

The European market potential for hybrid workspace technology

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At the start of the pandemic, employees in Europe were forced to work from home, but now they choose to work hybrid. However, they increasingly realise that good hybrid workspace technology is needed. There is a particular demand for hybrid workspace technology with a human-centric design. Opportunities can be found in the Nordic countries, Germany, the United Kingdom, Ireland, Austria and Belgium. The shortage of skilled specialists combined with the increasing openness towards outsourcing continues to drive outsourcing demand.

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1. Product description

“Hybrid” means the mixture of two different things. A hybrid workplace is a place where remote workers and in-person workers (workers that are physically in the same room) meet. People may be working in the office full-time, working remotely full-time, or be hybrid workers, which means they divide their working hours between the office and their home.

Hybrid workspace technology refers to the technology that enables hybrid working. It is also referred to as hybrid workplace technology.

The essence of hybrid workplace technology is that it connects workers to work from anywhere. It provides flexibility, closes the gap between the different locations, and overall helps workers to perform best.

Examples of hybrid workspace technology are:

- office capacity management tools;
- cloud productivity tools;
- document management;
- communication platforms;
- video conferencing software;
- hybrid conference spaces;
- assimilative onboarding tools;
- mobile software;
- workflow management tools.

2. What makes Europe an interesting market for hybrid workspace technology?

Europe is a frontrunner in the adoption of hybrid workspace technology. This is due to the realisation that hybrid working is here to stay and the increasing possibilities technology offers. On top of that, the existing skills shortages mean there is extra room for outsourcing. The demand for hybrid workspace technology will continue to grow rapidly for at least the coming ten years.

Hybrid working becomes the standard in Europe

The Covid-19 pandemic was the accelerator for working from home and hybrid working. It changed the relationship between workers and the physical workplace forever. [Before Covid-19, around 5% of Europeans worked from home, that figure has risen to 12.3% in 2021.](#) In May 2022, there were still significantly fewer people that travelled to work in Europe, compared to the same month three years earlier. The United Kingdom led the way in this trend, with 20% fewer people travelling to work (see Figure 1), followed by Ireland with 17%, and Sweden with 13%.

At the beginning of the pandemic most employers and employees were not entirely happy about working from home, but that has changed. Research conducted by Opinium for Ricoh Europe revealed that [64% of European workers have seen an increase in their employers' trust in them working from home.](#) They feel their employers have more trust in their motivation and productivity when working from home. This is a 23% increase compared to a similar survey in 2021.

Many European workers do not want to return to the office full-time. [Companies that choose to go back to an office-centric design could lose up to 39% of their workforce.](#) Employment contract increasingly provide for hybrid working and/or home office arrangements. This points to an increasing realisation that hybrid working is here to stay, and European companies are willing to make investments to create the best working environment for their employees.

Investment in hybrid workspace technology is needed

With the flexibility created by hybrid working comes the responsibility to organise this in a productive and safe way. The best workspace technology combines the digital and physical experiences of employees and customers.

A survey conducted in 2022 by Opinium for Ricoh Europe found that a [lack of planning and investment in hybrid working is threatening a widespread successful return to the office.](#) The survey asked 3,000 office workers from the United Kingdom, Ireland, France, Germany, Italy, the Netherlands and Spain how they felt about returning to the office. Only one in five (19%) said their workplace has a hybrid working policy.

Hybrid workspace technology already existed before 2020. The pandemic accelerated the demand and led to technological breakthroughs in the sector. But this does not mean the market is saturated or the best solutions are already available on the market. On the contrary, hybrid workspace technology is still a relatively young market that offers very good opportunities.

Tips:

Move fast and build your capabilities and experience in hybrid workspace technology now, to establish a position in the market while it is still growing rapidly.

Subscribe to newsletters in the hybrid workspace technology segment, for example [this one by TechTarget](#).

Read more about regulatory requirements in the sector in the [market entry section of this study](#).

Skills shortages and lack of expertise

As the range of hybrid workspace applications continues to widen, there is an increasing need for specialised developers and specialists. Key skills include data analytics, machine learning, artificial intelligence, hardware expertise, and general software development skills. However, there is a considerable lack of IT training, certification, and experience in the European workforce. Due to the rapid technological innovations in IT, the skills of IT graduates do not match the needs of the market. A study 2021 by Udacity revealed that [59% of the researched enterprises report that not having enough skilled employees has a major or moderate impact on their business](#).

Skills shortages were already common for Western and Northern Europe, but they have now also become apparent in other parts of Europe such as Eastern Europe. Countries like Poland, Bulgaria and Romania have developed into common nearshore destinations for Northern and Western Europe, but they too are now facing skills shortages.

According to a survey by sourcing company Randstad in 2021, [the nine most in-demand IT skills](#) are:

- artificial intelligence and machine learning;
- augmented reality and virtual reality;
- blockchain;
- cloud computing;
- cybersecurity;
- data science;
- IoT;
- robotic process automation;
- user interface / experience design.

As these are all big, mature areas of expertise, the situation will probably only get worse. All these shortages are relevant to and impact on the hybrid workspace technology segment.

Tips:

Closely follow IT developments in your target countries. We recommend setting up a Google alert and following large consulting companies, such as [Kearney](#), [Gartner](#), [Deloitte](#), [ATOS](#), [Accenture](#) and [Capgemini](#). Signing up for newsletters from these firms is another way of gathering relevant information.

Develop consulting skills to advise potential buyers on how they can benefit from hybrid workspace solutions and how you can help them with this. The earlier you are involved in the project, the better.

Build up expertise in your company. Start by offering solutions locally and regionally to get references and build confidence in your capabilities. Keep your skills up to date. If possible, obtain certification and clearly communicate that you are certified in your marketing and client interactions.

Read Stack Overflow's annual [Developer Survey](#), which shows which developer skills are in demand and provides demographic information on software developers worldwide.

Specialisation in hybrid workspace technology offers opportunities

There are a lot of opportunities for you to innovate and develop your own hybrid workspace products. Rather than focusing solely on software development services, you could develop your own hybrid workspace solution.

Keep in mind that when you offer outsourcing services for hybrid workspace development, this involves more than just general software development expertise. Software development for hybrid workspace solutions requires additional specialisation, including knowledge of hardware, sensors, data analytics and vertical market expertise. But especially specialisation in your choice of development platform.

Tips:

Emphasise your expertise, experience, and domain knowledge in your marketing activities. This can be the deciding factor when European companies are selecting a service provider. You should clearly explain your choice of development platform(s), so which platform(s) you work with and why.

Read our study about [outsourcing software development services](#) to find out more about the market for software development in general.

See our study about [demand for IT outsourcing services in the European market](#) for more information about what makes Europe an interesting market for IT outsourcing in general.

Many European start-up companies focus on hybrid workspace products. Look for such companies to partner with.

3. Which European countries offer most opportunities for hybrid workspace technology?

The following European countries offer the best opportunities for hybrid workspace technology providers: the Nordic countries, Germany, the United Kingdom, Ireland, Austria and Belgium.

The percentage of Europeans working from home grew significantly from 2019 to 2021. However, there were sharp differences between European companies. [Countries that saw the biggest percentual increase were Finland, Belgium and Ireland](#). Other countries with a significant increase are Denmark, Germany, Spain, France, Italy, Austria and Portugal (The UK was not included in this research).

Other factors that are key to the opportunities for hybrid working are openness towards outsourcing and digitalisation, and the extent to which a country's economy is based on office jobs (which can be done from home).

Please note that while France ranks high in some work-from-home statistics, this is mainly due to the country's strict work-from-home orders during the pandemic, which has since been scrapped. [In general, France is an outlier in the shift to hybrid work](#).

Nordic countries: working from home champions

The Nordic region, and in particular [Finland and Denmark](#), saw the biggest increase in people working from home between 2019 and 2021. Sweden, Norway, and Denmark are in the top 10 of countries that saw the

biggest shift in workplace travel from February 2019 to May 2022 (see also Figure 1).

Due to their openness to outsourcing, these growing markets could be interesting for you. Experts believe that competition in Nordic markets is less fierce than in the United Kingdom, making them easier targets to consider.

Germany: considering making working from home a legal right

Germany is a very interesting market due to its large market size, but also because of their major shift towards hybrid working. In a survey by Ifop (in French) conducted in several European countries, [51% of the German workers say they work remotely “at least once a week”](#). This was the highest percentage in the survey. But [if German workers could choose, they would work from home 2,5 days per week](#).

Germany has really embraced working from home and is [considering to make it a legal right](#). This is an indication that working from home and hybrid work will remain widespread in the upcoming years.

German companies naturally prefer to work and collaborate in German, which is why they prefer nearshoring when they do outsource. You can increase your chances of success in Germany by collaborating with a local German-speaking partner rather than approaching end users directly.

United Kingdom: attractive despite Brexit

Of all advanced economies in Europe, [the UK has the highest chance of being the country that made the biggest permanent switch to hybrid working](#). The main reasons for this are its professional services sector and a flexible labour market. In addition, the UK is the [highest scoring country in the index that measures the number of paid working days worked from home each week](#). With almost two (1.93) days a week, the UK is the number one in Europe; worldwide, it is only surpassed by Singapore (2.40), Canada (2.18), Malaysia (2.10) and Australia (1.97).

[Also a large percentage \(more than 23%\) of employees in the UK said they would quit or look for a work from home job if they were forced to go back to the office fulltime.](#)

Brexit resulted in many people with a working visa leaving the United Kingdom. This left the United Kingdom with a shortage of skilled people in various industries, including in the IT industry. This makes the United Kingdom an extra interesting market for hybrid workspace technology products and services outsourcing.

Of all European countries, the United Kingdom is the most open to offshore outsourcing and the least cautious about doing business with companies in developing countries. Their openness is influenced by their cost-savings business culture and long-standing business relations with many countries.

Ireland: makes the biggest shift to remote working

Ireland has really embraced hybrid working. Their number of [global job offers that mention remote work has nearly tripled](#) since the beginning of the pandemic. Worldwide, numbers went up from an average of just 2.5% in January 2020 to almost 7.5% in September 2021. Ireland saw one of the biggest increases (7%) compared to other countries, according to a recent study by employment website Indeed.

This percentage does not even include job offers that are not yet classified as remote or hybrid, but where workers still worked from home while bosses decided on formal return-to-office/hybrid/remote work arrangements.

Working from home is not only offered by companies, but job seekers are also actively looking for it. In Ireland in December 2021, [the demand for remote working jobs was six times higher than pre-pandemic](#).

Like some other European countries, [Ireland is also working on regulations to make working from home a legal right](#).

Austria: frontrunner in work from home regulations

The Austrian government takes working from home seriously. [In November 2021 they introduced a tax scheme aimed at people who work from home](#). It is aimed at young entrepreneurs, freelancers and all employees who have not been able to go back to the office.

The goal of the bill is to reimburse workers, through tax deductibles, for costs they incur to set up a workspace at home. From 2022, Austrians working from home qualify for a tax deductible sum of up to €1,200 for the costs of heating, electricity, internet and even furniture. Moreover, the Austrian government has even announced that employees will have the opportunity to receive a tax cut retroactively on costs incurred in 2021.

In addition, many Austrian employees want to continue working from home or hybrid. [More than 13% of Austrian employees said they would quit or look for a work from home job if they were forced to go back to the office fulltime](#). This suggests that working from home and hybrid work is likely to remain an important factor in Austria for the coming years.

Belgium: catching up in working with new technology

Belgium is a small country, but with a relatively high percentage of office jobs. It had [around 26% of the population working from home at some point during the pandemic](#); the second highest percentage in Europe, surpassed only by Finland.

Belgian companies are traditionally not frontrunners when adopting new technology, but they are quite good at embracing hybrid workspace technology. [Just 5.1% of Belgians prefer going to the office every day, while 41% opt for at least one day of working from home](#).

In Belgium, 79% of the workers believe that remote working allows them to better balance their professional and private lives. Two out of three see it as an opportunity to be more productive.

However, there are risks. 34% worry about the lack of social contact at the office. Also, remote working can cause organisational issues if it is not implemented properly. Belgium's National Labour Council is discussing how to regulate remote working, focusing in particular on rights and good working conditions for employees, such as the right for employees to disconnect from workspace technology to have a coffee break or visit the dentist.

Tips:

Determine which country is best to target by looking at what cultural similarities you have with a particular country, which diasporas live there, what historical ties you may have with it, and what languages are spoken there. These factors influence which countries are more suitable than others.

Keep an eye on research results that are coming out. This year (2022) will reveal more about the patterns of various countries and how they are going to deal with hybrid working.

4. Which trends offer opportunities or pose threats on the European hybrid workspace technology market?

The digital transformation was already ongoing before COVID-19. But the pandemic made companies realise that good hybrid workspace technology is vital for properly running a company. This is mainly driven by the lower cost and higher performance of hardware and the advancement in technological applications.

Digital transformation lowers threshold for using hybrid workspace solutions

COVID-19 has accelerated the [digital transformation](#) (business processes getting digitalised). The mass adoption of working from home, online shopping, food deliveries and virtual events has significantly lowered the threshold for using tech solutions in people's day-to-day lives. This also applies to people who have never had to or were unable to work from home. This change is here to stay, so the demand for hybrid workspace technology is expected to stay relevant.

The digital transformation is supported by increasing connectivity performance

5G is the next generation of mobile data infrastructure. 5G is necessary for the expansion of most hybrid workplace solutions and services. With its greater bandwidth, it will lead to an increase in the number of devices connected to the internet. The amount of data they generate will also increase. The new 5G technology rolled out in the coming years will allow more than 350,000 devices to be connected per square kilometre, which is 500 times more than with comparable existing technologies.

Communication platforms for hybrid work

The available communication platforms have become much faster, safer and more reliable. [Examples are Zoom, Teams, Google Hangouts, Slack, GoToMeeting and many others.](#)

Tip:

Read more about the current status of the availability in different European countries and regions on the website of the [European 5G Observation](#).

Human-centric design desired in hybrid workspace technology

To run a successful business, it is very important to have happy employees. More and more European companies are becoming aware of that. One way to get happy employees is to move towards a human-centric design instead of an office-centric design.

A good human-centric design goes beyond taking the best of in-office work and combining it with the best of remote work. The best results come from a completely new, human-centric hybrid work strategy. A study conducted by Gartner in 2021 found that human-centric design accomplishes the best outcomes.

Human-centric hybrid workspace technology puts people first. Useability, design, interaction and flexibility are some of the keywords. And even though the technology puts employees first, it is also beneficial for employers, because [good, human-centric hybrid workspace technology improves productivity and helps with talent retention.](#)

Examples of hybrid workplace technology specifically aimed at improving employees' wellness are:

- HR management;
- pay and employee benefits;
- communication and experience;
- productivity and collaboration.

Table 1: Difference between an office-centric design and a human-centric design

Office-centric design		Human-centric design
Provides consistent work experiences (you work from 8am to 5pm in a designated building).		Provides flexible work experiences (work when you want to and need to).
Enables serendipitous collaboration (running into your colleague at the coffee machine, a lunch together that turns into a meeting, but without the person that should also have been at the meeting, but who was having lunch elsewhere)		Enables intentional collaboration (choosing who you speak to about what and when and choosing your own quiet time to work, not getting disturbed).
Drives visibility-based management (your boss sees you at the office and presumes you are working hard).		Drives empathy-based management (your boss trusts that you do your work, and you do your job right because that is what you want to do).

Source: Gartner

Tips:

Look at the hybrid workspace solutions you currently offer. Are they in line with a human-centric approach? If not, can you alter them?

Emphasise in your communication in what way your hybrid workspace solutions support a human-centric design.

Lower-cost higher-performance hardware is available

Over the past ten years, the hardware necessary for good hybrid workspace technology solutions has become significantly cheaper and its performance has improved. This makes it easier for companies to adopt hybrid workspace technology.

However, [the current global chip shortage](#) has already had a negative impact on the delivery of new hybrid workspace hardware products. This shortage is not likely to be resolved quickly. Experts predict [the shortage will last well into 2022 and quite likely also in 2023](#). The [chip shortage is also negatively impacted by the war in Ukraine](#).

For example, every hybrid workspace device that uses IoT solutions uses a cellular connection (4G, 5G, LTE-M, NB-IoT), as well as a cellular IoT chipset. This chipset can be embedded directly into the device's printed circuit board or into an IoT module that is placed in the device.

Improvements in technology increase the possibilities for hybrid workspace innovations and applications

Over the past ten years, there has been significant advancement in (big data) analytics, machine learning (ML), artificial intelligence (AI), and virtual and augmented reality (VR and AR). This enables significantly faster and more detailed solutions and applications for hybrid workspace technology.

Table 2 gives an overview of technologies that can be used in workspaces. Please note that this list is not comprehensive.

Table 2: Workspace technologies

Technology		Platforms (algorithms, AI, ML)		People analytics, chatbots, filming interviews, ML, AI, emotion coding		Cobots, wearables (RFID, dashboards, tablets, GPS, data glasses or HoloLens)
Type of intelligence		Predictive, prescriptive, descriptive		Affective, assistive, predictive, descriptive		Assistive, collaborative
Where/what		Home, street, gig work		Office, call centre, service work		Factory, warehouse (manual work)
Decision-making		Human resource, performance monitoring, micro- management		Human resource, performance monitoring, micro- management		Human resource, performance monitoring, micro- management

Source: [BBVA Open Mind](#)

Big data

Big data is the most important hybrid workspace technology enabling trend. It makes the implementation of many other hybrid workspace technology trends possible. The use of big data in the workspace varies from performance monitoring to hybrid conference spaces.

Virtual reality

The use of virtual reality in the workplace is relatively new, but the opportunities of this technology are very promising. Virtual reality can be used to tackle the lack of in-person contact with colleagues. Virtual reality can help ensure everyone who needs to be 'in the room' can be there.

Artificial intelligence

Artificial intelligence is increasingly part of the work process in many European companies. Examples are office capacity management tools and workflow management tools.

Metaverse

The [metaverse](#) can be described as a graphically rich virtual space (with some degree of 'reality'), where people can do things that humans like to do together in real life, such as working, playing, shopping and socialising. People that want to promote the metaverse often focus on the aspect of 'presence' as a defining factor. The

idea is that users get the feeling they are really there and feel like other people are really there with them.

For hybrid workspace technology this can mean being present in a virtual working space. There is also the [industrial metaverse](#), which refers to a mixed reality and augmented reality scenarios in an industrial setting, such as in product development and manufacturing.

Industry experts are still debating to what extent the metaverse will offer good [opportunities](#) and how to seize them. The most obvious segment is the use of “digital twins”, this means learning AI-based software representations of a physical asset or system. At present, the metaverse appears to offer a wealth of opportunities.

Tips:

Read more about [the possibilities virtual reality can offer the workspace](#) in this blog by PricewaterhouseCoopers Australia.

For more information about the enabling technologies, please read our corresponding studies about [exporting big data services to Europe](#), [exporting machine learning and artificial intelligence to Europe](#) and [exporting virtual and augmented reality services to Europe](#).

Consider combining different technologies to develop even better hybrid workspace solutions.

This study was carried out on behalf of CBI by [Globally Cool B.V.](#) in collaboration with Laszlo Klucs.

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