

9 Financial Benefits of Retaining the Work-from-Anywhere Distributed Workforce Model

by **Vikas Gopal,**

Global Managing Partner - Finance and Shared Services Transformation

Abstract

For decades, large office campuses with well-appointed offices have been an integral part of a company's identity. A home away from home for employees, these campuses are also part of a thriving ecosystem of building, business, food and logistics services.

Not surprisingly, the cost of acquiring, developing and maintaining these campuses is significant. Estimates¹ put the cost of real estate anywhere between 1% to 13% as a percentage of sales. Despite the high cost, the notion of challenging the traditional need for a corporate base camp has been all but unthinkable. Then COVID-19 happened. And as the saying goes, "Necessity is the mother of invention."

Today, employees are not only working remotely, but they are likely to continue doing so for the foreseeable future. By the end of 2021, around 25% to 30%² of the workforce can expect to work

from home multiple days a week. One after another, employers have announced permanent shifts to distributed workforces or have publicly considered the possibility. TCS recently announced³ its own secure borderless workspaces (SBWS™) vision – that by 2025, only 25% of the workforce will work out of TCS facilities at any given time.

Low Footprint Location Strategy: Less Real Estate, More Distributed Workers

Many organizations are also considering drastic measures around worker furloughs to compensate for declining business demand. But reevaluating the real estate burden instead of the workforce is likely to be more advantageous in the long term. Organizations could realize savings in relatively simple ways, either by not renewing office space as it comes up for renewal or reducing the square footage of the leases. Or companies with large corporate campuses may become lessors themselves as they increasingly consolidate to fewer buildings. Some may even decide to sell their properties entirely for flexible leasing options, depending on local real estate markets and overall business requirements.

For the majority of organizations, some portion of the workforce will likely remain on site.

But there are significant gains to be made from moving to the permanent adoption of remote work for some sections of your workforce. In addition to hard savings, there are often overlooked soft benefits that nevertheless contribute to an already compelling business rationale.

Here are the top reasons why a distributed workforce is worth a closer look as an alternative approach to workforce reductions.

Potential Hard Savings

Overall, at TCS we estimate⁴ that a \$20B business could see as much as \$50M in annual savings in its general and administrative (G&A) expenses from:

1. **Lower overhead.** A study by Global Workplace Analytics suggests that a typical employer can save \$11,000 per year⁵ for every person who works remotely half of the time. Depending on the size of the employee base, this number can become a significant cost lever.
2. **Increased productivity.** In a distributed workforce, employees spend less time commuting and more time producing. Collaboration is unleashed from walls and conference rooms.
3. **Borderless workspaces.** If you are a global corporation or have a global partner, a distributed workforce provides more geographical flexibility to maximize business opportunities, discover talent and provide team coverage.
4. **Lower healthcare costs.** Employees' motivations for remote work typically include the desire to improve mental and physical wellbeing, either from a stronger work-life balance or less commuting stress. More than two-thirds of remote workers surveyed recently⁶ reported overall wellbeing benefits and more than half eat healthier when working at home.
5. **Lower travel costs.** Greatly enhanced video and chat capabilities can facilitate remote collaboration and training without expensive travel costs.
6. **Greater employee retention.** Losing an employee costs a company on an average of \$10,000 to \$30,000⁷ each. Remote work can increase employee satisfaction, which can drive lower attrition and reduce costs associated with hiring and recruitment.

Potential Soft Benefits

In addition to the considerable hard savings, soft benefits can include:

7. **Business agility.** Traditional work models often aren't nimble, adaptive or scalable enough. A distributed workforce promotes the agility to adapt and deliver business capabilities from anywhere, anytime and anyplace.

8. **Greater environmental responsibility.** The average worker spends almost an hour each day commuting,⁸ with negative impacts on both the employee and air quality. With the majority of commuter traffic off the road in the past months, many cities across the world have seen dips in air pollution.
9. **Increased workforce diversity.** A wider talent ecosystem that enables you to access and hire employees across multiple geographies can broaden your work culture and perspectives. The shift to a distributed workforce also increases jobs opportunities to those in rural areas, enabling people to live and work in the same communities.

A New Way Forward

Moving to a permanent adoption of SBWS™ for some sections of your workforce can result in significant gains. Realizing these gains to the fullest extent possible will require a well-planned strategy for migrating to a new operating model where onsite workers coexist with remote workers. The emergency measures in the early days of the crisis – installing digital collaboration platforms and providing employees with remote access – will need to be reinforced with strategies for new work environments, organizational structures and metrics for success.

Remote employees must become clear on what is expected from them and how their employers assign, track and evaluate work. And as the shift to digital work evolves, organizations must plan to reevaluate strategies to manage new demands. Well-planned and continuously refined, a distributed workforce will deliver value well into and beyond the post-COVID-19 era.

References

- [1] Hartman, "What Percentage of Your Sales Can You Expect to Go for Rent?", accessed at <https://www.hi-reit.com/what-percentage-of-your-sales-can-you-expect-to-go-for-rent/>
- [2] Global Workplace Analytics, "Work-at-home after COVID-19 – Our forecast," May 2020, <https://globalworkplaceanalytics.com/work-at-home-after-covid-19-our-forecast>
- [3] Tata Consultancy Services, "A New Beginning: TCS' Secure Borderless Workspaces™ Show the Way," accessed at <https://www.tcs.com/tcs-secure-borderless-workspaces-shows-the-way>
- [4] Based on TCS internal model estimates; actual results may vary.
- [5] Global Workplace Analytics, "Work-at-Home After COVID-19 – Our Forecast," May 2020, <https://globalworkplaceanalytics.com/work-at-home-after-covid-19-our-forecast>
- [6] Global Workplace Analytics, "Global Work-from-Home Experience Survey," May 2020, <https://globalworkplaceanalytics.com/global-work-from-home-experience-survey>
- [7] Global Workplace Analytics, "Cost Benefits," accessed at <https://globalworkplaceanalytics.com/resources/costs-benefits>
- [8] The Washington Post, "Nine days on the road. Average commute time reached a new record last year," October 7, 2019, <https://www.washingtonpost.com/business/2019/10/07/nine-days-road-average-commute-time-reached-new-record-last-year/>

About Tata Consultancy Services Ltd (TCS)

Tata Consultancy Services is an IT services, consulting and business solutions organization that delivers real results to global business, ensuring a level of certainty no other firm can match. TCS offers a consulting-led, integrated portfolio of IT and IT-enabled, infrastructure, engineering and assurance services. This is delivered through its unique Global Network Delivery Model™, recognized as the benchmark of excellence in software development. A part of the Tata Group, India's largest industrial conglomerate, TCS has a global footprint and is listed on the National Stock Exchange and Bombay Stock Exchange in India.

For more information, visit us at www.tcs.com