many studies have estimated the link between digital technologies, or broadband, and workplace productivity. Access Economics (2009) estimated that economy-wide multifactor productivity (MFP) levels would be around 1.1% higher in an Australian economy with high speed broadband available everywhere, relative to an Australian economy without any high speed broadband after 10 years. Qiang (2009), found that a 10 percentage point increase in broadband penetration increases growth in GDP by 1.2 percentage points. The Allen Consulting Group (2010) found that a 10 percentage point increase in household Internet connectivity would increase MFP by 0.035 percentage points
- Vitak et al (2011) found that employees benefit from brief periods of time on tasks not related to work, including accessing the internet for personal browsing and personal emails. Benefits include relief from boredom, fatigue and stress. Businesses also benefit from these activities as personal internet use at work has been positively associated with productivity benefits
- According to Croker (2011) workplace internet leisure browsing (WILB) can actually assist employee productivity. WILB, says Croker, is an unobtrusive interruption which enables restoration of mental capacity and fosters feelings of autonomy. Workplace internet leisure browsing (WILB) includes idly researching or looking at products you might want to buy, reading news, watching YouTube or playing casual games. According to Croker, employees at companies with free access to the internet at work are 9% more productive than those at companies that do not allow free access.

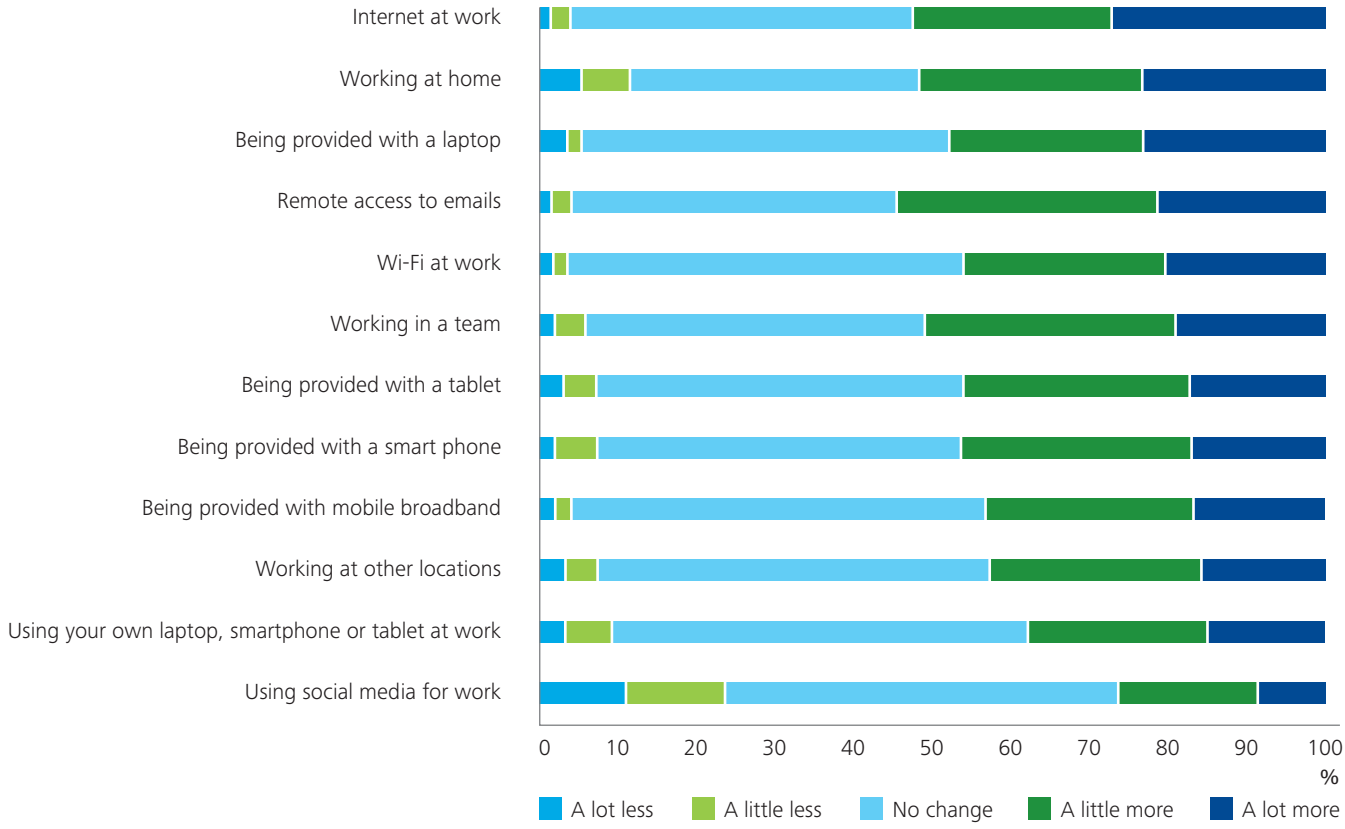
Another link between digital technology and productivity is in how it can be used to measure performance. According to Garner et al (2011), firms are increasingly using data to demonstrate how HR policies such as training and recruitment approaches are yielding benefits such as higher productivity. That report cites research showing that screening technologies can be effectively used to select more successful sales employees.

One practical example of productivity enhancements is at Woolworths, where store managers have tablets and can perform tasks while being accessible to their customers

Our survey asked employees whether a range of technologies lead to an increase or decrease in their productivity.

Employees reported particularly large increases in productivity from use of the internet at work remote access to emails, being provided with a laptop, working in a team, and having access to Wi-Fi at work. On average, there were also productivity improvements from a range of other technologies.

Chart 3.5: Increased productivity



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

Box 3.3: Digital transitions at NSW Trade and Investment

The NSW Government is the largest employer in the southern hemisphere and a highly complex business with a number of legacy systems in place. Many employees have worked with the public service for a long time, and it has been noted that some are found working longer hours and with higher levels of expectations due to the instant nature of technology.

According to Director General Mark Paterson, NSW Trade and Investment (T&I) understands that adopting new technologies is a challenge and people often resist change, with some employees refusing to make the transition. However, the technologies which NSW T&I has chosen to date are intuitive and with some application, employees are learning to use new systems with ease.

There is a significant demand for digital technologies within NSW T&I however it does not yet seem to be a key driver in employee retention. The long tenure of many employees may be due to other incentives such as flexible working hours.

To facilitate mobility a large fleet of smartphones are already available for employees and they are moving towards equipping their employees with iPads in the future. The NSW Government is working closely with Apple to overcome the challenges created around introducing such technologies. Mark Paterson acknowledges that it would be more cost effective to provide tablets rather than desktops to employees; however this would require adequate wi-fi facilities and a move to a broader web based email.

NSW T&I has plans to move to a cloud based solution for its finance and HR systems. In late 2012, NSW T&I went live on the country's largest cloud based software solution, and the largest for the SAP company globally. Adopting a cloud based solution challenges the traditional business and there are key senior leadership champions both within SAP and NSW T&I who are championing the change.

Employees already use file sharing cloud services such as Dropbox and Box extensively. Paterson shared his concerns around the legal liabilities created by file sharing and suggested that employees may not be aware of these. The core systems at NSW T&I are not currently capable of handling and supporting bring your own device (BYOD) but there is a recognised role for BYOD in the future. NSW T&I are facing the problem of people having and accessing non-work related material and they believe this problem will only grow as employees begin to use their personal devices.

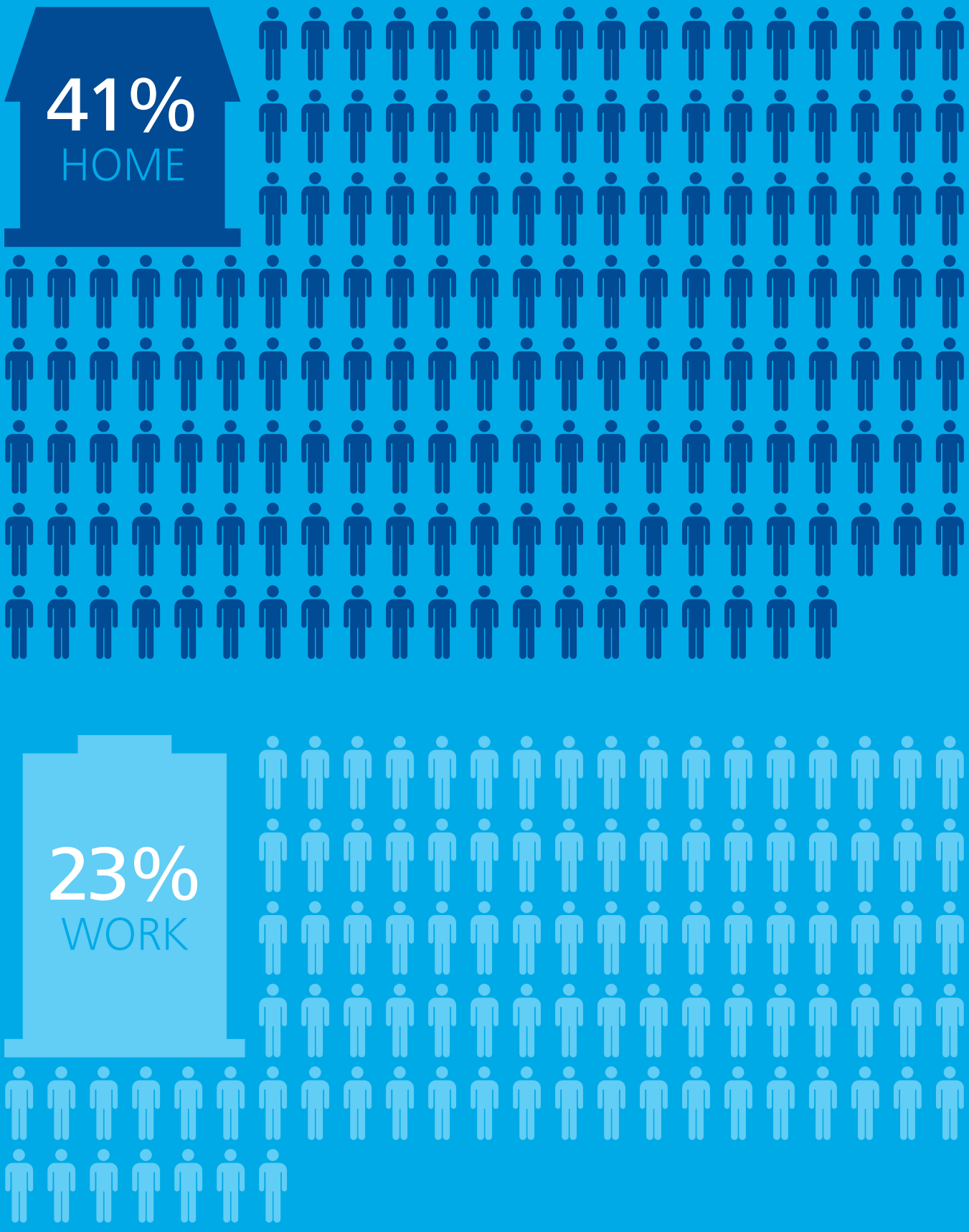
NSW T&I has implemented a social media policy that allows employees to use social media moderately if there is a core business purpose. Social media usage is monitored. NSW T&I introduced a few years ago the internal social network, Yammer, and it is used mostly as an informal collaboration tool. Paterson believes that implementing an internal social network can result in great collaboration.

4

Digital trends: pace and drivers of change

Employees believe their digital technology at home is considered better than that at work.

Digital technology: home and work (% of those surveyed)


41%
HOME
23%
WORK

4 Digital trends: pace and drivers of change

We recognise that this report is the latest in a series of reports that try to measure and understand the pace of change in the emerging digital economy. The ABS tracks changes through its Household Use of Information Technology

4.1 Rapid change

A Deloitte Access Economics report (2012a) outlined key trends in the pace of change in the emerging digital economy:

- Companies are increasingly integrating mobile into their businesses as part of both internal and external digital strategies. Nearly half of organisations surveyed expect to offer mobile applications to customers in the next three to five years
- Consumers are driving change. One of the key themes of the digital revolution is the empowerment of consumers. Meeting consumer expectations is an important driver for adoption of technology in businesses. Business surveyed indicated that this is more important than reducing costs, increasing revenue and matching competitors' offerings
- Another important driver of digital innovation within firms is employees. They are gaining familiarity with new technology as consumers and transferring this to their work – accelerating digital adoption. This transfer is best seen in the trend of bring-your own device (BYOD), where employees bring their own laptop or smartphone to work and are allowed to connect to the firm's IT network. In 2012 half of Australia's firms already allow employees to bring their laptop, tablet or smartphone to work. That is a remarkable change compared with the constrictive IT policies that were common in Australian business just a few years ago.

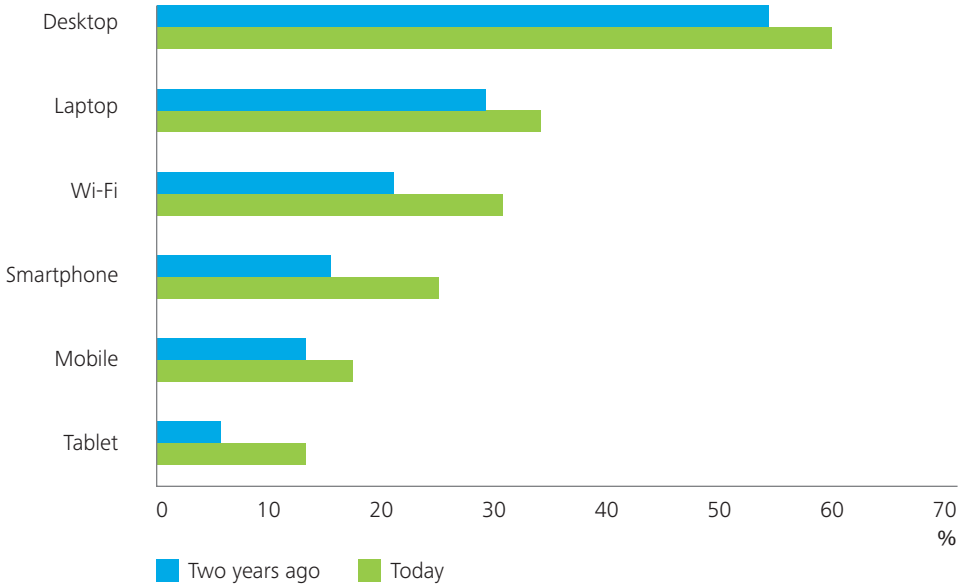
Digital trends are not just about new technology – they are changing work, creating more flexible workplaces and working conditions

Changing in the human resources function – the way that employees work and interact with their employers – is one of the most significant changes that has taken place. A majority (81%) of senior executives surveyed by KPMG (2012) indicated that effective talent management was important to performance. Many of the executives surveyed had already implemented changes to their HR function – 69% were now providing web-based or mobile HR platforms for their employees and 68% were using these platforms to capture and evaluate employee performance and evaluate workplace skills.

In the past two years alone, there have been some major increases in employee use of a range of digital devices and applications.

While tablets were provided to a relatively small share of respondents, the share has more than doubled over the past two years. Work-issued smartphones and Wi-Fi also grew strongly.

Chart 4.1: IT devices provided by employers – Today vs. two years ago (% of total employees)

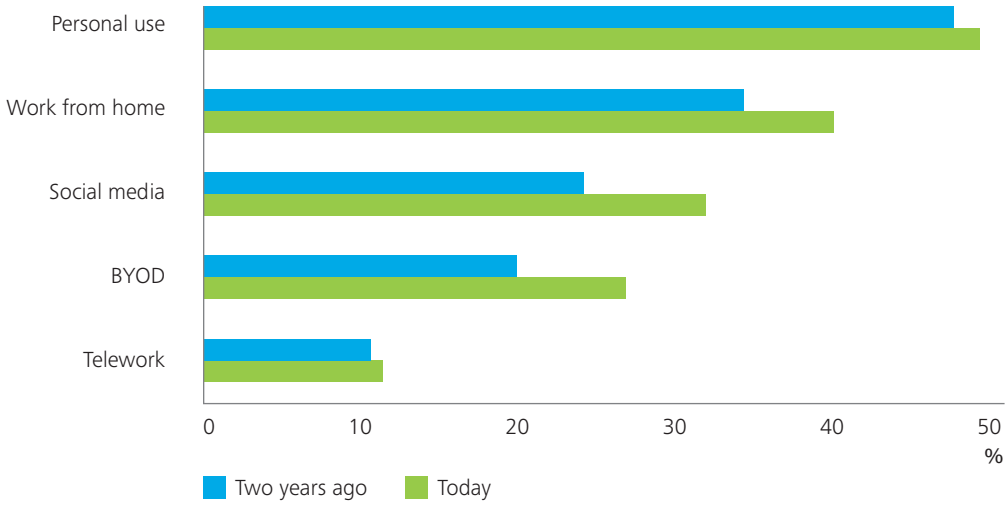


Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

Applications used at work also increased for all types of applications surveyed. The share of respondents with remote access to email increased strongly. Strong growth (almost 10 percentage points penetration) was also recorded for instant messaging, intranets and use of shared servers.

The number of employees reporting flexible IT policies is higher compared to two years ago. Employees who work in firms allowing BYOD and social media have increased by around one-third. Respondents with a formal teleworking arrangement were broadly unchanged compared to two years ago, despite an increase in the respondents who are able to use technology to work from home.

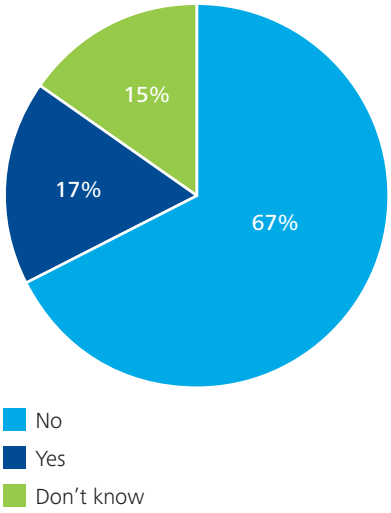
Chart 4.2: IT policies allowed by employers – Today vs. two years ago (% of total employees)



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

While many employees reported use of applications that are connected with cloud computing, in line with estimates that 43% of businesses have cloud computing, only 17% of employees said they used the cloud. This suggests there may be a gap between employee understanding of the cloud and its current use.

Chart 4.3: Use of the Cloud (% of those surveyed)



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

Box 4.1: The cloud

Businesses are increasingly using the cloud as a new approach to IT. Cloud-based software can be a more efficient and cost-effective approach for applications. Cloud can also be used for platforms and infrastructure. Cloud is a way of providing IT services, on a readily scalable, self-administered and utility basis.

But the cloud is also the internet as a business platform (Sydney Morning Herald, 2012b). It includes internet based services, like web based mail services like Gmail or web based applications.

4.2 Individuals driving change

Like the earlier Deloitte (2012) report, our research for this report also suggests that individual employees are an important driver of change in the digital economy.

When asked about their own use of some key technologies outside of work, individual employees report a strong usage – the internet, social media, but also smartphones, apps and tablets.

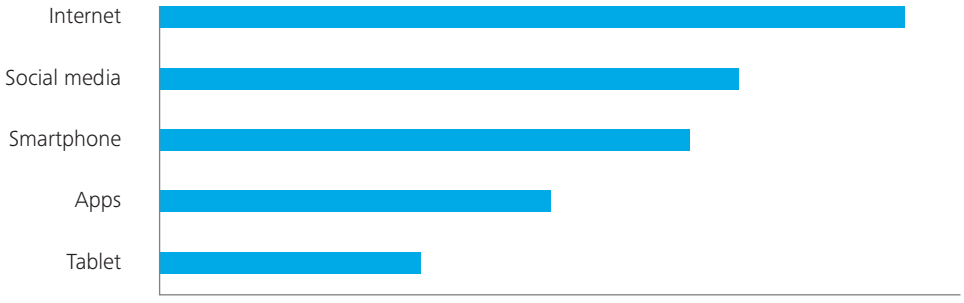
> Woolworths head of IT: "today when staff leave home they switch off current technology and switch on old technology"

More than half of the adult population in Australia uses a smartphone. In the 12 months to May 2012 individual use of smartphones in Australia more than doubled (AMCA, 2012). Smartphones are increasingly becoming an integral part of people's lives. A Google survey found that 74% of smartphone users don't leave home without their device.

Australians are increasingly adopting smartphones, applications and other cloud technology. The number of apps available for download has increased markedly. During June 2012, 4.45 million smartphone users downloaded an app. Smartphone users have, on average, 27 apps installed on their phones (Google, 2012).

> Familiarity with new digital technologies at home is building their capability and expectations of what will happen in the workplace

Chart 4.4: Use of digital technologies outside of work for personal use (use % of people surveyed)



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

To test this, we looked at the link and found that those employees who had more digital devices at home were more likely to have more digital devices at work. There was a positive relationship overall. For example, employees with a smartphone at home were 29% more likely to have a smartphone at work. This echoes the experience of Fairfax Media, where employees have been empowered to drive change, and have done so voluntarily.

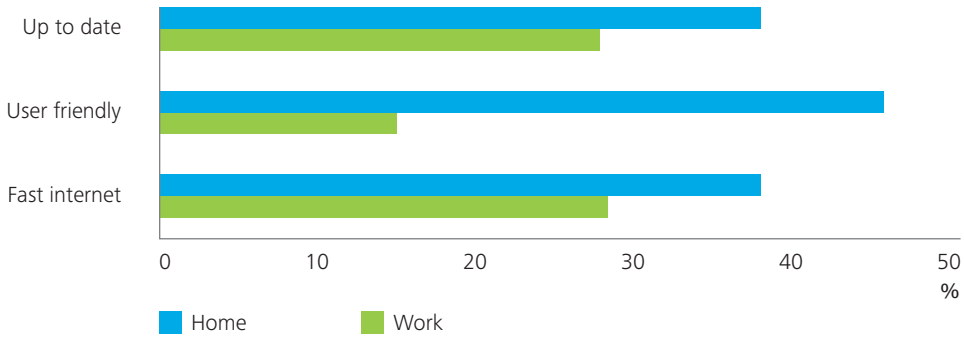
Workplace IT is holding back a nation of early adopters

Superior experiences with digital technology in personal life are also driving change and contributing to employee frustrations at work. For many employees, going to work is likely to be a step-down from what they have become used to in their home environment.

The survey asked employees to compare their work and home technology experiences and found that on average employees were more satisfied with their home technology. It was considered better in three ways: it was more up-to-date (38% of employees), had faster internet access (38% of employees) and was more user-friendly (46%).

This means that employees are less likely to go to work to use better internet or facilities; in fact, going to work is likely to be a step-down from what they have become used to. Increasingly, businesses will have to invest just to keep up with employee expectations.

Chart 4.5: Digital technology: home and work (% of those surveyed)



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

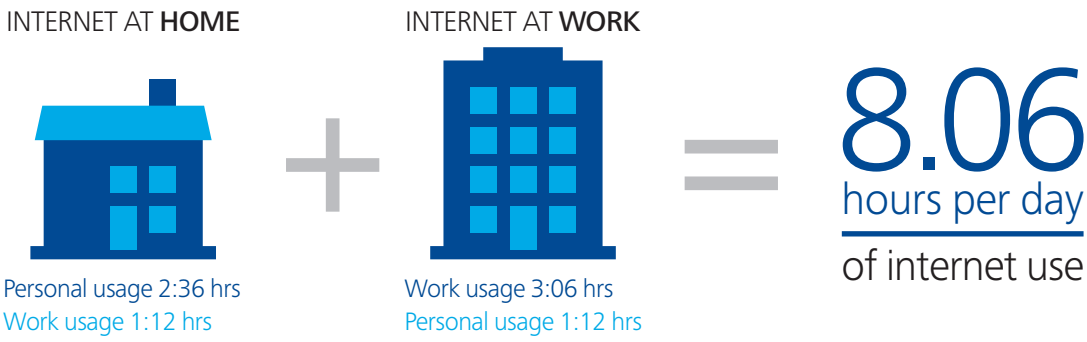
Some argue digital technologies allow work to 'intrude' on personal time at home. Others, including business managers, suggest digital technologies bring more personal distractions into the workplace. Although far from definitive, our results suggest that internet use can have both impacts.

Average internet use of eight hours a day is divided between use at work or at home and for work purposes or personal use.

Whether or not this blurring of boundaries is a positive for businesses and employees is unclear. There are business benefits from being able to tap into employees outside of official business hours just as there are benefits to individuals of being able to undertake personal errands during business hours. But there are also challenges in managing a change like this and there are likely to be some people who do not find it beneficial.

We find that the time spent using the internet for personal things at work is offset by using the internet at home for work purposes

Chart 4.6: How employees use the internet at home and work for personal and work use



Box 4.1: Fairfax Media: Employee-led digital change

In the war for talent, Fairfax Media is moving with the times, ensuring the organisation is adopting the right digital technologies and equipping their employees with the most appropriate tools to foster a collaborative, productive and efficient work environment.

Andrew Lam-Po-Tang, CIO and CTO recognises that collaboration is the long game and is core to Fairfax's business. Last year (2012), Fairfax transitioned 99% of their employees from Microsoft Outlook to enterprise Gmail. The transition involved replacing email, calendar and contacts with Google App products, and making other Google App tools such as word processing, spreadsheets, presentations and cloud storage available as optional tools. Fairfax has a target of replacing 70% of existing Microsoft Office use with the equivalent Google App tools.

Despite initial concerns about how Fairfax might achieve its long term target of Google Apps adoption, there is a voluntary uptake of the tools as they are made available. By the end of the email rollout, 50% of users had already begun to use the optional tools.

The change to Google Apps was driven from within, with Fairfax introducing a 'Google Guide' program whereby employees opted to undergo training on the Google Apps products and become an internal champion. Approximately one in 10 employees became a Google Guide and flags were placed on their desk to indicate their ability to assist fellow colleagues with Google App products.

Employees are excited about adopting modern technologies at work and this is likely to increase employee satisfaction.

Fairfax recognises employees are accessing digital technologies and services in their personal lives, including cloud services and social networks that they expect to use at work, so Fairfax is moving to provide employees with a choice of the latest technologies equivalent to the ones the employees may use at home.

Bring your own device (BYOD) is also being rolled out across the business, with a plan to include laptops as well as smartphones and tablets. BYOD challenges the premise of conventional information security thinking, so there are questions to be addressed on how to best manage security in an environment that mixed corporate and employee-owned devices. Lam-Po-Tang believes employees who choose BYOD will understand it is a privilege.

Lam-Po-Tang believes social networking is overtaking email as a preferred mode of communication for many people, so it is important to make social networks such as Facebook and Twitter available to employees of a media company. Further, Lam-Po-Tang highlighted the importance of internal social networks such as Yammer or Google Plus for problem solving and fostering cross functional collaboration. Access to social networks was previously limited, however Fairfax has opened this up, empowering their employees to use social media with a firm policy to 'be sensible'.

4.3 Other trends

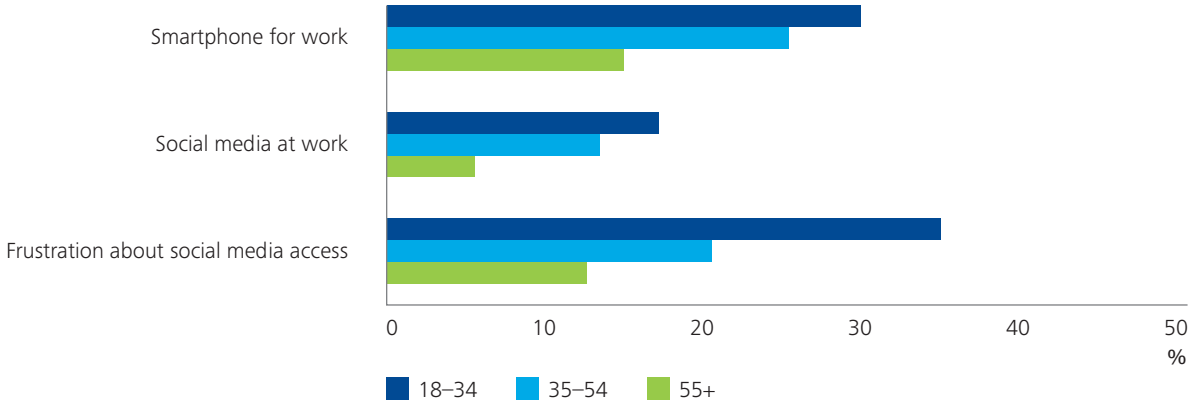
Age is linked to digital technology use. Younger workers are more likely to access and use digital technologies and more likely to be frustrated by IT problems.

This is consistent with common perceptions of the 'generational gap' and highlights that business leaders must be particularly cognisant of digital policies to attract and retain the best younger employees

Differences in digital technology use across industries reflect a range of factors including the intrinsic nature of the business, the occupational mix and other factors.

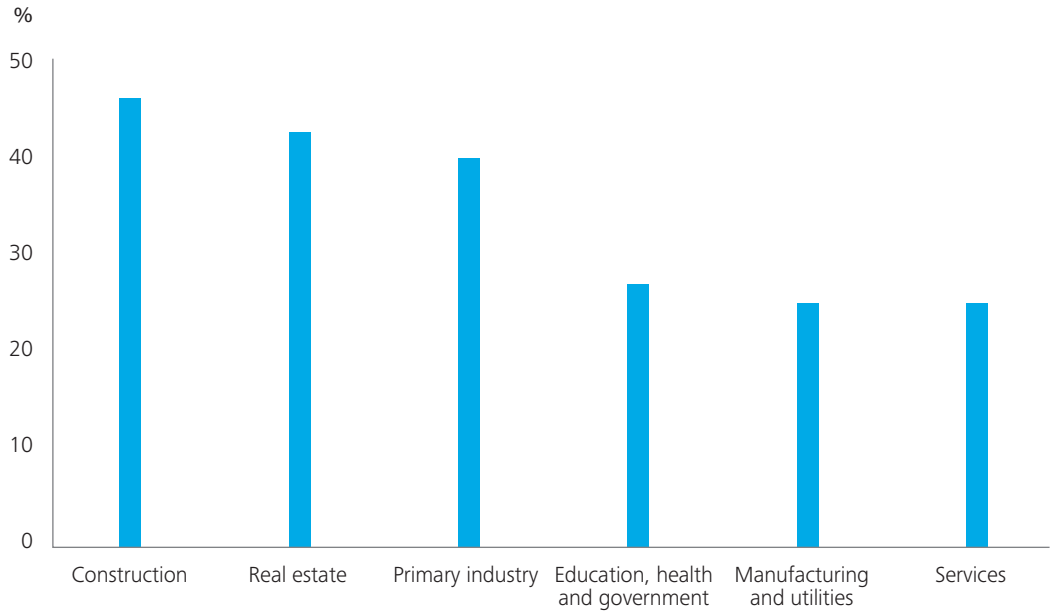
Looking at one measure of digital sophistication – BYOD policy – we found that most industries including education, health, government, manufacturing, utilities and services (which includes a transport, retail and wholesale, accommodation, arts, telecommunications, finance and professional services) had an access level of around a quarter of employees. However, some industries had higher levels including primary industries, real estate and construction.

Chart 4.7: Age and digital technology use



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

Chart 4.8: BYOD policy and industry



Source: Stancombe Research & Planning and Deloitte Access Economics, 2013

Finally, analysis of our survey data showed that trends were similar between Australia and New Zealand. Most indicators of workplace IT use and policy were the same

There were a few opportunities for New Zealand businesses to increase digital sophistication such as in work smartphone use (which was 18% compared with 27% in Australia), work Wi-Fi use (which was 23% compared with 33% in Australia), remote access to email for employees (31%, compared with 40% in Australia) and bring your own device policy (18% compared with 28% in Australia).

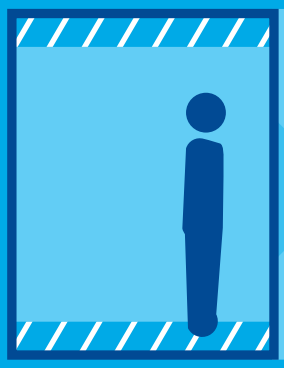
However, in the majority of areas, digital sophistication was basically the same. In a few areas, New Zealand had higher levels of use such as remote file access (27% compared with 23% in Australia), work intranets (53% compared with 50% in Australia) and use of shared servers (42% compared with 40% in Australia).

5

Business Digital Roadmap

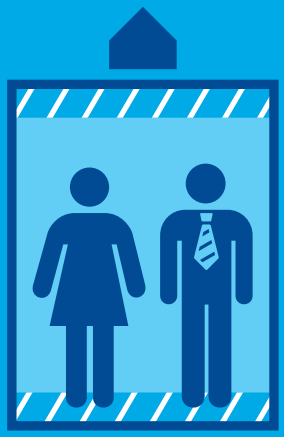
Increasing employee satisfaction and retention is about moving upwards.

The digital hierarchy of needs



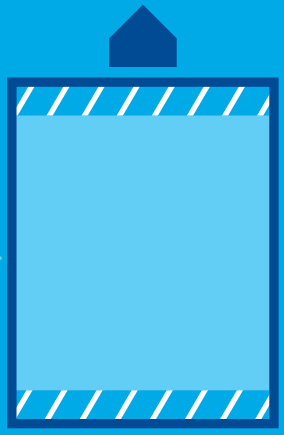
INNOVATIVE DIGITAL TECHNOLOGY

FULL ACCESS TO INNOVATIVE TOOLS
E.G. ONLINE COLLABORATION TOOLS AND
MOBILE DEVICES



ACCESS TO BASIC AND RELIABLE IT

PROVIDING IT THAT IS RELIABLE
E.G. UP TO DATE COMPUTERS, INTERNET, PRINTERS
THAT WORK



BASIC LEVEL OF NEEDS
E.G. PAY

5 Business Digital Roadmap

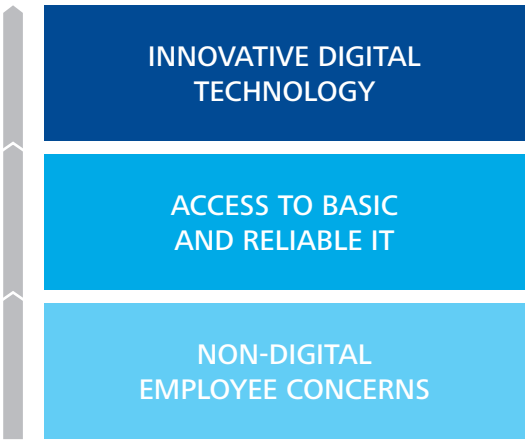
The Business Digital Roadmap has been developed to provide some practical next steps for organisations to stay competitive in the war for talent

5.1 Digital hierarchy of needs

The war for talent in the digital economy is not just about technology; it is about combining technology and HR systems to create workplace and cultural changes.

The following diagram shows the digital hierarchy of needs. Increasing employee satisfaction and retention is about moving up the digital hierarchy of needs.

Figure 5.1: The digital hierarchy of needs

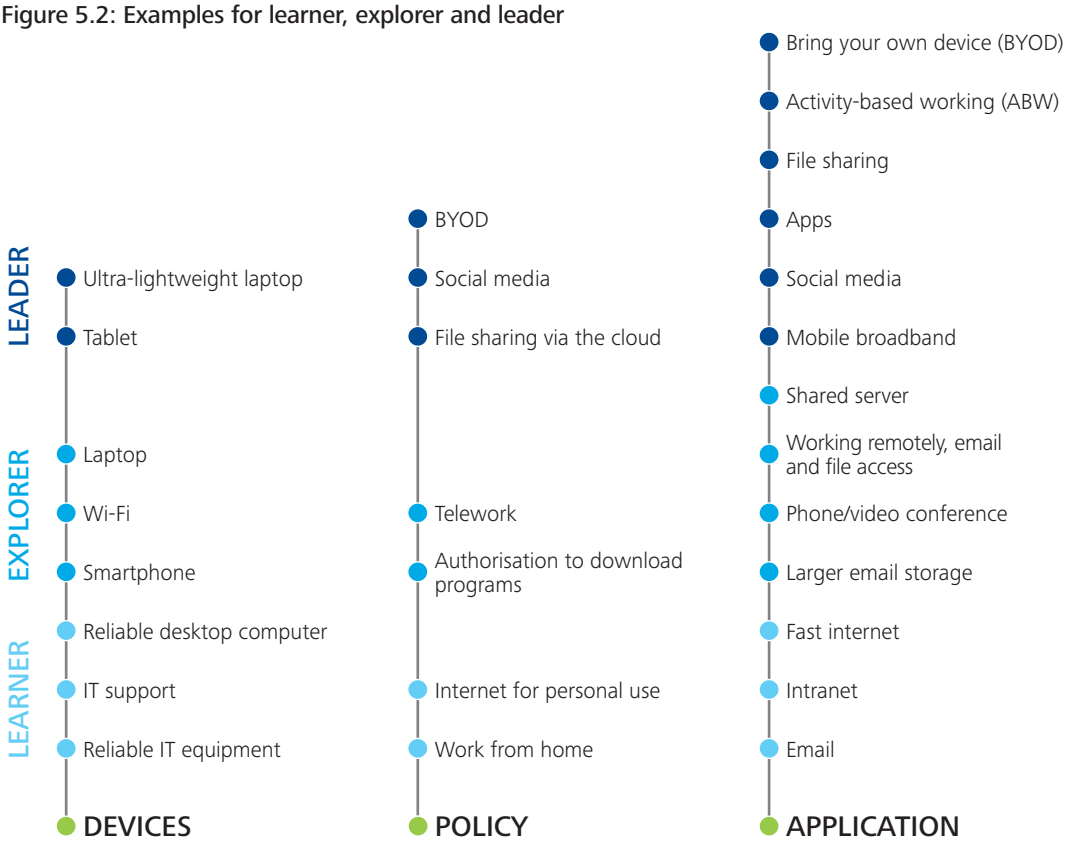


Aside from important employee concerns such as pay and a positive working culture (which do not relate to digital technology), there are many digital basics that companies need to get right to minimise employee dissatisfaction. It is not surprising that employees are still frustrated by not having access to the 'bread and butter' of technology: access to reliable devices, basic applications, fast internet, IT support and flexible IT polices.

Indeed, many of the more sophisticated technologies such as video conferencing from laptops will not work if fast Internet is not available.

We divide actions that businesses can take into three categories: learning, exploring and leading – to show how businesses can offer more sophisticated digital technologies to improve employee satisfaction and retention

Figure 5.2: Examples for learner, explorer and leader



5.2 What can you do?

Technology plays an important role in an organisation's HR strategy. Handing out tablets to employees is not necessarily going to increase their engagement and productivity at work. However, a clearly planned and strategic approach to rolling out digital technologies is likely to make employees feel involved, inspired and ultimately more engaged with the business.

There is a clear imperative for action now since the survey results in this report illustrate that companies that do not offer up-to-date digital technologies for staff will fail to attract talent or will lose existing staff. The following digital roadmap outlines five stages an organisation can move through to win the war for talent, showing practical examples from the case studies outlined in this report where businesses have been able to reap greater employee satisfaction and also achieve higher productivity and cost benefits.

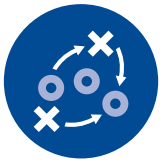
Figure 5.3: Digital roadmap actions

STAGES

1 COMMUNICATE

2 INSPIRE

THE WAYS IN WHICH YOU BUILD DIGITAL CULTURE



TALK TO EMPLOYEES AND SHARE THE STRATEGY

- Air NZ asked their employees what devices they wanted to use
- Woolworths conducted an employee satisfaction survey
- Westpac widely shared with their employees the 2017 strategy.

SPEAK TO THE EXPERTS

- NSW T&I were speaking with SAP, Google and Apple to find the right systems.

THE WAYS IN WHICH YOU INTRODUCE NEW TECHNOLOGIES

CREATE A CLEAR PURPOSE

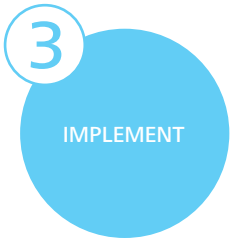
- Fairfax moved to Google Apps to increase collaboration and reduce costs.

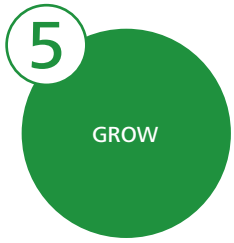
INSPIRE EMPLOYEES

- Woolworths ran an expo of future new technologies.

BENEFITS

- A greater understanding of employees and their needs leading to improved retention strategies
- Build a contemporary digital culture which helps attract talented employees.
- Increased employee excitement and engagement leading to lower turnover rates
- New cultural shifts, positioning the organisation as an attractive place to work.





THE WAYS IN WHICH YOU EMBRACE TECHNOLOGY CHANGES

BALANCE OLD AND NEW

- Only one in three Fairfax employees were moved to the new Google Apps
- Employees at Fairfax were provided with the option to use the suite of Google App tools on an opt in basis.

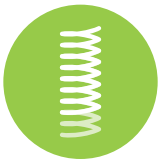
EXPERIMENT

- Air NZ wants to increase sharing of knowledge and management skills.

THE WAYS IN WHICH YOU PROVIDE CONTINUOUS AND THE RIGHT METHODS OF SUPPORT

HELP EMPLOYEES TO HELP THEMSELVES

- The Woolworths 'Technology Centre' provides technology support and education to employees
- The Fairfax 'Champion of change' program encouraged peer to peer support.



BE FLEXIBLE

- Air NZ let their employees choose from a range of work devices
- Employees were encouraged to request access to new devices.

THE WAYS IN WHICH YOU RE-CONNECT, INNOVATE AND GROW

INNOVATE AROUND PROCESS

- Woolworths helped their store managers to work from the stores floor by providing them with a tablet device.

TAP INTO EMPLOYEE SATISFACTION LEVELS

- Fairfax have used an internal social network to learn about and understand their employees.

- Increased collaboration and information sharing
- Productivity improvements such as lower cost to serve customers
- Cost savings from more efficient operations.

- Increased employee retention as employees feel supported in the workplace.

- Innovation leading to productivity improvements
- Competitive advantage in attracting talent.

5.3 What are the potential outcomes?

Companies are already seeing real benefits if they follow this roadmap:

Greater engagement and collaboration

The survey results indicate that people who were satisfied in their job spent more than twice as much time collaborating with colleagues than people who were not satisfied with their job. An organisation can build a collaborative work environment by providing employees with access to the appropriate communication systems and tools. Employees at Fairfax Media are choosing to move quickly to Google Apps because it helps them collaborate easily. Employees at Fairfax chose to be trained on the Google App products and become 'Champions of Change' and help teach their peers.

New cultural shifts

Bringing digital technologies into the workplace can lead to positive changes in culture. Woolworths is fostering a strong technology culture by providing their employees with a Technology Centre to help them become more confident using technology. They have also implemented an internal social network and the cultural benefits of this caught Woolworths by surprise.

Productivity improvements

Digital technologies are providing employees with the ability to work more collaboratively, efficiently and as a result, more productively. NSW Trade and Investment foresees considerable productivity improvements with their planned implementation of a cloud-based SAP solution. Fairfax is already experiencing productivity improvements with the implementation of Google Apps. In particular, Google Docs is allowing employees to collaborate on a single document, avoiding multiple confusing versions. Looking into the future, Westpac is moving towards productivity improvements by creating an activity-based working space where employees use mobile devices and are located based on the project or activity they are working on.

Cost savings

Organisations are able to dramatically lower ICT legacy costs if they allow employees to bring their own devices to work. NSW Trade and Investment acknowledges that it would be more cost effective to provide tablets rather than desktops to employees; however this would require adequate wi-fi facilities and a move to a broader web-based email. Fairfax Media have experienced considerable cost savings by replacing all employee email with Gmail. Fairfax also transitioned 70% of their employees from Microsoft Office Suite to Google Apps leading to further cost savings. Air New Zealand is introducing digital technologies to the workplace at a pace determined by employees. This flexible approach will undoubtedly lead to cost savings as, instead of making an upfront investment in certain technologies, employees can request access to the devices they need.

Positive impact on recruitment and retention

To remain competitive in the market, organisations need to offer their employees more than the basic digital technologies. There is an influx of new employees who are increasingly expecting to have access to technology that will enable them to work in the way they choose. Both Woolworths and Fairfax Media are actively trying to bridge the gap between the advanced technologies accessible to employees at home and the older technologies available at work. Organisations can stay competitive in the market by creating a technology experience which is as good as, or better than, the one available at home. Among flexible working schemes and other employee incentives, a high number of satisfied employees are provided with the ability to work from home. In the war for talent, there is an increasing importance to equip these mobile employees with advanced mobile devices, remote access to work servers and broadband internet.

An increase in innovation

Innovation comes off the back of the new digital technologies; a substantial 20% of survey respondents stated that digital technologies had 'completely transformed' their organisations' products and processes and most reported more modest improvements. Through innovation, Woolworths is gravitating towards their vision of enabling store managers to work from tablets, ensuring the managers are accessible to employees and customers while overseeing their business. These tablets feature a 'tap to support' application allowing employees to resolve their issues on the go, resulting in greater flexibility, time saved and as a result, a potential increase in their day-to-day quality of life.

5.4 Digital technologies explained

Internal communication and collaboration systems

Basic tools to ensure employees are able to effectively work and communicate include:

- Email
- Instant Messaging (IM)
- Telephone conferencing facilities
- Video conferencing.

There are digital technologies available which enable employees to collaborate within the workplace. Common methods of collaboration include:

- Enterprise or workplace-specific social networks (e.g. Yammer or Google+ for business)
  - Providing employees with a platform which allows them to share knowledge, skills and more broadly communicate and collaborate in a secure work environment.
- Activity-based working (ABW) or mobile hot-desking
  - Employees use mobile devices and are located based on the project or activity they are working on.
- Collaboration tools or systems
  - Video conferencing facilities.
- Cloud-based document collaboration tools or systems.
  - Enabling multiple people to work on a single document simultaneously.

Devices

Organisations are recognising the importance of equipping their employees with the right devices to increase their levels of productivity.

- Bring your own Device (BYOD)
  - Permitting employees to use their personal devices (laptops, tablets and smartphones) to work on and access company information, applications and the company network.
- Access to work devices.
  - Providing employees with the right device/s required to complete their work. The range of devices may include computers, laptops, tablets or smartphones.

Digitisation of processes/operations

Technologies are providing organisations with the ability to streamline processes and provide employees with the data and information they require at a faster pace.

- Performance management and HR systems
  - Systems which enable employees to access and update, where appropriate, their performance and HR information via self-service tools.
- Mobile Apps (an application designed to run on a mobile device)
  - Employees can access productivity applications on their mobile devices in a work environment, making their work more efficient.
- Enterprise Applications (a piece of software designed to perform a workplace function such as word processing).
  - Providing employees with access to real-time data and information as a method to improve operations, increase productivity and accelerate decision-making.

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Appendix B Methodology

This appendix provides some additional methodological detail for our study.

Scope of the report

The worlds of digital technology and business strategy are massive. For clarity, we identify some areas which are outside the scope of this report. While this study looks at digital technologies it is not an assessment of the benefit of specific technologies for business, such as whether it is better for a firm to optimise its website for mobile or whether it is better to invest in a mobile app, or both.

The roadmap of this report is not a technology implementation guide, such as providing technical advice on how to improve cyber security policies.

Survey design

The survey was designed by Deloitte Access Economics in consultation with Google and Stancombe Research and Planning.

The survey was implemented by Stancombe Research and Planning in November and December 2012 as an online survey, successfully completed by 526 employee respondents across Australia and New Zealand.

Survey respondents had to answer a number of questions to be selected to continue, including whether they worked in an office and/or had used technologies for their job. Respondents that had no use for technologies and did not work in an office were not selected.

In addition to a range of questions that were used to classify respondents, such as on income, educational background, occupation, industry etc, the survey covered different aspects of employee use of digital technologies and other aspects of the working environment.

Consultations

The consultations were conducted by the Deloitte Digital team during December 2012 and January 2013. Five consultations were specifically chosen to cover multiple industries, including the NSW public sector.

The interviewees responded to a number of questions on general technology use, trends and the use of technology for HR purposes. The consultations provided insights into the current state and future planning of the organisation.

The following interviews were conducted:

- Fairfax Media Limited – Andrew Lam-Po-Tang (CIO and CTO)
- Woolworths – Damon Rees (Head of Run IT)
- Air New Zealand – Julia Raue (CIO) and Corran Roberts (Manager, Strategy Group IT)
- NSW Trade and Investment – Mark Paterson (Director General, NSW Trade and Investment)
- Westpac – Melissa Kenney (HR Manager, Technology).

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