THE FUTURE OF WORK 2023

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Contents

Executive summary

The 20th century office model is ending. The 21st century will see more **hybrid working and digital engagement**, enabling firms to build **more diverse and creative teams**.

Winning firms are focusing on a combination of **flexible working, employee wellness, diverse skill sets, and automation** of digital tools to **boost talent retention and drive revenue and profit** growth.

These insights are based on the **Infosys Knowledge Institute's survey of 2,500 senior executives and managers** involved in workplace and workforce planning for large companies across the UK, US, Australia, New Zealand, France, and Germany. The survey used statistical regression methods to **link firms' future of work strategies to revenue and profit outcomes.**

We found that the fastest growing companies have been rushing **to automate their tools** and **modernize their technology**, while **hiring more diverse talent**, and **focusing on reskilling.** Together these initiatives are **estimated to add 7.7 percentage points to profit growth and 6.7 percentage points to revenue growth**, according to our analysis.

In the current market environment, **growth is clearly linked to staff retention**. Companies that increased their staff retention between 2020 and 2022 were almost **a fifth more likely to increase revenues and profits** than those that saw retention fall during this period.

This has boosted **remote working**, with 65% of senior executives saying they are increasing remote working to attract or retain talent.

While **employee preference is a driving force** for increased remote working across all businesses, it is those that also have added **wellness initiatives, home office stipends, and reskilling programs** that are most likely to **improve staff retention**. Modernization and **automation of digital tools, compensation increases, and bring your own device** (BYOD) initiatives also have a noticeable positive impact, according to our data.

Of course, the **type of work, along with cultural and economic factors, plays a big role** in deciding remote or office working. Our sample shows **20% of employees work from home** on average though, with the UK at the highest of 22% and France at the lowest of 17%.

It is clear then that successful businesses of the future will focus **less on the employee's work location**, and **more on the mix of people who are working, and how well they are supported** to have great experiences at work to achieve their best.

Five actionable recommendations emerge from our research. First, **continue to provide flexibility in hybrid work balance**. Second, **invest in adequate technology to support hybrid work** — but change processes around it to achieve the best outcomes. Third, **measure holistic productivity metrics, and evolve them** as your workplace changes. Fourth, **diversify talent sourcing for new growth** opportunities. And fifth, **invest** in a **strong digital experience**.

Employees are in the (remote) driving seat

Our research, carried out over the summer of 2022, has found that remote work is here to stay, and its growth is driven by employee preference and not corporate cost cutting. It's important to recognize that remote work is not just about working from home, it includes a range of flexible working options such as working from alternative desks, branch offices, home, or while traveling.

According to our research, almost two-thirds of senior executives spend their time working flexibly or away from their main office (Figure 1). This could be due to the nature of their roles which requires them to meet clients outside office, or actively partake in business travel. Our data shows companies that are reducing office space and increasing coworking are more likely to improve staff retention and, in turn, revenue.

More broadly, 41% of companies plan to increase remote working hires in the next two years, compared to 37% who did since the start of the pandemic in 2020. The need here is to hire strong talent that is driving this shift — and it looks like it's here to stay.

All of this contradicts those who have been suggesting that remote working is a short-term fad, brought on by the pandemic, and which may fade just as quickly as it arrived. However, shifting to remote working involves its own set of challenges. Our respondents listed collaboration, change management, and a decline of social capital in the workplace as the top ones.

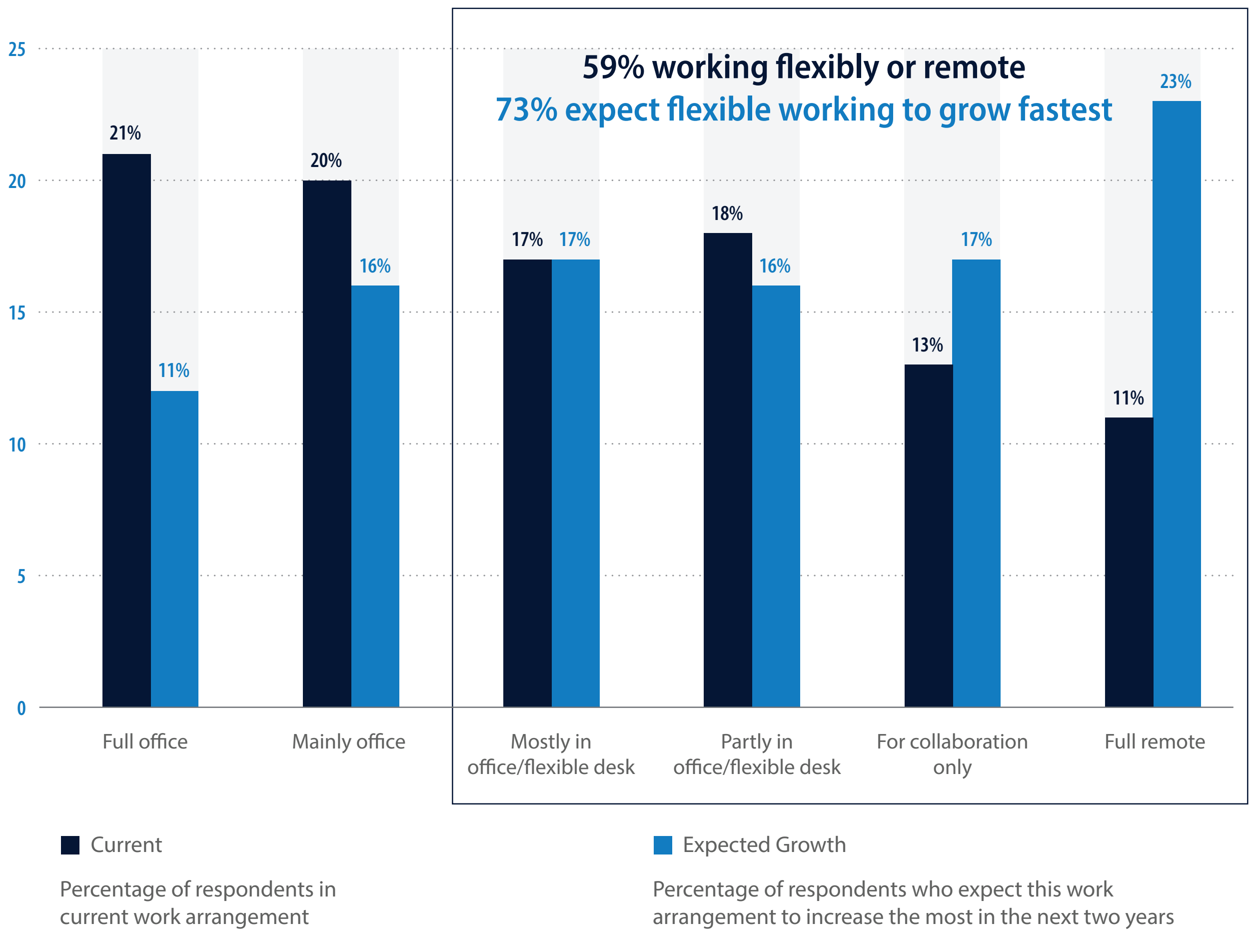
Managers lead the way in flexible working

Our survey shows that managers and senior executives have opted for flexible working at a large scale — rather than working in a set office on a set schedule. Around two-thirds (59%) of our respondents, from mid-managers to the C-suite, work primarily in a flexible or remote space currently (Figure 1). When asked which work arrangements they expect will grow in the future, 73% listed flexible or remote workspaces.

It's worth distinguishing between flexible and remote working, the two workstyles that make up hybrid working. Flexible working is the flexibility in deciding the work location (office/home), work hours (number of working hours each day), the choice of tools/devices (BYOD). So, this could range from someone who is regularly going to office but 'hot desking' (35% of our sample), to someone who is only going to office for collaboration (13%), or to someone permanently working from home (11%).

The former group will broadly not come under the remote working category, but still forms part of hybrid working, due to similar technology systems and security policies required to enable colleagues to work from home or any office location. Also, the autonomy granted to employees in this model, and the fact that their location could change from day to day, implies such employees cannot be categorized along with those who permanently work from a fixed desk mostly.

Figure 1. Respondents' work arrangements



Source: Infosys Knowledge Institute

Contrary to expectations, our data shows that the shift to remote working has taken hold among the top levels of organizations. In fact, senior executives and managers tend to work more flexibly and remotely than most of their staff. When asked, these executives revealed that 38% of their staff also work away from the office (Figure 2). This number comprises individuals who work from home, or are involved in field services, such as repair engineers, sales executives, delivery drivers, etc. About 15% of these employees work in specialist facilities, such as factories, laboratories, hospitals, and logistics centers. In these areas, physical presence is a must, and remote or flexible working may never take hold given the need to attend to specific equipment or physical goods.

This leaves almost half of employees (47%) currently based in central or branch offices.

However, given more executives expect flexible and remote working to grow (Figure 1), the pool of remaining roles will significantly decline over the coming years.

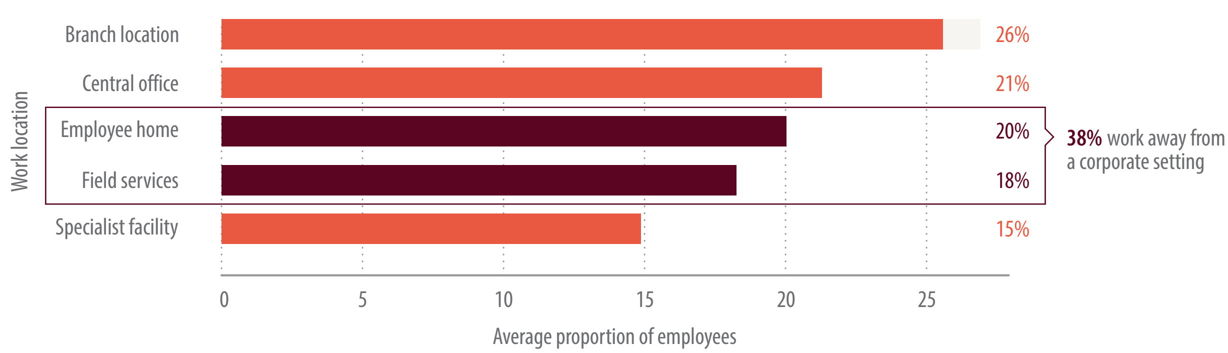
The employee proportions in various work settings — corporate, noncorporate, or specialized facility — differ by region. Australia, New Zealand, France, Germany, and the US have parallel proportions, possibly due to similarities in their economies. The UK's larger proportion of employees in a corporate setting could be due to its service-oriented economy. Conversely, the considerably low proportion of employees in noncorporate setups in France could be influenced by work culture.

Most industry sectors display similar patterns in the proportion of employees working from a corporate setting (45%-48%), noncorporate setting (37%-39%), or a specialized facility (14%-18%). However, certain industries stand out (Figure 3).

For instance, manufacturing and retail/hospitality have the lowest proportions of employees working from home (34%), given the nature of the work. Conversely, life sciences and insurance industries have more employees in a noncorporate setting than in a corporate. Many employees in life sciences also remain in the field, most likely in sales roles.

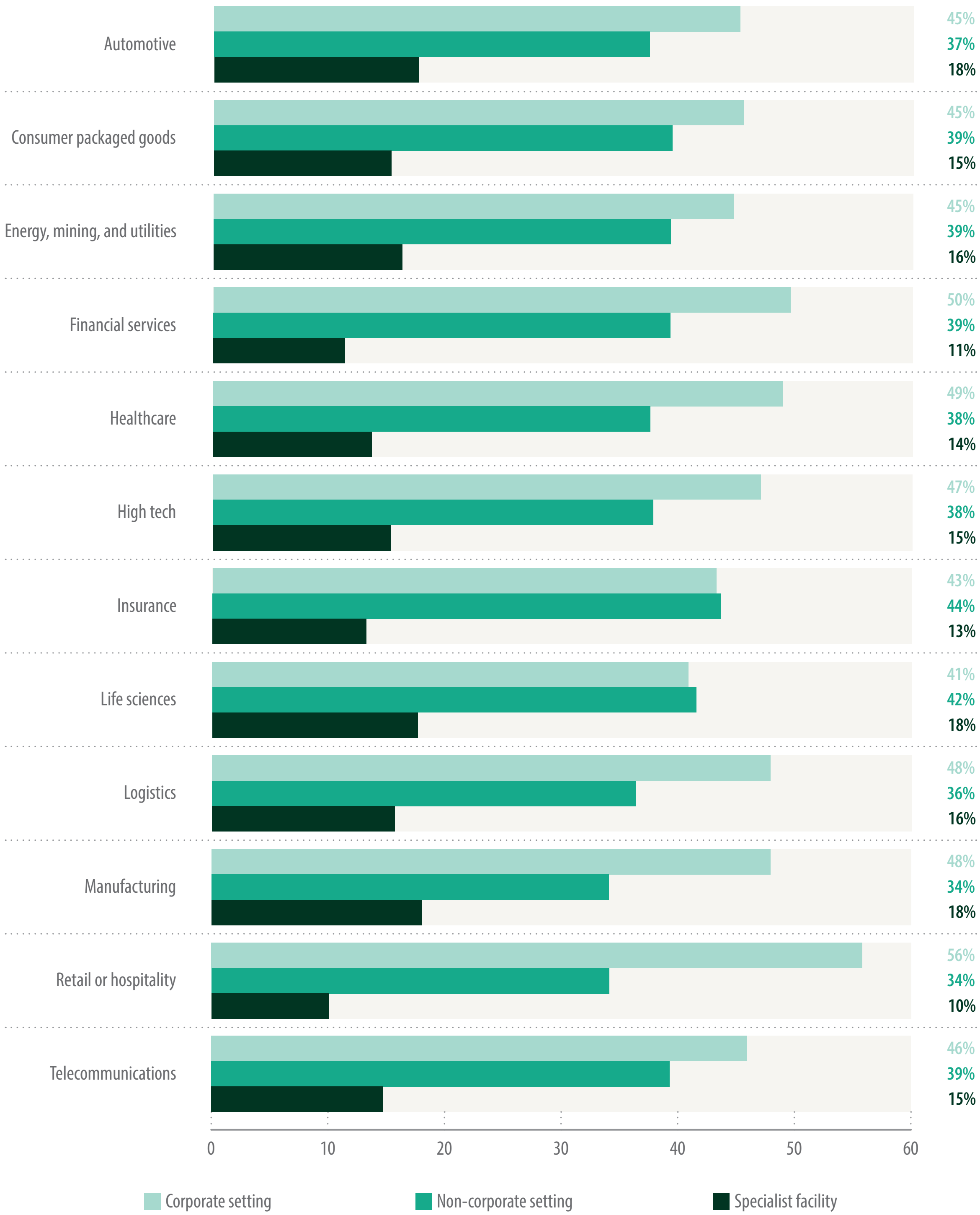
Life sciences, insurance, and financial services have high proportions of home working employees. This is most likely related to the type of work that is undertaken – and that highly qualified professionals carry it out. Not only can these be trusted to work from home, but they have much more negotiating power, given the scarcity of their skills.

Figure 2. More than a third of staff work away from a corporate setting



Source: Infosys Knowledge Institute

Figure 3. Work locations across industries



Work locations by industry (proportion of employees)

Note: Rounding errors mean that percentages for some industries may not add up to 100%.

Source: Infosys Knowledge Institute

Why companies are hiring remote workers

Skills attraction and retention are the biggest drivers for increasing remote work, in a time when hiring and keeping talent is tough.[1] Much has been written about how employees are preferring remote working and looking for this option in new jobs. Our data reveals that organizations are waking up to this truth. When asked why they are hiring remote workers, 65% of respondents cited the need to attract or retain talent and skills (Figure 4).

Initially, remote working was feared to lead to lower pay and stagnant career for employees. It was also viewed cynically as a cost-cutting measure by companies that embraced it.

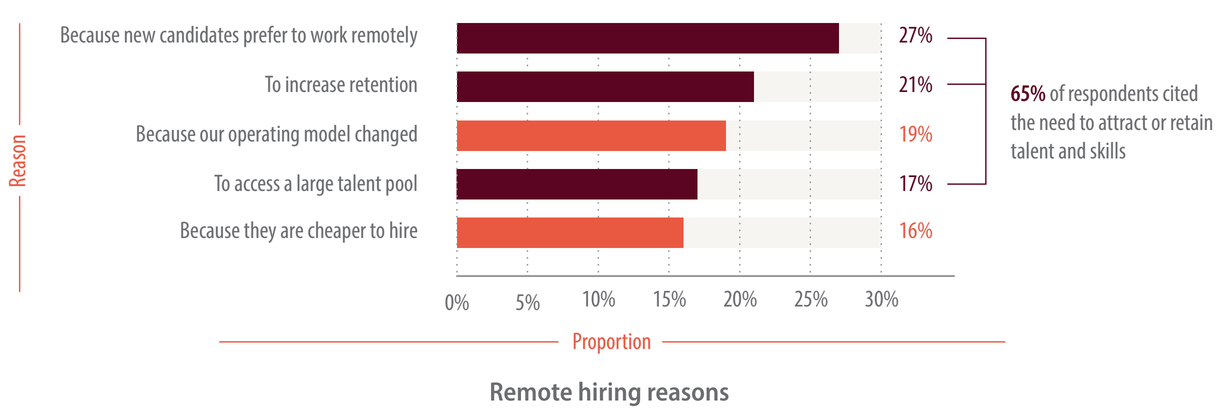
But our findings revealed another viewpoint.

Only respondents from the logistics sector rated lower hiring cost as a significant driver (21% vs. an average of 16%) for remote working. But this can be an outlier, as logistics has been among the least likely sectors to grow remote working in the past two years. This is similar to other sectors such as retail and hospitality, manufacturing, and energy, mining, and utilities, where work location, physical presence, and specialist facilities take precedence.

In general, most industries match the pattern displayed in Figure 4. The most prominent difference is in healthcare, where 35% of respondents facilitate remote working because candidates prefer that. Financial services sector was another outlier, where a higher proportion (22%) stated the change in operating model as a driver for remote working. In both cases, the rise of digital tools is enabling or accelerating this change. In healthcare, doctors, administrators, and nursing staff are increasingly utilizing new digital tools to engage with patients and colleagues. Also, the rise of digital banking has led to an ongoing reduction of branch locations and staff that attend them.

From a regional perspective, the UK had 32% of respondents claiming remote working growth was due to new candidates' preference, followed by Germany with 29%, France with 26%, and then the US and Australia and New Zealand (ANZ) with 25% each. Conversely, the US and ANZ had above average respondents (18% for both regions) that cited the cost of hire as a driving factor, France and Germany both had 16%, whereas the UK only had 14%. Increasing retention was the most important factor cited by the US respondents (22%), followed by Australia (21%), and the UK (20%). Only 18% saw retention as a driver in France or Germany.

Figure 4. Talent attraction and retention drive remote hiring



Source: Infosys Knowledge Institute

Remote working as a growth tool

Our analysis reveals that remote working should be characterized more as a growth driver than a cost saving tool. Organizations are increasing remote working because they believe it drives talent and skills retention. And in turn, this should provide a competitive edge to businesses to grow in a talent constrained market.

Companies that increased retention in the two years leading up to 2022 were almost a fifth more likely to have grown revenue and profits than those that witnessed retention decrease (Figure 5).

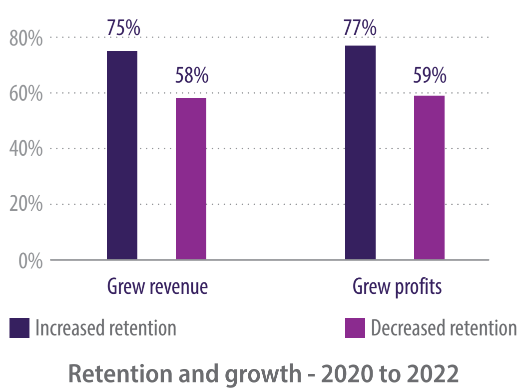
This association between retention and growth is likely the reason that 41% of respondents expect to hire more remote workers (Figure 6). This compares to 37% in the previous two years, during the start of the pandemic.

But not all companies are increasing the hiring of remote workers. Almost an equal proportion of respondents stated they would hire fewer remote as those who stated they would hire more. For some, this may be because their companies have reached the limit of their remote hiring strategy. But for others it is likely because they are not seeing the benefits of higher staff attraction and retention from this strategy.

This is because, while new hires and existing staff are demanding flexible working, our analysis reveals that on its own, this strategy has no significant impact on retention.

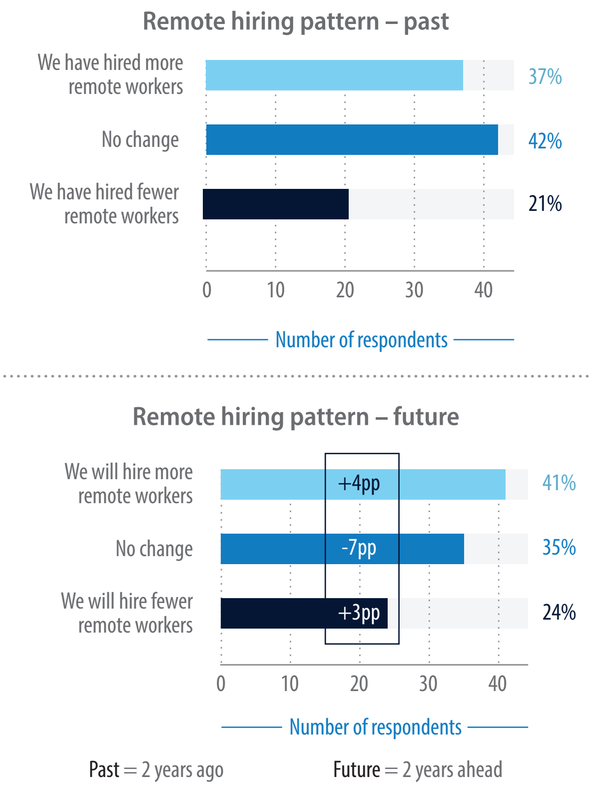
We compared a variety of workplace initiatives added by respondents since 2020 and discovered the top six that had a clear correlation with increased retention.

Figure 5. Companies with higher retention grew more



Source: Infosys Knowledge Institute

Figure 6. Hiring remote workers will grow for most, but not all



Source: Infosys Knowledge Institute

Surprisingly, remote working was just as likely to be practiced by those companies whose retention declined as grew over the period (Figure 7).

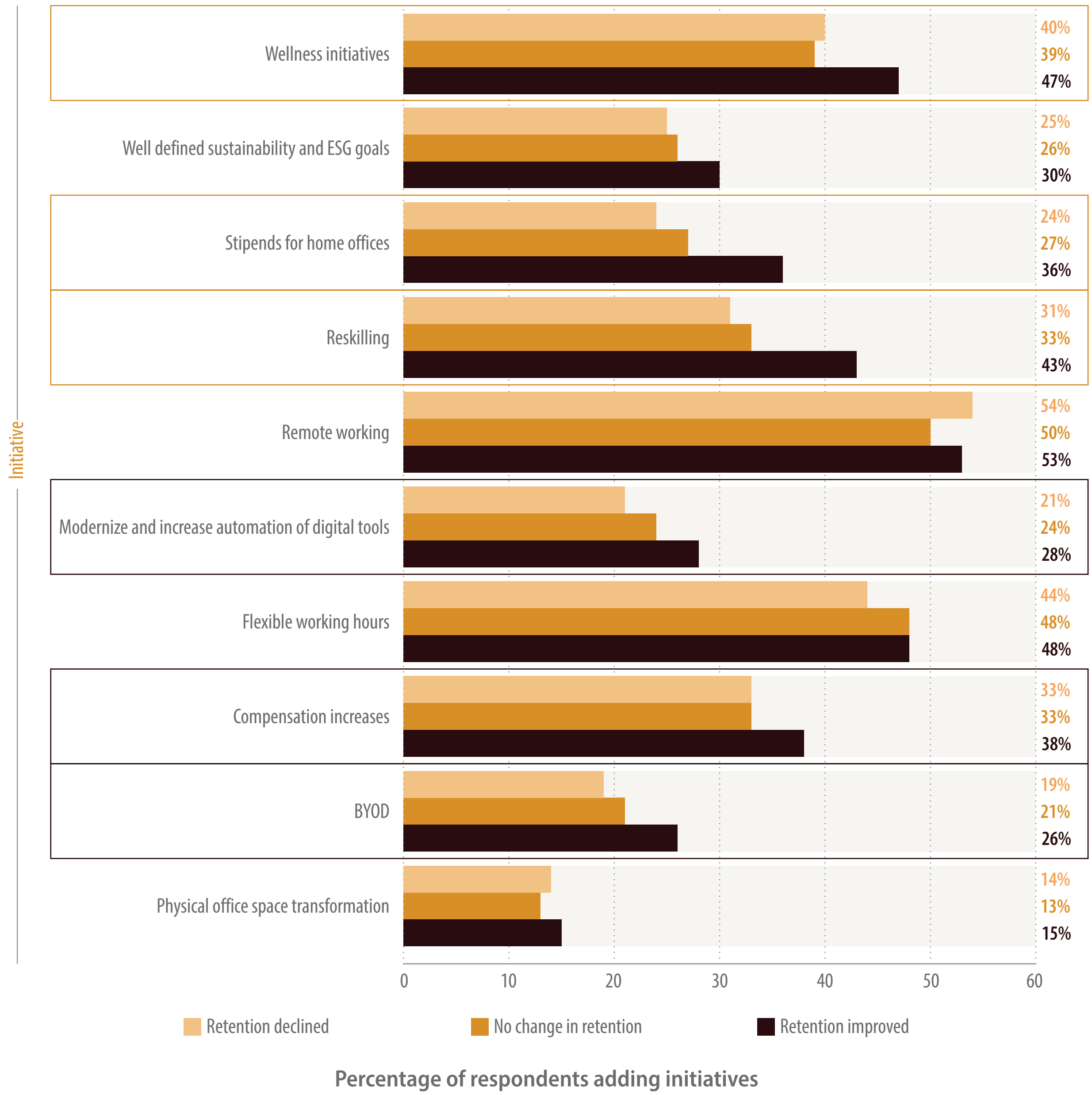
The most utilized initiatives that positively affected retention were investments in reskilling staff, home office stipends, and wellness initiatives. The modernization and automation of digital tools, BYOD schemes, and compensation increases were less commonly utilized but just as impactful on retention.

Among all, compensation rise has the smallest impact on increasing staff retention. Meanwhile, far more targeted compensation increases, in the form of home office stipends, have the biggest impact.

According to our statistical regressions, of all these initiatives, only two — reskilling and digital automation and modernization — have some correspondence with revenue and profit growth.

We have explored both factors further in this report.

Figure 7. Remote working alone does not drive talent retention



Source: Infosys Knowledge Institute

Closing offices doesn't help

Changes to the mix of physical office space also seem to have some links to retention levels. The operative word here is "mix" — because overall, most respondents had no change in their employee retention regardless of the office space initiatives (Figure 8).

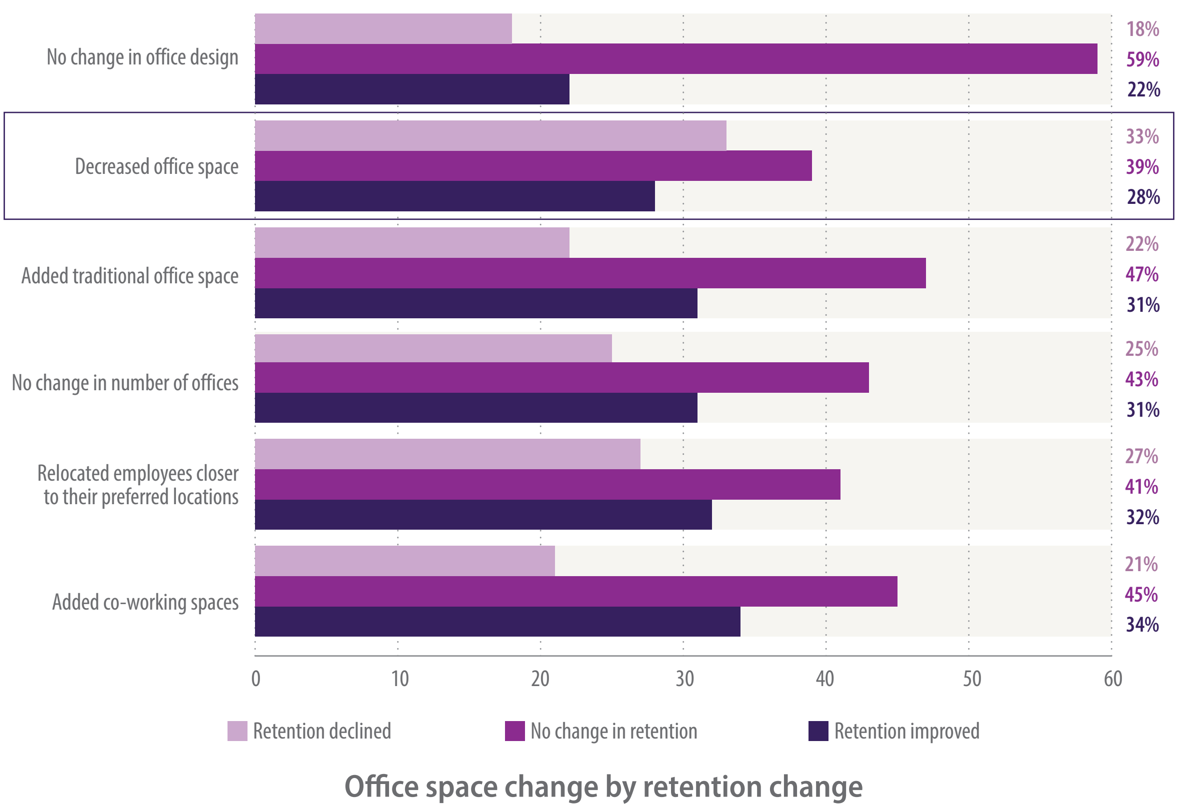
But for those who did see a retention change, there is a clear improvement with more office space options such as coworking. The worst decision seems to have been decreasing the number of offices, an initiative linked to the highest number of firms with declining employee retention.

That said, companies should strategize to enrich their office estates rather than simply closing, relocating, or redesigning them. Although employees increasingly demand remote working, they are still keen on having offices available.

The challenge for corporate property managers is to identify the right mix within their estate to optimize both utilization and strategic value. And that value must consider customer needs, business operations, and employee preferences. It is not easy because the current workplace model is now experiential and emotional, rather than just productive.

"The purpose of the office needs to be reinvented. People are going into the office to socialize – to meet colleagues in person, allowing them to connect emotionally. Not because it is more efficient, and not always because it is critical to their work activities," explains Marika Arvelid, Head of Digital Empowerment Strategy & Engagement at E.ON. "We're coming from an era where we tried to fit as many desks as possible to maximize the efficiency of a space. The key metric used to be 'employees per square meter'. I strongly believe we're moving toward a world where we value 'experience per square meter' in the workplace."

Figure 8. Firms with higher retention have increased their coworking spaces



Source: Infosys Knowledge Institute

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>
> **Marika Arvelid**
> Head of Digital Empowerment Strategy & Engagement at E.ON

This view is echoed by Richard Donaldson, VP of Digital Transformation at Duke Energy Corporation, when he spoke to the Infosys Knowledge Institute as part of the Ahead in the Cloud podcast series. "That's really the ingredient we're trying to figure out — what does collaboration look like now when you may have half of your team at the Innovation Center or in one of the offices and then the other half can be in multiple locations depending on where they're working from home."

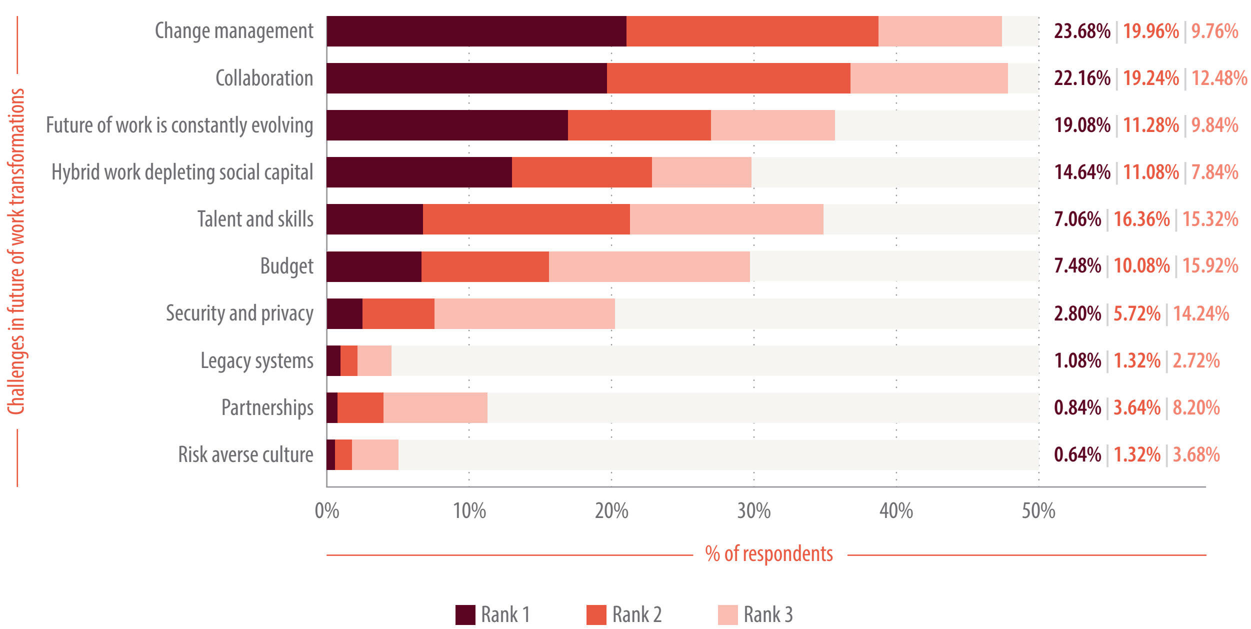
The challenge of change

This ongoing rapid embrace of remote and flexible working involves difficulties too. When asked to rank challenges with implementing their future work transformations, 43% of respondents listed the constant evolution (19%) and difficulty of managing change (24%) as their biggest issues (Figure 9).

Change management is clearly going to be more difficult to achieve remotely or in a hybrid environment. Not least because collaboration and the ability to influence colleagues are diminished. As such, 22% of respondents cite collaboration as a challenge with their future of work strategies, while 15% state that hybrid work is depleting social capital in their workplace.

Yet, there is hope. The challenges of today are akin to the teething pains of an organization moving to a different operating model. The tools and modes of change management and collaboration need to be updated and modernized for this new hybrid work environment. The good news is that our respondents seem aware of this. The next section of this report will show respondents are shifting their investment to align with the future.

Figure 9. Issues related to implementing future of work transformations



Source: Infosys Knowledge Institute

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>
> **Richard Donaldson**
> VP of Digital Transformation at Duke Energy Corporation

Workplace automation is the next big thing

The past two years have been about remote working, and the next two will be about automating and modernizing digital tools in the workplace. The firms now focus more on digital tools and modernized systems to better manage and improve remote working outcomes.

The pandemic enabled a rapid expansion and adoption of cutting-edge virtual technologies in the workspace. But that does not mean that all of these tools are reliable and effective or delivering best outcomes. Our data reveals these challenges and how companies are turning to even more digital technologies to solve them.

The shine wears off virtual collaboration tools

Hybrid working relies on new virtual workplace tools, but not all is bright in the digital workplace. Virtual collaboration tools and video conferencing were a savior of the early pandemic years. These enabled employees and teams to connect, communicate, and collaborate while apart physically. And they remain crucial, as more people work from home or flexibly.

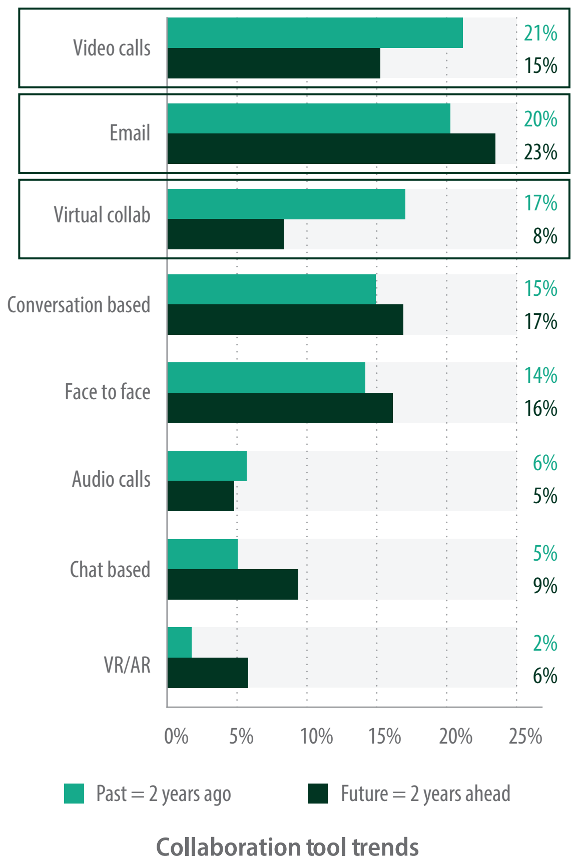
However, the concern is that this doesn't always translate into productivity. As cited by many observers, virtualization of the workplace can overburden or distract colleagues, while disengaging and frustrating others.[2]

We asked our respondents to rank collaboration methods most used, now and in the future (Figure 10). Unsurprisingly, video calls, virtual collaboration tools (such as Microsoft Teams, Zoom, or Google Workspace), and emails, were the three most popular currently. The surprise comes when we look at their intentions for the future. While email shoots ahead, both video calling and virtual collaboration tools show a significant decline.

It is wrong to assume that this shift represents an across-the-board rejection of new technology. In fact, respondents cited more interest in the future in conversation-based tools (such as Slack or MS Teams), chat-based tools (such as WhatsApp), which could be the preference of the new generation.

"We have all had hybrid meetings that are not too great," says Marika Arvelid, Head of Digital Empowerment Strategy & Engagement at E.ON, "How many times do the people who are online get

Figure 10. Video and virtual collaboration will decrease going ahead



Source: Infosys Knowledge Institute

forgotten in the conversation because others in the meeting are in a physical space. The design of the office is going to have to change to meet these needs. Just having a Jabra or surface hub is not going to be enough."

Such views are perhaps the reason that a small, but growing number of respondents are interested in virtual or augmented reality tools in the future. In fact, metaverse has its biggest opportunity in a hybrid workspace – either to enable training and support in the field, or to enable hybrid teams to connect physically and digitally. Our Metaverse Insider Guide, published in August 2022, provides more information on the metaverse and its development.[3]

Our assessment says that employees are frustrated with the tools that require significant technology resources and personal focus to use effectively. Video calls and virtual collaboration tools are memory and processor intensive and require significant layers of authorization to work effectively. They also can be more complex to learn, in the case of collaboration tools; or they can create personal anxiety or weariness, in the case of video calls.

In comparison to the conversation or chat-based tools – which are familiar from the consumer sphere and are not resource intensive – virtual collaboration and video calls can often seem to be hindering productivity rather than enhancing it.

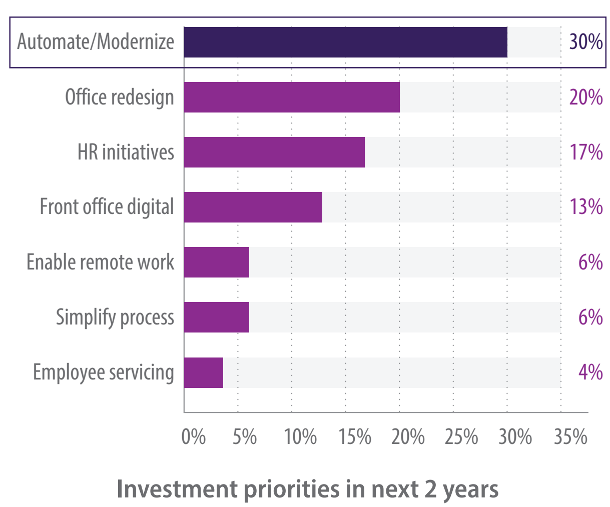
The conclusion is that companies need to focus more on enhancing their virtual and digital rollouts – particularly by providing the right hardware and infrastructure for these tools to work seamlessly and quickly. Companies should also be more aware of the different preferences that staff may have due to their personal work style, age, or expertise.

As more people choose to work remotely, companies' talent attraction and retention will increasingly be based on their effectiveness in delivering working technology that boosts productivity rather than holds it back.

The drive to automate and modernize

Given the need to ensure hybrid working delivers strong business outcomes, investment in workplace automation and modernization of digital tools is expected to grow. In the next two years, this is a top investment priority (Figure 11) and the biggest growth

Figure 11. Automation and modernization - a top future investment



Source: Infosys Knowledge Institute

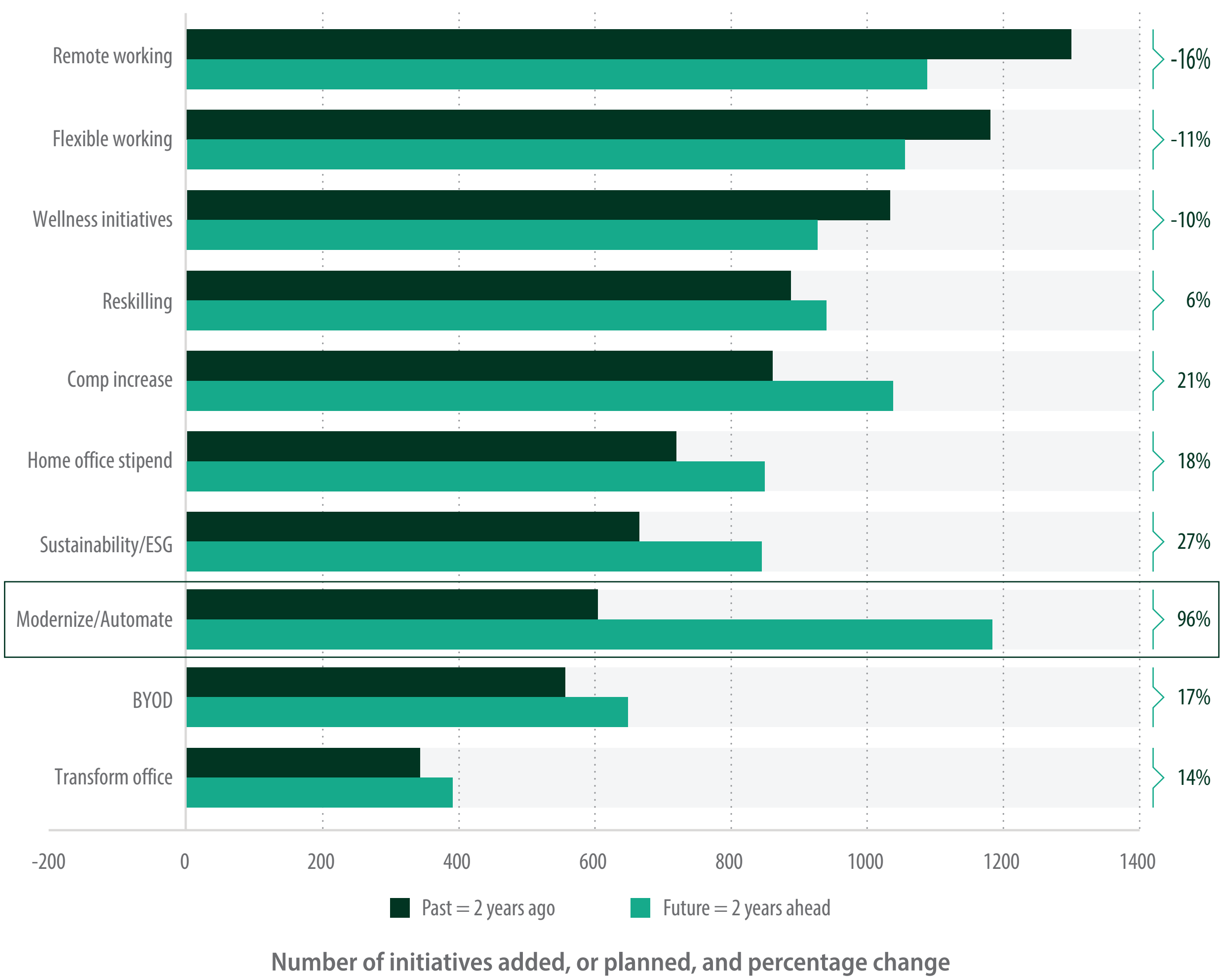
area in the number of new workplace initiatives launched (Figure 12). In both cases, this comes at the expense of remote or flexible working investments or initiatives.

These findings are backed by our Digital Radar report published in February 2022.[4] The report surveyed nearly 2,700 digital transformation leaders from 1,300 companies across the US, Europe, Asia, and Australia. It found that spending on digital shows no signs of decreasing, with 62% of respondents saying they plan to increase their tech spending by 5% or more, and 28% saying they will spend about the same amount.

Our Modernization Radar report, published in May 2022, further supports this view.[5] This survey included 1,500 senior technology leaders and executives across the US, Europe, Australia, and New Zealand. It found that in the next two years companies plan to modernize 50% of their legacy technology estate, which will increase to 80% to 90% in the next five years.

While most legacy technologies are not considered to be directly relevant to the typical office work, it is still relevant because such modernization enables organizations to access 'exponential technologies'. These include advanced data and analytics capabilities, application programming interfaces (APIs) and microservices architectures, and artificial intelligence (AI) tools. These tools can provide significant productivity and employee engagement benefits when working well – but are difficult, if not impossible, to achieve at scale and speed unless legacy systems are migrated or rewritten to utilize modern cloud architecture and applications.

Figure 12. Organizations aim to increase automation and modernization



Source: Infosys Knowledge Institute

Figure 13. The business impact of extreme automation

Extreme Automation

(Moving a company's digital tools from zero automation to completely automated)

Links to a
3.4 percentage point
profit* uplift

≈$123 billion in profit* uplift

And a
3.9 percentage point
revenue uplift

≈$808 billion in revenue uplift

*pre-tax profit

across large firms in the US, UK, France, Germany, Australia and New Zealand.

Source: Infosys Knowledge Institute

The power of automation

To understand the impact of digital tool automation and modernization on business outcomes, we asked respondents to indicate their level of adoption of each of these strategies on a four-point scale. This scale went from having "No" automation or modernization, through "Some", "Mostly", and at the top end, "Completely" automated or modernized.

Automation is significantly more widespread among respondents than modernization. Only 15% of the sample claimed to be completely modernized compared to 25% of those that said they were completely automated. When these two strategies are combined, we found that only 9% of respondents claimed to have both fully automated and modernized their underlying technology.

To determine the business impact of these strategies, we used linear regression to isolate the link that either automation or modernization had on revenue and profit growth in our respondent base.

For modernization, there was no clear result, and this is likely because few companies have pursued full modernization, and the results of such a move take longer to flow to the business. However, for automation, we discovered a strong correlation with revenue and profits. Indeed, moving a firm's digital tools from "no automation" to "completely automated" is correlated with a 3.4 percentage point increase in profit change and a 3.9 percentage point revenue change. This may seem like only incremental improvements. But if we extrapolate this profit or revenue boost across our surveyed markets (US, UK, France, Germany, Australia and New Zealand), it equates to $808 billion in incremental revenues and $123 billion in incremental pretax profit (Figure 13).

Digital employee engagement

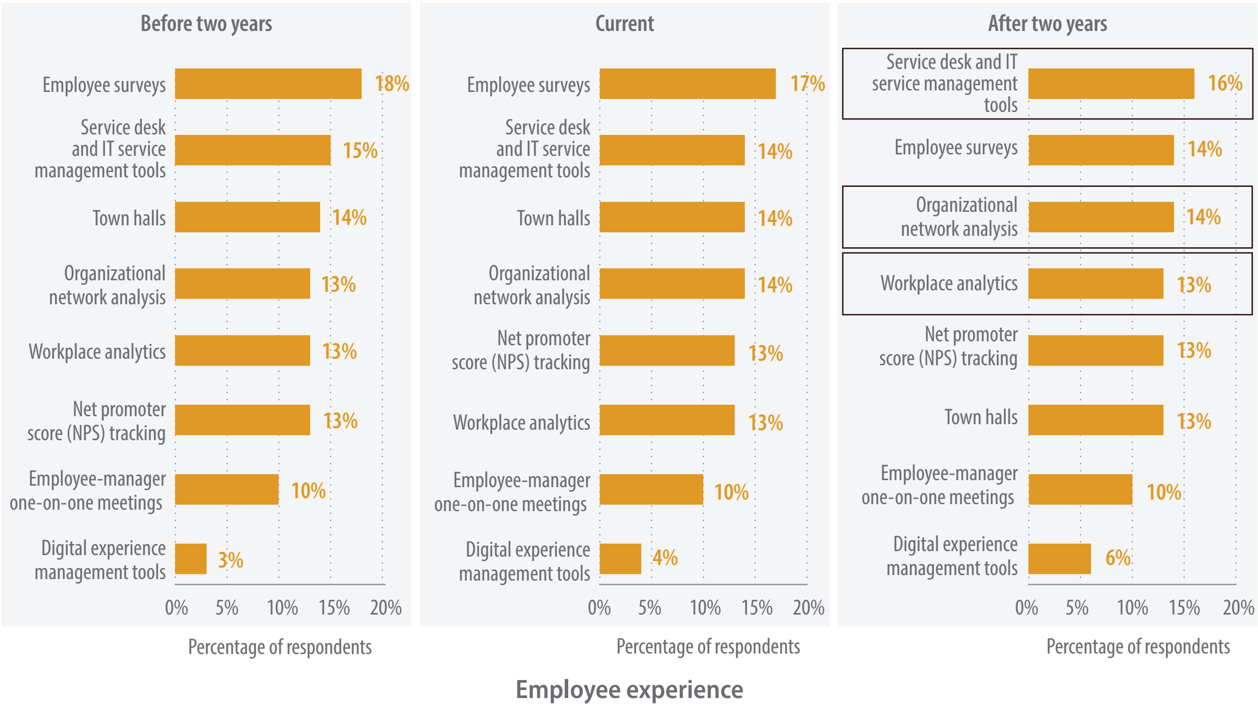
While digital tool automation links closely with revenue and profit growth, and therefore productivity, digital technology usage is also connected with improved employee engagement.

As shown in Figure 7, modernization and automation link to improved retention – as does BYOD strategies. This is reasonable, given the historic and expected increase in hybrid working.

Digital technology enables employees to work effectively from anywhere. Virtual meetings, collaboration tools, instant messaging, and employee self-service portals and apps together, or individually, automate more processes, to make employees more self-sufficient and connected. The ability to mix one's own personal devices into the corporate sphere has also accelerated and eased this transition.

But our data also shows that organizations seek to expand the use of digital technologies to engage with employees and track success. When asked to

Figure 14. Digital employee engagement set to increase



Source: Infosys Knowledge Institute

rank the techniques used to engage with employees, respondents indicated a clear shift toward digital tools to engage with and understand employees (Figure 14).

Employee surveys have been the most common method to engage employees to date. However, in the next two years, we expect surveys and town halls to lose their place to service desk and IT service management (ITSM) tools. These are effectively the digital employee support systems that record, and document all queries and resolutions for employee issues. "Enterprise Service Management tools and processes have evolved to transform business functions through automated business workflows and streamlined processes, thus delivering a superior employee experience," explains Tarang Puranik, SVP, Service Offering Head for Infosys' Cloud Infrastructure Services. "It is important now to evolve the operating model built around these tools and processes, so that they can deliver employee engagement and productivity outcomes successfully."

Use of complex analytics is also on the rise to understand how employees engage with each other and their work. Organizational network analysis identifies the links and information flow between employees, while workplace analytics tracks and monitors behaviors and productivity. Both techniques benefit from a high level of digitization of the workplace, using email, collaboration tools, digital monitoring and self-service tools as their data sources.

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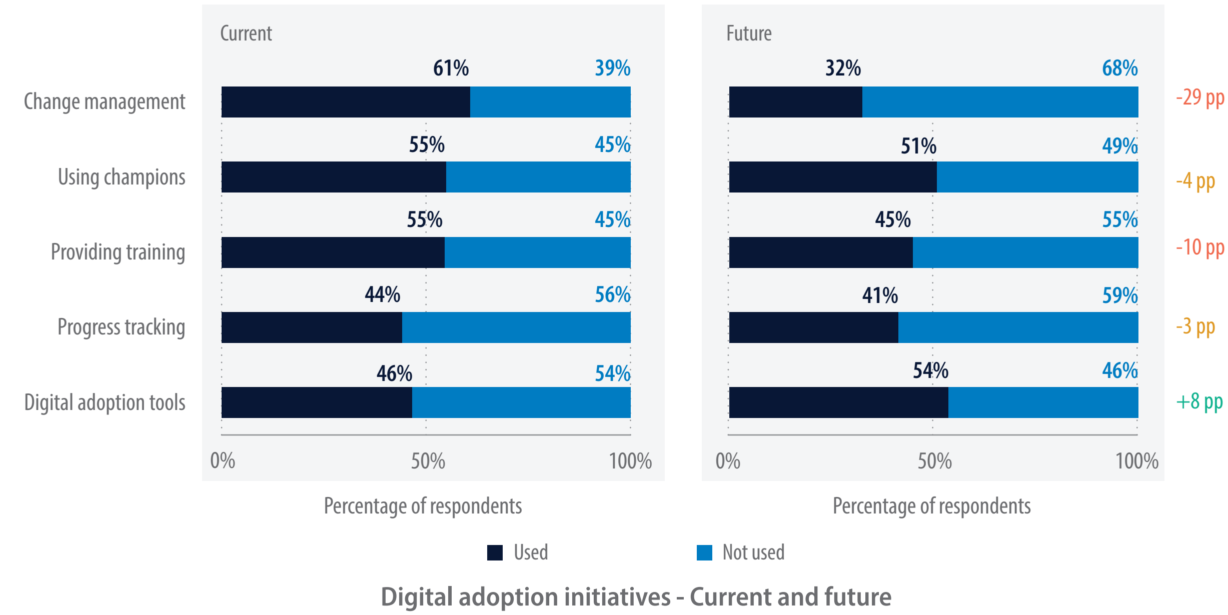
>
> **Tarang Puranik**
> SVP, Service Offering Head for Infosys' Cloud Infrastructure Services

Figure 15. Digital adoption is being digitized



Source: Infosys Knowledge Institute

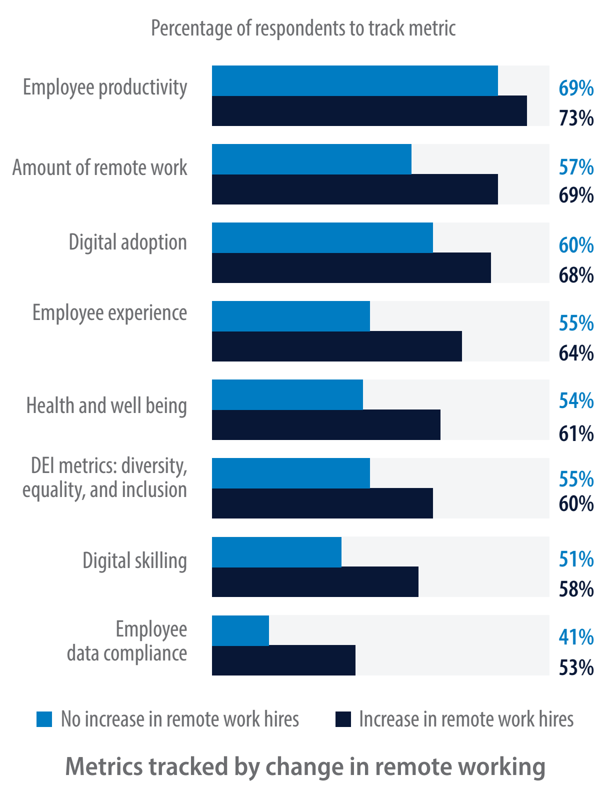
Digitizing tools and metrics for success

The increased use of digital tools to improve employee engagement is connected to another trend: The rise in the use of tools that support digital adoption, and the use of metrics to track their success.

As shown in Figure 9, change management is one the biggest challenges listed by respondents in regard to their future of work strategies. But when asked how companies were going to optimize the adoption of digital tools within their organizations, respondents showed reduced focus on traditional techniques such as change management and training (Figure 15). Instead, they focus more on digital adoption tools such as Whatfix and WalkMe. This is despite respondents saying that these traditional methods are just as – if not more – effective than digital adoption tools.

Companies are not shifting away from change management and training because they feel it is ineffective. On the contrary, when we asked respondents to rank the effectiveness of the different techniques, almost all were ranked as equally effective, with only training coming in significantly (10 percentage points) higher.

Figure 16. Metrics that companies are interested in tracking



Source: Infosys Knowledge Institute

The shift then is likely linked to the increase in remote and flexible working. This is because it is difficult to deploy traditional face-to face change management practices in a physically distributed workforce. Also, thanks to the pandemic, most employees are already utilizing digital and virtual tools for a significant part of their work. Although, as we'll see further in this report, that may not always be that effective for them.

Remote working is also driving an increase in tracking metrics. Figure 16 shows that companies increasing remote working are also prioritizing workplace metrics at much higher rates. Notably, remote work volumes, employee experience, and employee data compliance.

In summary, our data suggests that the shift to hybrid working will result in a new wave of digital tool automation in the workplace. The first wave, over the past two decades, has been to provide basic digital tools for office work. The pandemic brought this ongoing second wave, where the emphasis is to enable scaled virtual, remote, and hybrid working. The next wave will focus on digital engagement and adoption tools as well as success metrics. The focus has shifted from enablement of employees and toward effectiveness and productivity.

"Digital technologies are imperative to both monitor and assess employees' performance as well as keep them engaged with colleagues, despite lack of physical proximity. Used correctly, they can foster an environment of personal responsibility and trust, that improves both employee satisfaction and productivity," says **Gopikrishnan Konnanath, Senior Vice President and Global Head, Engineering Services and Blockchain, Infosys." They also help create a connected workplace be it a 'smarter' office or an ecosystem that gives employees access to the organization's network and enables effortless interaction with the workplace environment no matter where they may be working from."**

But there is a word of warning. Employee tracking and surveillance is not always welcomed by employees - especially if it is overly intrusive or does not seem to support or enable employees to improve themselves. Given we are in a seller's market when it comes to talent and skills, it's important that companies are above board with their surveillance, and use such tools with the full buy-in and support of their employees.

Figure 17. The three waves of workplace digitization

Wave 1: 2000 to 2020	Wave 2: 2020 to 2022	Wave 3: 2022 to 2024
Establishing digital	**Virtualizing workplace**	**Human centric**
• Early cloud adoption • Advancement of email and collaborative tools • Integration of mobile and BYOD • Early steps in video conferencing	• Rapid expansion of video conferencing and virtual collaboration • Consumer apps adopted for comms • Scaled hybrid working	• Focus on the effectiveness of and adoption of digital tools • Expansion of metrics focused on productivity, usage and experience • Increased tool automation and investment in modernization

Source: Infosys Knowledge Institute

Diversify and develop skills to boost business growth

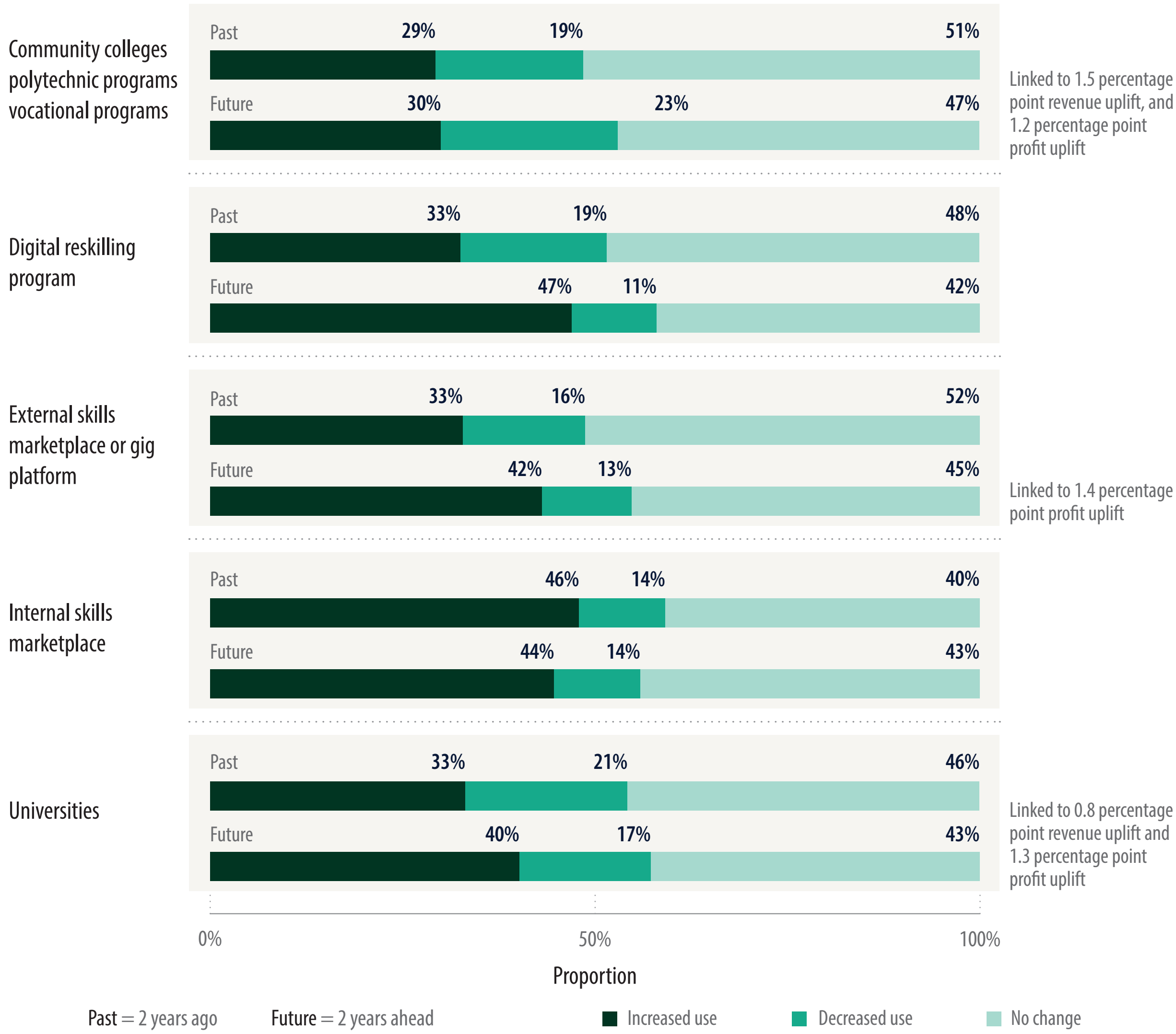
With employees still resigning at an alarming rate, organizations need to deploy several tactics to ensure they get access to – and can retain the best talent.[6] We now know how the need for talent is driving the expansion of remote working, in turn increasing digital tool automation of workplaces.

Our data reveals another strategy that has been successful in this environment. Expanding and diversifying the sources of new talent, as well as focusing on reskilling existing talent, is correlated with stronger profits than extreme automation. In the case of reskilling, the better you are at training, the better your growth. In other words, focusing on hiring a wider range of skillsets, and using training effectively to give them the skills they need, is linked to faster growth and competitiveness.

The talent diversity blind spot

To understand how organizations plan to build up their talent pools, we asked respondents which sources of talent had they increased or decreased focus on in the past two years. We also asked the same for the coming two years (Figure 18). The most consistent focus has been on internal skills marketplaces that help source talent from across an organization. This was the largest growth area in the past two years and expected to be the second largest for the next two years. Yet, using linear regressions, we found no correlation between a focus on internal skills marketplaces and revenue or profit growth. This suggests that the benefits from this source are yet to feed through to the top or bottom line, or they may not actually be linked to business growth.

Figure 18. Community colleges drive most growth, but are being overlooked



Source: Infosys Knowledge Institute

In fact, we only found three talent sources linked to growth: the use of external skills marketplaces, universities, and community colleges (including Polytechnics or vocational programs). Together, these sources are associated with a 3.9 percentage point profit increase and a 2.4 percentage point revenue increase. When extrapolated across our surveyed markets, this is equivalent to an additional $503 billion in revenue and $145 billion in pretax profit (Figure 19).

But the growth from each of these was unevenly distributed. For instance, all sources have a similar impact on boosting profit. External skills or gig marketplaces correlated with a 1.4 percentage point boost, while universities and community colleges added 1.3 and 1.2 percentage points, respectively. Revenue growth was a different story, however.

Skills marketplaces had no correlation with revenue, while universities' input to topline growth was only 0.8 percentage points. Community colleges, however, are linked with a whopping 1.5 percentage point increase in revenue growth. Perhaps, diversifying skills enables new perspectives, ideas, and a better awareness about new target markets, providing organizations that topline growth edge.

Despite talent from community colleges having a strong correlation with top- and bottom-line growth, our surveyed companies are decreasing their use of this source faster than those increasing it.

Figure 19. The business impact of diversifying skills sourcing

Diverse Skills Sourcing

(Hiring talent from a mix of Vocational, Universities and external skills marketplaces)

Links to a **3.9 percentage point** profit* uplift	≈$145 billion in profit* uplift
And a **2.4 percentage point** revenue uplift	≈$503 billion in revenue uplift

*Pre-tax profit

Across large firms in the US, UK, France, Germany, Australia and New Zealand.

Source: Infosys Knowledge Institute

This is clearly a blind spot for organizations at a time when good talent is critical. Companies that do not increase the mix of candidates sourced from community colleges, polytechnics, or vocational programs are missing a trick. Not only do these sources increase the pool of potentially cheaper candidates, but we have proven a link between the use of these candidates and revenue growth. Diversity of skills should not just be a paid lip service — it can also boost your business.

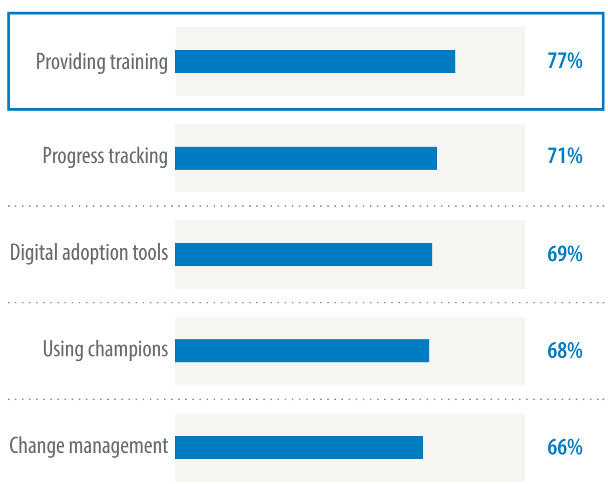
The power of proper training

Throughout this research, we've seen the importance of training and reskilling. It's an important tool for increasing retention of employees (see Figure 7). And digital reskilling in particular is a big focus for companies increasing remote working hires (see Figure 16), as well as being one of the growing initiative areas for companies in general (Figure 12).

This is also backed by research from Infosys Knowledge Institute's Agile Radar 2021, which found that human-centric levers, such as upskilling, self-organizing, and using advanced collaboration platforms, can increase business growth by as much as 63%.[7]

More than two-thirds of respondents indicated that training was "completely" or "very" effective at driving digital adoption (Figure 20). This is significantly higher than other methods such as use of digital adoption tools, internal champions and change management – though still considered highly effective.

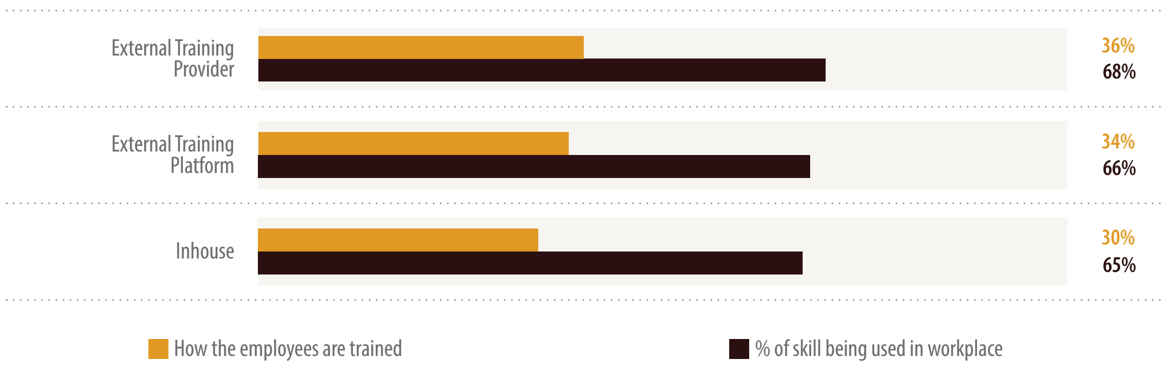
Figure 20. Training seen as most effective for digital adoption



Proportion of respondents listing digital adoption initiatives as either "completely" or "very" effective

Source: Infosys Knowledge Institute

Figure 21. Skills gained from external training tend to be used more



Source: Infosys Knowledge Institute

But we also found that training from external sources was more effective – and that the effectiveness of training links to revenue and profit growth.

First, we asked respondents to share the proportion of employees who are trained inhouse, or by an external training provider or platform. Then, to understand the effectiveness of these techniques, we asked what percentage of retrained employees use these new skills in their current roles.

External training providers and platforms came out as the most preferred sources for training. These were the most effective in terms of results, as they delivered the highest rate new skills usage (Figure 21).

Using linear regression, we discovered the impact of training on revenue and profit growth. We found that every 10% improvement in the proportion of new skills being used in the workplace correlated with a 0.3 percentage point uplift in revenue and pretax profit. This is equivalent to $66 billion more revenues and $14 billion more profit in the past two years by large companies in the markets we surveyed (Figure 22).

These numbers may seem small. But when one considers that on average only 66% of new skills are being used in the workplace, there is clearly headroom to improve. It's conceivable that an average firm could improve its training curriculum so that more than 86% of new skills being learned are used in the workplace. This 20% increase in skills application could double the revenue and profit uplift to 0.6 percentage points. For firms that are lagging the average, this uplift could be significantly higher.

"Digital Learning platforms enable 'Anytime, Anywhere and on Any Device' learning for our employees. This allows uninterrupted access to enhanced and immersive learning – and its relevance has only been amplified with the prevalence of flexible working," says Thirumala Arohi, Senior Vice President and Head - Education, Training & Assessments, Infosys.

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Thirumala Arohi
Senior Vice President and Head - Education, Training & Assessments, Infosys

Figure 22. Training will help increase digital adoption

Effective Training

(Measured by the proportion of new skills being applied in the workplaces)

Links to a **0.3 percentage point** profit* uplift	≈$14 billion in profit* uplift
And a **0.3 percentage point** revenue uplift	≈$66 billion in revenue uplift

For every 10% increase in skills used in the workplace

across large firms in the US, UK, France, Germany, Australia and New Zealand.

*pre-tax profit

Source: Infosys Knowledge Institute

The shift to gig working

Gig working, or the practice of using independent contractors or individuals as needed, certainly took the limelight in the past two year. Companies such as Uber and Deliveroo, who used such workers to increase home delivery capacity rapidly over the pandemic, are seen as pioneers of the concept.

Yet, gig working goes beyond logistics and manual jobs, and platforms such as Amazon Mechanical Turk, Airtasker, and Upwork (among many others) focus on providing short term labor for knowledge, legal, financial, or creative services.

Certainly, our data reveals that gig working is becoming popular. But its adoption differs by industry and region. We also find that an increase in gig working usually comes at the expense of other contingent worker models. So, rather than reducing the number of full-time workers, a surge in gig working seems often to be from a shift of part-time and contract workers into a gig model.

"I strongly believe we will continue to work in a flexible and hybrid format. Also, the format in which we will legally engage in work in the future is changing, as more people are working independently from a formal employer," says Marika Arvelid, Head of Digital Empowerment Strategy & Engagement at energy company E.ON. "It's not so much about the hours that people are willing to work, it is the contractual and legal set up. People want to feel free and have the flexibility to decide what to work on and when to work. I believe that the younger generation wants to have a personalized working experiencing, fitting to their needs and offering them the maximum flexibility to achieve their desired lifestyle, which they are purposing at that point in time."

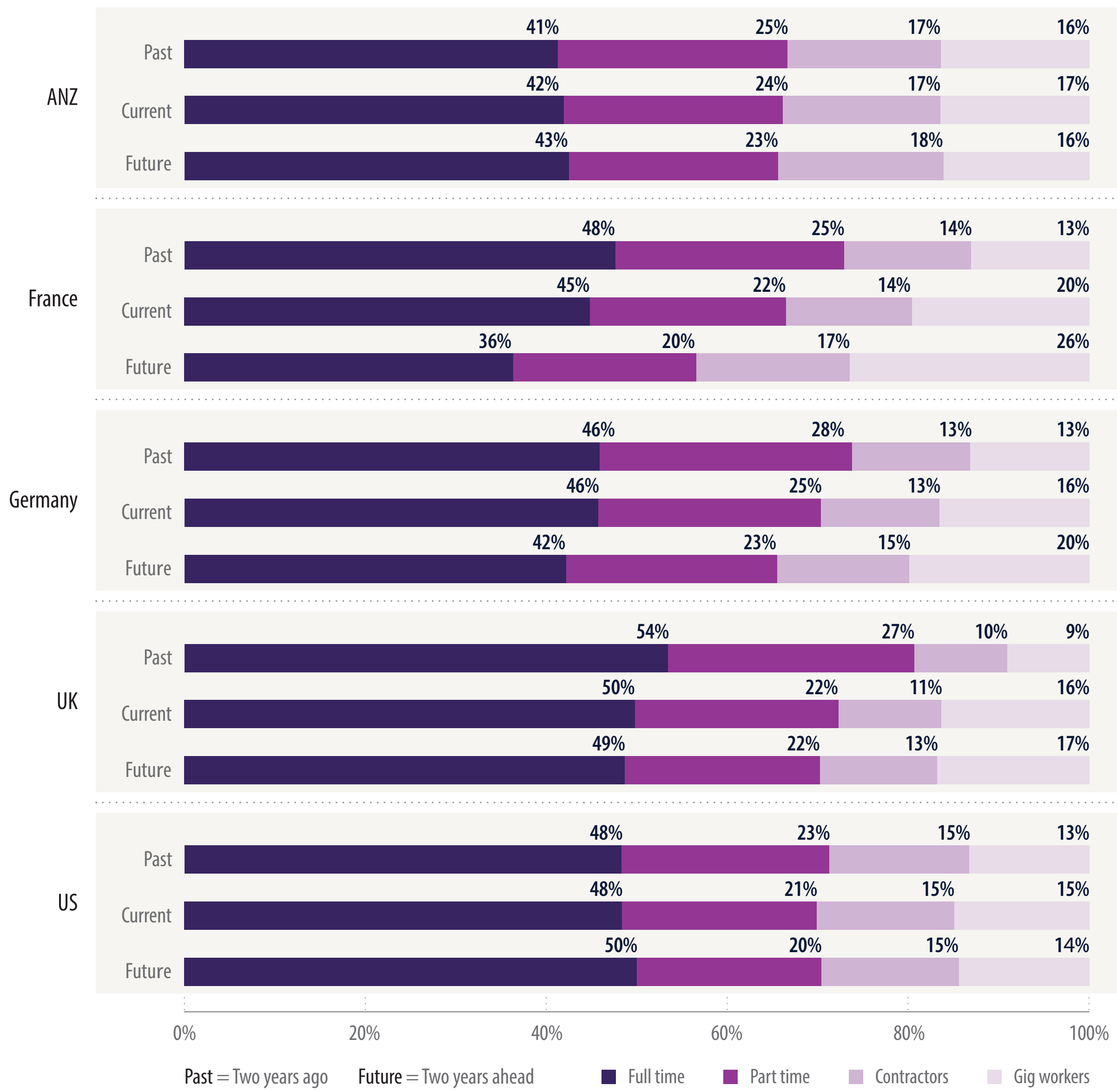
The most dramatic changes have been in France and Germany, where the percentage of gig workers is expected to surge to 26% and 20% of the total workforce, respectively, in the next two years (Figure 23). This is compared to gig worker levels of 13% for both countries two years ago. In the UK, gig working has jumped to 16% from 9% two years ago. However, this seems to be cooling as respondents do not expect any further increase in gig working in the UK in the next two years.

However, the US and ANZ will not see much change. Both regions had high levels of gig working to start with. ANZ having the highest proportion at 16%, and the US with 13% two years ago. However, this has remained flat and is expected to remain that way for some time. In fact, both countries expect a slight increase in full-time working.

Different experiences of the pandemic likely played a big role here. European countries spent the pandemic coming in and out of repeated lockdowns, and controlling the virus was challenging. In the US, different states took mixed approaches, implying the data overall likely shows no change. Meanwhile, in ANZ, the region's highly effective isolation strategy likely meant there was no need to increase gig working beyond its already high levels.

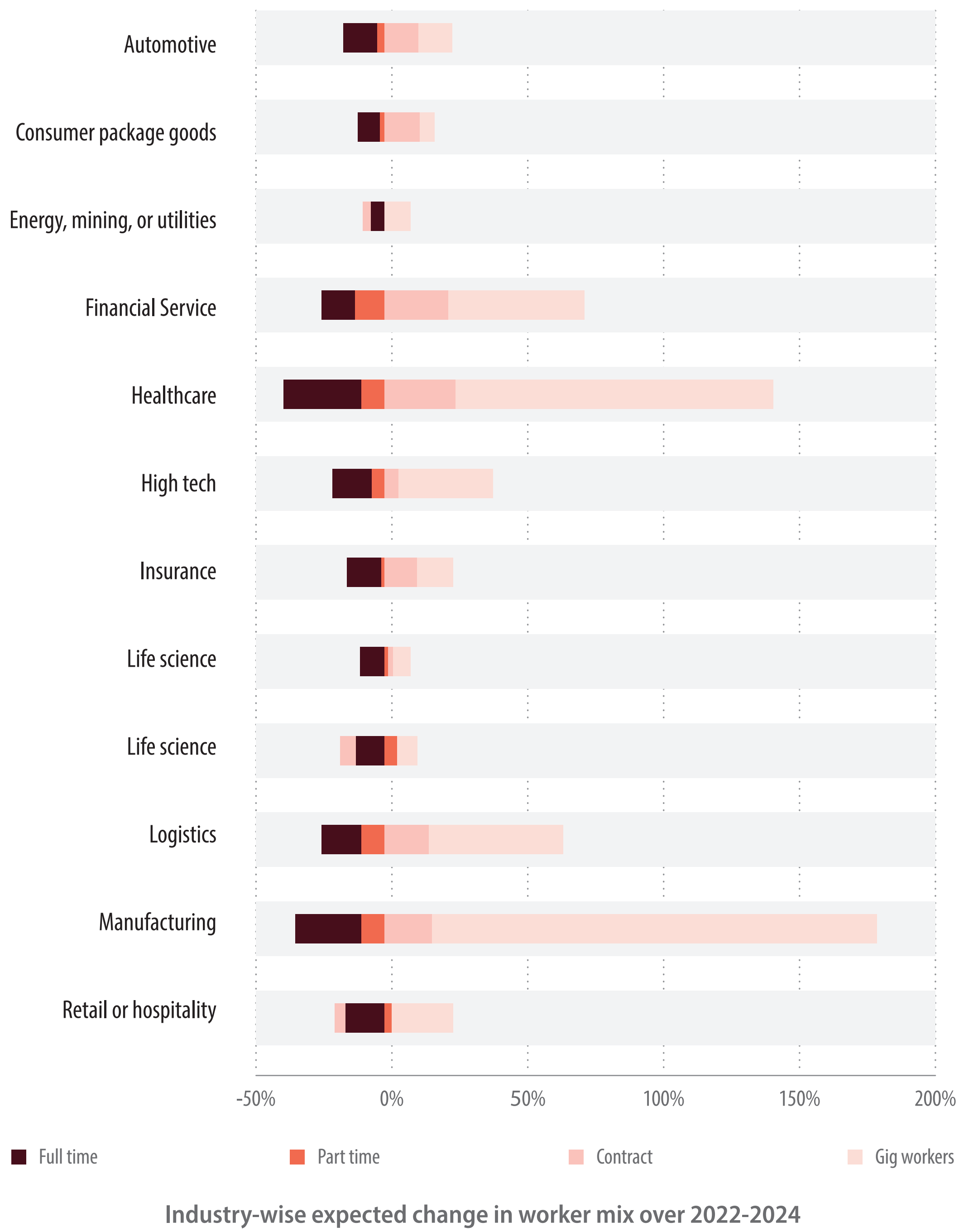
From an industry perspective, healthcare and manufacturing are planning the biggest growth in gig workers at the expense of full-time staff (Figure 24). This is no surprise, as demographic and skills challenges could be forcing this. The surprises come from traditional industries such as automotive and high-tech that are planning significant growth of gig workers, at the cost of full-time staff. This is despite facing relatively stable or growing market conditions. Gig workers are expected to grow in retail while part-time workers will decline significantly. Conversely, gig workers in financial services and telecom are expected to fall, while contract workers and full-time workers are expected to grow respectively.

Figure 23. European countries are adopting gig working faster



Source: Infosys Knowledge Institute

Figure 24. Gig working to grow while full-time shrinks



Source: Infosys Knowledge Institute

The case for the human-centric workplace

As we approach the end of 2022, it's clear that workplace trends sparked by the global pandemic are not going away. If anything, they are accelerating.

Technology has decoupled the historical tether between work, worker, and workplace. However, the employer-worker relationship has fallen behind. Job market trends, attrition rates, and continued lack of workforce participation suggest something is missing in the future of work conversation. To keep pace with their employees, companies should reexamine their employee relationships with fresh, emphatic eyes while maintaining financial performance during uncertain and disruptive times.

As Infosys Knowledge Institute's Tech Navigator Report emphasizes, organizations need to create digital experiences that are not merely efficient and user-friendly but those that connect and engage employees on an emotional level.[8]

Good intentions alone are not enough. While ESG has become a catchall buzzword, trust is the coin of the realm for employee engagement and its most visible metric, retention.

Contrary to conventional wisdom, trust is far from a soft skill. Our research shows employees respond predictably and positively when companies implement initiatives that serve employee needs. However, traditional approaches to develop trust and engagement are no longer sufficient in the age of distributed, always-on cloud and AI.

It's time to give a radical makeover to the employee value proposition – and to deploy new tools, in a new way, to manage and succeed in this new environment.

Technology can be used to recouple and reconnect that tether between employee purpose, performance, and productivity. And this will have to work across a hybrid of physical, virtual, and remote locations.

But we see a bigger prize than just retention and engagement.

Our research reveals that diversity of employees can bring new strength and resilience to businesses. Combined with the proven benefits of reskilling, the increase of automation, and the flexibility of contract types and locations – the future workplace is on course to become more inclusive to a wider demographic of people.

"Automation is about removing standardized and monotonous tasks – the hallmark of the 20th century workplace. But by doing this it can usher in a new era of diversity in the workplace, by making space not only for more creative thinking, but for a new demography in the workplace. Those groups who may previously have been excluded, either due to available working hours, educational attainment, technical knowledge, or physical ability – could thrive in this future," says Rajesh Varrier.

This is the vision of the 21st century work that we should all aim for. One that creates more opportunity and participation for more types of people. Digitally enabled hybrid work is just the first step.

Automation is about removing standardized and monotonous tasks – the hallmark of the 20th century workplace. But by doing this it can usher in a new era of diversity in the workplace, by making space not only for more creative thinking, but for a new demography in the workplace. Those groups who may previously have been excluded, either due to available working hours, educational attainment, technical knowledge, or physical ability – could thrive in this future.

Rajesh Varrier

EVP, Head of Digital Experience & Microsoft Business, Infosys

Recommendations: Commit to being flexible and diverse

The future of work is all about flexibility. But this does not only apply for physical work location. In this talent market, skilled candidates are in the driving seat. Successful organizations will be those that cater to their employees' needs to get the best out of them.

Leaders need to get better at understanding the mix of personalities and workstyles within their teams – and how they can optimize their approach and supporting infrastructure to achieve the best outcomes.

To successfully step in the future of work, we suggest the following strategies for organizations to overcome their challenges in this tough environment and capture the benefits of high retention and profit and revenue growth:

Continue to provide flexibility in hybrid work balance

Debates around what is the 'right' hybrid model are not over — Is it two or three days in the office? Should it be Mondays, Wednesdays, and Fridays, or the days in between? But this misses the point. The future of work is not about working from home or the office. It is about having the flexibility to work effectively wherever, whenever, and however, you choose.

Technology has been driving us to this point for the past decade or more. It is only the pandemic that forced so many to take the plunge.

Whether managers agree is a moot point. Employees are voting with their feet. Organizations that don't provide an adequate work infrastructure will not get the best out of their staff and will struggle to keep the best performers. Mandating days or hours spent in certain locations will only build resentment, especially with those high value employees that thrive on autonomy.

But it is a balance. It's wrong to assume everyone thrives away from the office, or that all work benefits from time at home.

The challenge for today's leaders is to build the architecture for successful flexible teamwork. That involves providing the right mix of physical, virtual, and personal space. And to get everything working for everyone, organizations need to rely on technology more than ever.

As Rachel McShane, CFO of Digital Wallets for Paysafe Group, explains, "There's absolutely this empowerment theme and trust theme as well, that we trust you to be able to work out what's the best thing for your team and the most effective thing. And it varies because we have so many different roles – developers to front office salespeople to Finance people, and customer service agents. They all have very different day-to-day experiences and for some persons, it's hugely valuable (to be in the office), and for others, it's not. So, we're leaving it with the teams to determine."[9]

Invest in adequate technology, but change processes with it

Productivity can be achieved in a hybrid and flexible work environment, but it is not a given. Employees need their tools to perform at their utmost. Those tools rely on high performing devices, networks, as well as cloud processing, storage, and software.

But the downside of this increased digitalization is that more of employees' time is now spent administering their technology. And the power of digital tools has made everyone a generalist.[10] Senior executives now complete their own expenses, book their flights, design their power points, and wait in virtual queues to fix any of this when it fails.

> ***There's absolutely this empowerment theme and trust theme as well, that we trust you to be able to work out what's the best thing for your team and the most effective thing. And it varies because we have so many different roles – developers to front office salespeople to Finance people, and customer service agents. They all have very different day-to-day experiences and for some persons, it's hugely valuable (to be in the office), and for others, it's not. So, we're leaving it with the teams to determine.***
>
> **Rachel McShane**
> CFO of Digital Wallets for Paysafe Group

Building digital tools and investing in high performing infrastructure is not enough. Organizational processes and support mechanisms need to be modernized and designed around them so that the next generation workplace gets next generation support. Employees need to be freed to work, not held back by their tools and the ever-growing list of responsibilities that come with them.

"Digitization is the cornerstone of the 21st century business model, and one that supersedes many of the operating and business models developed after the Industrial revolution and exploited throughout the 20th century," says Rajesh Varrier, EVP, Head of Digital Experience & Microsoft Business, Infosys. "But to fully benefit from it, organizations not only need to keep investing in the technology itself, but shift their work processes, culture and metrics to realize its full potential," he adds.

Observe holistic indicators and keep evolving

The future workplace also needs a flexible and digitally driven system to measure what's working – and what to change when it's not. Respondents to our survey are shifting more toward ITSM and support tools to better engage with employees.

And why not?

When most work now touches digital in some way, gathering and understanding those signals can help leaders provide the best environment for their employees to ensure success.

But this is less about monitoring individuals and more about learning to design the work experience around different personas in an organization. And many of the techniques can be transplanted from the consumer digital world. For instance, monitoring clicks or time spent on applications to understand if they deliver to expectations.

Instead of seeing technology as a way for employees to report problems, organizations need to move to proactively identifying and fixing blockages that can throttle productivity due to poor technology, or badly designed processes.

Of course, this will require significant investment in analytics and metrics tools. But these techniques are increasingly being productized and easily available to organizations willing to use them.

"To meet the expectation of the new-generation employee, organizations are creating flexibility and offering choices for employees instead of drawing up strict mandates. They are adopting service management principles that measure performance in terms of values or experiences delivered to their employees instead of focusing on operations or outcomes alone. In other words, the focus is on Experience Level Agreement (or XLA)," explains **Lax Gopisetty, Vice President, Global Practice Head for Microsoft Business Applications & Digital Workplace Services, Infosys.**[11]

Diversify talent pool to open new growth avenues

Too little attention is given to employees in the workplace who don't fit inside a box. Indeed, the 20th century workplace has been designed for a particular demographic: male, able, middle-aged, and unburdened by the need to care for relatives. Today's workplace is much more diverse, but the forms of yesteryear still restrict it.

This is a problem because, as technology chips away at the standardized, mundane, or highly complex structure tasks, the gap humans need to fill is evolving. Creativity, innovation, lateral thinking, problem solving, relationship building, and empathy are all part of the new package of characteristics that businesses seek in high performing individuals. But as we've mentioned previously, these are often restricted by poorly designed and implemented workplace technologies.

Diversity of thought is not the only thing though. Diversity of background, educational qualifications, age, ethnicity, and gender can all help make an organization more resilient – and more importantly, faster growing. Groups made of diverse personalities can be more resilient, spot opportunities faster, and execute on them more effectively.

Experience is everything

As digital tools increasingly become critical for employees' work, productivity and engagement hinge ever more on the quality of the digital experiences these tools provide. Technology alone will not build the future of work. Successful organizations will be those that see digital tools as one element of a holistic package of initiatives that serve to engage, enthrall, and attract staff and new candidates. The design and implementation of digital tools should concert with a firm's wider employee engagement strategy.

"Organizations should adopt a human-centric approach to experience design and reimagine the ways of working, that can show employees not only how their needs are understood but also how their potential is amplified. It is important that employees feel connected, empowered, and motivated to work as individuals and collaborators. This is where immersive collaboration, AI, and automation can make a real difference by digitizing the flow of work," says **Chidambaram Ganapathi, Associate Vice President and Head - Digital Workplace Services, Infosys.**

The world of consumer technology can be a good guide here. The principles of user experience, personalization, gamification, and engagement analytics are embedded in the design of today's most popular websites and apps. These must also be thoroughly applied to corporate applications and tools to bring the best out of employees and teams.

In a world where attracting and retaining the best talent is critical, and where businesses must provide a mix of hybrid options that cater to all work styles — the experience design of digital tools cannot be ignored. Poor tooling makes for poor productivity. And in the future of work, whatever your job is, you will most likely rely on a digital tool. Companies that design these tools effectively will get ahead faster.

The future of work is not a problem but an opportunity to rebuild the workplace for the 21st century. One that can benefit the top and bottom line and make for happier people.

Appendix: Research approach

Figure 25. Methodology: Financial benefits of future of work strategies

Survey

Surveyed **2,500 respondents** between July and August 2022 about future of work strategies, representing businesses with more than US $1 billion across 6 countries and 12 industries

Expert analysis

Interviewed work, workplace, and workforce experts to interpret the data and identify the most important variables

Model

Built linear regression model that identified correlations between the following variables and both revenue and profit:

- Level of digital tool automation
- Level of digital tool modernization
- Methods to optimize adoption of digital tools
- Which employee metrics companies use
- Hiring sources
- Use of gig, contract, and part-time workers
- Levels of using new skills in current or new role
- Method
- Hybrid working: Office arrangement

Insight

Identified three variables that increased profitability and revenue increases:

- **Extreme automation** was associated with a 3.4 percentage point increase in profit growth and a 3.9 percentage point increase in revenue growth.
- **Diversifying skills sourcing** was associated with a 3.9 percentage point increase in profit growth and a 2.4 percentage point increase in revenue growth.
- For a 10 percentage point increase in **employees using new skills**, revenue and profit growth were about 0.3 percentage points higher.

Application

Applied model to known financial and economic data on businesses in the regions surveyed, normalized the differences in the sample distribution

Outcome

Concluded that up to **$1.4 trillion in revenue** and **$282 billion in profits** could be gained through extreme automation ($808B revenue, $123B profit), diversifying skills sourcing ($503B revenue, $145B profit), and employees using new skills ($66B revenue, $14B profit)

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