

View From the Top: Why CEOs Choose Hybrid Working

IWG's US CEO State of Hybrid Working Survey shows that business leaders believe the hybrid model is key to optimising the triple bottom line of people, profits and planet – and it's here to stay.



Introduction

The bottom line for business leaders is that hybrid working brings multiple benefits for their organisations – and they are committed to it for the long term. This is the message that came loud and clear from the inaugural IWG US CEO State of Hybrid Working Survey. Nearly two-thirds of CEOs who have adopted hybrid working at their organisation believe that hybrid is the future of work, and three out of four expect their company will still be hybrid five years from now.

The hybrid model, in which employees divide their time between a local flexible workspace, a central HQ and home, already allows millions of people around the world to work how and where they feel most fulfilled and most productive. And CEOs are aligned with academic thinking, which clearly shows that it is here to stay: experts at Stanford University and other leading institutes have predicted that between a third and a half of white-collar workers will continue to work in a hybrid way in the years to come.

Why is the hybrid model proving to be so popular and so robust? The results of IWG's wide-ranging survey of CEOs demonstrate a wide range of benefits: cost savings, increased productivity, greater employee happiness and increased retention and attraction of workers. The survey also probed how CEOs arrange their own hybrid schedules, how they are making hybrid work most efficiently at their companies, how their workspace requirements are evolving and how they see the hybrid future of work.

"This is a massive vote of confidence in the hybrid working model," says Mark Dixon, Founder and CEO of IWG. "No one is in a better position to see the many varied benefits of hybrid working for an organisation than the person who runs it day to day, and it's clear that the overwhelming majority of CEOs are fully committed to this way of working."



Business leaders are sending a clear message that hybrid working is a major benefit to their companies across the board. Not only does the hybrid model support employee work-life balance and wellbeing, but it also increases productivity and reduces costs and harmful carbon emissions."

Mark Dixon, Founder and CEO, IWG



Nine out of Ten CEOs Have Reduced Costs Through the Adoption of Hybrid Working

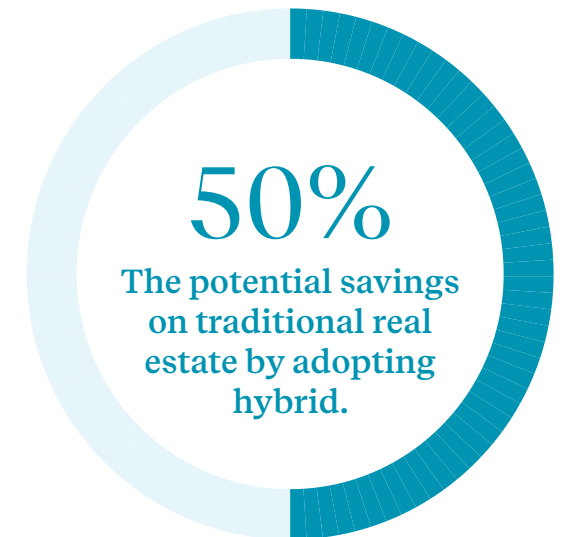


89% of CEOs say hybrid working is a key tool in achieving savings targets.

These are challenging economic times for CEOs: around the world, core inflation remains high, borrowing is expensive and labour markets are tight. More than three-quarters (76%) of CEOs in the study say their company has been impacted by these factors over the past twelve months, with almost one-fifth saying this has had a significant impact. In a recent IWG study of corporate CFOs, nearly four-fifths (78%) echoed this, saying their companies were cutting costs as a result.

Almost all (90%) CEOs say they have reduced costs by adopting hybrid working. It is a significant way to cut spending, with potential savings of

around 50% on traditional real estate alone. Once employees are empowered to spend some of their time working locally 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 likely to be looking at a figure of 200 or 300. The overwhelming majority (89%) of CEOs in IWG's study say that hybrid working is a key tool in meeting savings targets in the current economic climate.



Around the world, companies both large and small are changing their real estate policies as a result of hybrid working. The latest example in a long line came with the news that consulting firm EY is in talks to abandon its ten-storey office complex in central London, which is home to around 9,000 employees including its global executive team. The company adopted a hybrid working policy in 2021, and its 25-year lease on the building will expire in 2028. Kate Palmer, HR Advice and Consultancy Director at business services company Peninsula, commented that the news was not a shock, as it follows other notable big businesses opting to reduce their office space, including HSBC.



“As businesses look to cut back on costs, moving their teams to a remote working pattern is a way to significantly reduce overheads, with the money saved from renting expensive city centre buildings then able to be reinvested in other areas of the business,” she said.

A similar pattern can be seen in the US. Tech giant Intel recently put its entire 25-acre San Jose campus up for sale, saying that, “As a hybrid-first company, we are continuing to assess and optimise our space utilisation to create more vibrant workspaces for our employees when they are on site, while

also achieving cost reductions.” Similarly, file hosting company Dropbox recently paid \$79m to give up 165,000 sq ft of its San Francisco HQ. “We’ve taken steps to de-cost our real estate portfolio as a result of our transition to Virtual First, our operating model in which remote work is the primary experience for our employees, but where we still come together for planned in-person gatherings,” a company spokesperson told CNBC.

But savings don't just come from reduced rent because of 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.

Switching to flex space offers the greatest potential savings for companies when it comes to real estate, and almost one-third of CEOs (32%) have saved money as a result of the lower costs of a shared office space. But of course this will only be a fraction of the potential savings that will come when CEOs who

are tied into long-term traditional office leases are able to transfer to flex space when their leases expire. Research published at the end of 2023 by JLL found that one-third of all office leases are set to expire by the end of 2026.

According to Stanford University Professor Nicholas Bloom, a leading expert on flexible working, a company's bottom line can be boosted by between 10% and 20% overall as a result of adopting a hybrid working policy. "It's a no-brainer to increase profit," he says. Research firm Global Workplace Analytics has shown that hybrid working can save organisations more than \$11,000 per employee a year on average.



Record Traditional Office Vacancy Rates

Commercial real estate markets around the world are currently seeing record vacancy rates. Recent analysis by specialists JLL showed an average rate of 15.6%, with North America hardest hit – every fifth office there is currently unoccupied. And figures are only likely to rise, according to new research by McKinsey, which predicts that demand for office

space in the world's major cities will continue to fall from pre-pandemic levels as a result of the combined effect of the switch to hybrid working and a challenging macroeconomic environment. The company forecasts that by 2030 San Francisco could be hardest hit, with a reduction in demand of 20%, followed by New York City and Munich (16%).



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CEOs are Seeing Staff Recruitment and Retention Benefits from the Hybrid Model

More than half (59%) of the CEOs in the study say that they have experienced higher employee attraction and retention as a result of the hybrid model. This echoes the results of an IWG poll of 2,000 office workers, which found that 88% consider hybrid working to be the chief benefit they would expect in a new role. Eric Severson, Chief People and Belonging Officer at retailer Neiman Marcus, said recently that the company's remote-first policy has led to a 31% improvement in time to hire for new roles. Similarly, Annie Dean, Global Head of Team Anywhere at software company Atlassian, says that the company has received twice as many applications for open roles since implementing remote work.

The nature of hybrid working also allows companies to cast the recruitment net far wider geographically, as employees are no longer required to attend a central office on a daily basis. Nearly

half (48%) of CEOs say this widening of the talent pool has delivered significant value for their business.

Hybrid doesn't help only to attract staff but also to keep them, as was vividly demonstrated by a recent six-month study led by Bloom at the offices of a large online travel agency in China. This

looked at two groups of workers: one worked full time at the office and the other was given the option of working in a hybrid way. In the latter group, attrition rates fell by 35%, while work satisfaction scores increased. The company was so impressed by the results that it has now extended hybrid working to the whole company.



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Surveys have shown that employees consider hybrid working to be the equivalent of a pay rise of almost 10%. As a result, companies can make significant payroll savings if they offer a hybrid option. "If people count hybrid as a 7% or 8% pay increase, you can basically not push their pay up by as much and have them not quit on you," says Bloom.

"CEOs realise that hybrid working is key to staying ahead in the race for talent," says Dixon. "Today's workforce demands flexibility from employers, and if you can offer that, you're putting yourself at the head of the pack."



CEOs See Increased Worker Wellbeing and Higher Productivity after Switching to the Hybrid Model



Almost three-quarters (72%) of CEOs say their employees are happier as a result of hybrid working. Previous research by IWG has found that cutting down on the daily commute and working closer to home can bring major health and wellbeing benefits. These include a longer night's sleep, more exercise, healthier eating habits, weight loss and improved mental health.

Cutting out the stress of long daily journeys and finding more time for our personal lives can have a major positive impact. "Stress management and social connections are incredibly important to mental wellbeing," says Dr Sara Kayat, a world-renowned healthcare professional and TV doctor. "The healthier work/life balance enabled by hybrid working helps in achieving these, as it allows people to make more time for family, friends and stress-busting hobbies."



Almost two-thirds (63%) of the CEOs in IWG's study reported greater employee productivity as a result of the switch to the hybrid model, and some of this can be attributed to employees' improved work-life balance. Almost four-in-five (79%) respondents in IWG's previous study said that they had become more productive since starting to work in a hybrid way, with nearly half attributing this to their decreased stress levels and increased time for relaxing and unwinding after work.

Another major factor is the time saved as a result of cutting the long daily commute. Research shows that employees generally use part of this time for doing work. Stanford's Nicholas Bloom says that eliminating the long commute just two days a week can result in productivity gains of between 3% and 4% for companies.

CEOs are Optimising the Power of the Hybrid Model

IWG's survey offers a fascinating insight into how CEOs are making the hybrid model work best for themselves and for their organisations. It found that they personally spend three days a week on average working in an office environment, with the rest of the time spent working remotely. Less than one-fifth spend either four or five days working in an office.

Convinced that hybrid is the future of work, the vast majority are directing their budget towards optimising its benefits. For example, almost nine-out-of-ten (87%) are investing in IT and technology to support hybrid workers, with some increasing spend by as much as 25%. On average, CEOs have boosted budgets by 13% in areas that make the hybrid working model more efficient.

"It's not enough simply to introduce a hybrid working policy," says Dixon. "It's essential to take a holistic approach. That means having all the technological tools available to make it as efficient as possible, while also ensuring that different departments such as HR, IT and

Real Estate are all aligned and working closely together to maximise the benefits of the hybrid model and ensure it runs smoothly."

CEOs are also looking at ways to further increase flexibility for employees. Two-thirds (65%) have either adopted or are considering adopting flexible office hours, while more than one-third (36%) are implementing a shorter work week. Both trends are evidence of a fundamental shift in corporate thinking that focuses on outcomes rather than the number of hours worked, and allows employees greater freedom to work in the way they feel is most productive.



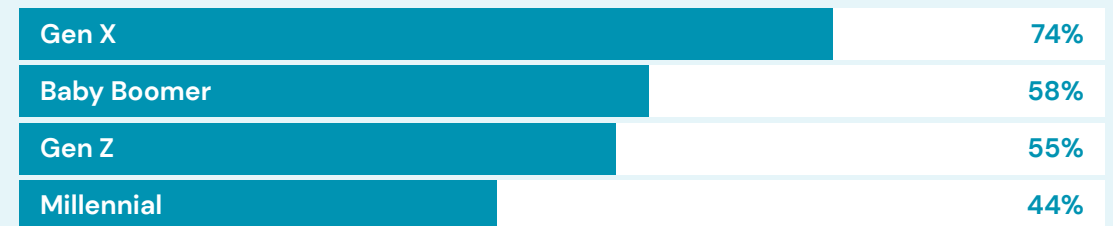
Generation Gaps

The survey found significant differences in the main hybrid benefits perceived by CEOs depending on their age.

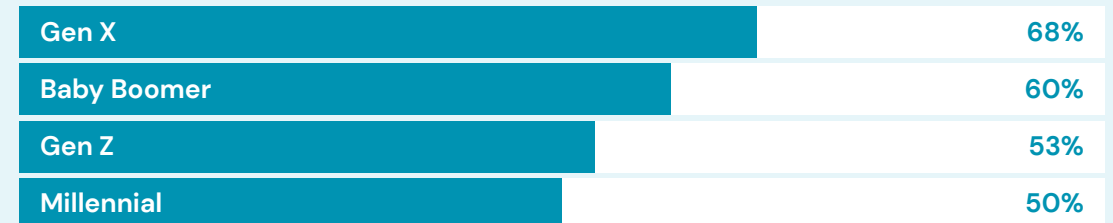
"Employee happiness is a significant benefit..."



"Team collaboration is positively impacted..."



"Cost savings are a significant benefit..."



CEOs are Committed to Hybrid Working for the Long Term

The survey shows that more than four-fifths of CEOs currently allow employees to work from more than one office location (such as the combination of a central HQ and a flex space in the suburbs), and nearly two-thirds (62%) offer access to coworking spaces. Almost half (45%) offer access to a satellite office.

The trend is set to stick. Three-out-of-four CEOs (74%) say that they expect to still be operating in a hybrid way five years from now. This is in line with academic research, which shows that, as the title of one Stanford paper put it, 'Hybrid is the Future of Work', with between one-third and one-half of white-collar workers forecast to continue to work in a hybrid way in the years to come.

IWG is helping to meet the rapidly accelerating demand for flexible workspace through a major programme

of expansion. Over the course of 2023, it added 867 new locations to its worldwide network, almost doubling the number added in the previous year. The majority of these are strategically located within local communities in suburbs and towns, enabling companies to offer their employees a hybrid work solution closer to home.

"There's a saying: 'Work isn't somewhere you go, it's something you do,'" says Dixon. "CEOs instinctively understand this and they want to give their colleagues the opportunity to do their work wherever seems best to them, whether that's in a central HQ for brainstorming, training or simply socialising, or in a local flex space for the convenience of day-to-day productivity. Our intention is to give them that variety of choice by providing an IWG location within reach of every town, village and suburb in the world."

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Cutting Carbon Emissions

As the world plots a path towards Net Zero, it is incumbent on business leaders to reduce the carbon emissions of their organisations wherever possible. The hybrid working model can play a key role in this. Downsizing to a smaller central HQ can bring a fall in energy use, but overall, putting an end to daily commuting is the single most significant way that companies can reduce their carbon footprint. Recent research by IWG

and Arup found that the hybrid model can cut work-related greenhouse emissions in cities by as much as 90%.

Hybrid working also supports a number of the United Nations' Sustainable Development Goals for 2030. These include Good Health and Wellbeing, Gender Equality, Sustainable Cities and Communities and Climate Action.

Conclusion

Nearly all of the CEOs (96%) polled for this study agree that implementing hybrid working has enhanced their reputation. Is it any wonder? As we have seen, the hybrid model brings multiple benefits. At a time of global economic uncertainty, the hybrid model can deliver a significant financial boost from reduced real estate and recruitment costs and increased productivity. A smaller real estate footprint and, in particular, a reduction in long, daily worker commutes can significantly reduce carbon emissions. And the opportunity for employees to work closer to home also results in increased happiness and wellbeing in the workforce.

“A critical part of any CEO’s job is to create an environment that enables employees to thrive,” says Dixon. “And it’s clear that the majority of CEOs we talked to in our study understand that the implementation of hybrid working does just that. They’re also fully aware of all the other considerable benefits to be had from the hybrid model, so it’s no surprise that they’re committed to it for the long term.”



We help more than eight million people work the hybrid way, with around 4,000 locations across more than 120 countries. Find out how we can help your business navigate the new world of work at iwgplc.com.