

Realising the potential of your organisation

Increasing competitive advantage with Home Computing Initiatives

BUSINESS GUIDE

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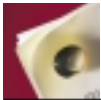


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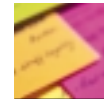
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Companies will have to find innovative ways of developing their strengths if they are to compete successfully in the fast-changing global economy



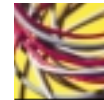
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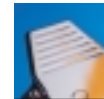
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Competing with confidence

The UK must improve the skills of its workforce. Like most European nations and the US we can no longer rely on the production of commoditised goods and services to sustain the economy. Instead, we must move towards the value-added, innovative, branded end of the market, whether it's the delivery of manufactured goods or services.

But to do this successfully, businesses must be able to tap into a highly-skilled workforce. Indeed, things are moving so quickly that in five years' time if you don't have a skill, you won't have a job. And that means everyone – from the next generation of school-leavers and graduates, to low-skilled employees who may have worked for decades without any real investment in their training or individual learning.

Improving IT literacy

Of all the workforce skills required today, there's no question that basic IT literacy is one of the most important. Estimates vary, but most people agree that nearly all jobs will require the basic knowledge to operate a computer in the next few years. Moving towards a situation where IT has become an integral part of the DNA of the workforce must, therefore, be a primary objective for every organisation that wants to adapt to the high-skills economy of the future.

In every business sector and every size of organisation we must make a sustained effort to plug the gaps where we could be so much better, to ensure that our companies, and Britain as a whole, will remain competitive in the years to come.

The Home Computing Initiatives (HCI schemes) described in this guide offer an opportunity to begin this process, whatever your business. They can have a positive impact on every area of the organisation – enabling you to reconcile apparently conflicting pressures, such as the need to increase both efficiency and innovation, while boosting overall competitiveness.

Take action now

This guide has been written to put HCI schemes in context and give you an idea of the first steps that you can take to implement your own scheme, and the benefits that you might observe. It starts with a stimulating thought-piece from one of the UK's leading business analysts, followed by a series of peer-to-peer chapters written by colleagues from well-known British organisations. Each chapter describes the implementation of an HCI scheme from the perspective of four of the departments most likely to be involved in any project. Each one is followed by a checklist to help you get started.

I recommend that you read the chapters that are relevant to you and make sure that your colleagues and peers get the opportunity to do likewise.

By taking action to find out more about how these initiatives can help your organisation and employees, through delivering on the promise of greater computer literacy, we can move towards a workplace culture that is ready to do business in a highly competitive global economy with confidence and security.

Building business momentum

Wouldn't it be nice if things got back to normal, if business conditions stabilised and there was a chance to think ahead? Well, here is some uncomfortable news: today's business conditions – erratic growth, market uncertainty, change that is as rapid as it is unpredictable, assertive customers, regulators and investors – are the new normal.

Chief executives of companies large and small must feel they are on the rack, stretched from both ends at the same time. And the sense of discomfort is only likely to increase.

To begin with, there are all the competitive pressures that go under the banner of globalisation: the emergence of new sources of competitive advantage around the world as developing countries attract capital, invest in education and acquire technology. It's difficult to keep pace with the explosion of economic activity from Vietnam, China and India.

It is not just that these countries offer low-cost locations. Their companies are increasingly learning about quality, productivity and customer service. No sooner are they on the lowest rung of the ladder of economic development, as suppliers of commodity components and products, than they are busily scrambling up it, using whatever handholds they can find, with an appetite that would shame many people in cosy, costly Europe.

Turning manufacturing and services on their heads

Just as Silicon Valley has become – for the time being – the world's software and high-tech brain, China is becoming the world's factory. An outstanding example is the three-year-old Golden Dragon Aerospace company in the Chengdu Export Processing Zone, which supplies 70 per cent of world demand for fuel nozzles for commercial aircraft with more than 100 seats. When Golden Dragon set up in business there were about three dozen suppliers around the world. Now there are two: Golden Dragon and a fragile US competitor. Golden Dragon's success is not just due to its low wages – which are about a quarter of those in the US – but also its zero defects, zero delays and reputation for quality.

Nor is this competition confined to manufactured products. The same forces are affecting services that can be commoditised: finance, aspects of customer service, computer systems maintenance and programming. There are more software

Companies will have to find innovative ways of developing their strengths if they are to compete successfully in the fast-changing global economy

programmers in Bangalore than in Silicon Valley. In Malaysia, it costs about US\$16,000 to train a graduate financial analyst, someone who can go through a company's accounts and write a competent financial assessment. The same skills would take an investment of US\$120,000 in the US.

Tap into the opportunities

Of course globalisation presents not just threats but also opportunities. Many businesses are tapping into new markets and taking advantage of low costs by outsourcing production. Close to Golden Dragon's operation, for example, Intel is investing US\$375m in a new packaging plant.

But the pressure from globalisation is relentless. Companies have no option but to be low-cost, high-quality, and intolerant of low productivity and poor reliability. You cannot let your performance droop or customers, competitors and financial analysts will be on your back in an instant. The job of management then must be to propel the organisation forward, forcing the pace of change and driving out costs.

Innovation still matters

But there is a troubling paradox here. Precisely because competition on price and quality has become so intense, companies increasingly have to compete on the basis of assets or capabilities which their competitors will find hard to imitate. These distinctive and hard-to-imitate strengths often turn out to be the intangibles that have

been developed over many years, such as brands, the capacity to innovate or customer relationships. A company's competitive strength increasingly rests on its ability to generate, apply and exploit distinctive know-how about technology, processes or customers. In the developed world, companies will have to innovate to escape the cost crunch of globalisation.

Harnessing new players

This pressure to innovate, of course, also has a global dimension to it. There are many more players coming into the game as education spreads, communication and travel get easier, and skilled people become more mobile. As a result there are multiplying sources of new ideas and knowledge in

universities, research institutes, and companies large and small. Take Korea as an example. Korean wages are half those of the UK but graduates make up a similar proportion of the workforce. Or look at how Singapore is hungrily attracting talent in biotechnology, including Ian Wilmut, the creator of Dolly the cloned sheep. Go to Finland which, 40 years ago, was primarily an agricultural and natural resources economy. Now it is home to Nokia and several of the biggest names in ICT. Collectively, they represent one of the biggest challenges to US dominance in computing, communications and electronics. In fact, these sectors now make up 60 per

cent of the Finnish economy with the result that Finland is perhaps the best educated, most technologically advanced and innovative European society. Who would have predicted that even 10 years ago?

Explore new products, markets and services

If they are to compete successfully it is not enough for companies to be just efficient and low cost. Successful organisations have to innovate by renewing the recipe that underlies their business. Companies can no longer simply focus on exploiting their current strengths, they must also explore new markets, products and services. They must look ahead and around them. Innovative companies increasingly need to look outside themselves to acquire, borrow and learn from external ideas and then combine these with their own core know-how.

Michael Dell created Dell Computing by bringing together three existing business ideas: just-in-time manufacturing, tele-sales and home delivery. That kind of combination comes from seeing innovation as an open, networked activity, rather than something that starts in a research lab and flows down a pipeline to waiting consumers. That is why Procter and Gamble has appointed a director of "external innovation". P&G estimates it employs about 8,600 scientists, but that there are up to 1.5 million more at work outside the company, advancing industrial knowledge that might be relevant.

Help your employees to help you

This is why so many executives feel pulled in both directions at the same time: they have to be efficient and entrepreneurial, reliable without becoming stale.

As a result of these divergent pressures, managers often send mixed messages to their employees and suppliers about corporate priorities. High quality means low variation and eliminating mistakes. But innovation depends on variation – on allowing new products and services to emerge and mutate through experimentation, trial and error. Efficiency often comes from standardisation, for example, eliminating multiple IT systems, to create economies of scale and to economise on learning.

Yet innovation comes from non-standard, deviant thinking. Innovation and creativity do not respond well to tight performance management and change driven from on high by executives. People do not come up with new ideas to order. Often managers under pressure to deliver feel it is their job to "propel" an organisation forward, to keep their foot pressed down hard on the pedal. However, people innovate best when they are not propelled but attracted to promising opportunities or technologies.

Act and adapt

Given this paradox, can companies find a way to be both efficient and

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entrepreneurial, to stretch in both directions at once? The companies that can pull off this trick, it seems to me, have at least three main characteristics:

1. Practise open leadership

Adaptive companies often have strong, but small and dynamic centres. They clearly set the context and rules that allow decision-making to be devolved throughout the organisation, so people can make decisions swiftly, close to the customer. Modern leaders have to be more open than their counterparts of even 10 years ago: more open to the outside world of suppliers and partners, and to ideas that come from beyond the organisation; and more open in the way they work, providing greater

transparency for shareholders, regulators, stakeholders and the public at large.

At the same time, routes to leadership have to be more open for a wider range of people, with a wider range of backgrounds. Leaders have to be open to challenge and question, ideas and learning. They cannot afford to be intellectually closed and fixed.

2. Set simple, compelling goals

When companies operated in a relatively stable, slow-moving environment they could afford complex strategies and structures. But in a more fluid, uncertain environment, simpler strategies pay off. The US Marines tell commanders in the field,

often facing hostile and complex situations, to focus on no more than three goals: keep moving, take the high ground, stay in touch. Ideo, one of the world's leading design companies, which created the original computer mouse, the Palm pilot and the flip-top laptop computer, brainstorms using a set of simple rules, such as "encourage wild ideas", "one conversation at a time" and "build on the comments of others". Good companies – and leaders – make the complex seem simple. That is how they thrive. As the world gets more complex, and so more threatening, simplicity becomes more valuable.

3. Making intelligent use of data

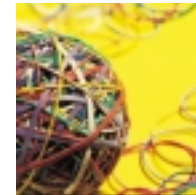
That does not just mean they have lots of timely information. They are good at making sense of it and acting upon it. These companies take performance management very seriously and encourage people to buy into targets, to see them as their own rather than imposed from outside. They make intelligent use of data, for example, to understand developing customer needs and make sense of emerging patterns of demand. They are adept at collaboration, creating simple interfaces – organisational and technical – for external partners to lock onto. I recently met a small aerospace company based in the Midlands that outsources all its detailed design drawings to India and all its production work to computer-controlled

machines in Poland. Companies that are at ease with information technology will be more likely to pick up opportunities for collaborative production and innovation.

Create a confident culture

Most importantly, I feel, in companies that show these strong attributes of leadership, the employees do not wait to be told to act, to solve a customer problem or modify a service. It is not enough to get the right information to the right people at the right time: companies also have to create a culture in which employees feel they have the confidence and capacity to act and adapt.

**“AS THE WORLD
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CHARLES LEADBEATER is an independent adviser to industry and government, and author of *Living on Thin Air* and *Up the Down Escalator*.

Planning for future success

Competing successfully and continuing to achieve more with less are things that have been on the business agenda for years, and there's no sign of them going away. Finding better ways to manage, achieving company "smartness", exploiting the potential of all the resources of your organisation – these all require continual attention and vigorous determination.

The interrelationship between a competitive, productive economy and skilled, qualified people is stronger than ever, particularly as organisations strive to compete on unique value and innovation rather than lowest cost.

But how do you build into your organisational character the attributes and flexibility that the future will require? And how do you position yourself to be ready to benefit from the opportunities and challenges that are just around the corner?

Improve your employees' skills

These are big questions which don't have simple answers, but when the opportunity to evaluate the potential of a Home Computing Initiative (HCI scheme) crossed my desk in June 2000, it was immediately apparent that its objectives closely mirrored our philosophy at Siemens of providing every single employee with the opportunity to extend their skills and overall professional potential.

I've long believed that higher skills levels enable employees to generate new ideas, adapt more easily to a changing economic environment, and contribute to an organisation's ability to respond positively to competitive threats and business unpredictability. Introducing new technology or organisational change in response to shifts in customer or competitor behaviour can be achieved faster, and more successfully, when all employees are able to contribute to the challenge in hand.

Opening up IT opportunities

By providing a scheme that enables employees to have their own computer at home, everyone has the chance to increase their familiarity with technology in a way that is appropriate to them – in their own surroundings and at their own pace. Combined with the power of the internet, an HCI scheme opens up a whole new world of opportunities for individual learning and personal development that translates into the workplace, motivating people and giving them the tools for career development and progression.

Higher skills contribute to an organisation's ability to respond positively to competitive threats and business unpredictability

A positive impact on the bottom line

All of this has to be achieved within the context of the harsh realities of operating costs and competing priorities. The Government has recognised that for these schemes to be attractive to employer and employee alike they have to be genuinely cost-effective to both parties.

And they are. HCI schemes operate within a tax-friendly framework whereby organisations can loan computing equipment to their staff for use at home as a tax-free benefit. Employers can benefit from the National Insurance savings that apply as a result of the salary sacrifice arrangements that are typically implemented. At Siemens we will be realising total savings in excess of £900,000 over the lifetime of the three programmes we have rolled out to date.

It is no exaggeration to say that these schemes can have a significant impact on the bottom line of your business, whatever its size. The take-up of our own scheme exceeded all our expectations. More than 8,750 employees have signed up to date from all levels and departments of the organisation.

Co-operation and understanding

There are a number of ways that HCI schemes can be implemented and run, and each business will have a slightly different requirement and set of circumstances. The checklist on the next couple of pages will help you to identify the most appropriate route for your own organisation. There are also plenty of places to go to get help,

Siemens' HCI scheme

Business challenge

Siemens wanted to enhance the benefits package it offers to employees to increase skills within the organisation and reduce operational costs.

Scheme details

- Launched: October 2000 – runs every year.
- Number of employees signed up to scheme (December 2003): 8,750 (51 per cent of eligible workforce).
- On-balance sheet scheme: computers purchased for loan to employees.
- Technology provider: Fujitsu Siemens Computers.

Benefits

- Increased IT literacy.
- Enhanced employee benefit packages.
- Helps to attract and retain staff.
- Provides high value computers and laptops for employees.

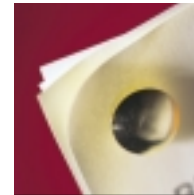
including your existing technology provider or a specialist HCI provider.

Give it the personal touch

This scheme touches many of the functions of an organisation, whatever its size or sector, and brings together resources from human resources, finance and information technology. What is common to all successful implementations of HCI schemes to date, however, is the personal sponsorship of this initiative by the chief executive, managing director or chairman of the organisation.

Get personally involved – and your business will be in a stronger position to prosper over the next few years as the number of jobs requiring enhanced skills continues to grow.

**“GET INVOLVED
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ALAN WOOD was appointed chief executive of Siemens UK in April 1998. He is responsible for the overall management, strategic development and co-ordination of Siemens UK businesses.

Checklist

FOR CEOs

What will an HCI scheme achieve for the business?

- Boosts productivity: home computer users typically have a wider range of skills, are more confident and productive, and require less training.
- Operational savings: through reduced employer NI contributions.
- Attract and retain the best people: by making salaries go further, while reducing the cost of staff turnover.

What will the finance department need to take responsibility for?

- Knowledge of income tax exemption, claiming back VAT and salary sacrifice.
- Providing a strong financial case by highlighting cost-neutrality and potential reduction in NI contributions.
- Drawing on expertise from consultancies, accountancies, technology providers and the Government.
- Ensuring Inland Revenue validation.
- IT procurement – negotiating a good purchasing/leasing deal with a technology provider.

What financial benefits can the company expect?

- It is an innovative and effective way to cut costs and boost productivity.
- Potentially cost-neutral and may be an effective way of driving down NI contributions and operational costs.

How can HR facilitate the implementation of an HCI scheme?

- Provide background on existing benefits schemes, staff skills and current learning strategies.
- Work out employee demographics and their potential impact on take-up.
- Deliver feedback from employees on previous benefits schemes.
- Understanding the role of technology in employees' lives.
- Knowing what training and e-learning software would be beneficial.

How will it improve our relationship with employees?

- Boosts any existing benefits packages.
- Helps strengthen employer-employee relationships.
- Complements existing training, learning and skills initiatives.
- Widens the availability of other benefit packages by applying the principle of benefits in conjunction with salary sacrifice to other schemes.

What will the IT department need to do?

- Advise on the specifications of computer equipment available in scheme.
- Advise on levels of support required from partners for the scheme to succeed.

What impact will this have on IT workloads?

- No impact on company helpdesk and support – nearly all HCI packages include these as standard, delivered by the technology partner.
- Reduce demand on helpdesk and support – IT-literate staff are more likely to resolve basic issues themselves.

Making your HCI scheme add up

Like all parts of a business, finance departments are under constant pressure to find innovative ways to help improve revenues, and increase member value and public accountability. It falls to us to evaluate the impact of proposed initiatives, assess their financial implications, and provide impartial and professional financial advice and support.

The devil is in the detail

As any finance director will tell you, first impressions don't often count for much – the devil is nearly always in the detail. But when the finance team at Nationwide first looked at Home Computing Initiatives (HCI schemes) the benefits were obvious. We had plenty of questions: is this simply a tax loophole waiting to be closed? What are the real implications of the legislation relating to VAT? However, it was clear that this was a programme that would bring a wide range of benefits to our business and employees.

A helping hand

There is a wealth of information available for any business, large or small, that needs detailed advice on implementation. Most consultancies, accountants, auditors and specialist HCI providers are well aware of the legislation relating to the tax exemption on computer equipment loaned for home use, which was introduced in the 1999 budget.

These organisations can provide you with impartial advice, and will help you understand how the legislation applies to your business, especially in the following areas:

- Income tax exemption.
- VAT.
- Salary sacrifice.
- Consumer Credit Act.
- Whether to make computers for loan on- or off-balance sheet items.

In the first instance, where you work with organisations such as these, it is well worth getting an initial feel for how easily an HCI scheme would sit with your existing financial processes and the wider interests of the business.

The role of finance and tax departments is critical when implementing an HCI scheme, helping to bring a wide range of benefits to the company and its staff

A self-financing scheme

You have a choice between purchasing or leasing the computer equipment for loan. Both routes have their advantages, but we eventually decided to fund the computer equipment as an on-balance sheet item. As a result, we had to make it clear to senior management that any scheme would provide compensation for the loss of interest on funds used to purchase the equipment.

Fortunately, most HCI schemes are self-financing, mainly thanks to salary sacrifice – an arrangement where employees accept a reduction in gross annual salary in return for a benefit. This applies equally to leasing and purchasing equipment and allowed us to make a strong business case to senior management.

In fact, we have been able to take this one step further, using the reduction in employer National Insurance contributions to achieve savings that cover estimated funding costs of £50,000 per annum. A lot of this is down to the sheer volume of Nationwide employees who have signed up to the scheme, but the fundamental principle remains – with salary sacrifice there is the potential to make an HCI scheme cost-neutral, whatever the size of the business and however you choose to finance your implementation.

Smoothing the route to compliance

Once we had helped our HCI implementation team present its business case to the

Nationwide's HCI scheme

Business challenge

Already recognised as one of the most progressive employers in the country, Nationwide wanted to further strengthen relationships with employees and attract the best possible candidates to the business.

Scheme details

- Launched: May 2002 – runs every year.
- Number of employees signed up to scheme (December 2003): 2,000 (15 per cent of eligible workforce).
- On-balance sheet scheme: computers purchased for loan to employees.
- Technology provider: Dixons Stores Group.

Benefits

- Greater employee loyalty.
- More attractive to prospective job candidates.
- Increased IT literacy across entire organisation.
- NI contributions savings cover estimated funding costs of £50,000 per annum.

board, the main role of finance was to help ensure that the scheme complied with all the appropriate financial and fiscal guidelines. To achieve this we were able to call on the help of external advisers, but we also used our existing contacts in the Inland Revenue to advise us at key milestones throughout the implementation. Another way of smoothing compliance is to run a small-scale pilot where you can calibrate your scheme in a controlled setting. Although we didn't choose to do this ourselves, this has proved to be helpful in other organisations.

Overall, we are delighted with our HCI scheme – the benefits to the business more than justify the resources required for implementation. While some of the legislation appeared daunting at first glance we were impressed by the number of organisations from the private sector and Government who were willing to help us work through the details.

It's also worth bearing in mind that since we first looked at our scheme, many other organisations of all sizes have successfully delivered self-financing HCI schemes. Many of them will be willing to share their experiences and give you other real-life examples of how these schemes can make a positive difference to your business.

“THE BENEFITS OF AN HCI SCHEME TO THE BUSINESS MORE THAN JUSTIFY THE RESOURCES REQUIRED FOR IMPLEMENTATION”



GRAHAM BEALE joined the board of Nationwide as group finance director in 2003. A qualified accountant, he has been with the Society since 1985.

Checklist

FOR FDS

How will an HCI scheme benefit the business?

- Operational savings: through reduced employer NI contributions and reducing the cost of staff turnover.
- Boosts productivity: home computer users typically have a wider range of skills, making them more productive and confident in the workplace.
- Attracts and retains the best people: strengthens relationships with employees by making their salaries go further.

What are the financial arguments for initiating an HCI scheme?

- An innovative and effective way to cut costs and boost productivity.
- Opportunity for finance and tax departments to become business champions – most schemes require their expertise.
- Potentially cost-neutral and may be an effective way of driving down NI contributions and operational costs.
- Wide range of expertise available: consultancies, accountancies, technology providers and the Government.

What parts of the legislation will technology and finance partners need to understand?

- Income tax exemption.
- Claiming back VAT.
- Salary sacrifice.
- Consumer Credit Act.

Partners must also:

- Ensure that early leavers and defaulters are handled in an effective and appropriate manner.
- Be prepared to run a small scale pilot for the Inland Revenue to comment on prior to rolling out a company-wide scheme.

What information will I need from HR?

- Existing benefits schemes, skills and learning strategies.
- Employee demographics and their potential impact on take-up.
- Feedback from employees on previous benefits schemes.
- Understanding of importance of technology in employees' lives.
- Training and e-learning software that will be beneficial to employees.

How do I persuade HR that this scheme is worthwhile?

- It boosts existing benefits packages.
- Helps strengthen employer-employee relationships.
- Complements existing training, learning and skills initiatives.
- HR will be involved directly with a scheme that hits the bottom line.
- Widens availability of other benefit packages by applying principle of benefits in conjunction with salary sacrifice to other schemes.

What will IT need to do?

- Advise on the specifications of computer equipment available in scheme.
- Advise on levels of support required from partners for the scheme to succeed.

Will it add to IT's workload?

- There should be no impact on existing IT policies in the workplace.
- There is no impact on company helpdesk and support – nearly all HCI packages include these as standard, delivered by the technology partner.
- Can actually reduce demand on helpdesk and support – IT literate staff are more likely to resolve basic issues themselves, especially those surrounding use of basic applications, connection of peripherals and others.

Good news across the board

The role of BT's HR department has evolved significantly over the past few years. As well as being responsible for the recruitment and well-being of over 100,000 people, we are now also tasked with clear business objectives that include revenue creation and the reduction of operational costs.

As part of this growing role we are constantly searching for new ways of creating a "best employer" environment while also having a demonstrable impact on the bottom line. For this reason, the advantages to BT employees and the business of implementing an HCI scheme were immediately apparent. HCI schemes are highly effective for any HR department that wants to widen employee benefits, attract and retain staff, and demonstrate overall value to the business.

Improving employer-employee relationships


The concept of computer equipment loans to employees is relatively new, but we were delighted by the sheer volume of people who responded positively when we first discussed with employees our plans to launch an HCI scheme.

They were attracted by the opportunity to use the latest computing equipment at home – whether or not they use a computer at work. Amongst other things, first-time home computer users told us that they were keen to take advantage of e-mail and the internet. Other employees, who already had a home computer, saw this as a way of upgrading to state-of-the-art equipment or getting a new peripheral, such as a printer or scanner.

Boosting skills and training

Having tested the water and found an enthusiastic audience for an HCI scheme, we were able to look more closely at the advantages it would bring to the business immediately and in the future. We were already aware that this was something that complemented our commitment to widening the overall skills base of the business by providing a greater number of employees with core computing skills. Although we already had a number of training schemes in place, this was seen as a powerful way of boosting basic IT literacy.

HCI schemes also provide a flexible framework for education and individual learning. BT has many e-learning partners who offer training in everything from financial management to broadband awareness, and we immediately saw the chance



An HCI scheme is highly effective for any HR department that wants to widen employee benefits, attract and retain staff, and demonstrate overall value to the business

to make these channels available to a much wider audience by widening home computer use.

At the same time, we are constantly on the look-out for ways of creating an employee-friendly learning environment that enables individuals to study at their own pace and convenience. A home computer plays an important role here, enabling employees to follow courses and increase their learning confidence in a familiar environment. Our employees can use this new environment to acquire skills that they can apply in their personal lives or in the workplace. Computers delivered through the scheme are for personal use, but employees can use them for work-related activities if they choose.

Benefits and salary sacrifice

All these benefits – skills, learning and loyalty – will resonate with most HR teams. But it's important to bear in mind that there is a basic financial case for most HCI schemes. This is where salary sacrifice plays a critical role. In theory, you don't need salary sacrifice to implement a scheme, but for most businesses it's a practical way of offsetting the cost of implementation.

BT's HCI scheme

Business challenge

BT wanted to encourage IT literacy at every level of the organisation and demonstrate its commitment to socially responsible business, both internally and to prospective employees.

Scheme details

- Launched: September 2002 – ongoing.
- Number of employees signed up to scheme (December 2003): 7,000 (six per cent of eligible workforce).
- On-balance sheet scheme: computers purchased for loan to employees.
- Technology provider: BT Home Computing.

Benefits

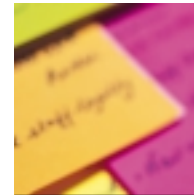
- Greater IT literacy across the entire organisation.
- More productive workforce.
- Boosts computer training and e-learning.
- Savings of £1m in the first year of the scheme.
- Accelerates implementation of other salary sacrifice schemes.
- Highly attractive to prospective employees.
- Powerful employee retention tool.

It also sends an important message that you are committed to making employees' salaries work harder for them. Feedback from employees shows clearly that these types of benefits are so compelling that they give an organisation a real competitive edge in the job market. We've also found that this plays an important role in workforce retention – providing a framework that encourages them to stay for the duration of the loan, although there are clear terms and conditions for employees who leave during the scheme.

What's more, an HCI scheme in conjunction with salary sacrifice can be the foundation for a wider benefits package. BT has since introduced a childcare benefit scheme using knowledge acquired during our HCI scheme and we are looking at expanding the number of salary sacrifice offerings to our employees.

An HCI scheme is a real opportunity for any HR team to raise its profile. In the first place it puts HR right at the centre of a company-wide programme that can involve finance, tax, legal and IT. It also delivers a wealth of benefits to employees. But above all, it moves HR up the business value chain by championing a business initiative that has the ability to generate revenue and make a real impact on the bottom line.

**“AN HCI SCHEME
CAN HELP MOVE HR
UP THE BUSINESS
VALUE CHAIN”**



CAROLINE WATERS is director, People Networks for BT Group. She is responsible for creating tomorrow's customers and employees, revenue generation and BT's inclusivity strategy.

Checklist

For HR

How does an HCI scheme benefit the business overall?

- Boosts productivity: home computer users typically have a wider range of skills, are more confident and productive, and require less training.
- Attract and retain the best people: by making their salaries go further, while reducing the cost of staff turnover.
- Operational savings: through reduced employer NI contributions.

What's in it for employees?

- Greater workplace opportunities: employees can further their individual learning and are more likely to realise their potential.
- Financial savings: computing equipment can cost up to 50 per cent less compared with traditional channels.
- Security and trust: employees have the opportunity to finance a computer through their employer where other options may not be available.
- Employees gain through online discounts, price transparency, and savings on costs such as travel, parking and postage.

Why should HR be interested in initiating an HCI scheme?

- It boosts existing benefits packages.
- Moves HR up the business value chain.
- Goes beyond HR's traditional function to actually generating revenue.
- Complements existing training, learning and skills initiatives.
- Widens the availability of other benefits packages by applying the principle of benefits in conjunction with salary sacrifice to other schemes.

What will the finance department need to take responsibility for?

- Ensuring thorough knowledge of income tax exemption, claiming back VAT and salary sacrifice.

- Helping to provide a strong financial case.
- Drawing on the wide availability of expertise from consultancies, accountancies, technology providers and the Government.
- Ensuring Inland Revenue validation.
- IT procurement – negotiating a good purchasing/leasing deal with technology providers.

How can I sell the scheme to finance?

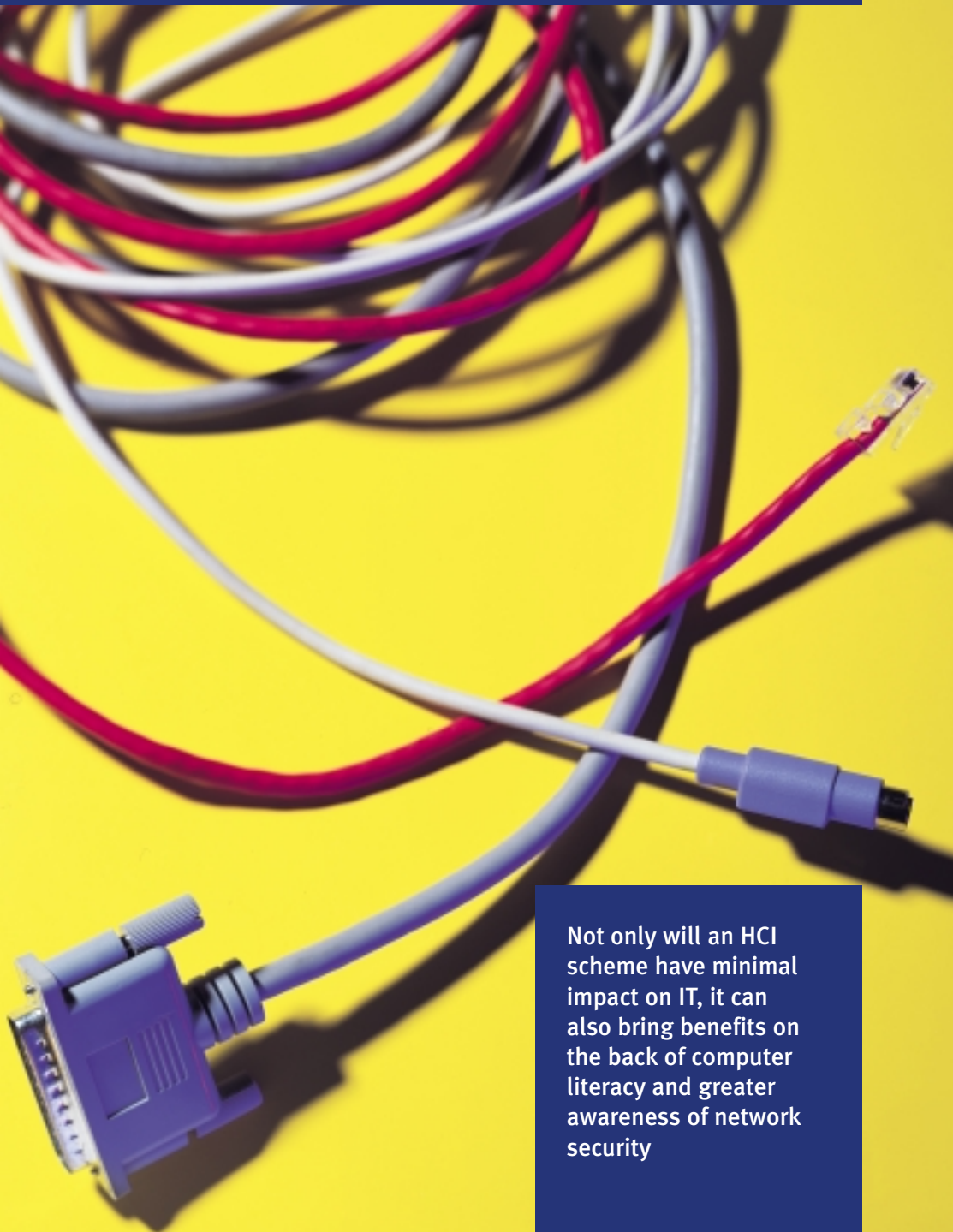
- It's an innovative and effective way to cut costs and boost productivity.
- Has potential for finance and tax to become business champions – most schemes require their expertise.
- Cost-neutral to the business and, in many cases, is an effective way of driving down operational costs through reductions to NI contributions.

What will IT need to do?

- Advise on the specifications of computer equipment available in scheme.
- Advise on levels of support required from partners for the scheme to succeed.

How do I sell the scheme to IT?

- There should be no impact on existing IT policies in the workplace.
- There is no impact on company helpdesk and support – nearly all HCI packages include these as standard, delivered by the technology partner.
- Can potentially reduce demand on helpdesk and support – IT-literate staff are more likely to resolve basic issues themselves.



Not only will an HCI scheme have minimal impact on IT, it can also bring benefits on the back of computer literacy and greater awareness of network security

No pain, plenty of gain

As the director of an extremely busy IT department, I had a number of questions regarding Home Computer Initiatives (HCI schemes) such as:

- What impact will this have on our overall IT policy and strategy?
- How will it affect the existing procurement relationship with our business technology suppliers?
- Will it increase calls to our IT helpdesk and support resources?
- Will it add to the overall pressure facing the IT department?

I am extremely glad to say that our experience at Ashridge, one of the world's leading business schools, and the experience of almost all organisations that have implemented an HCI scheme, is that it has little or no impact in any of these areas because of the way in which HCI schemes are typically implemented and run. And, even better, the involvement that you do have will be around the “fun” parts of the implementation, such as using your experience to evaluate hardware and software, and negotiating with the chosen provider.

Support and service options

Each organisation will have its own unique environment and requirements, and there are numerous companies in the marketplace that are available to help with the implementation of a scheme tailored to those requirements. These providers range from your existing preferred technology supplier to a specialist HCI provider.

From the outset we made sure that our technology partner was in a position to provide a wide range of support and service options to employees who subscribed to the scheme. I would recommend that you do the same – most organisations that have set themselves up as HCI providers offer most of the following, but it is important to check this at the start:

- On-site demonstrations to employees prior to delivery.
- Answering employee questions through bespoke web sites and brochures.
- Full set-up and basic training on the day of delivery.
- Support to handle potentially high levels of enquiries during the first few weeks.

- Support tailored to employees with different levels of knowledge during the lifetime of the scheme.
- Dedicated helpline that is available 24x7.
- Next day on-site visits and removal of equipment for repair.
- A web site where employees can find out more about all the functionality on their computer, hints and tips, and basic trouble-shooting.

They should also take responsibility for clearly communicating dedicated helpdesk numbers and other support communication channels to employees throughout the delivery and post-delivery phases.

Increasing end-user confidence

Once we were confident that there would be little or no impact on the day-to-day running of the IT department we were able to look more closely at the benefits of the scheme to the whole of Ashridge and our department.

There is no doubt that giving as many people as possible the opportunity to use a computer at home widens IT literacy and increases confidence in the workplace when dealing with basic day-to-day technology issues. Home computer users are typically more confident with technology and are more likely to have the skills required to use basic hardware, including keyboards, mouse and printers.

Ashridge's HCI scheme

Business challenge

Ashridge wanted to reward its staff with a scheme that would deliver personal benefits as well as help develop IT skills.

Scheme details

- Launched: March 2003 – runs every six months.
- Number of employees signed up to the scheme (December 2003): 50 (30 per cent of eligible workforce).
- Off-balance sheet scheme: computers leased for loan to employees.
- Technology provider: IT Through Work.

Benefits

- Cost-effective reward for employees.
- Greater IT skills across organisation.
- More productive workforce.
- Tax savings for employees and company.
- Raises profile of organisation.

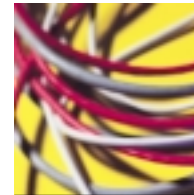
Helping the helpdesk

We have also found that home computer users are more comfortable with common desktop applications. In the long run we expect there to be fewer helpdesk calls as staff get the hang of basic tasks, such as opening, saving and calling up documents; using e-mail and inserting attachments; and basic configuration tasks such as selecting a different network printer when the default machine is unavailable. This increased competence reduces anxiety levels, especially when users are under pressure due to tight deadlines.

At the same time, we believe that computer literate employees are more likely to empathise with the pressures facing the IT department. Like most Home Computing Initiatives, computers delivered under our scheme include firewalls and anti-virus software. Familiarity with the basic principles of network and e-mail security mean that people grasp more easily the importance of protecting the business against viruses and other network security threats.

Any initial concerns that an HCI scheme might be more of a burden than a benefit to IT were unfounded – in fact there's actually a great deal to gain. Our experience shows that most technology partners are actively willing to provide all the essential elements of delivery, training and support. At the same time, wider IT literacy can lighten the burden on helpdesk and support, and even contribute to the overall security of your systems. And, of course, it's a great way for everyone to learn more about computers and the importance of IT in the workplace as well as the home.

**“HOME COMPUTER
USERS ARE MORE
COMFORTABLE WITH
COMMON DESKTOP
APPLICATIONS”**



JANE SHORT is IS&T director at Ashridge Business School. She is responsible for the development of IT strategy, ensuring its close integration with the business vision.

Checklist

FOR IT

How much work will be generated by implementing an HCI scheme?

- There should be no impact on existing IT policies in the workplace.
- No impact on company helpdesk and support – nearly all HCI packages include these as standard, delivered by the technology partner.

What will I gain from an HCI scheme?

- Potentially reduces demand on helpdesk and support as computers become workplace tools in new areas of the business.
- Home computer users are typically more confident with technology and are more likely to have basic IT skills.
- Reduces calls to helpdesk relating to basic tasks associated with common applications.
- Home computer users are more likely to understand the key principles of network and e-mail security.

What support and services can a partner deliver?

- On-site demonstrations to employees prior to delivery.
- Answering employee questions through bespoke web sites and brochures.
- Full set-up and basic training on the day of delivery.
- Support to handle potentially high levels of enquiries during the first few weeks that the scheme is rolled out.
- Support tailored to employees with different levels of knowledge during the lifetime of the scheme.
- A dedicated helpline that is available 24x7.
- Next day on-site visits and removal of equipment for repair.
- A web site where employees can find out more about the functions of their computer, hints and tips, and basic trouble-shooting.
- Clear communication to employees of telephone numbers, e-mail addresses and URLs related to dedicated helpdesk and support.

Who do I need to involve to get the scheme rolling?

- Most HCI schemes draw on experience and resources from many areas of the business, especially finance and HR.
- The involvement and sponsorship of the chief executive or similar senior executive is essential to the success of the scheme.

What will the finance department need to take responsibility for?

- Knowledge of income tax exemption, claiming back VAT and salary sacrifice.
- Helping to provide a strong financial case.
- Drawing on the wide availability of expertise from consultancies, accountancies, technology providers and the Government.
- Ensuring Inland Revenue validation.
- IT procurement – negotiating a good purchasing/leasing deal with the technology providers.

How can HR ensure the scheme fits the company's overall needs?

- Provide knowledge of existing benefits schemes.
- Ensure best fit with current skills and learning strategies.
- Advise on employee demographics and their potential impact on take-up.
- Deliver feedback from employees on previous benefits schemes.
- Research the impact of technology on employees' lifestyles.
- Advise on training and e-learning software beneficial to employees.



The benefits of an HCI scheme have the potential to touch every area of the business and in most cases such schemes are self-financing

About HCI schemes

What are Home Computing Initiatives (HCI schemes)?

Home Computing Initiatives (HCI schemes) are based on the Government's 1999 legislation, which allows employers to implement a tax exempt loan scheme for computer equipment for their employees to use at home. Many employers use HCI schemes to widen their existing benefits packages they offer.

What are the advantages for your organisation?

The benefits of HCI schemes can touch every area of an organisation, large or small. They are an extremely powerful catalyst for any organisation that wants to take advantage of the connection between learning, productivity and competitiveness. They can also help retain and attract a dynamic, loyal workforce with the intelligence and skills to solve complex challenges and support performance and growth.

How are most HCI schemes financed?

Many employers use salary sacrifice arrangements to offset the costs of administration and implementation of an HCI scheme. Where salary sacrifice is used, the employee accepts a reduction in gross annual salary in return for the use of a loaned computer. Depending on the nature and scale of an HCI implementation, an employer may be in a position to generate further operational savings through a reduction in National Insurance contributions on the amount of their employees' salaries sacrificed.

Who can help?

There are a number of commercial HCI providers who can help implement an HCI scheme. These providers deliver the computing equipment for loan and may also advise on how to comply with the relevant legislation and set up salary sacrifice arrangements. It is worth bearing in mind that in many cases they brand schemes in their own way and do not refer to Home Computing Initiatives or HCI schemes in their literature. For more information about commercial HCI providers, see page 40.

HCI benefits for employers

Increase workforce potential

Research shows that 74 per cent of all employees use ICT skills and 90 per cent of new jobs require them. Organisations that lack these skills may be restricted in their ability to compete or perform to their full potential. By implementing an HCI scheme, supported by access to ICT learning, organisations help stimulate computer literacy and individual learning, creating a more flexible, productive workforce.

Retaining a high-performance workforce

Employers have found that HCI schemes play a valuable role in reinforcing the overall employer-employee relationship, resulting in better staff retention. Employees may be attracted by a benefit which helps broaden their opportunities both at home and in the workplace.

Attracting new candidates

Feedback from organisations that have implemented schemes also suggests that HCI schemes make the organisation more attractive to new employees. Job candidates are increasingly discriminating and benefit schemes that widen skills and increase personal fulfilment may play a significant role when recruiting.

Hitting the bottom line

Most HCI schemes are cost-neutral as many employers choose to use salary sacrifice arrangements to offset the costs of administration and implementation. Where salary sacrifice is used, the employee accepts a reduction in gross annual salary in return for the use of a loaned computer. Depending on the nature and scale of an HCI implementation, an employer may be in a position to generate operational savings through a reduction in NI contributions on the amount of their employees' salaries sacrificed.

HCI benefits for employees

Workplace opportunities

Through home use of ICT, employees, including those who may not be regular computer users in the workplace, can further individual learning, helping them to realise their potential both personally and in the workplace. Like general numeracy and literacy, core ICT skills open the door to wider workplace opportunities and greater personal fulfilment.

Education and learning

Computers are incredibly powerful tools for education and learning. Internet-based

courses and training are now available for many workplace qualifications. A home computer is an extremely flexible option for employees who can choose to study and learn at their convenience.

Financial savings

Most loan arrangements are highly favourable compared with purchasing a computer from traditional channels. Savings vary according to scheme and salary, but it is usually between 30 and 50 per cent less expensive to get a home computer via an HCI scheme in conjunction with salary sacrifice, than it is to buy the same equipment outright.

Greater choice

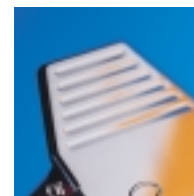
Employees usually choose from a number of easy to understand packages tailored to different budgets and varying levels of computing expertise. Many of these computing packages may also be targeted at a specific area of home life, such as education, entertainment or photography.

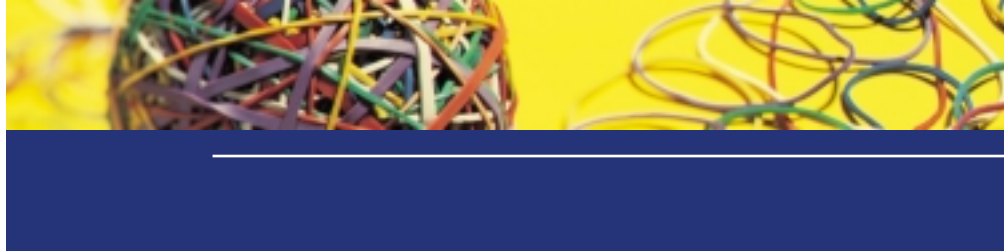
Convenient finance

Spreading the cost of paying for a home computer through the salary sacrifice option makes acquiring a computer very affordable and convenient for employees. Some also prefer to enter into a loan arrangement with their employer rather than a financial institution or a retail organisation. In some cases it may give employees the opportunity to finance a home computer where other options are not available.

“TALK TO THE HCI PROVIDERS, LEARN FROM OTHER ORGANISATIONS THAT HAVE IMPLEMENTED SCHEMES – BUT ABOVE ALL GET STARTED AS SOON AS YOU CAN”

DIGBY JONES, director-general, CBI





Find out more

From the Government

A guidelines and information pack on employer-provided Home Computing Initiatives is available from the DTI.

Visit www.dti.gov.uk/hci or call 0870 150 2500 to request a copy.

From industry

This guide has been put together by the CBI in association with the Home Computing Initiative Alliance (HCI Alliance).

The HCI Alliance is an alliance of industry leaders working together with UK Government on Home Computing Initiatives with an objective of increasing access to the internet in UK homes. The members of the HCI Alliance are BT, Intel and Microsoft.

More information on the HCI Alliance members' schemes and providers can be found at the web sites listed below.



www.bt.com/hci



www.intel.co.uk/hci



www.microsoft.com/uk/hci