

Smarter Working Britain: the economic benefits of connectivity

A study for O₂

February 2014

Cebr

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Authorship and acknowledgements

This report has been produced by Cebr, an independent economics and business research consultancy established in 1992. The study was led by Shehan Mohamed, Cebr Senior Economist, with analytical and research support from Cebr Economist Chitraj Singh Channa, and insights from Douglas McWilliams, Executive Chairman. The views expressed herein are those of the authors only and are based upon independent research by them.

This study has been commissioned by O₂ and has utilised a combination of data provided through a bespoke survey as well as those available in the public domain through the Office for National Statistics (ONS) and a range of other sources.

The report does not necessarily reflect the views of O₂.

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Foreword: Connectivity in business

As we enter 2014, growth and efficiency are top of the agenda in boardrooms across the UK. But as this report highlights, while our economy is starting to show tentative signs of recovery, productivity in our largest organisations is declining. The average output per hour worked is now nearly 5% lower than pre-recession levels.

O2 commissioned this Cebr study into smarter working to help understand the full impact of better connectivity on large British businesses and the public sector. Our aim is to uncover exactly how productivity benefits can be realised, and where the biggest gains can be made within specific job roles or industry sectors.



Despite many business leaders endorsing the benefits of smart, connected technology to empower the workforce, this report reveals how many are still struggling to harness the full benefits it can bring. 80% of businesses say staff are still without full remote access to key business systems which would allow them to work effectively away from the office.

To get our businesses fit for growth, we need to un-shackle our workforce from out-dated practices.

We often look to the UK's agile tech start-up community as an example of dynamic working. But if we're to reach our full potential and compete on a global stage, we need to create the same level of dynamism across every part of our economy. The staggering cost of long-term inefficiencies laid bare in this report is wake-up call for all employers.

It's time for us to work smarter – giving staff better access to information and tools that allow them to work as they would in the office, no matter where they are; be that nurses or social workers visiting people in local communities; engineers or architects on a construction site of a new building; or a sales force on the road visiting customers across the country.

By unlocking this opportunity we can improve efficiencies and concentrate on investing in what matters most: getting our organisations and our economy back on the road to growth.

A handwritten signature in black ink, appearing to read 'Ben Dowd', written over a light gray rectangular background.

Ben Dowd

Business Director – Telefónica UK

Executive Summary

This report by the Centre for Economics and Business Research (Cebr) evaluates the business outcomes and economic benefits generated by better connectivity in large UK businesses and the public sector¹. By better connectivity, we mean gaining full access to business information systems and software applications from any location at any time of day. This enables employees to acquire information and expertise in real-time, unlocking productivity and customer service benefits. Mobile workers can get information on-the-move so there is less need to return to the office for uploading or downloading data. Information and communication tools can drive more effective meetings at customers' and partners' sites as information becomes instantly available and work from remote locations can be undertaken more efficiently. Our research demonstrates that increasing connectivity at the point of need can save organisations both time and money in the current economic climate.

Macroeconomic context

- In 2014, the UK economy is on course for the strongest economic growth recorded for seven years. Increased business confidence is expected to support hiring intentions and elevate business investments creating new jobs in the economy.
- Less slack in the labour market poses challenges for organisations in retaining and driving productivity amongst their workforce. Labour scarcity and skills shortages may have significant implications for economic growth unless productivity gains can be made by those in work.
- Information and Communication Technology (ICT) has historically played a significant part in unlocking worker productivity. Increases in ICT-related worker productivity recorded in the office-based sector have been estimated at 0.7% per year – responsible for 35% of the total rise in productivity between 2000 and 2012.
- As this report highlights, further economic gains are possible from the exploitation of next generation of applications that use smart devices, cloud computing and 4G from home, work and mobile locations.

National findings

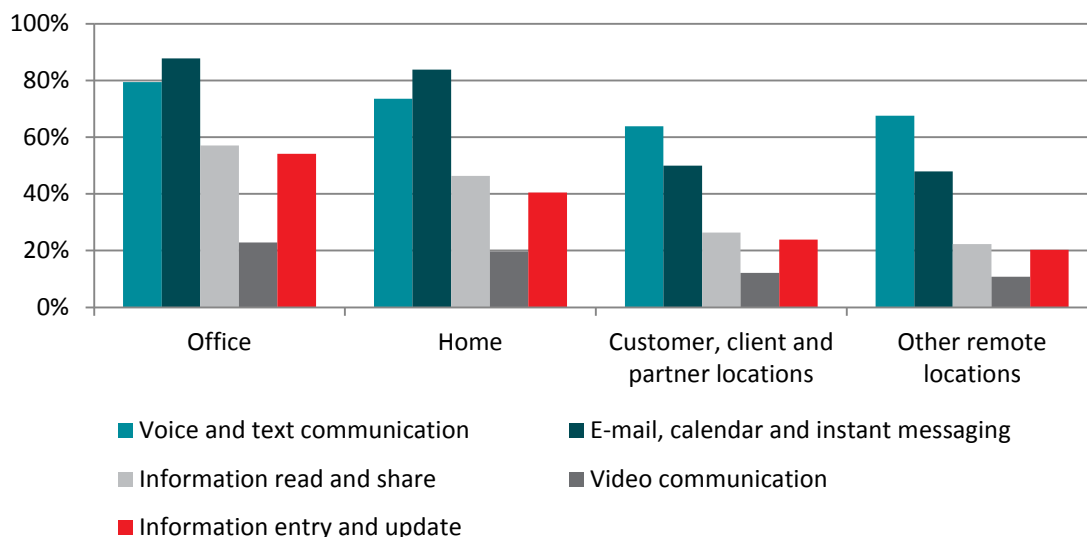
- Current levels of connectivity are highest in the office and home, where access to information and communication tools is almost on par with each other. Connectivity in customer, client and partner sites, and other remote locations (e.g. airport lounges, coffee shops, building or construction sites etc.) is significantly lower as indicated in Figure 1.
- Less than 30% of teams have full access to 'read and share' (i.e. document sharing and editing collaboration tools) and 'entry and update' (e.g. bespoke apps for inputting and retrieving data from business systems) from customer/client and other remote locations.
- 85% of management in large organisations believed that there were tangible economic benefits to be gained from better connectivity. Improving connectivity from all locations can lead to productivity gains that increase working time by 178 hours per year² – an 8.9% increase. This translates into an average increase in annual Gross Value Added³ (GVA) per worker of £1,895.

¹ Large companies are defined as those which employ more than 250 employees.

² The average worker in a 250+ employee organisations works 2,005 hours per year.

³ GVA is defined as the net value contributed to the economy by a company, industry or other economic entity. This includes compensation of employees, company profits and contribution to the Exchequer. Gross Domestic Product (GDP) is GVA plus net taxes on products (including value added taxes).

Figure 1 Proportion of middle-managers reporting that their team have full access to a given tool from a given location



Our findings show total annual economic benefits of £30 billion - equivalent to a 3.9% increase in annual productivity – nearly six times higher than the average annual productivity increase driven by ICT between 2000 and 2012. According to Cebr forecasts, the UK economy is expected to grow by 2.8% in 2014, which implies that better connectivity could boost economic growth by around 40%⁴. The gains in productivity are realised through:

- Increased effectiveness in external meetings through accessing business systems and information at point of need – worth £9.3 billion.
- More efficient working as tasks can be completed instantly from mobile locations rather than employees having to return to base to re-key information – adding £5.9 billion.
- Working from home (£4.1 billion) and remote working (£1.9 billion).
- Better access to business applications and systems when meeting customers or when engaging with citizens. This generates £8.8 billion from employees not having to leave customer sites at least once a week.

In addition to productivity gains, our findings show improvements in customer service KPIs such as customer satisfaction, speed of response, meeting SLAs to improve by an average of 24%. Leading to potential sales growth of 43% as trust, loyalty and market share increases.

Other key findings of the report

Cebr also quantified the productivity benefits to different job roles defined in terms of the nature of the work undertaken and requirements for individuals to move from location to location. The top-line findings were that 'Office Hoppers' and 'Mobile Knowledge Workers' could see a 235+ hour increase in

⁴ This uplift to economic growth is likely to be staggered over a number of years as there are gradual improvements in connectivity amongst organisations.

productive working time per year. 'Mobile Task Workers' could see gains of up to 73 hours per year whilst 'Desk Huggers' could save 15 hours per year from being able to work from home. **Section 5 of the full report provides a summary of the findings by job role.**

Finally, the benefits of improved connectivity were looked at according to five broad industry categories. This analysis shows that the biggest productivity gains resulting from better remote access to information and communication tools are expected within the Information, financial, professional and support services sectors, worth a potential £11.3 billion to the economy. Retail, Food and Transport (£8.8 billion) and the public health, education, defence, social and admin services (£7.2 billion) also stand to make significant productivity gains. **Section 6 of the full report provides a summary of the findings by broad sector category.**