KPMG

From remote to hybrid work

As employees return to the office—at least sometimes—companies will continue to use virtual technologies to transform work

Introduction

A year after companies asked employees to work from home full-time, the threat of coronavirus infection is finally receding. Vaccination is now becoming available for Americans of all ages and companies are preparing to bring more employees back to the office.

But the workplace will never be the same. Nor will many jobs. A return to the pre-COVID-19 status quo is not an option. In a survey of employers, 87 perecent said they will adopt "hybrid" work arrangements permanently—with some employees working remotely all the time, some working in the office all the time, and many employees coming into the office a couple of days a week.[1]

Not only has the past year changed where people work, but also how they work. Both employers and employees have benefited from the forced use of collaboration technologies that improve ways of working. And many companies have used the shift to work from home as an opportunity to reimagine processes, jobs and even operating models. They have accelerated digitization and will continue to do so as they refine hybrid work.

In this paper, we review the main lessons of the transition to remote work and how these can be applied to a hybrid workforce. To sustain the momentum of the past year and build future success, companies must embrace organization-wide digital transformation even more actively than before.

---

[1] Mercer, "The future of flexible working: Shifting values and the hybrid workplace," March 29,2021.

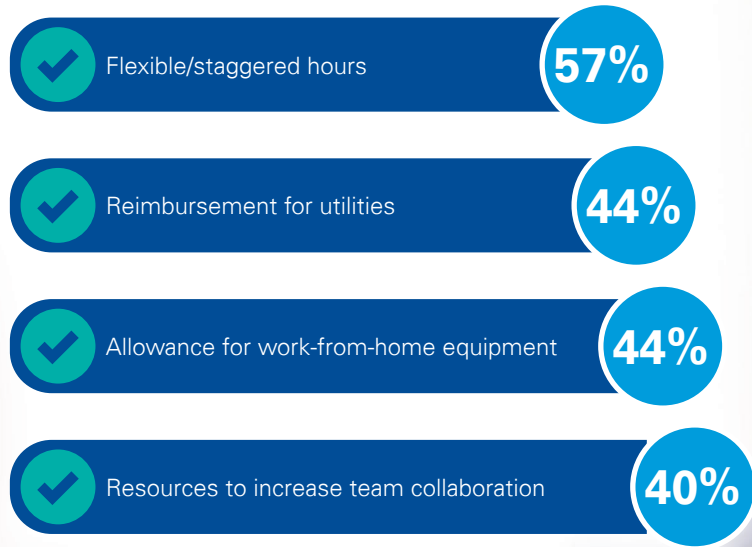# What we learned in the year of COVID-19

At the height of the COVID-19 outbreak in the spring of 2020, over 70 percent of employed Americans were working from home all or part of the time and as of January 2021, 56 percent still were.[2] Before the pandemic, only 2 percent worked from home full-time.[3] This dramatic shift was not something many workers or employers were prepared for. Companies scrambled to get remote employees up on virtual private networks (VPN) and start using the latest online workspace technologies for video conferencing, messaging,

etc. and implement new organizational processes such as virtual closing of the books.

Overnight, how employees did their jobs changed. In a KPMG American Worker survey, 77 percent of respondents said their jobs had become more demanding, and 35 percent said their team's ability to collaborate had worsened.[4] To sustain remote work, 44 percent sought allowances for work-from-home equipment and 40 percent wanted resources for better team collaboration (Exhibit 1).

Exhibit 1. What employees ask of employers to support remote work

For those seeking a sustainable remote working model, employees seek unique benefits, including:

- Flexible/staggered hours — **57%**
- Reimbursement for utilities — **44%**
- Allowance for work-from-home equipment — **44%**
- Resources to increase team collaboration — **40%**

---

[2] Gallup, "Majority of U.S. Workers Continue to Punch In Virtually," February 12, 2021.

[3] U.S Bureau of Labor Statistics, "Job flexibilities and work schedules – 2017-2018 data from the American time use survey," September 24, 2019.

[4] KPMG, "COVID-19: Reality of work and the virtual workforce," August 2020.

One of the major pain points for employees has been technology; slow home internet connectivity is an instant motivation killer. And even the best online collaboration tools have proven inadequate for teams that rely heavily on in-person interaction for brainstorming and idea generation, the challenge remains that available virtual tools poorly replicate the real office environment. In a survey of 900 full-time employees by Globant, a software firm, 49 percent said that had experienced decreased output due to the shift to remote work and a third said they had difficulty accessing the necessary tools and resources to do their work.[5] They said this was the biggest factor for lower productivity.

On the other hand, when the technology works, employees say they have actually become more productive (the perspective of employers on productivity is more mixed). In a KPMG American Worker survey last fall, more than two-thirds of employees said that they were more productive working remotely. And they're working longer hours. In the same KPMG survey, 49 percent of remote workers said their mental health had worsened—a sign that burnout is a real risk in remote work.

In many cases, the shift to remote work benefitted both employer and employee by forcing the adoption of secure online workflows. These process improvements will continue to benefit organizations as they shift to hybrid work. For example, when COVID-19 struck, companies were about to close the books on the first quarter and had to quickly create remote close processes. They are not going to give those up, even if everybody comes back to the office (see box).

Reinventing the quarterly close for a remote workforce

When COVID-19 forced companies to send employees home in March 2020, finance departments were just getting ready to close the books on the first quarter. Suddenly they were going to have to do it all remotely. For many companies, it did not go smoothly. CFOs and Chief Accounting Officers had to simultaneously solve technology, process and control challenges so that they could close the quarter on time— and with the accuracy, security and integrity of the traditional in-house close. Companies had to provision, configure and distribute laptops that were compliant with all the protections of office computers. Access controls, VPN security, and cyber prevention were critical to enable a safe and stable work-from-home platform. Even control frameworks had to be adapted for the shift from manual signoffs to virtual approvals.

For many finance departments, this meant transforming the way they work in real time. In addition to the technology changes, the shift to work from home involved cultural adjustments. What had been intense face-to-face sessions to resolve day-to-day issues now took place on virtual work platforms. In the pre-COVID world, employees bonded during long hours of putting out fires side-by-side in a conference room. In many cases, a sense of trust had to be established and rebuilt within virtual teams. But as these teams became more used to online interactions, they began to see the advantages of virtual close. It became easier to gather everyone for meetings, all eyes were poring over the same spreadsheets at the same time through screen sharing, and ultimately more work was done. Even as offices reopen, in many organizations, the virtual close is here to stay.

---

[5] Globant, "Supporting employee productivity during COVID-19," June 2020.

The transformation opportunity

Remote work is here to stay, at least some times and for some employees. As they prepare for a return to "normalcy," only a minority of employers plan to bring everybody back to the office full-time. Some have already given up costly office space in anticipation.[6]

And even remote-work skeptics accept the new reality of hybrid work. One of these, JP Morgan CEO Jamie Dimon, had bemoaned the loss of office culture and learning because of remote work, but now says that 20 to 30 percent of the bank's more than 250,000 employees will work from home on a rotating basis permanently.[7] "The reluctance to permit remote work was a failure of imagination on the part of leaders everywhere," Margaret Keane, CEO of Synchrony Financial, acknowledged in an oped. Now, the credit card provider will allow all its employees (about 16,500) to work from home permanently.

As they contemplate a future that includes a large share of remote employees, companies need to think about the ongoing risks. Remote work may undermine employees' identification with companies, trust in leadership, as well as provoke dissatisfaction from colleagues working in the office. It also challenges the hierarchical structure of traditional organizations. This makes managing the employees' relationship with their leaders and supervisors very important.

Companies should be mindful of how well different functions can be adapted to work from home. For example, accounting and finance, IT and R&D may be easier to transition to remote working, but other teams such as product development and operations may need more support or should take up a hybrid work-from-the-office/home approach.

For all companies and functions, the evolution of a hybrid workforce can be part of a wider digitization/transformation effort to improve efficiency, agility and creativity. But to hit these goals, companies need to go beyond installing the enabling technology; they must also transform the operating model and governance. When the focus shifts from where people work to what they do, companies need to do a better job evaluating their employees' capabilities and figuring out the best ways to help fulfil them. This new value delivery model reimagines work in six key areas:

Cost consciousness: Invest in digital, work-from-anywhere enablement technologies and cut down on avoidable costs (sprawling real estate, noncore function spends, etc.);

Digital infusion: Increase adoption of automation across the business, accelerate the move to the cloud to enable greater resilience, and invest in infrastructure, collaboration tools and security architecture;

Delivery footprint: Recast the delivery footprint on an enterprise-wide, cross-functional basis, and evaluate changes in real estate use;

Reimagine work
Six key areas of the Value Delivery Model
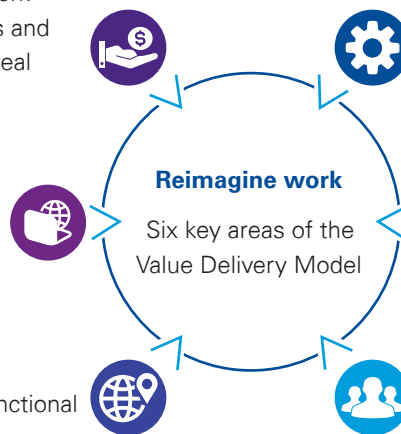
Operating model resilience: Design the work placement and sourcing mix, and develop symbiotic relationships within the ecosystem (e.g. specialist providers, start-ups, academia, and platform players);

Risk and compliance: Leverage analytics to manage emerging financial, regulatory and cyber risks;

Workforce shaping: Reconceptualize ways of working: i.e. consider agile models, gig workers and changes in worker skills, capabilities, and performance, as well as succession planning.

How will this affect workforce needs? While many companies expect long-term efficiency gains and cost savings from remote work and digital transformations, the impact on staffing levels is unclear. According to chief information officers polled by KPMG, the impact of ongoing digitization will be to automate tasks, rather than eliminate jobs.[8] Robotic process automation (RPA) and other artificial intelligence technologies will continue to make inroads and will take over certain tasks, leaving many current workers in partially automated roles.

---

[6] New York Times, "Remote Work Is Here to Stay. Manhattan May Never Be the Same," March 29, 2021.

[7] Fox Business News, "Up to 30% of JPMorgan staff will work from home on rotating basis: Jamie Dimon," October 8, 2020.

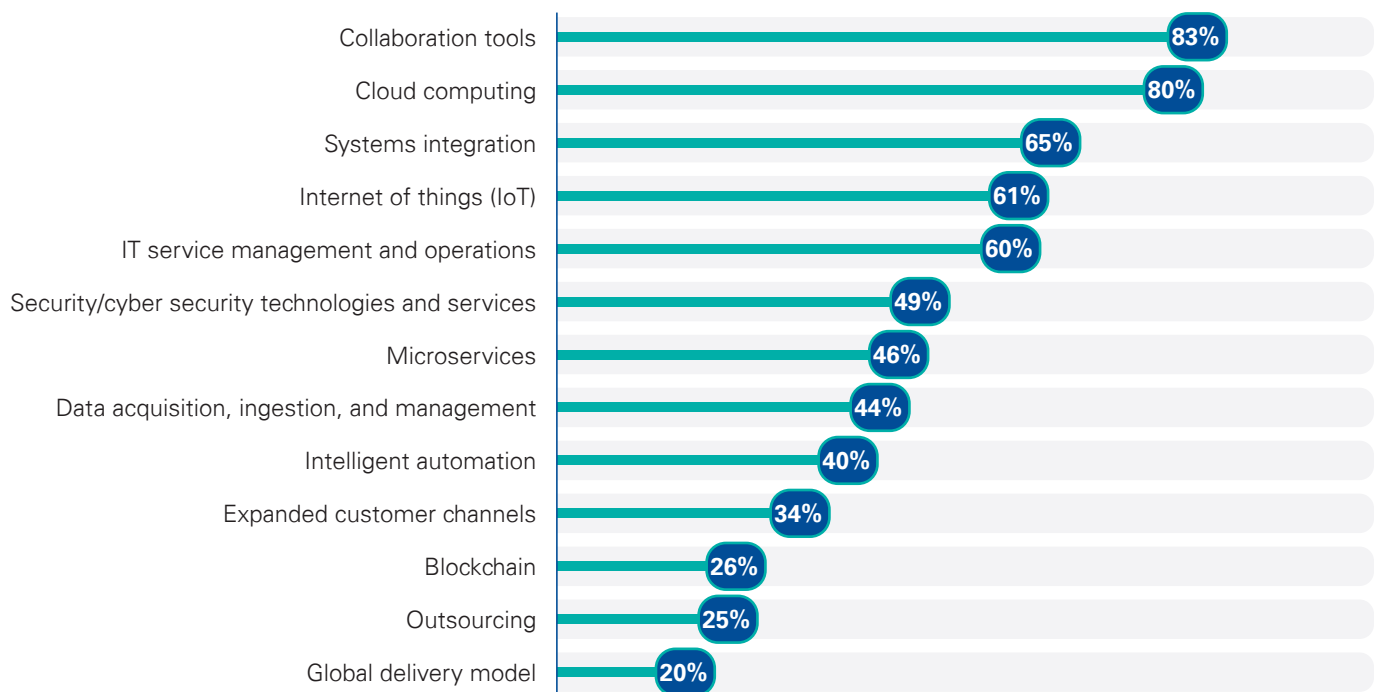[8] Harvey Nash / KPMG "CIO Survey 2020: Everything changed. Or did it?" October 2020.

Choosing remote technology for the hybrid workforce

The first step companies can take to improve performance in the era of hybrid work is to "baseline" their needs. Most executives say nothing is more urgent than connecting workers to each other more seamlessly online. More than 80 percent of digital transformation strategy leaders polled by KPMG in mid-2020 said they were investing in collaboration tools (Exhibit 2). Not far behind was investment in cloud computing, which is required for many collaboration platforms

Exhibit 2. Collaboration tools and cloud computing are the top investments for hybrid work

Key technology that organizations are investing in

Technology	Percentage
Collaboration tools	83%
Cloud computing	80%
Systems integration	65%
Internet of things (IoT)	61%
IT service management and operations	60%
Security/cyber security technologies and services	49%
Microservices	46%
Data acquisition, ingestion, and management	44%
Intelligent automation	40%
Expanded customer channels	34%
Blockchain	26%
Outsourcing	25%
Global delivery model	20%

Source: A commissioned study condected by Forrester Consulting on behalf of KPMG, July 2020

How good are collaboration technologies today? Several widely available technologies aim to replicate the face-to-face interactions of office meetings. Which one works best in a particular organization or function depends on the main task at hand. For example, programs such as Microsoft Teams, Zoom and WebEx provide basic video conferencing and messaging. For more cutting-edge features such as "whiteboarding," interactive brainstorming, and integration with other tools and technology, Limnu, Mural, Miro and Stormboard are available. These programs also have stronger security features.

Limnu provides the whiteboard and marker experience.

Paired with its chat and video features, users feel they are in a meeting room with a dry erase board and marker. Miro, as a leader in the remote software space, caters to more sophisticated users who are looking for storyboarding, design thinking and mind-mapping features. For companies that want sophisticated interactive project management tool, Stormboard offers brainstorming features intermixed with activity tracking and task management.

It is important that companies understand what the 'must have' features are, and make a selection based on existing technological and operational infrastructures to ensure that

the tool is the right fit. Companies should have proper solution selection process in place, conduct prototype and pilot testing, and then think about and decide the functions that would benefit most from the solution implementation and create an enterprise-level roll-out plan to make it happen.

For companies that require heavy collaboration and lengthy ideation sessions, they may find that 3D options, such as augmented reality (AR) and virtual reality (VR), can enhance teamwork by simulating the physical presence of in-person meetings. While such technology is still in the early stages of development, increased demand due to the COVID-19 distancing protocols as well as improved display and graphics technologies is making inroads within the software development departments of all industries. The most applicable uses today include video game development, product ideation and design, and automotive design and engineering.

The interplay of software and hardware is also critical to enable a seamless experience for the remote working environment. For drawing and white boarding, adjustable touch-enabled surfaces that are integrated with remote-working software is a must. The hardware component can include tablets, touchscreen computers and interactive whiteboards. For example, Vibe, a Seattle-based remote-working technology company, provides an integrated collaboration system that combines an interactive digital whiteboard—an infinite digital writing canvas—with smart and video conferencing software.

Still, today's remote-technology solutions are far from enabling real human interaction. Constraints include but are not limited to:

Poor integration of software and hardware:
This limits the ability to translate ideas seamlessly with using handwriting recognition technology.

Inflexible software:
Users are not able to easily customize applications to their environment or desired experience.

Lack of subtle emotional interactions:
The flow of creative ideas between people and sophisticated information often gets lost.

Cost of hardware:
High prices limit the purchasing power of most companies for new technologies.

As the technology evolves, the choices will improve, particularly in the area of virtual/augmented reality. Based on KPMG industry research, we find that current technology does not yet deliver the fundamental mechanisms of visual perception, neural cognition and intellectual/emotional responses.

For now, we recommend that companies investigate, prototype and pilot emerging remote technologies. We believe that as the technologies mature—especially the VR/AR technologies—they will play a big part in the remote workforce. But at this time, it's better to tread lightly in adopting these technologies and wait for their capabilities to mature.

The future of remote working technology relies on concurrent advances in hardware and software, and a seamless integration of hardware and software to create an environment that works in harmony with human body, brain, and emotion. Facing a number of solutions yet technology constraints, companies should explore and adopt technology that allows team members to feel closer to one another, boosts employees' productivity and helps generate a healthy and sustainable working environment.

Steps for picking remote-working technology that works

We assisted the client in its solution selection process by:

1 Baselining the current state

2 Defining the business requirements and business case

3 Researching and drafting a short list of the needed systems and integrators

4 Quantifying the costs and benefits of the list of solutions

5 Designing a detailed resource allocation and governance model

6 Outlining the roadmap for implementation

Key assessments included:

Reviewing and finalizing key remote work system requirements

Developing demo-use cases to standardize system selection criteria

Reviewing and finalizing a short list of remote-work systems

Conducting system demos, and grading and selecting the systems

System Integration Request for Product (RFP) and selecting final systems/providers for implementation

Upon deployment, the client was able to maximize the value of the technology and increase workforce productivity and job satisfaction.

Conclusion

For the new work paradigm of the post COVID-19 reality, companies should strive to solve the remote work challenges through a holistic assessment, prioritization and transformation of the technology, organization and operating model. There is no standard solution for any company, but technology implementation would not be successful without appropriate operating model support. This is true not just for the post COVID-19 environment but for the long-term digitized operational transformation of your company.

Operating model transformation is needed to adapt to new technology and maximize productivity

Current challenges from WFH and insufficient use of collaboration tools	Operating Model Transformation	Potential challenges of technology implementation without appropriate operating model support
Decreased employee capacity to engage technology and build functional skills for future	Restructure of roles/responsibilities to speed up decision making and support closed-loop accountability	ROI from the collaborative tool implementation not maximized
Reduced productivity	Realign rewards and incentives to encourage execution excellence	Conflicts or lack of ownership with project and/ or role responsibilities
Shortage of new product pipeline and new product release	Lean, cross-functional team composition to aggregate skills in development of comprehensive, practical ideas	Limited resources or inappropriate resource allocation to negatively impact productivity
Inefficient deployment of talent	Agile management and reporting processes that integrate with the new technology to support development	Talent turnover to impact product pipeline, development and release
Declined profitability and shortage of cash flow	Automation and analytics to streamline back-office functions and drive productivity increase	Duplicative processes or impaired execution leading to efficiency loss and operational risk

How we can help

KPMG has deep expertise in enabling clients with innovative technology solutions and operating model transformation. We provide a comprehensive set of services addressing the client's strategic, technological, and operational needs to change. Whether it's a digital delivery and innovation assessment or a review of your current operating model, KPMG can help assess, design, and enable the capabilities needed to position your organization for success.

Change management also matters. A successful change management program provides a basis for people to act their way into a new way of thinking, taking full advantage of the new enabling technology foundation. This could include but is not limited to:

Assessing and monitoring assimilation activities and tracking leading indicators that may require intervention;

Evaluating the best approach to engage the various stakeholder groups based on the impact and level of influence on the new operating model's success;

Determining the appropriate communication channels for each audience and developing a strategy and plan to provide timely updates;

Providing knowledge, tools, and training to help employees operate successfully in the new business model; and

Aligning incentives with the behaviors necessary to drive adoption by identifying and tracking the right KPIs to promote adoption.

Authors
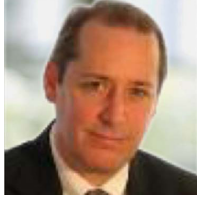
Steven Anthony
Managing Director, Strategy

Steve has more than 25 years of experience in leading a variety of business technology initiatives that include product technology, strategy, business strategy and management, M&A due diligence, post-merger integration, sourcing optimization, business intelligence, technology provider selection, outsourcing and implementation. His key areas of expertise are in assessing business organizations and restructuring for delivery effectiveness with improved performance and reduced costs. He has specialized in high tech, media, telecommunications, education, financial services, utilities and retail industries.

Grace Wang
Director, Strategy

Grace has more than 10 years of experience in leading and executing initiatives that help Fortune 100 and middle-market companies achieve holistic improvements across revenue, cost, and capital levers. She has hands-on experiences with technology, financial services, healthcare, manufacturing businesses and private equity funds.

We would like to thank our contributors:

For more information, contact us:

Steven Anthony
Managing Director, Strategy
617-331-9899
stevenanthony@kpmg.com

Grace Wang
Director, Strategy
319-541-9739
gracewang3@kpmg.com

Related thought leadership:

Product Technology and Value Creation

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com/socialmedia