

The Hybrid Cost Saver

A man with glasses and a light blue shirt is pointing at a laptop screen. A woman with glasses and a red shirt is looking at the screen with her hand on her chin. They are in a modern office with large windows in the background.

IWG

Regus

SPACES.

HQ

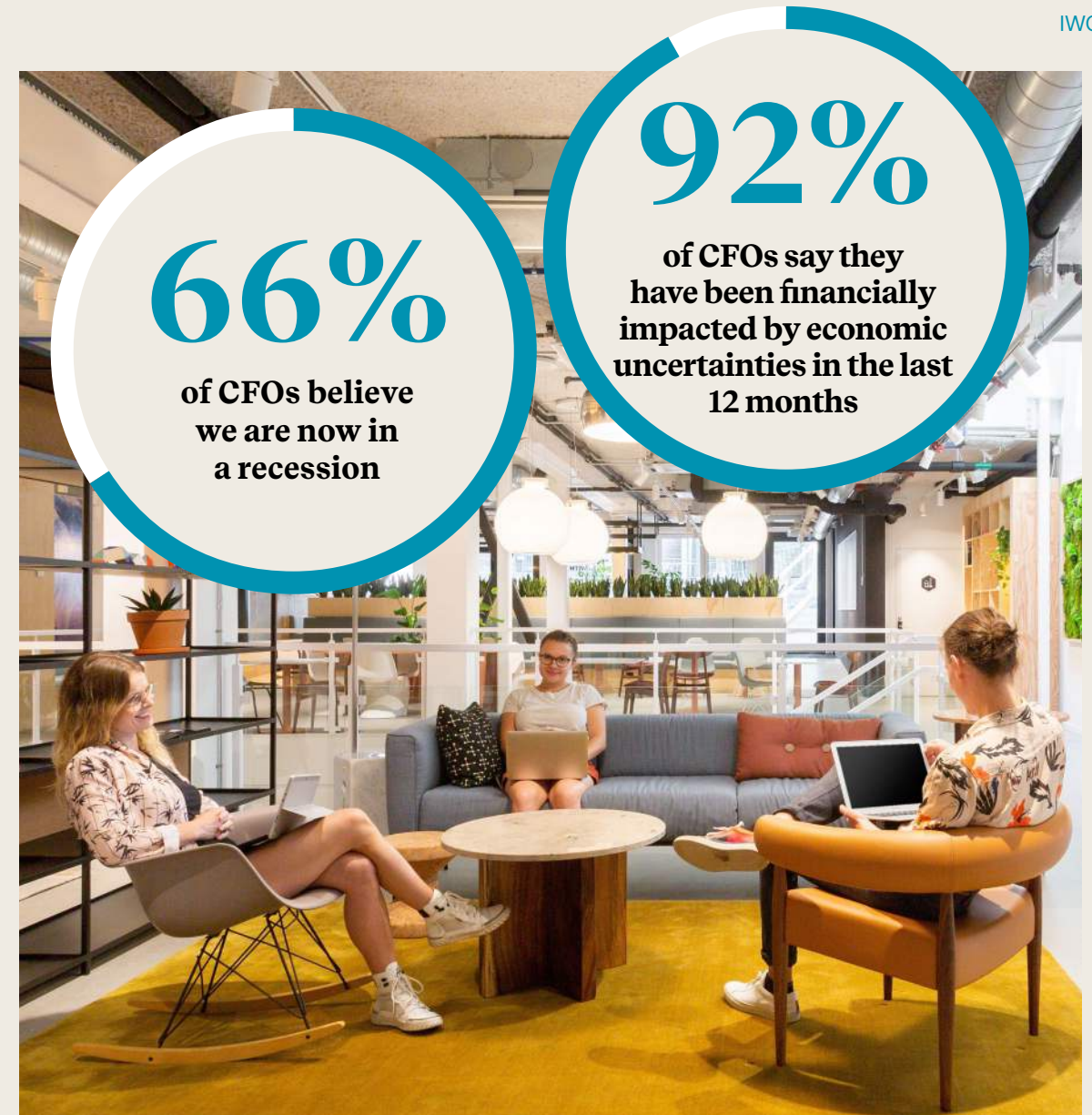
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IWG's latest CFO study shows that hybrid working is helping companies to save on costs and boost the bottom line in tricky economic times.

Hybrid working creates significant cost savings for organisations during difficult economic times. This is the message that comes loud and clear from IWG's latest survey of leading Chief Financial Officers, with more than four-fifths saying that hybrid is a leading way to meet savings targets in their business.

The hybrid model, in which employees divide their time between a local flexible workspace, a central HQ and home, has surged in popularity over the last three years, and it's clear that the cost-related benefits that it brings will continue to accelerate its growth. The report highlights that moving to a shared office or co-working space, downsizing a company's owned space, or a combination of the two are particularly effective ways of reducing costs, but hybrid working also brings other benefits to the bottom line, including increased productivity and helping to attract and retain talent.

Trimming costs is a major priority for CFOs at present, and is likely to remain so in the coming months. "The growth outlook remains weak," announced the most recent OECD report on the global economy, citing negative factors such as persistent core inflation, tight labour markets, and elevated public debt in many countries. Governments are responding by tightening monetary policies, making borrowing more expensive, which squeezes both households and firms, dampening demand.



The IMF took a similar view in its latest report, although it saw some light at the end of the tunnel. Chief economist Pierre-Olivier Gourinchas spoke of “mediocre” medium-term prospects, but added that forecasts generally point to a soft landing further down the line.

Nearly all (92%) of CFOs surveyed by IWG say they have been financially impacted by economic uncertainties and inflation over the past 12 months. Two-thirds (66%) believe we are now in a recession.



81%

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However, hybrid is helping them to weather the storm. More than four-fifths (81%) of CFOs say that hybrid working is saving them significant amounts in the current economic environment, and more than two-thirds (67%) say they plan to embrace hybrid for the long term.

“Hybrid working helps businesses stay competitive and resilient, especially in times of economic uncertainty,” says Mark Dixon, Founder and CEO of IWG. “Our research shows that CFOs are increasingly seeing it as a major pillar in their cost-saving efforts.”



REDUCING TRADITIONAL REAL ESTATE

The survey results show that nearly three-quarters (74%) of CFOs are moving or actively looking to move to shared office or flex space, and nearly two-thirds (64%) have already reduced their space to accommodate hybrid work. Separate research by IWG found that almost three-quarters (73%) of businesses have reduced office space costs by downsizing their central HQ.

Technology giant Cisco is a prime example of the savings such a move can bring. It says its shift to **hybrid working has saved the company in the region of \$500m over the last five years**. Much of its savings came in its property portfolio, and it has invested these savings in new technology to facilitate the hybrid model.



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Hybrid working can save organisations more than **\$11,000** per employee a year on average.

The huge city centre office with its banks of open-plan desks is rapidly being consigned to history. Once employees are empowered to work part of the time from home, as well as from flex spaces close to home, companies as a result can downsize to a smaller real estate footprint, as fewer desks are required in their central HQ. Organisations that may have previously needed to accommodate 1,000 employees at the same time are now looking at a figure of 200 or 300.

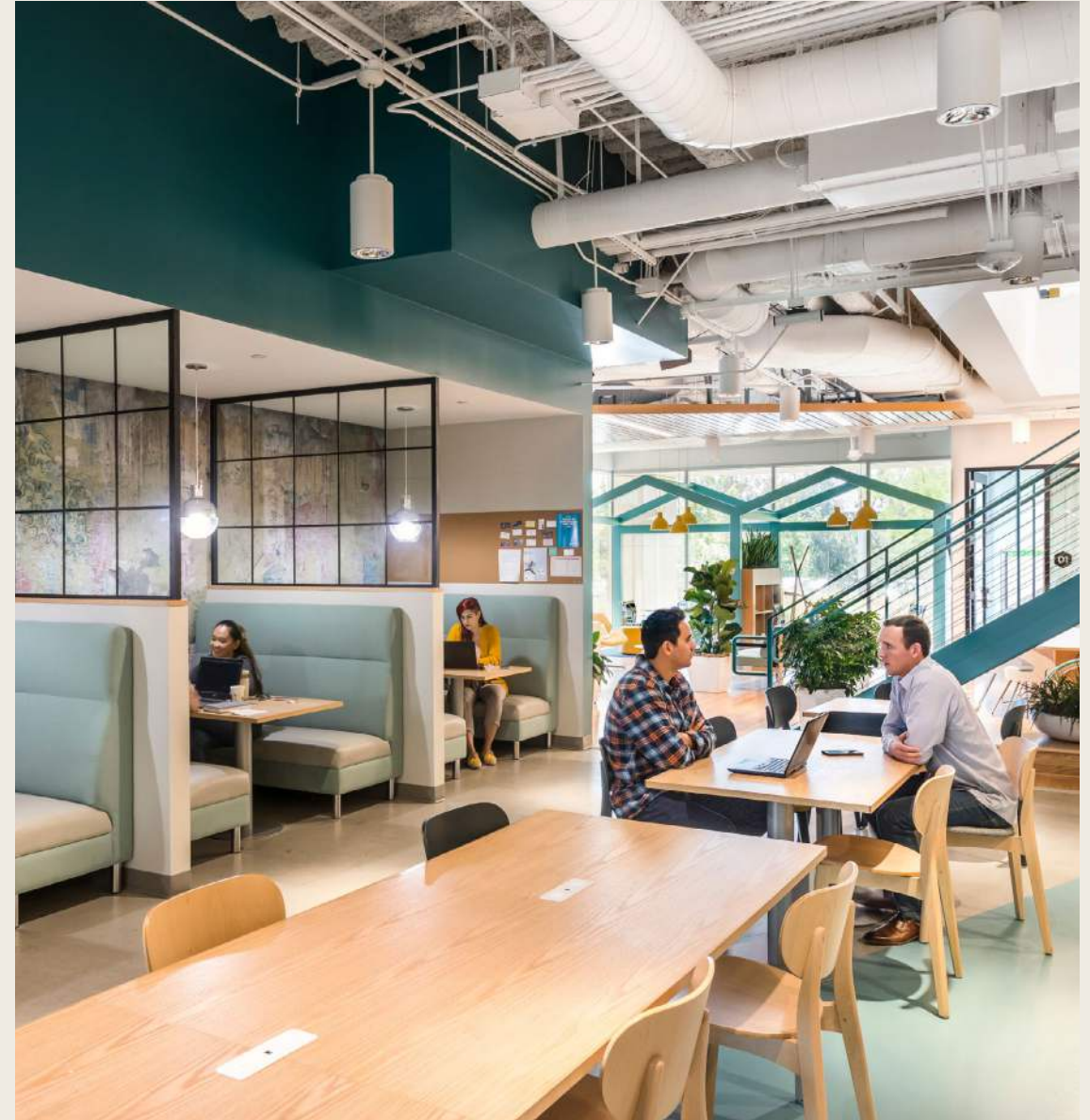
Flexibility is key to the new office paradigm, and nearly half of CFOs (48%) say they are looking to achieve that by abandoning long leases and switching instead to short-term lease agreements on their workspace.

Switching to flex space offers the greatest flexibility and also the greatest potential savings. "Companies can quite dramatically reduce costs by using flexible workspace," says Dixon.

"The reason is that they've been using offices inefficiently, with space available for people who don't use it. Flex space is highly efficient, because it allows companies to give people space only on the days that they need it, and that leads to savings."

And it isn't just rent that companies can save by downsizing. The potential for reduced energy costs is also a major part of the equation at a time when global oil and gas prices remain high. The other costs of maintaining an office include cleaning services; facilities such as restaurants, or, on a smaller scale, provisions for the office kitchen; and general office supplies.

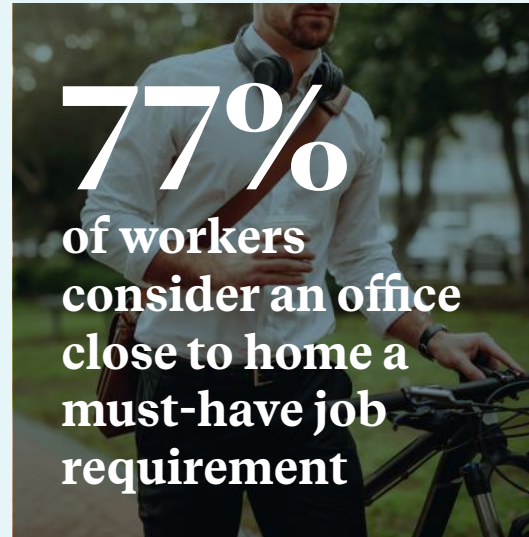
Analysis by research firm Global Workplace Analytics has shown that **hybrid working can save organisations more than \$11,000 per employee a year on average**. These savings can be channelled into investment for growth.



THE RISE OF WORKING LOCALLY

More than two-thirds (67%) of CFOs in the survey said their business will continue to work in the hybrid model for the long term.

This will further consolidate the current trend for work to move away from city centres and closer to where people live. In separate recent research by IWG, more than half (54%) of the businesses surveyed said they had either opened or taken up space outside city centres. By adopting the 'hub-and-spoke' model of a smaller central HQ together with satellite flex spaces in suburban and rural areas, companies can not only save money but also satisfy employees' increasing desire to work closer to home; an IWG survey found that more than three-quarters of workers (77%) consider an office close to home a must-have in their next job.





There's no doubt that hybrid working is helping to build and maintain a happier and healthier workforce."

Mark Dixon,
Founder and CEO, IWG

Once freed from the five-day commute into a city centre, people are also able to reconsider where they live, which includes relocating to the suburbs and beyond for a better quality of life. Research by IWG and Arup found that outbound migration from cities in both the UK and the US is now considerably higher than it was pre-pandemic, and the phenomenon has the knock-on effect of revitalising local economies. "The surge of people migrating out of major cities has provided a major financial boost to towns and suburbs that previously were like ghost towns during weekdays," says Dixon. "High streets are coming back to life, and local businesses are thriving."

Less commuting means reduced travel costs for employees, and brings health and wellbeing benefits; research by IWG found that hybrid working can lead to a longer night's sleep, healthier eating habits, weight loss, and improved mental health. The healthier work/life balance enabled by hybrid allows people to make more time for family, friends, and stress-busting hobbies. As a result, hybrid working can play a significant role in attracting and retaining top talent (see next page).

"There's no doubt that hybrid working is helping to build and maintain a happier and healthier workforce," says Dixon.

IWG's record growth

The hybrid working boom is fuelling rapid growth in IWG's global network of flexible workspaces. In 2022, the company added 462 new locations, and 2023's new openings had already passed the 600 mark by the end of September. The majority of these new locations are in suburbs and small towns.

"We're seeing strong interest from a growing cohort of property owners and investors seeking to capitalise on the rising demand for hybrid working solutions by partnering with the global leader," says Mark Dixon. "It is this fundamental shift that is fuelling such rapid growth."

IWG's system-wide revenue for the third quarter of 2023 was £830m, a year-on-year increase of 8%.

THE POWER OF PEOPLE



Attracting and retaining the very best talent in key roles takes on even greater significance during an economic downturn, and as we have seen, hybrid working can be a powerful attraction for both current and potential employees. A recent paper by Harvard Business School's Managing the Future of Work project emphasised this fact, observing that companies that offer hybrid working “are the most likely to maintain a stable and competitive workforce”.

Academic research by hybrid working expert Professor Nicholas Bloom at Stanford has shown the power of hybrid when it comes to retaining talent. In a study carried out in Shanghai by Bloom and others, workers at a large online travel agency were divided into two groups: one group worked full time at the company HQ, while the other worked in a hybrid way. Attrition rates among the hybrid group were reduced by 35%, and work satisfaction scores also increased for this group.

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The offer of hybrid working has now reached equivalency with a pay rise or cash bonus. According to various surveys, job candidates and employees equate the flexibility of hybrid working with getting a pay increase of around 7% or 8%. "Firms not offering hybrid working are missing out on a highly effective way to retain and recruit staff," says Bloom.

Bloom adds that the monetary value placed on hybrid by workers can also lead to a significant payroll saving for companies: "If people count hybrid as a 7% to 8% pay rise, you can basically not push their pay up by as much and have them not quit on you," he says. This is particularly relevant at a time when businesses may be trying to trim payroll costs: more than half (54%) of CFOs say they are reducing the number of new hires at their company for this reason.

"Finding and keeping the best talent at a time when budgets are squeezed and human capital is also in short supply is the number one challenge for today's companies," says Dixon. "And it's clear that hybrid working can be a critical differentiator when it comes to staying one step ahead of the competition."



Companies that have the vision and resources to offer flexibility to their employees are the most likely to maintain a stable and competitive workforce."

Harvard Business School
Managing the Future of Work

Hybrid working is not only a cost-saver but also a productivity-driver. In a recent survey on hybrid working in 27 countries around the world, workers were questioned on how their productivity had changed compared to working full time in an office.

Studies place the increase in productivity brought by hybrid at **3-4%**



More than half (56.4%) said they were now more productive, while almost a fifth (18.6%) said they were more than 20% more productive. On average, respondents in all countries declared a rise in productivity, with Brazil and India showing the biggest increases.

Lower stress and raised levels of wellbeing are part of the reason for the increase. Almost four in five (79%) hybrid workers surveyed by IWG on their health and wellbeing said they had been more productive since switching to hybrid, and nearly half attributed this to their decreased stress levels and increased time for relaxing and unwinding after work.

Time is also a major factor. In a recent McKinsey survey of workers around the world, the two top reasons given for preferring to work from close to home or home were “to save commuting time” followed by “to increase my productivity”. The two are in fact intrinsically linked: some of the time

saved from the commute can be used as extra work hours. According to Bloom, studies generally place the increase in productivity brought by hybrid at around 3% or 4%, and the main factor is time saved.

“Every firm just about out there is doing hybrid, because it’s such a no brainer to increase profit,” says Bloom.




REAPING THE HYBRID PRODUCTIVITY BONUS

CONCLUSION

Taking into account all of the topics covered in this paper – reduced facility costs, the ability to attract and retain top talent, and increased productivity – Bloom estimates that a company’s bottom line can be boosted by a factor of between 10% and 20% as a result of adopting a hybrid working policy. It’s clear that the vast majority of CFOs surveyed by IWG are fully aware of these advantages, and their companies are reaping the benefits of hybrid during a difficult economic period.

Dixon notes that IWG already supports more than eight million hybrid workers around the world, and numbers are increasing as more and more companies permanently embrace the hybrid model. “Hybrid is here to stay,” he says. “Particularly at a time when the bottom line has come sharply into focus, it gives companies the financial flexibility to invest in their staff and in growing their business, instead of in the buildings in which they operate. On top of that, hybrid also brings a multitude of benefits to the workforce, especially in terms of wellbeing and work/life balance, which further boosts productivity. In today’s business world, as our CFO study shows, the hybrid model is now essential.”



IWG helps more than eight million people work the hybrid way in thousands of locations worldwide, with 83% of the Fortune 500 among its customers. Find out more about what we do today at iwgplc.com.