



Digital transformation of work

Accelerated by the pandemic

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Arthur D Little

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Authors:



Dr. Fabian Dömer
Managing Partner
Technology & Innovation Management,
Frankfurt
doemer.fabian@adlittle.com



Fabian Sempf
Principal
Technology & Innovation Management,
Frankfurt
sempf.fabian@adlittle.com

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Foreword

Our working environment has been evolving constantly for years. Digitalization, flexible working hours, work-life balance and new work models have long been the major drivers in this process. In the current situation, however, this evolutionary and plannable change has been overthrown. The COVID-19 pandemic has catapulted our ways of working five years into the future – in just a few months.

At the beginning of 2020, many companies were still skeptical about new ways of working, such as the home office. The main reason for the lack of such offerings was the absence of technical feasibility, as well as employees not being able to work to their full capacity. However, all this forced change has shown that it is possible, and that efficiency does not collapse.

Before the pandemic, only roughly 15 percent of all employees in Germany, for example, had the opportunity to work from home. However, this number has increased significantly. In a representative BITKOM survey in November 2020, 45 percent of those questioned stated that they had worked remotely at least part of the time during the pandemic, and 35 percent assumed that they would use the option of the home office after it had ended. This trend affects not only individual work, but also meetings, workshops, and other formats for which physical presence seemed to be indispensable in the past.

Can you now imagine how our working environment will look in the future? To answer these questions, we will first look back at the pandemic year 2020, when this rapid change started.

1. What we have learned from 2020



One year has passed since companies had to get used to these changed conditions. Within these months, interesting learnings have evolved from the “new normal”

Despite initial skepticism, we have determined that companies have managed the switch to remote working much better and quicker than expected. They have realized that they can act more flexibly than they thought. This was driven primarily by the urgent need for this quick change and the initial development of these new forms of work, as well as the greatly accelerated pace of digital change. According to surveys, 80 percent of employees who are satisfied with the way their employers have organized the transition agree. In addition to normal work processes, remote working is able to influence the social aspect of work: in remote work there is hardly a possibility for short, affable exchanges with colleagues – such as the traditional coffee break. The absence of these is a bitter loss for the internal working atmosphere. The identification with and feeling of belonging to a team are reduced to a minimum, since a collegial working atmosphere can hardly be created with the prevailing physical distance.

However, this also has impact on the innovative interaction among colleagues. New ideas are no longer developed through a spontaneous quick exchange. That is why the common “peer effect” almost disappeared.

The elimination of coffee breaks can, on the one hand, be adverse for team cohesion, but on the other hand, it supports a more structured and continuous workflow without interruption. In addition, due to scheduled online meetings, the workflow is planned more precisely and structured more consistently.

Companies report that many employees feel their individual productivity has increased in their home offices. At the same time, productivity within a team is often perceived as reduced. The main reason for this is that communication between individual team members is made more difficult by the increased physical distance.



There are other important learnings related to the rising importance of an established work-life balance: Sitting at their own kitchen table, switching between homeschooling and videoconferencing, the family is becoming more and more integrated into the everyday work routine. However, in turn, work is also integrated into this (new) family life. This boundary is quite fluid and generates a flexibility that is able to influence mental health both positively and negatively. It is advantageous to promote the compatibility of work and family life: you can spend time with your family and work in the same place. In addition, travel time is reduced to a minimum. This time saving can now be used for other purposes.

According to our experience, private and professional life are becoming more and more intertwined. On the one hand, the lack of spatial and temporal separation between work and private life, as well as increased availability, lead to longer working hours into the evening. On the other hand, it also tempts people to deal with private matters in between. For instance, the constant distraction of both worlds can lead to concentration problems. In our experience, people react to this in two ways: Some people find it difficult to motivate themselves and actually work less without the direct pressure from outside. However, most people feel increased pressure to perform better in the home office environment compared to former times when working on site. Back in the "good old times," people received direct feedback from colleagues and superiors, which they lack now. The latter group thinks their efficiency in the home office setting is lower, which incites them to work into the evenings. Even though these employees usually perform measurably better in their home offices, this circumstance does not exactly contribute to their psychological well-being.

One of the most changed aspects of work is communication. Physical interactions are largely replaced by virtual communication. This leads to a considerable imbalance in the flow of information and communication. Therefore, it is sometimes difficult to achieve clear agreements and avoid misunderstandings. Furthermore, team members often feel isolated from their managers. This leads to the impression that their own work is not being rewarded with the same appreciation as in the "good old" face-to-face work setting.

A further difficulty rises above all in the process of onboarding new employees: They feel insufficiently integrated, as well as neglected, due to the absence of physical proximity and the opportunity to get to know their new colleagues and teams personally. This also applies to a new manager who has to build a base of trust with his or her own employees under such difficult conditions.

The fact that physical proximity cannot be easily transferred, or even imitated, via a flat screen to a distant home office sphere is a challenge that cannot be ignored.

2. What 2021 looks like



The home office – A trend that is here to stay

In 2021, the home office has become the standard in virtually all companies, as COVID-19 is still in our lives. Regardless of social distancing, the home office has proven to be a more efficient way of doing many jobs. In addition, due to the high degree of flexibility, employees enjoy their work more. It has become part of our everyday life to invite people to a video conference – as well as to include the colleague from Singapore. For this to coordinate with the European time zone, it has to take place very early in the morning. Then the end of work is brought forward quicker, and there is still the chance that you can enjoy the sun with the children in the open-air pool. However, if conferences are set in the late evening, for example, with the US, the feeling of a relaxed outdoor swim day will disappear: The meeting is constantly lurking in the back of your mind. This is not really the idea of a relaxing day. It has to be weighed up regularly which things are important, and which can be canceled. Not everybody is used to facing such choices.

Virtual work also has spatial and temporal effects. Fixed office workplaces are becoming fewer and fewer (which also brings corresponding savings). Instead, more and more meeting and creative workspaces are being generated, where people can meet, exchange and collaborate if needed.

The “new normal” leads to “new innovation”

Although standard processes can be handled very well from the home office with virtual collaboration, it is clear that innovation suffers from the lack of exchange between colleagues. Only together can we evolve ideas and drive them forward. A healthy mix of remote work and the use of creative spaces, where teams work together closely on a daily basis, has proven to be a good balance. This is especially true since many creative rooms have recently been equipped with excellent videoconferencing technology, so colleagues in home offices and experts from the other side of the world can easily join the conversations.

Beyond the lockdown phases, “linked meeting rooms” are slowly becoming a new trend, with video connections on large screens that are able to connect several teams at different locations throughout the working day. The rooms are equipped with whiteboards that can be superscribed live and visible for all rooms. These technologies are not new, but only now, in 2021, are we getting used to working closely with teams in the US and Australia this way. It’s also easier to integrate colleagues in home offices because the meeting rooms have enough microphones to fully involve all remote workers.

Besides synergies through new collaborations, this kind of communication and collaboration also promotes agile working. The set-up of small and efficient teams that promote international and cross-functional knowledge exchange is greatly simplified.

This internationality, involving the ability to connect colleagues from all around the world, has advantages and disadvantages: Due to lack of language skills, misunderstandings in translation, and different mentalities, problems can arise that no one would have expected before, and this can sometimes make cooperation bumpy.

Virtual work promotes a digital mind-set

The switch to virtual work has changed collaboration beyond communication fundamentally and for the long term. Even without fancy meeting rooms, workshops and other meetings are now conducted just as solidly, or even more effectively, in the virtual manner. In some cases, virtual execution was previously unthinkable, for example, with the help of whiteboard apps. These developments have led to a completely new digital mind-set. Digital working is no longer seen as just a workaround solution, but an important enrichment of daily working processes.

However, this new digital mind-set has significantly changed not only work itself, but also the way colleagues operate together. Team events are increasingly being moved to alternative virtual formats: from making yourself comfortable with a cocktail in your garden in front of your laptop to having a quick Zoom yoga session with colleagues before starting work. These have become established rituals. Even the increased organizational effort hardly slows down the growing importance of these formats. They help to make corporate culture tangible in the digital space.



The digital mind-set works across generations

This new digital mind-set not only means that digital natives will use even more technology, but also that older people who are less familiar with new technologies will use them much more often. However, ensuring that everyone can benefit from technological change and be a productive part of a new way of working is a responsibility that companies have to face as a whole.

However, the accelerated pace of technological change generally necessitates more serious individual digital training for workers of all ages – not just for older people. While companies are obliged to provide a proper IT infrastructure, employees must be able to use it to its fullest extent.

The range of communication and workshop tools must be consolidated in the long term

In the future there should also be clear consolidation of the many different tools and technologies. Cross-company collaboration can only be ensured efficiently if common tools are used. Most likely, the tools of a major manufacturer that offers sufficient openness to dock individual solutions and, at the same time, provide a fast and secure de facto standard across companies will prevail. These are easy to use and run on all types of devices, so you can quickly turn your home TV into a whiteboard.

Customer focus helps with orientation in the “new normal”

In the course of increasing virtual collaboration, it is necessary to specify objectives and communicate more explicitly. The boss used to sit in the next room, constantly aligning the target, but now inefficiencies can arise in the home office due to people working in the wrong directions.

Many companies have made a virtue of necessity and fundamentally rethought their corporate goals in order to provide their home office employees with tangible, easy-to-understand, implementable guidelines. This has led many companies to focus on their essentials. Today, in 2021, companies can no longer, for example, have 18 strategic cornerstones as their goals, but must instead establish a maximum of three rules with clear customer focus. These can help employees to identify customer needs efficiently – especially due to the lack of personal contact – as well as drawing the right conclusions for their daily work in order to move forward in the customer’s interest.

This focus has led to the fact that, in a few years, most companies will be much more concerned with their customers and products and less with themselves.



More personal responsibility for employees instead of employer control

When you work in your own home with little direct contact with your supervisor, the traditional supervisor-employee relationship disappears, and flat hierarchies evolve. Managers are forced to rescind their control and increasingly leave decisions to the employees. At the same time, employees must also cope with this new high degree of personal responsibility. Both have learned to create a fundament of trust on which good results are achieved without the need for constant control or adjustment. An important component of this new way of working involves pragmatic aims that are formulated not only by the company to all employees, but also by the respective superiors to their direct employees. It has become much more apparent to everyone what is considered “a good result” and how they can successfully achieve it.

With this new personal responsibility, which also means everyone must make decisions and be accountable for their actions, many employees still have difficulties. However, it has been shown that this is particularly due to their learned behavior. New employees often take responsibility as a matter of course, and even colleagues who have been working on instruction for years are increasingly getting used to the new freedom.

The personal responsibility itself has not yet contributed directly to massively improved productivity because work does not always lead to the goal, despite all efforts. It has nevertheless increased creativity and boosted motivation, which probably benefits most companies even more in the long run.

Interpersonal relationships can also be virtual

Online tools are constantly being developed and tailored to the unique needs of the new working setting. In this process new video-chat etiquette has emerged as a result of moving into the virtual room, which has not been seen before in the usual phone conferences. Small talk is increasingly used at the beginning of the conversation for creating an atmosphere which is similar to that at the beginning of a physical conference. It has become a

usual routine to meet each other via video chat and ask for the great book on the counterpart’s bookshelf at home.

This has also led to most participants sitting firmly at their desks and, with the camera switched on, paying attention to their colleagues. This makes videoconferencing more effective than the former audio calls, in which traditionally half of the participants were in transit or doing other things on the side.

It has also been shown that it is essential for a successful home office culture to make clear and precise agreements and seek dialog – whether between the manager and his team or within the team. This creates transparency and effectively prevents misunderstandings. Thus, it can ensure a continuous flow of information. Eventually it is helpful to hold employee meetings periodically in order to maintain the feedback culture that is still important. It is a balancing act in the virtual sphere to differentiate between informal interpersonal interaction and a classical formal discussion. This is easier for long-standing managers than for the company’s newcomers, who have to simultaneously establish a new team setting.

Despite improved video-chat etiquette, communication, and online team-building events, the need for physical contact cannot be completely replaced by virtual. Problems that all companies have to face (such as loneliness among employees) can be enhanced due to the limited social interactions in the home office culture.

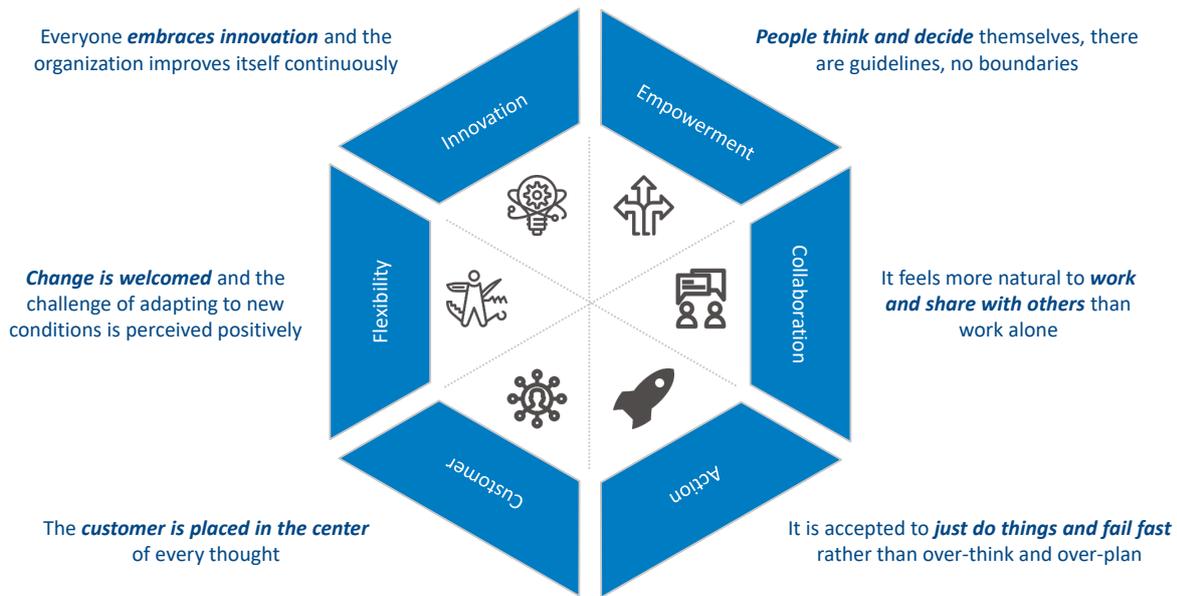
IT infrastructure and data protection must improve across the board

Finally, technical infrastructure is a major factor. Unfortunately, in 2021, it can still not be assumed that every employee has a fast internet connection at home, which is the basic requirement for home office work. Individual companies have started to use what once were budgets for the office infrastructure to equip employees in their home offices accordingly, as well as even provide individuals with strong internet connection via radio relay or satellite so that they are not left behind.

Many companies are still working on optimal hardware equipment, and often provide their employees with notebooks and large screens for their home offices. In addition, topics such as IT security and data protection come up as important requirements over and over. Standardized tools, which usually offer end-to-end encryption, have made many things easier. However, so far nobody has found a real-life solution for situations such as your 16-year-old son taking a USB stick with confidential documents to school and copying what he thinks is his homework to the school server. Employees have to be specifically trained and sensitized so they can adequately deal with the issues of security and data protection.

3. The Digital Shift continues

Figure 1: Six drivers to improve company culture in the digital era



Source: Arthur D. Little analysis

The digital transformation of work is certainly not a new phenomenon suddenly created by the appearance of a virus. Rather, we are in the fortunate situation in which so many companies were already advanced in digital work at the beginning of the pandemic. However, COVID-19 has given a massive boost to digitization, which we probably would not have reached until 2025 or later otherwise.

Already before COVID-19, we had defined the six main drivers for change of company culture in the digital era in our Digital Shift Framework. (See Figure 1.) Those pillars are even more

important now, as this quick boost does not free us from the need to continue working on digitization in the immediate future. Many things are already working well and will have settled in by the end of 2021, but the push has shown us both what is possible and what is not yet working. There are still big steps to be taken, in terms of both technology and mind-set. The Digital Shift will probably never be fully completed, and new things to learn and adapt to will always appear.

Further information about our Digital Shift approach can be found here: <https://www.adlittle.com/digitalshift/>

Notes



Contacts

If you would like more information or to arrange an informal discussion on the issues raised here and how they affect your business, please contact:

Austria

Bela Virag
virag.bela@adlittle.com

Japan

Yusuke Harada
harada.yusuke@adlittle.com

Singapore

Yusuke Harada
harada.yusuke@adlittle.com

Belgium

Frederik van Oene
vanoene.frederik@adlittle.com

Korea

Kevin Lee
lee.kevin@adlittle.com

Spain

Salman Ali
ali.salman@adlittle.com

China

Yusuke Harada
harada.yusuke@adlittle.com

Latin America

Guillem Casahuga
casahuga.guillem@adlittle.com

Sweden

Martin Glaumann
glaumann.martin@adlittle.com

Czech Republic

Jiri Steif
steif.jiri@adlittle.com

Middle East

Thomas Kuruvilla
kuruvilla.thomas@adlittle.com

Switzerland

Fabian Doemer
doemer.fabian@adlittle.com

France

Vincent Bamberger
bamberger.vincent@adlittle.com

The Netherlands

Michael Kolk
kolk.michael@adlittle.com

Turkey

Coskun Baban
baban.coskun@adlittle.com

Germany

Fabian Doemer
doemer.fabian@adlittle.com

Norway

Lars Thurmann-Moe
thurmann-moe.lars@adlittle.com

UK

Ben Thuriaux-Alemán
thuriaux.ben@adlittle.com

India

Barnik Maitra
maitra.barnik@adlittle.com

Poland

Piotr Baranowski
baranowski.piotr@adlittle.com

USA

Ben van der Schaaf
vanderschaaf.ben@adlittle.com

Italy

Saverio Caldani
caldani.saverio@adlittle.com

Russian Federation

Alexander Ovanesov
ovanesov.alexander@adlittle.com



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