



Flexibility in financial services – the potential for change in working practices

Market analysis report

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This report looks at the issue of flexible working in financial services with a particular focus on investment banks. It is based primarily on the results of a Finextra survey of financial institutions. The following are the highlights from the survey results:

- While the majority of financial institutions have flexible working policies in place, only a fraction of these institutions actually utilise them.
- There is potential for more flexible working in financial institutions – half of survey respondents claimed some of their work could be done away from the office.
- Face-to-face contact, especially with team members, is important. If this were to be minimised, team objectives would suffer.
- Financial institutions can benefit significantly from adopting flexible working. Two key tangible benefits are more productive employees and cost savings.
- There are significant personal benefits to working flexibly.
- But, there are also significant personal benefits of office-based working such as social contact with colleagues.
- Technical issues are also felt to be barriers to working flexibly.
- Negative management attitude to flexible working is holding back greater adoption.

Methodology

The Finextra survey, on which this report is based, solicited the opinions of senior decision-makers and strategists at financial institutions worldwide on flexible working practices and their impact on the efficiency of work, quality of work and personal job satisfaction.

The results are drawn from a universe of 138 respondents, representing a broad cross-section of financial markets participants. One-third of the respondents were from investment banks, the rest from retail banks, asset managers, stockbrokers and exchanges.

These organisations are grouped into three categories for comparison:

- Investment banks;
- Retail banks;
- Other financial institutions.

The report explicitly states where significantly different answers were submitted from investment banks compared to other respondents.

Work in a fixed company office location has been the norm for workers for at least the last 100 years. But since the early 1990s some firms have explored alternatives to this traditional work style.

Realising that there are benefits to changing old practices these companies have recognised that some of their employees' work can be performed away from the office, thus increasing productivity.

For example, given the appropriate technological support, employees can do productive tasks while travelling to the office or between meetings. This can save valuable time for the employee and ultimately benefit the employer who gains a more productive worker.

Flexible working is about a new business model. New communications technology is the enabler, but flexible working is really about re-evaluating working practices in light of these technologies and changing those practices to gain business or personal advantage. Fundamentally, flexible working is not just a matter of location but more to do with a change in management philosophy.

Flexible working involves having the freedom to work anywhere – at any time – with access to all of the resources associated with traditional offices. Flexible working gives workers the choice of working in a different way when it is appropriate and beneficial. Employees can manage their personal lives along with the demands of work. But ultimately, flexible working helps companies cut costs and generate more revenue. Flexible working encourages employees to actually work longer and harder, and employees are also generally happier when presented with the option of flexible working. Furthermore, greater adoption of flexible working reduces property and equipment costs due to alternatives such as hot-desking and home working being available.

But the route to achieving a flexible working environment is not straightforward. There are significant technical, communication and cultural barriers to overcome before flexible working becomes the norm in financial services. The majority of these issues, however, can be resolved given the participation of senior management. Management attitude is the key to unlocking the potential of flexible working.

This report will look at the impact of flexible working in financial services. In doing so it will be the first study to focus specifically on this sector of the market. Many papers have been produced on the general principle of flexible working across multiple industries. However, this report proposes to look at how relevant flexible working is to financial institutions and what these institutions see as the advantages and disadvantages of working flexibly. Where appropriate, the focus will be on investment banks and the survey results for these particular institutions will be highlighted.

Flexible working policies and take-up

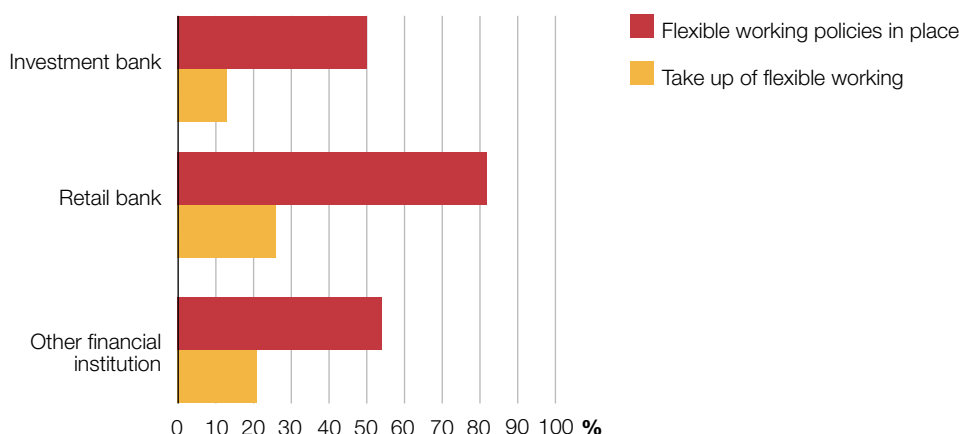
Across all financial institutions 62% have flexible working policies in place. Figure 1 shows the response broken down by type of financial institution. Half of the investment banks surveyed have flexible working policies in place. This is significantly lower than the 82% result for retail banks.

Despite the majority of financial institutions having flexible working policies in place, the take-up rate is considerably lower. On average, only 20% have adopted flexible working in practice, suggesting a critical distinction between the idea of flexible working in theory and the application of these ideas in everyday work. Only 13% of investment banks are actually utilising them – a lower ratio of policy existence to take-up than retail banks and other financial institutions.

The survey results suggest take-up of flexible working policies is limited in the investment banking industry. However, as shown later, this does not mean more flexible working is impossible for investment banks. In fact, some of the survey results suggest there is significant potential for them to extend the use of flexible working practices.

The majority of financial institutions have flexible working policies. But actual take-up of these policies is significantly lower.

Figure 1 – Flexible working policies in place vs. take up



Face-to-face communication at work

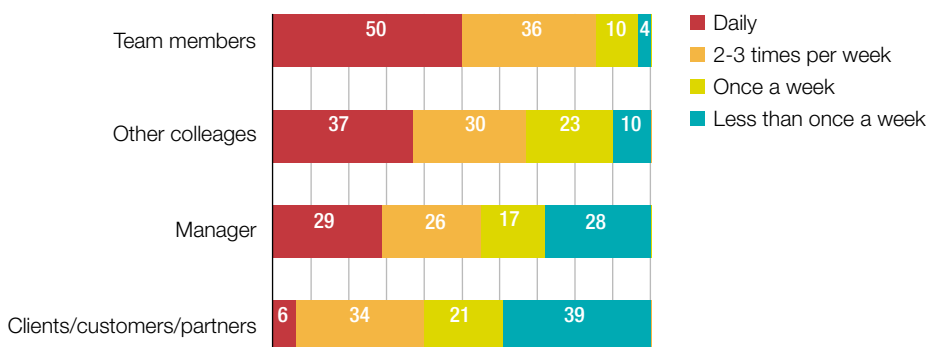
A key aspect of the way financial services work is the communication that is necessary between colleagues. Banking, in particular investment banking, relies on effective communication of key information that could have huge financial significance. As Figure 2 shows, communication between team members is considered to be very important for financial institutions.

86% of respondents need to see their team members face-to-face at least two or three times a week; 50% need to do this daily. Seeing clients or partners face-to-face regularly is the least important. In between these two extremes are seeing managers and other colleagues face-to-face. Almost a third felt they needed to see their manager less than once a week, indicating fairly autonomous roles with minimal supervision.

As the survey results demonstrate, the idea of a team is very important in financial services. Face-to-face communication with colleagues on a frequent basis is valued highly. In order to explore this issue further, Finextra asked respondents how their work would be affected if there were minimal face-to-face meetings. Figure 3 shows the results.

Half of respondents need to see their team members daily. Seeing colleagues often is important while regular contact with managers and customers is less crucial.

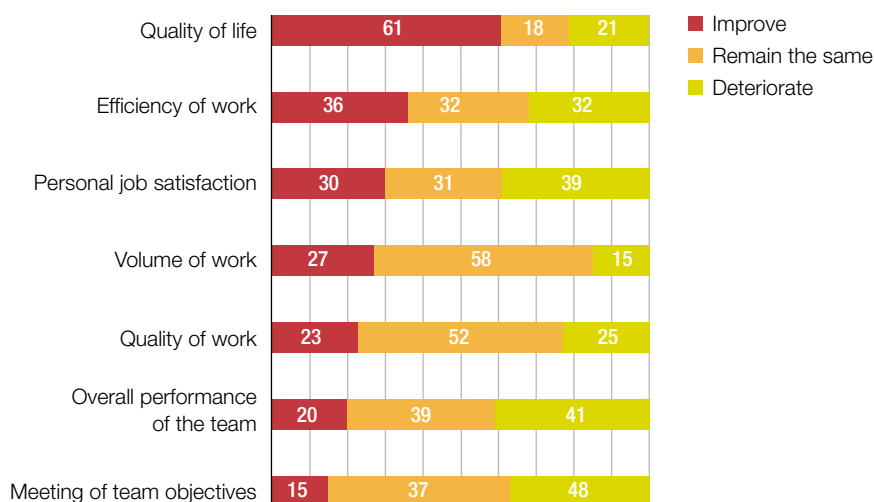
Figure 2 – How often do you need to see the following people face-to-face?



61% felt their quality of life would improve with fewer face-to-face meetings. Efficiency of work and volume of work would also see improvements. But the fact that 41% stated the overall performance of the team would deteriorate suggests there is some concern about the impact on team dynamics if minimal face-to-face meetings were held. Similarly, more respondents stated that the meeting of team objectives would deteriorate than improve. Overall the results point to a definite potential to reduce time-consuming and sometimes inefficient face-to-face interaction. However, there is some contradiction in the results – in spite of the positive effects on some aspects of work, the overall function of the team is predicted to suffer slightly.

Minimal face-to-face meetings would improve quality of life and increase volume of work, but impact on team performance.

Figure 3 – How would minimal face-to-face meetings impact:



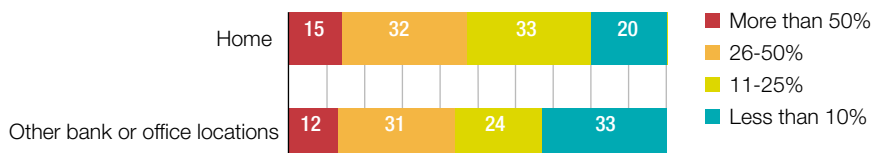
Work from home or other locations

Investment bank respondents verified that some of their work could be performed away from the office. Figure 4 illustrates that almost half claimed they could do at least 25% of their work from home or from other bank locations.

But still, according to Figure 1, only 13% of investment banks have taken up flexible working. This suggests there is potential within investment banks for more flexible ways of working to be adopted. Although many individuals' job roles within an investment bank require face-to-face contact with team members, for some there is no need to be 100% office-based. However, the key point here is that it is important for those who wish to promote the use of flexible working to understand the limitations in its application across all job functions in investment banks and thus offer a more targeted solution to those employees who can benefit the most. Conversely, decision-makers at banks should not rule out flexible working as a whole simply because it is less applicable to certain departments or jobs.

47% of respondents could do at least a quarter of their work from home while 43% said the same for working from other bank or office locations. There is potential to work flexibly in financial institutions – not all work requires constant presence in the office.

Figure 4 – What proportion of your work could be effectively performed from:



Flexible working offers employees choices on how best to manage their time and the work-life balance. Similarly, employers gain a more motivated and efficient workforce. But flexible working goes a lot further than this. One of the main benefits of a flexible working policy for financial institutions is the ability to respond to market movements more quickly and efficiently. Business agility is a desired quality in the depressed market conditions that characterise financial services today. Agile investment banks can be identified as organisations that use technology to their advantage to enable flexibility and maximise market opportunities. This is in contrast to the majority of organisations, which are restricted by inflexible working practices. Key specific benefits of flexible working include:

- Working from home increases workers' productivity in the following ways:
 - Reduced disruption, allowing greater concentration, leads to more work being done in less time. This is assuming home-workers have the appropriate set-up at home – a separate 'office' at home (including the appropriate technical arrangements), no interruption from other members of the household, etc.
 - Minimising time, expense and stress involved in travelling to work also provides a key incentive to work from home when appropriate. Not only can workers finish particular jobs because they are already at home, the stresses of travelling do not have a bearing on how effective workers are in the morning.
 - Employees can manage their work-life balance better when choices are available to them in terms of where and when they work. This applies especially where they have dependants. Where an employee has a working spouse, the incentive to work flexibly becomes even stronger. Issues such as childcare and general family-related issues are difficult to manage within the confines of a rigid 9 a.m. – 5.30 p.m. work day.
 - Finally, working from home enables employees to work longer hours. Past surveys have shown this to be the reality – home-workers tend to start work earlier and finish later in the evening (or even at night). Whether or not this is desirable is debatable.
- Working from other locations, including hot desking, can encourage business agility. Companies can organise business according to whatever is most logistically efficient. Expensive office space can be utilised to greatest effect.
- Absenteeism is less of a problem when employees have the choice of working from home. Workers suffering from minor illnesses are often induced to remain absent from work simply because of the unwelcome prospect of travelling. Work days lost to absenteeism are reduced when there is the option of flexible working.
- The adoption of flexible working policies also has positive implications for business continuity in case of unforeseen disaster, e.g. terrorism. Employees can work in different locations and continue to work effectively in the event of office network failure due to a disaster.
- Perhaps the most compelling argument for flexible working is the improvement in the morale and happiness of workers. Employees feel they are contributing more to the company, but can also have greater control over their own lives and fit more activities within a workday. Ultimately, this enables employees to lead more fulfilling lives, which has a direct impact on their willingness to work harder for the employer and be more productive – they feel they need to repay the trust awarded them by their employer.

Reduced travel time and more flexible hours are key benefits of flexible working. Employers gain from implementing policies to cover these benefits through increased productivity of their employees.

The Finextra survey aimed to verify which of these benefits were most attractive to financial institutions. Figure 5 shows a range of benefits to be derived from working flexibly.

Reduced travel time was voted the number one benefit of a move to flexible working by 89% of respondents. The time taken out of a working day is clearly an issue for financial institution workers and especially for investment bank staff; 93% of this sub-group stated travel time reduction is the main benefit. This may be because employees at investment banks tend to work longer hours.

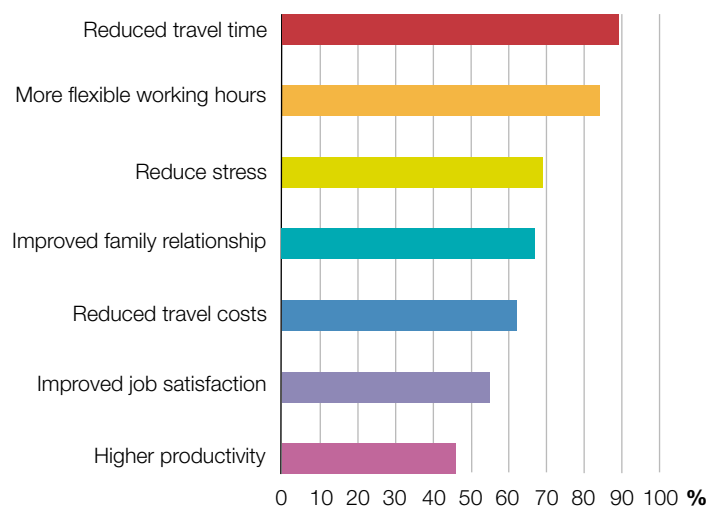
Analysts, salespeople and dealers often need to start work very early in order to prepare for the day's trading, while corporate financiers and others often need to work late to meet deadlines. In contrast, retail banks and building societies have fixed working times due to established branch opening hours. Furthermore, the 24/7 nature of the global financial markets often places demands on employees outside normal working hours. The US, Europe and Asia Pacific are key interdependent financial centres. Employees in one particular region often need to assimilate information from another region's markets into their own strategy. Sometimes this can entail working longer and 'unusual' hours. If technology is harnessed to its full potential, this type of situation becomes easy to manage.

More flexible working hours was cited as another key benefit of flexible working by 84% of financial institutions. Again, investment banks returned significantly different responses to other financial institutions surveyed. While 74% of investment banks felt flexible working hours to be a benefit, all the other groups returned higher percentages, including 95% of retail banks. As previously mentioned, this may be due to the rigid working hours of retail bank branches compared to the less-enforced (and often longer) working hours of investment banks.

Clearly, flexible working hours is an attractive proposition for financial institution employees. However, it may not be apparent that this is also a benefit for the employer. Allowing workers to manage the work-life balance better means staff are more motivated to finish their work at the end of the day and not leave it for the next day. Similarly, family and childcare issues do not have as much of an impact on a worker's ability to be present at the office in the morning.

Rigid working hours often give staff an incentive to "clock-watch" and do the minimum necessary before the working day is over. Offering flexible working hours benefits the employer just as much as, if not more than, the employee.

Figure 5– Benefits of flexible working



Although the survey reveals the potential for greater utilisation of flexible working in financial services, actual adoption does not reflect this. Figure 6 shows the main barriers.

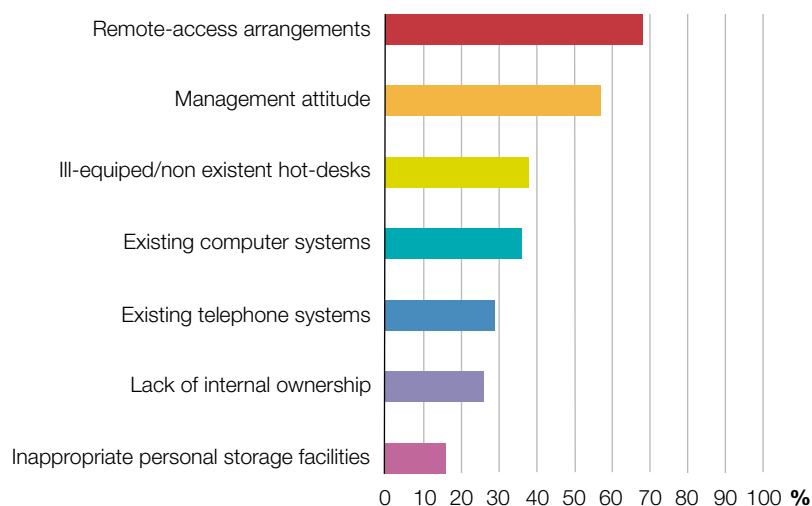
The results show a clear majority said the (lack of) availability of remote-access arrangements is a barrier to flexible working. Respondents do not feel confident in being able to access vital information if they are working away from their office computers.

Interestingly, management attitude was the second most referenced barrier, ahead of other technical concerns such as ill-equipped or non-existent hot desks, computer and telephone systems. This suggests that whether or not workers are keen on flexible working and feel it is relevant to their jobs may not necessarily make a difference to its level of utilisation. Managers and those in charge of working practices obviously have the potential to become the major drivers in changing organisational strategy to include flexible working policies.

In fact, management attitude is an underlying factor that affects some, if not all, of the other barriers. Without senior level buy-in, financial institutions will find it very hard to become more agile organisations, regardless of the willingness of the employees.

Remote access to information stored at work is a key barrier to flexible working. But the underlying barrier is management attitude, which affects the entire drive towards flexible working. The support of senior management can resolve all of the barriers listed.

Figure 6 – Barriers to successful flexible working



Fears if flexible working were to be introduced

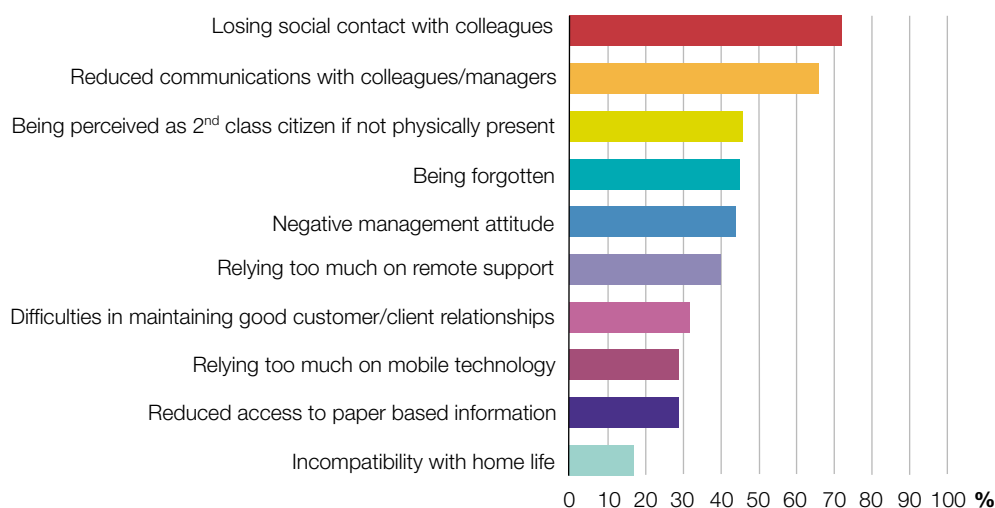
An alternative way of explaining the barriers is to look at individuals' fears.

As Figure 7 shows, loss of contact with colleagues is by far the biggest issue concerning financial institution employees. This includes both social contact (72%) and work-based communication with colleagues (66%). This correlates with earlier survey findings that highlighted the importance of communication with colleagues.

Behind these top two fears were three fairly equally rated concerns – being perceived as a second-class citizen, being forgotten and negative management attitude. These results suggest there is a culture within financial institutions that views flexible working as suitable for “those who can’t hack it”. Employees are concerned that a move towards working flexibly would reflect badly on them and they would be isolated and possibly not be considered for large projects or job promotion. Flexible working may be viewed as ‘a soft option for soft people’ by management and this is reflected in the survey responses. While there may be potential for more comprehensive adoption of flexible working, management attitude is a crucial factor in determining uptake.

Reduced communication (social and work-based) with colleagues is a key concern. Management attitude to flexible working is a key issue – employees see significant disincentives to working flexibly in terms of career progression.

Figure 7 – Concerns of flexible working



Achieving a flexible working strategy

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Creating an agile business environment and empowering employees involves several aspects of strategy. If flexible working is to be successful in an organisation, a senior level sponsor is required to drive flexible working initiatives in an integrated framework. A dedicated flexible working policy needs to be devised and the sponsor needs to take responsibility to ensure its implementation.

As well as this, there are the technological requirements of achieving flexible working. In order to develop into a more agile organisation, financial institutions need to utilise appropriate technology depending on what form of flexible working is in question:

- Home workers and other remote access solutions via broadband;
- Flexible work-styles within the office environment with hot-desking, wireless LANs and walk-up computing;
- Mobility solutions via PDAs and unified messaging via SMS while travelling.

Multiple communication channels are available to employees to help them manage their work-life balance better, but without management of these channels, the entire process will break down.

Banks need to adopt a consistent approach to the rollout and management of all multimedia access solutions. Whether an employee needs to use a laptop, a PDA, or a home PC, there should be synchronisation of email and other data and common access to applications with a single underlying security infrastructure. Video conferencing should be utilised where appropriate.

Also, broadband technology, especially in the context of thin-client networks, will enable organisations to become truly location independent. By providing faster networking speeds at lower costs, people and data can be set free from geographical constraints. Organisations will be based around very flexible but highly cost-effective and resilient corporate information networks that permit a much greater level of business agility than at present.

Technical support also needs to be made available for employees not working in the office. This level of support should not only match the level provided to office workers, but exceed it if possible. A 24x7 helpdesk is required to support flexible workers, thus demonstrating the employer's genuine commitment to flexible working.

Employers derive significant benefits from allowing their workers to work flexibly. Employees are more motivated, become more productive and are happier when given the choice of working flexibly. Less time is wasted on travel to work – employees who choose to use this time working have the choice of doing so. But loss of social contact with colleagues is the number one fear of the introduction of flexible working in investment banks and financial services as a whole.

Overall, the results offer mixed messages for the future of flexible working in financial services. Workers value close contact with colleagues in social terms and also in order to get their jobs done. But loss of interaction between colleagues is not the only barrier to flexible working. Technological barriers are perceived to exist in terms of accessing information on a remote basis. But investment banks, in particular, seem to have significant potential to work flexibly. Almost half of respondents to the Finextra survey felt that 25% or more of their weekly workload could be performed away from the office.

While it would be easy to dismiss the non-technical barriers as simply a need for a change of culture, the reality may be more complex. The results suggest that there is a need to educate management about the benefits of flexible working. This might address the current situation where only one in five financial institutions puts flexible working into practice despite 62% having flexible working policies in place. While flexible working may not necessarily be suitable for all financial institution employees, there is still significant potential for many job roles to work more flexibly.

There are ways to combine the benefits of office-based work with flexible working practices. Ultimately, the onus is upon management to recognise the value of flexible working and to work out how to integrate it with current business practice. Similarly, proponents of flexible working need to understand the inherent limitations, especially when applied to financial institutions. Flexible working does have relevance to financial institutions and there is potential for more widespread adoption. If investment banks are to reap the significant rewards available from migrating to flexible working, senior management need to sponsor and drive the initiative forward and take responsibility for its evolution.

Information

>> About Finextra

Finextra Research provides an independent online resource – www.finextra.com – to serve the information needs of the financial technology community. It covers finance-specific innovations, services, solutions, applications and technologies. News from financial institutions and technology vendors worldwide is updated throughout the day. It is a single, dedicated resource for news, analysis and other information relating to the implementation of technology in the financial services industry.

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