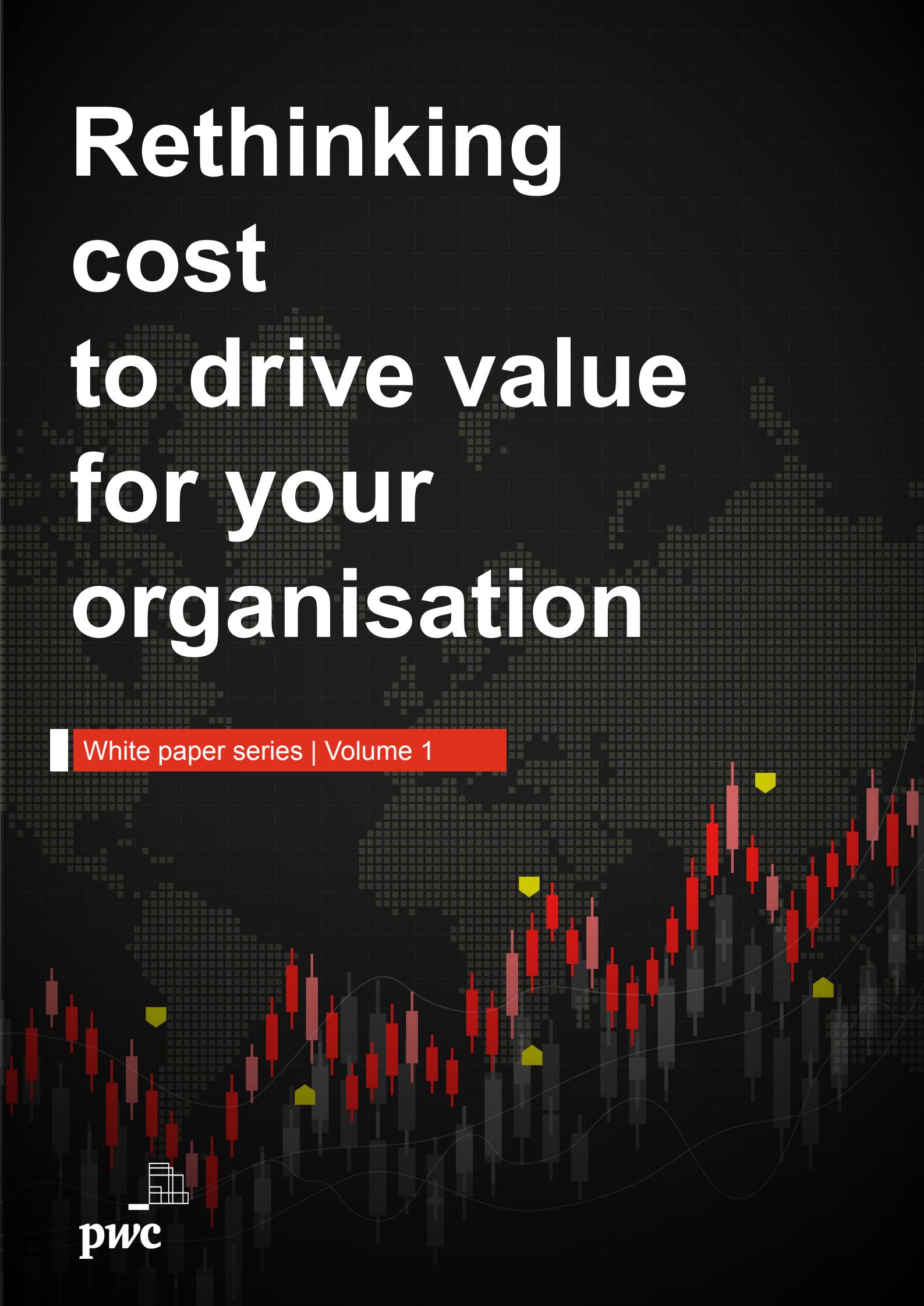


# Rethinking cost to drive value for your organisation



White paper series | Volume 1

Cost is a key consideration for all businesses. During difficult times, such as the current pandemic and the accompanying economic crisis, controlling cost becomes more urgent and one of the key factors for organisations' long-term success. However, organisations need to think carefully and choose effective means that achieve desired results with minimal disruption to operations.

This white paper series consists of two volumes. It targets decision makers in the private and public sector to draw attention to available modern options for cost optimisation. The series departs from traditional methods of reducing costs and aims to present a different direction. It highlights the role of innovation and the use of technology in optimising costs while immuniting organisations from the consequences of crises and global market shocks.

# Volume 1

In this first volume, we focus on three (out of six) modern cost optimisation trends. Together, they incorporate the use of emerging technologies and innovative solutions to not only cut cost but also provide other benefits. Such benefits include time saving, risk mitigation, efficiency improvement, and employee and customer satisfaction.

- 1 Robotic Process Automation (RPA)
- 2 Cloud Solutions
- 3 Flexible Working Model
- 4 Shared Services
- 5 Big Data Analytics
- 6 Blockchain



# Authors

## Dr. Bashar El-Jawhari

Partner, Consumer and Industrial Products and Services

**Dr. El-Jawhari** is a Partner with PwC Middle East. He is a member of the Consumer and Industrial Products and Services (CIPS) practice in the region. He possesses over 25 years of experience in both industry and consulting in the areas of localisation strategy, supply chain management, procurement optimisation, and operational excellence in the transport, health, energy, and defense sectors.

## Harikrishna Mahadevan

Director, Finance Function Effectiveness

**Harikrishna** is a Director with PwC Middle East. He is a member of the Finance Function Effectiveness practice in the region. He specialises in CFO agenda across the Middle East region and has helped numerous clients transform their finance functions. He has over 15 years of experience in providing advisory services to a multitude of clients across various sectors such as construction, media, retail, IT, manufacturing, automotive, mining, hospitality, and transportation.

## Omar Soub

Manager, Consumer and Industrial Products and Services

**Omar** is a Manager with PwC Middle East. He is a member of the Consumer and Industrial Products and Services (CIPS) practice in the region. Omar's consulting experience spans the areas of policy design and implementation, cost optimisation and procurement management. Furthermore, he has a strong background in corporate finance with an emphasis on capital investing and financial modeling.



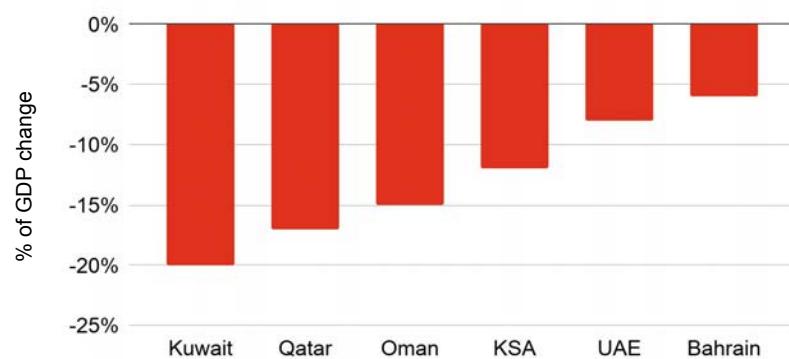


# Introduction

More than a decade since the global financial recession of 2008, we are facing another crisis that differs in its roots and causes from what preceded it, but is similar in its impact and ramifications. As COVID-19 continues to cast its shadow over the world, the heavy economic consequences of the pandemic continue to hit developed, emerging, and least developed nations. The impact of the crisis is felt by most economic sectors in different parts of the world, with varying degrees based on the strength and diversity of the economy and the country's financial reserves.

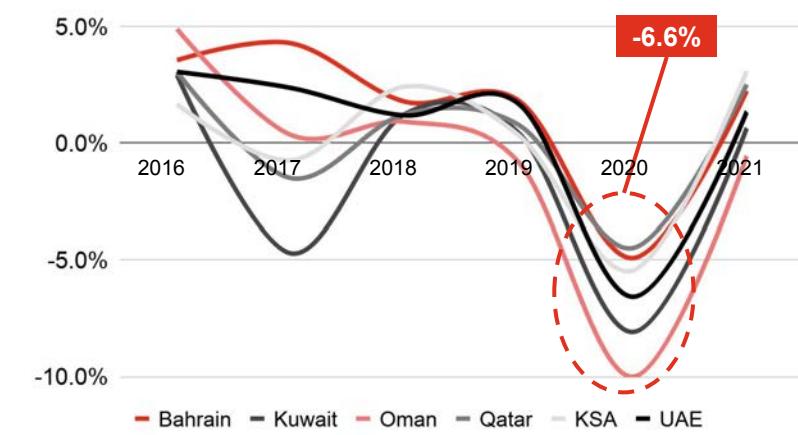
For oil exporting nations, such as Gulf Cooperation Council (GCC) countries, the collapse of the crude prices to unprecedented levels has made matters worse. While oil prices have recovered a little, economic forecasts still indicate that these countries will witness a decrease in state revenues due to economic closures, and a significant decline in the operations of key sectors.

### Estimated impact of the oil price collapse on real income



Source: World Bank, based on the hypothetical assumption that oil prices will stay 48% below the 2019 level

## Real GDP growth



Source: IMF, based October 2020 estimates

Due to the ‘dual shock’ of the pandemic lockdowns and oil price fluctuations, the International Monetary Fund (IMF) expects a heavy economic impact on GCC economies, with an average decline of 6.6% in 2020 GDP.

**-6.6%**

The impact of these factors on the GDP growth of GCC nations is not yet fully clear. However, the International Monetary Fund (IMF) expects a heavy economic impact over the 'dual shock' of the pandemic lockdowns and oil price fluctuations. According to their estimates, GCC economies are expected to witness an average contraction of 6.6% in 2020, down from an average growth of 0.7% in 2019.



Faced with such pressures, GCC countries announced policy measures and economic support plans to offset the impact of the crisis, including:

## Monetary response

Central banks acted quickly, cutting interest rates and ensuring liquidity. They also launched interest-free loans to banks and reduced capital reserve requirements to mitigate the risk of developing a credit crisis. Central banks also announced stimulus packages that focus on facilitating bank lending and easing the burden of loan payments on private sector companies; especially, small and medium-sized enterprises (SMEs).

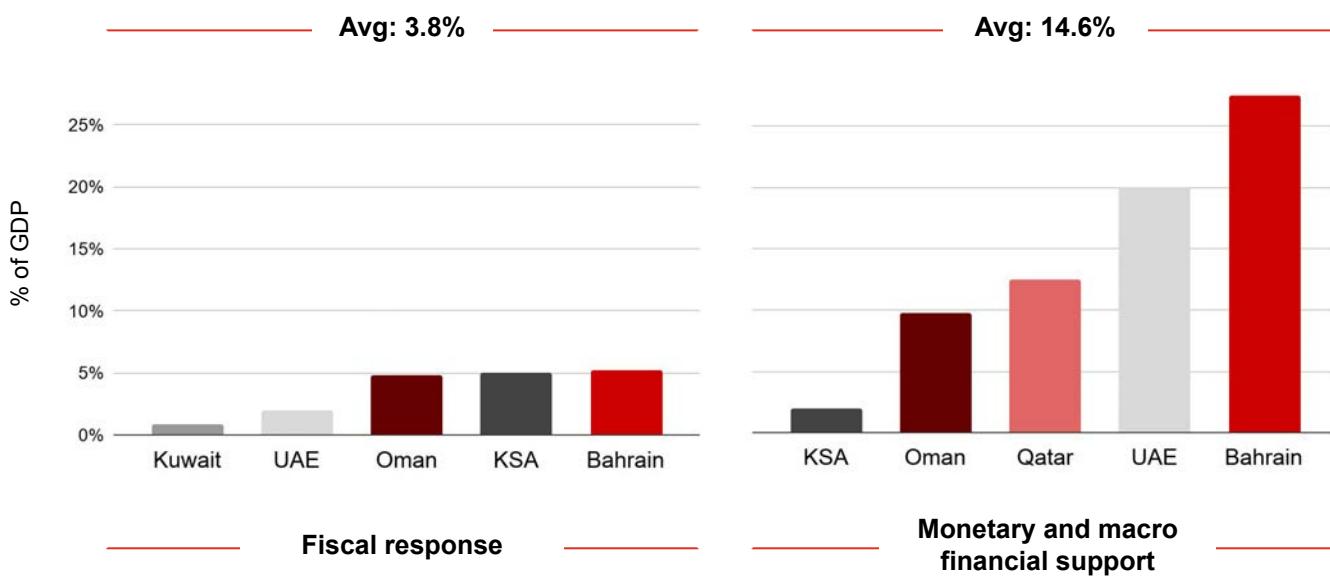


## Fiscal response

GCC governments launched a wide range of fiscal policies and incentives to support the economy. For example, Saudi Arabia raised its Value-Added Tax (VAT) and discontinued the cost of living adjustment benefits. Other countries announced several measures such as financing workers' salaries from social security funds and withdrawing from sovereign wealth funds to offset the sharp drops in state revenues.



## GCC stimulus response to COVID-19



Source: PwC Analysis based on IMF's data up to October 2020

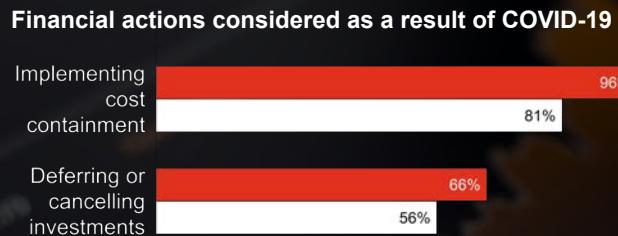
Beyond policy measures, most public sector organisations have been instructed to find ways to cut costs and rationalise spending. The consequences extended to private sector companies as well, which looked for ways to reduce costs and limit the damage of the crisis. The measures taken by public and private sector organisations ranged from canceling paid leave for some workers, to reducing salaries and terminating contracts.

## CFO opinions



In the 4th edition of our PwC COVID-19 CFO Pulse survey released in June 2020, cost optimisation measures as a result of the pandemic were high on the agenda for CFOs.

In the Middle East, 96% of CFOs are considering implementing cost containment measures compared to 81% globally, while 66% are expecting to defer or cancel investments, compared to 56% of their global peers.



One way to achieve that is through workforce cost reduction. In the Middle East, 39% of the CFOs are still more likely to expect layoffs, compared to 25% globally. Furthermore, 51% of Middle East CFOs are expecting more workforce investment deferral or cancelations in the coming months.



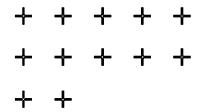
As the region transitions to the new normal, investing in technology and having leaner operations are expected to be key elements, with 67% and 62% of the CFOs planning to focus on these areas respectively.



Traditional cost optimisation programmes are rarely sustainable or impactful. More than 60% of such initiatives result in failures to achieve their targets, even leading to higher costs in the long run in some cases. Large scale transformation projects have long timeframes, huge risks and cannot be considered as the holy grail to transform into an agile and digitally enabled business. We will expand on some of the challenges associated with these programmes in Volume 2 of the series.

Executives are shifting away from traditional cost reduction measures and embracing more innovative cost-saving initiatives, blending technology and business process optimisation together to transform into more streamlined and lean organisations. Technologies such as Robotic Process Automation (RPA) and cloud computing, along with flexible business models have the potential to boost enterprise performance and increase efficiencies at a fraction of the cost of traditional approaches. It is no surprise that these trends are high on the agenda of most executives today and organisations around the world are investing heavily in these technologies.

Next, we take a closer look at some of these trends and examine how they can contribute to the cost optimisation agendas of modern day organisations.



# 1. Robotic Process Automation (RPA)

Over two centuries ago and with the beginning of the first industrial revolution, the contribution of machinery to human industrial effort led to an unprecedented increase in production levels and a significant improvement in quality of manufactured products. With the advancement of time, machines have replaced humans in performing a multitude of jobs, allowing people time to perform more valuable tasks without affecting the level of production.

RPA is the automation of basic tasks by software robots, such as completing online forms and recording data automatically, without human intervention. Thanks to Artificial Intelligence (AI) and Machine Learning (ML), these robotic programmes can now do much more to the point of responding to emails and customer inquiries with pinpoint accuracy and high speed. RPA enables employees to focus on higher-value work and free up resources. They automate repetitive tasks normally done by humans.

**45%**  
of work activities can be  
automated

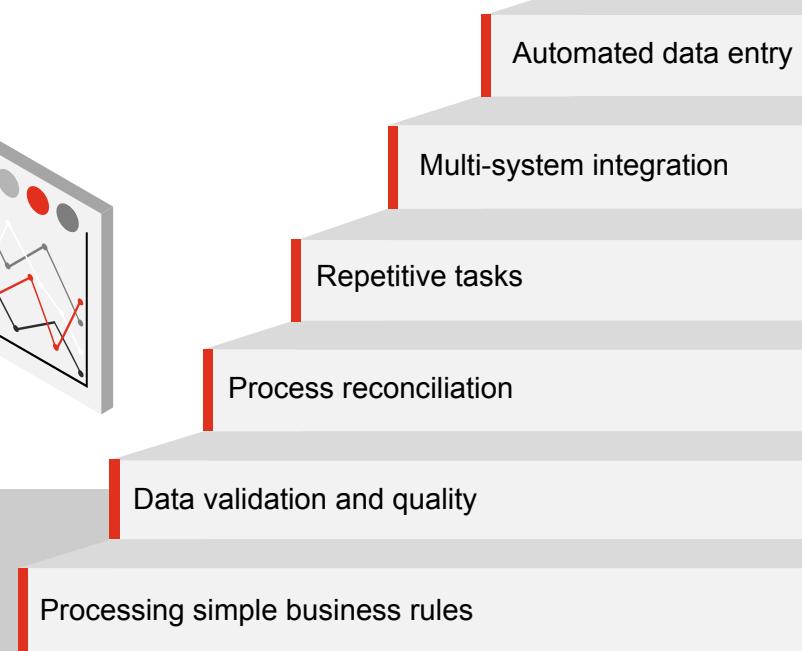
# \$2 trillion

savings in global  
workforce costs





Source: Organise your future with robotic process automation. PwC white paper



Although more regional private and public organisations are exploring ways to leverage the application of RPA in their operations, adoption of the technology remains relatively limited. In our 2019 PwC Middle East Workforce of the Future report, 20% of the organisations in the Middle East indicated that they were exploring how robotics and artificial intelligence could enable the redesign of their workforce models, compared to 40% globally.

## RPA scope

RPA software is a non-intrusive technology that does not require exhaustive implementation like Enterprise Resource Planning (ERP) and Business Process Management (BPM) systems for example. It manages this by mainly working across the presentation layer of existing applications and systems, similar to the way humans would interact with these systems.

As a result, RPA can bring a host of benefits to implementing organisations. For example:

<b>Cost</b>	Over 30% cost savings across RPA-centric functions <sup>1</sup>
<b>Quality</b>	Can reduce error rates to virtually zero
<b>Flexibility</b>	Robots can run 24/7 and scale up and down to accommodate spikes in work
<b>Risk</b>	Consistent execution of processes translates into lower operational risk
<b>Speed</b>	Can reduce time to execute a process from days and weeks to minutes and seconds
<b>ROI</b>	Returns of over 300% are common for RPA implementation <sup>2</sup>
<b>Implementation time</b>	Typically a proof of concept RPA project will take 4-6 weeks to build and implement

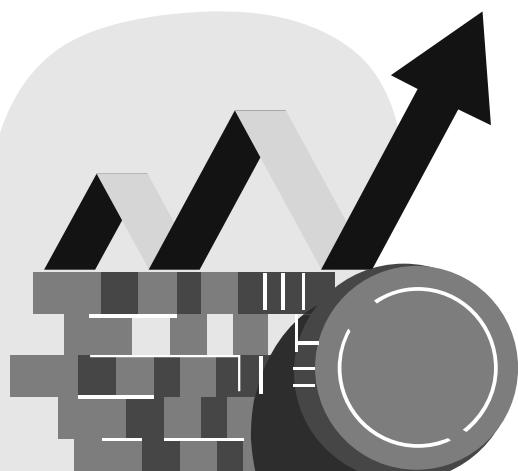
Companies will see cost savings of more than 30% across key RPA-centric functions such as finance and accounting, human resources and supply chain, within the next one to two years.



<sup>1</sup>Mindfields Robotics Process Automation report, 2017

<sup>2</sup>London School of Economics Outsourcing Unit Research Paper Series

RPA solutions have been implemented in organisations that make extensive use of human resources for large-scale, interactive, and repetitive tasks and processes. Processes best suited to RPA tend to be largely rule-based such as handling finance, accounting, and human resources jobs, and based extensively on data entry, comparisons and validation. RPA solutions also excel when used with tools such as web applications, spreadsheets, and enterprise systems as they are characterised by large volumes of transactions and highly prone to errors.



The following table illustrates some of the functions, and associated business processes, in which RPA can add value:

Procurement Function	Finance Function	Human Resources	Information Technology	Customer Service
Procure to Pay (P2P)		Claims management	Installations	Complaints management
Inventory and stock management		Rewards	Server monitoring	Requests processing
Supplier registration	Order to Cash (O2C)	Employee registration	QA testing	Help desk chat bots
Category spend	Payroll management		Access management	Sales and after-sale support
Supplier selection	Fixed assets	Routine inquiries management	File management	
Supplier evaluation	Collections	Orders tracking	Email related tasks	
Compliance management	Claims / invoice management			
	Record to Report (R2R)			

Augmenting RPA applications with machine learning and natural language processing enables them to read and extract data from documents and understand the context of this information. For example, advanced chatbots use Intelligent Automation (IA) to go beyond basic capabilities in providing ready-made answers to questions, to the point of answering customer inquiries intelligently by understanding the context of requests and gathering data from various sources to produce structured and distinctive answers.

Let's look at a broader example of the benefits and uses of RPA by understanding its applications in the Procure-to-Pay (P2P) process.

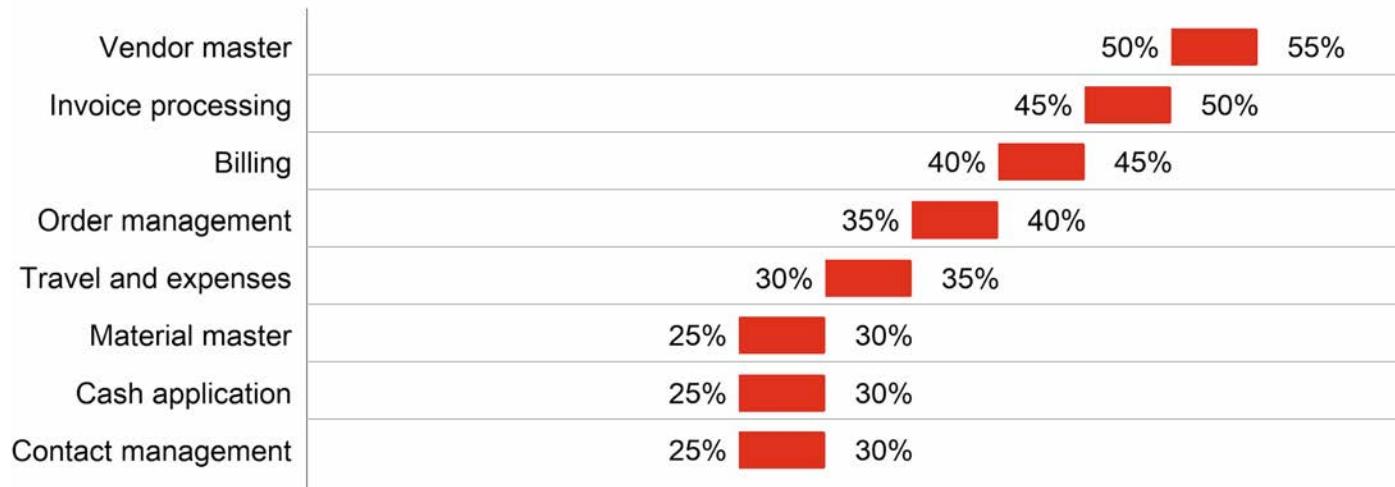


## P2P applications

When examining the P2P process, the value of RPA becomes very clear. P2P involves processes which are heavy in volume and highly transactional in nature. It requires a large workforce to undertake these activities, driving organisations' cost up, while introducing human errors throughout the process. RPA can solve many pain points associated with P2P, simplify many sub-processes, and shorten their time from days to hours.



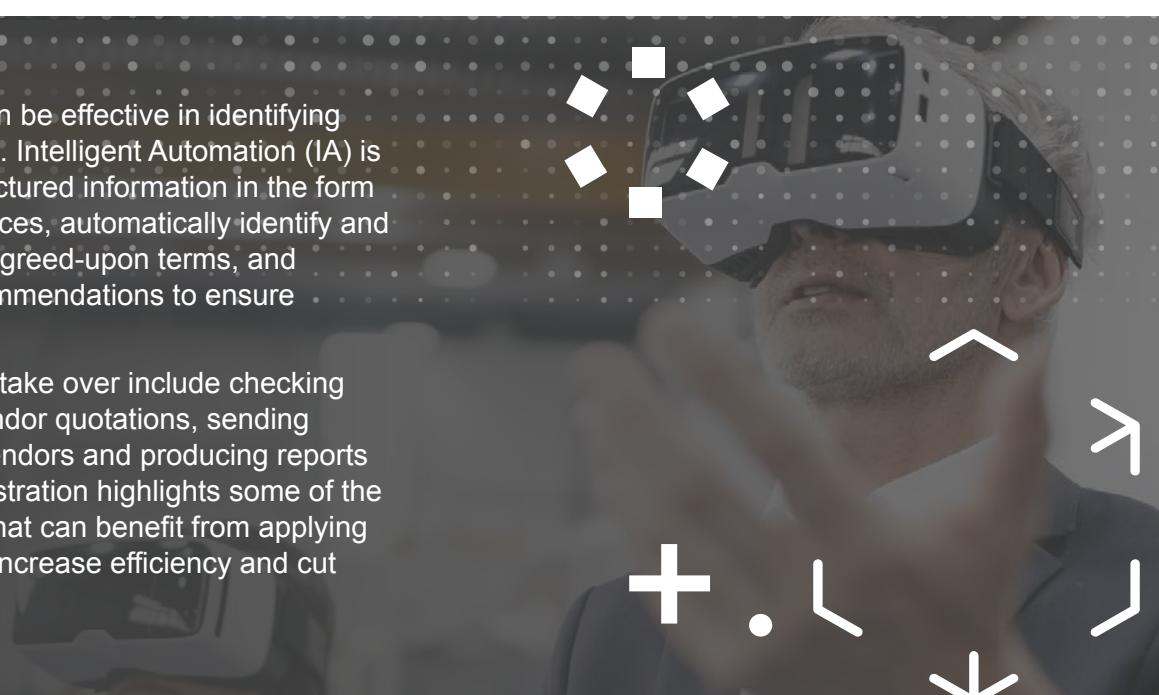
### Savings benchmarks

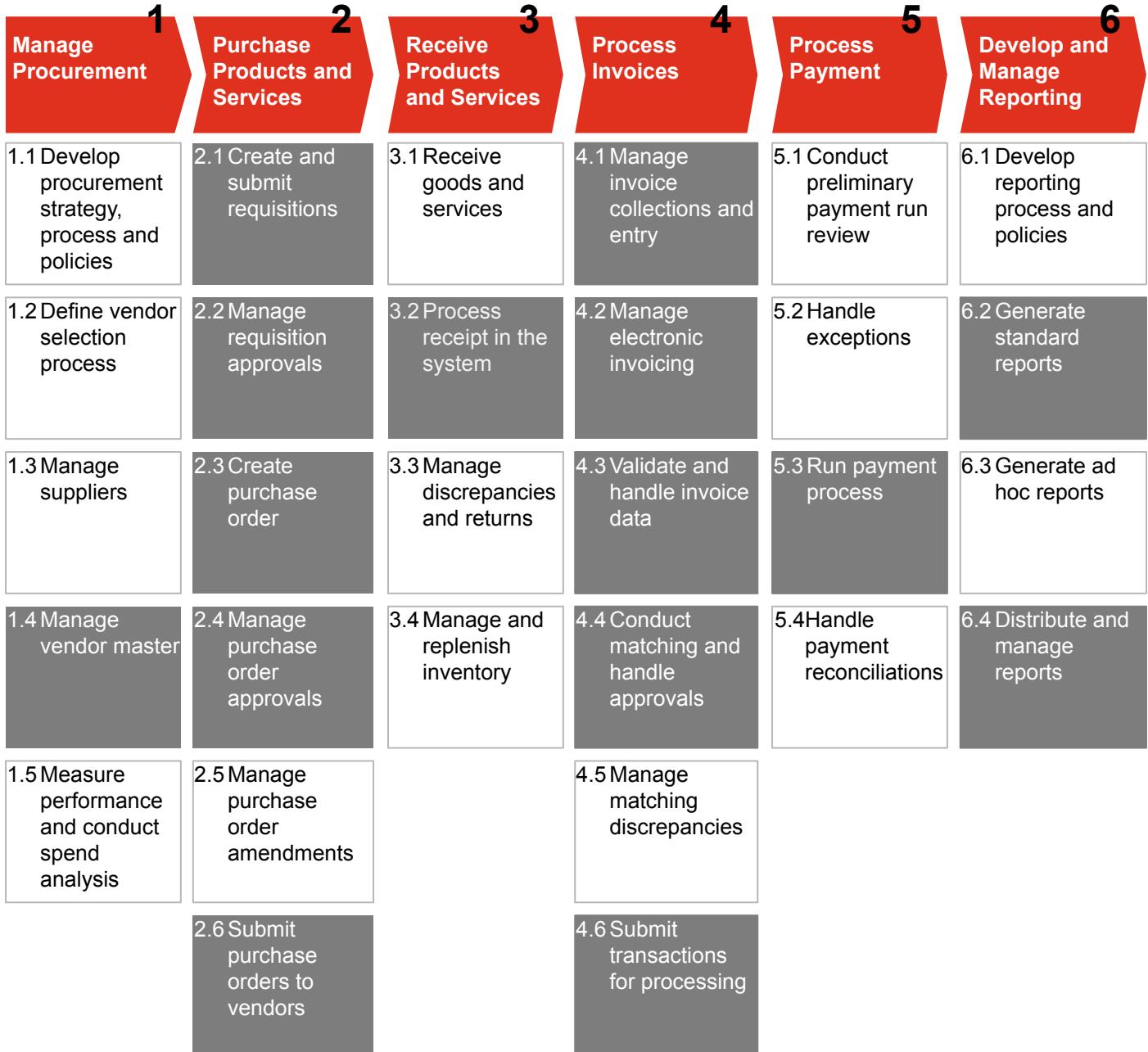


Source: PwC analysis

For example, RPA can be effective in identifying invoice discrepancies. Intelligent Automation (IA) is used to ingest unstructured information in the form of contracts and invoices, automatically identify and flag deviations from agreed-upon terms, and provide specific recommendations to ensure compliance.

Other tasks RPA can take over include checking receipts, verifying vendor quotations, sending reminder emails to vendors and producing reports etc. The following illustration highlights some of the P2P sub-processes that can benefit from applying RPA technologies to increase efficiency and cut cost:

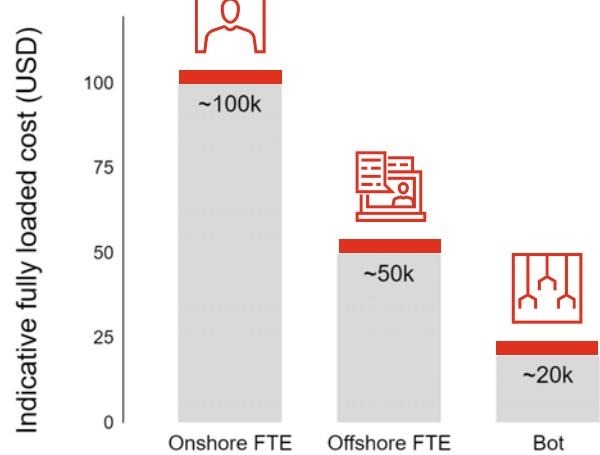




### Process with high automation potential

## RPA vs. BPO

Many organisations rely on Business Process Outsourcing (BPO) to outsource routine-based, non-core business activities to destinations like India. Through the reallocation of resources and fragmentation of activities, especially in cases like customer service, BPO is able to speed up businesses processes and cut overheads. However, With the advancement of automation systems and the introduction of AI into commercial and financial operations, external outsourcing trends by many large organisations will gradually disappear. RPA is proving to be a better solution for organisations in terms of speed, accuracy and security.



Source: PwC analysis



RPA solutions are ideal for public sector organisations as they rarely carry out their operations abroad for reasons related to information security and state secrets, in addition to public opposition to offshoring. RPA can bring back a lot of administrative processes and execute them at fraction of the cost within shorter periods of time. This makes the implementation of RPA more attractive in public sector organisations compared to their private sector counterparts that are more likely to benefit from offshoring.

## How does RPA cut cost?

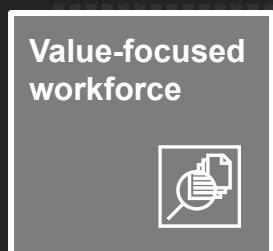
With the adoption of RPA at unprecedented levels, global organisations have achieved significant returns on investment and shorter payback periods. The global market is expected to reap billions of dollars in the coming years as robots continue to evolve and carry out complex and high-value tasks. In particular, there is a large impact on the performance of institutions in terms of increasing productivity and reducing costs. Several factors contribute to this, most notably:



RPA contributes to significant improvement in productivity and process efficiency. They are enabled through the reduction (~30% based on our estimates) of Average Handle Time (AHT) and operational costs, and the elimination of unnecessary steps and waste. RPA solutions can enhance and track every step of operations and work autonomously 24/7 without interruptions, increasing outputs tremendously when compared to humans. Furthermore, the high response times and continuous support contributes to increasing customer satisfaction.



The use of RPA within the organisation where sensitive operations can now be performed without employee intervention will lead to utmost accuracy and eliminate the human-error factor. In addition, RPA can be integrated with multiple applications without compromising the security of enterprise data. In fact, they can reduce the risk of unauthorised access, provide data protection and audit trails, produce detailed activity logs, enable programmable controls, and protect against social engineering attacks that humans are exposed to.



RPA is contributing to the shift from hiring of low-skilled workforce to hiring more skilled professionals. It also aids in the trend of upskilling existing employees in disruptive technologies and best practices, including automation, AI, process improvement, and governance and compliance. This will shift employees' focus to solving complex challenges, innovation, and other business development activities, away from non value-add repetitive tasks.



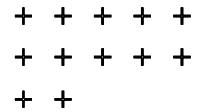
**Workforce optimisation**

As labor costs continue to rise, RPA can be leveraged to offset the cost through workforce optimisation. In operations where the RPA is carried out, a number of employees will be freed-up to either work on more value-add activities or be retrained and upskilled to perform other needed jobs within the organisation. Thus, contributing to the reduction of direct and indirect labor costs.

**Scalability and ease of deployment**

Unlike most traditional IT solutions, RPA applications are scalable and can grow or shrink according to business requirements and operational life cycle. For example, during peak business activity new bots can be deployed to process higher values and transactions in short time periods at a marginal cost. In addition, RPA avoids traditional integrations processes such as IT resource investment, business requirement documents and extended development time by working through the User Interface (UI) layer. RPA applications do not require significant training and can easily be integrated in short timelines.



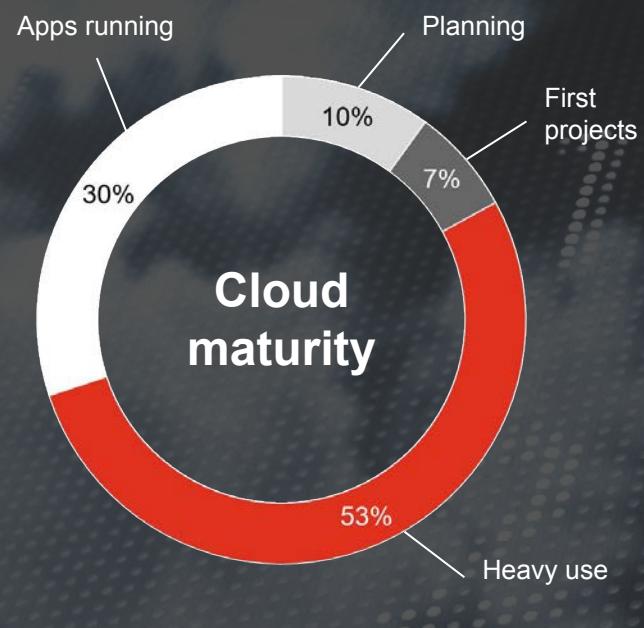


## 2. Cloud Solutions

While automation focuses on improving the performance of business processes to save time and costs, cloud solutions focus on the infrastructure on which these operations are based with the aim of making them more flexible and less expensive as well.

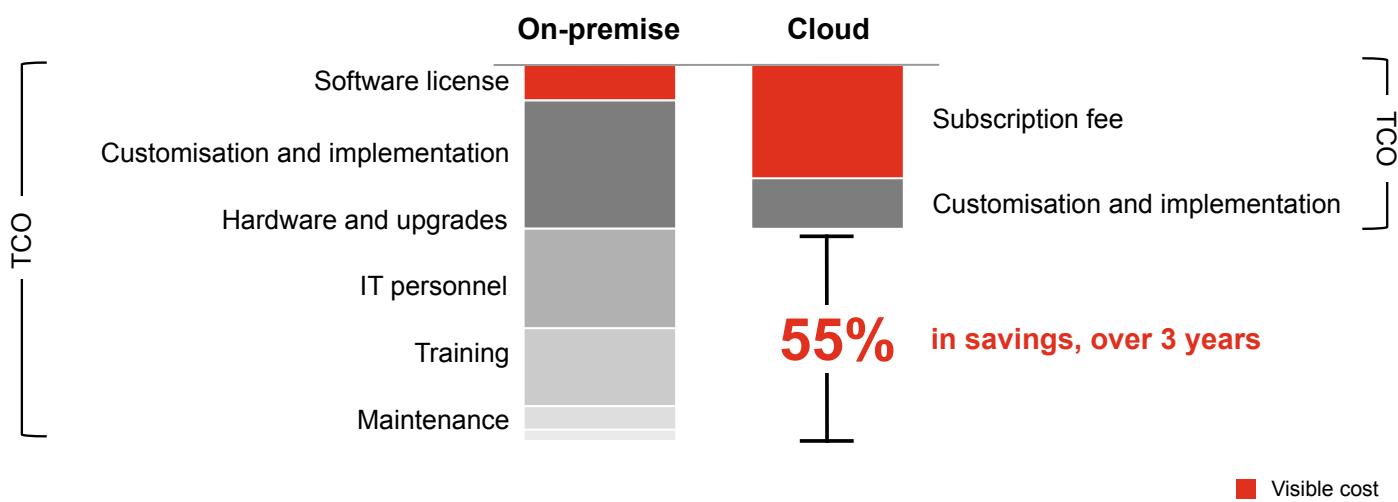
During the last decade, the adoption of cloud computing has increased at a rapid pace with a growing number of organisations using some form of cloud service to handle their needs. Over the coming years, cloud services are expected to penetrate more of the enterprise computing environments, leaving organisations with on-premise computing mindsets to face increasing costs and declining competitive edge.

Cloud solutions offer flexibility as they can be purchased dynamically according to the needs of the organisations and the requirements of their customers. Furthermore, by moving away from fixed to variable cost, organisations can expense their IT costs instead of capitalising them. Maximising variable cost reduces the amount of capital organisations need to cover their overheads in weak business periods, a strategy often adapted to cut cost.



Source: Flexera 2020 state of the cloud report

While cloud services can initially be more expensive than continuing to operate on-premise solutions, they become more economically viable over time. A 2018 research by Gartner shows that the initial costs of implementing and subscribing to cloud services may be higher, but over time they contribute to a steady decline in Total Cost of Ownership (TCO) as ongoing expenses decrease and organisations learn how to implement best practices. The research concludes that cloud solutions can save up to 55% in TCO within three years of their adoption.

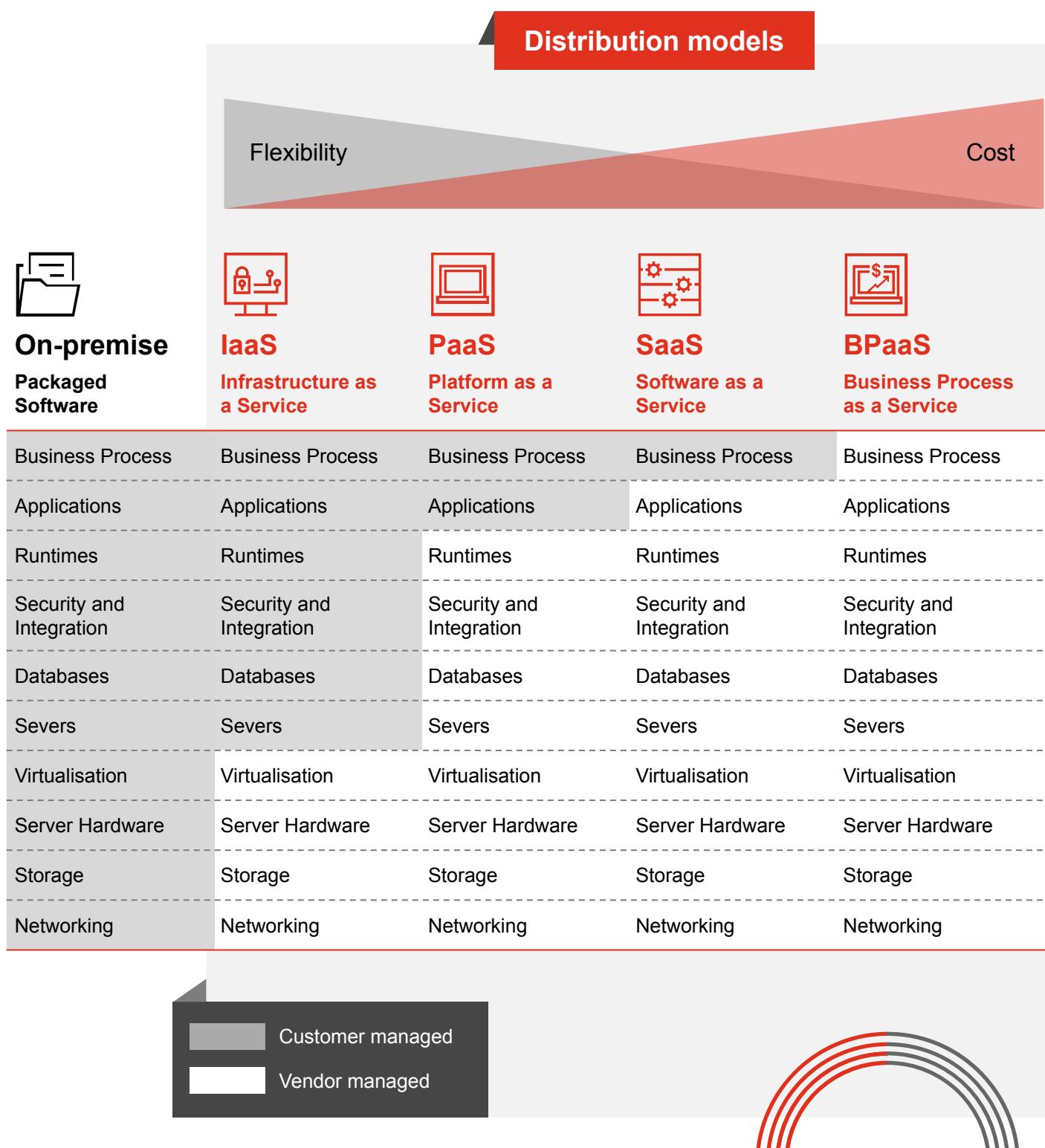


Source: Gartner

Before implementing or adopting cloud technology, it is necessary to understand what the available options are. Among these options are cloud distribution models that determine what components (hardware and software) are delivered as part of a service, and cloud deployment models that determine how and to whom the services are delivered. Let's zoom in on these solutions and examine their differences and the impact they have on cost.

## Cloud distribution models

Cloud services usually fall into one of four key distribution models: infrastructure, platform, software and business process. The difference between these models lies in the division of management responsibilities between the vendor and the customer, BPaaS being the highest in terms of the responsibility the vendor takes.



Here are some examples of the solutions offered under the different distribution models:

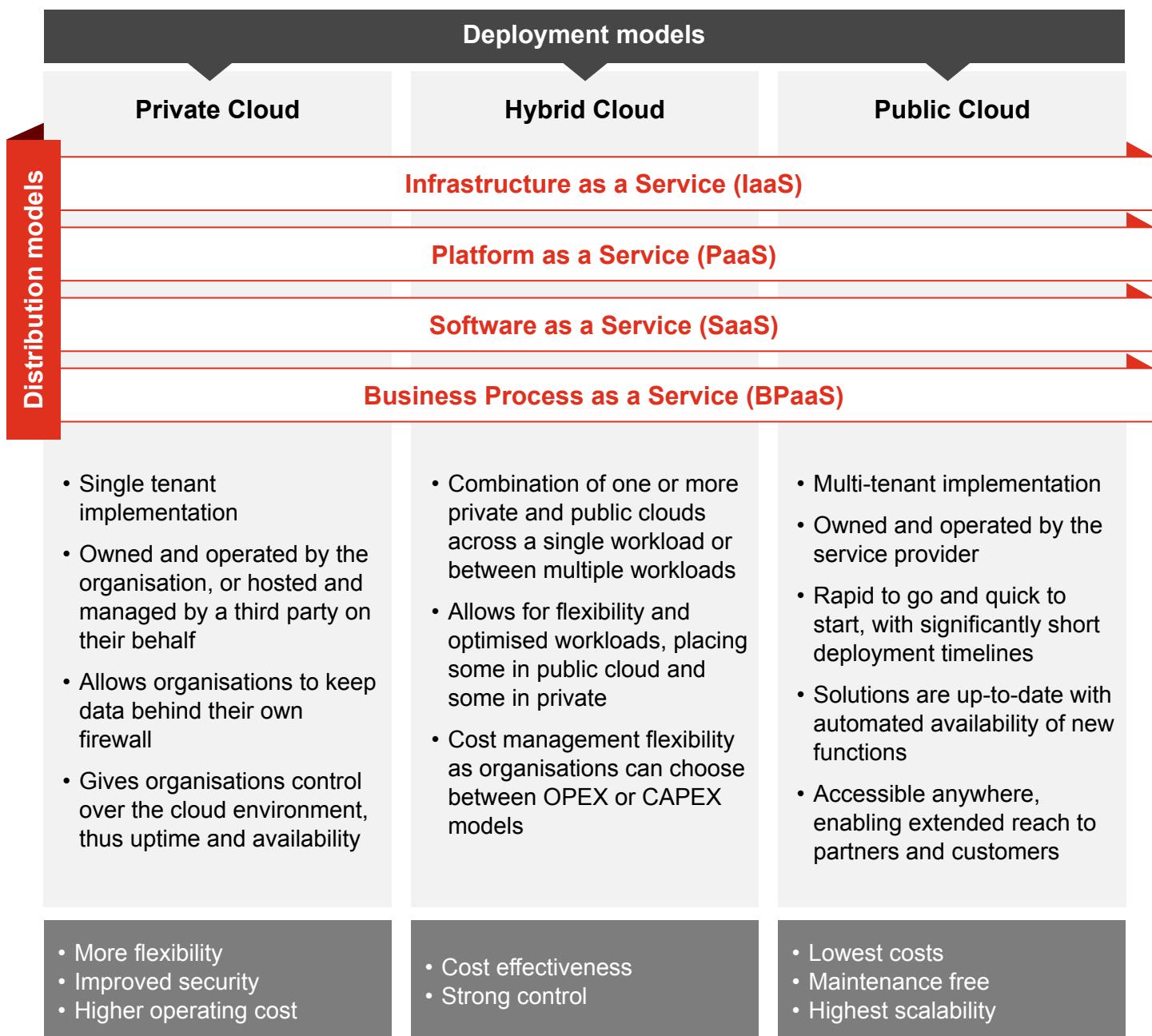
IaaS	PaaS	SaaS	BPaaS
Infrastructure as a Service	Platform as a Service	Software as a Service	Business Process as a Service
<ul style="list-style-type: none"> <li>Amazon Web Services (AWS)</li> <li>Microsoft Azure</li> <li>Oracle Cloud Infrastructure (OCI)</li> </ul>	<ul style="list-style-type: none"> <li>Google App Engine</li> <li>Apache Stratos</li> <li>OpenShift</li> <li>AWS Elastic Beanstalk</li> </ul>	<ul style="list-style-type: none"> <li>Microsoft 365</li> <li>Salesforce</li> <li>Workday</li> <li>Google Apps</li> <li>Cloud ERP</li> </ul>	<ul style="list-style-type: none"> <li>Google Adsense</li> <li>IBM Blueworks</li> <li>Online printing</li> <li>e-Commerce</li> </ul>

## Cloud distribution models

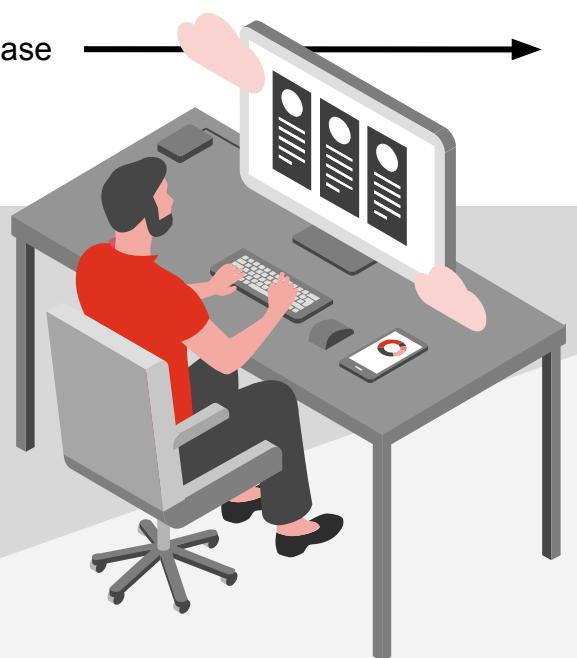
There is no one-size-fits-all solution, and different models exist to solve different sets of problems. The choice of cloud infrastructure depends on the organisation's requirements. For example, organisations must balance short-term costs with long-term TCO, address data management and security issues, and ensure uptime for mission-critical applications.

Organisations generally select between one of three cloud deployment options: public, private or hybrid. Each deployment model has key characteristics and considerations when deployed including where those cloud capabilities are sourced from and how they interact with traditional IT systems. The difference is primarily in the level of control and private ownership vested in the Cloud Service Provider (CSP).





Selecting the right distribution and deployment models will depend on the organisation's needs; from expected financial benefits to integrating with existing systems and meeting security and compliance requirements. While, for example, public cloud solutions are the most cost effective among the deployment models, other characteristics such as on-demand self service, scalability, interoperability will determine the type of model that is most suitable for a particular organisation.



# How can Cloud Solutions cut cost?

## Lower capital demand

Cloud computing offers many benefits to its users, whether small or large organisations, the most important of which is affordability. Cloud services are available at much lower TCO compared to their traditional counterparts. Moreover, they contribute to reducing costs for organisations by removing the upfront investment required to install servers and software and eliminating hardware refresh costs. Moreover, these equipment will require continuous upgrading in a few years as they become obsolete or as the organisation's requirements increase. Without the need to create an expensive on-premise IT infrastructure, organisations can focus on their business goals leaving the burden for the CSP to bear.

## Running cost savings

For many organisations, traditional solutions quickly consume their limited IT budgets and resources. Aside from the capital required for purchasing and upgrading equipment, running costs such as ongoing maintenance and training represent a major burden. Moreover, unlike traditional servers that must be running all the time, cloud access computers stop working when not in use, which helps in saving energy. Due to economies of scale obtained from CSPs using resources in a more economical manner, savings are passed on to customers in a form of lower variable costs (eg. cheaper subscriptions). Finally, migrating to the cloud means that organisations will not need private data centers, which significantly reduces their carbon footprint and makes cloud computing greener.

## High accessibility

As organisations rely on apps to manage their critical operations, downtime can take a heavy toll on profitability. Server malfunctions can cause operations to halt, and the process of going back online can be difficult and lengthy in time. Cloud computing greatly eliminates the possibility of server downtime and is equipped to reach stable performance quickly. This is because cloud services are designed with redundancy in mind, as the data is usually hosted on a number of servers. In the event of failure, data can be recovered quickly and easily, cutting wait times and saving costs.

## Demand scaling

Another advantage organisations enjoy when adapting cloud computing is demand scaling. Through it, organisations can automatically increase or decrease resources required based on their workload and demand requirements. A more advanced automated scaling is available and enabled by pre-defined Service Level Agreements (SLA), through which an organisation can request more cloud computing resources that become available immediately. With this Pay-Per-Use model and with the tools available to measure service consumption, organisations only pay for the resources they need, when they need them.

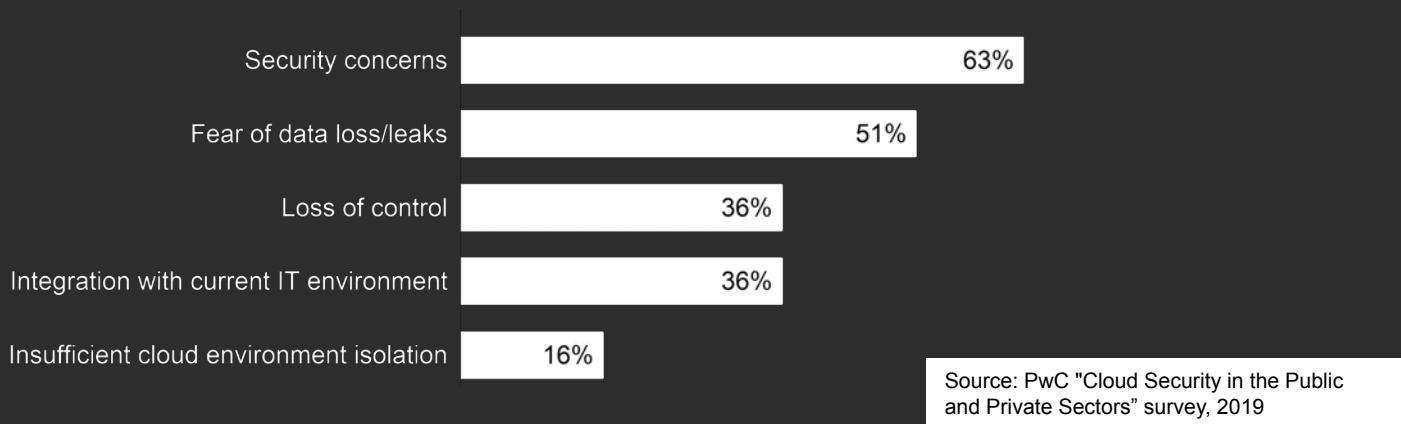


## Data security concerns

It is commonly believed that private or hybrid computing solutions are more secure than cloud computing, but recent studies have shown the opposite. In a 2019 research by Nominet, 61% of cybersecurity professionals believe that the risk of a security breach is the same or lower in cloud environments compared to on-premise. Most of the cloud service providers are large companies with long history and excellent reputation in the field of security. These companies spend huge sums on information security services, in addition to constantly updating frameworks and systems to keep their services protected and reliable.

However, data security remains a key concern for organisations migrating to cloud environments. Some of these risks include data leakage, loss or theft of intellectual property, malware infections and data breaches. Accordingly, implementing a robust and resilient security ecosystem is essential to support accelerated cloud adoption and maintain data integrity and business continuity.

### What limits and barriers does the adoption of cloud services bring to organisations/users?



When opting for cloud solutions, here are some strategies that can be adopted to reduce security risks:

#### Carrying out due diligence



The first step is to make a good choice, whether it is the right cloud model for the needs of the organisation, a reputable vendor, or the right cloud solution. This includes checking references and known security vulnerabilities, and ensuring that contracts incorporate proactive security practices.

#### Working with a third party to ensure security



Because small and medium businesses do not have large IT departments, they sometimes need support from third party experts on a regular basis to ensure that the CSP follows the security standards in their field.

#### Encryption

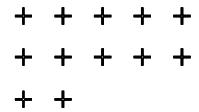


When adopting cloud storage solutions, opting for end-to-end encryption reduces the likelihood of data breaches. In cases of unauthorised access, data can only be decrypted with the required encryption key that the customer has.

#### Investing in up-to-date security solutions



Modern, hybrid and multi-cloud-based tools contribute to the success of the shared responsibility model. In addition, the focus on data collection, analysis solutions and centralised management of encryption keys enhances data security as well.



### 3. Flexible working model

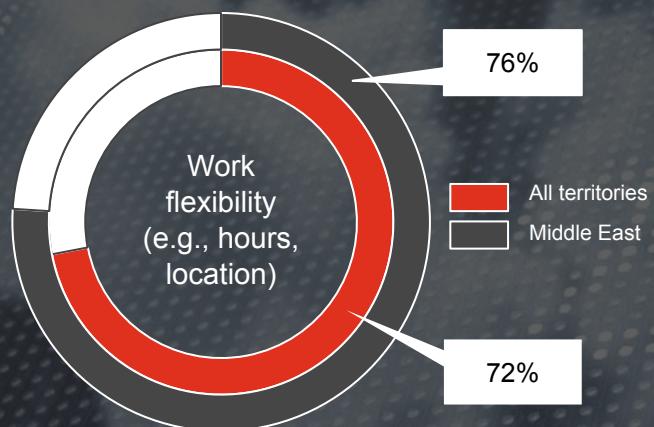
When discussing automation and cloud solutions, we focused on ways to improve business processes and infrastructures. Let us now turn to the ways in which work is done and how to make it more flexible and suitable for modern business environments. One of the methods that has become increasingly popular recently is the flexible working model.

The flexible working model differs from the traditional ones in that with it, work is not restricted to specific daily or weekly hours. It allows employees a degree of freedom in the way they perform job duties and how they balance their work and personal obligations.

The forced transition to working from home, as a result of the COVID-19 pandemic, cut years from this inevitable transformation that economists had predicted for decades. With changes in the labor market, and especially with the share of millennials in the labor market increasing rapidly, flexibility at work will become a top priority for job seekers. Organisations seeking to attract young talent and improve their competitiveness and productivity should take this into account.

We selected two forms of flexible working to focus on: remote working and shorter working week.

# What things will make your company better in the long run?

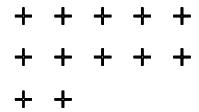


Source: PwC's COVID-19 CEO Pulse Survey, June 2020

## A. Remote working

Remote working allows for the completion of tasks from home or anywhere without having to go to the office or work location. With recent global disruption, remote working is pushed to the forefront as a major contributor to cost reduction, with companies reaping the benefits of their employees working remotely at unaffected productivity levels and lower costs.

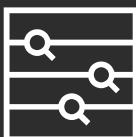




According to our PwC's US Remote Work Survey - June 2020, about 55% of executives and office workers in the US anticipate that they will work remotely at least one day a week after COVID-19, compared to 39% before the pandemic. Employees like it too. According to our COVID-19 Remote Working Experiment, 69% of respondents described their remote working experience as a positive one. Only 9% appeared to view their remote working experience as a negative one.

## Case study

Ctrip



Stanford University professor Nicholas Bloom conducted a study on Ctrip, the largest travel agency in China with 16,000 employees, that took about two years.

Given that corporate office space in Shanghai is extremely expensive and that employees have had to endure long commutes from out of town to their offices, half of the employees were given the option to work from home.

working **full**  
**time** or more

compared to the delayed attendance or early departure of traditional employees several times a week

13.5%

increase in productivity in the form of calls taken

50%

decrease in employee absenteeism, along with shorter breaks and fewer sick and vacation days

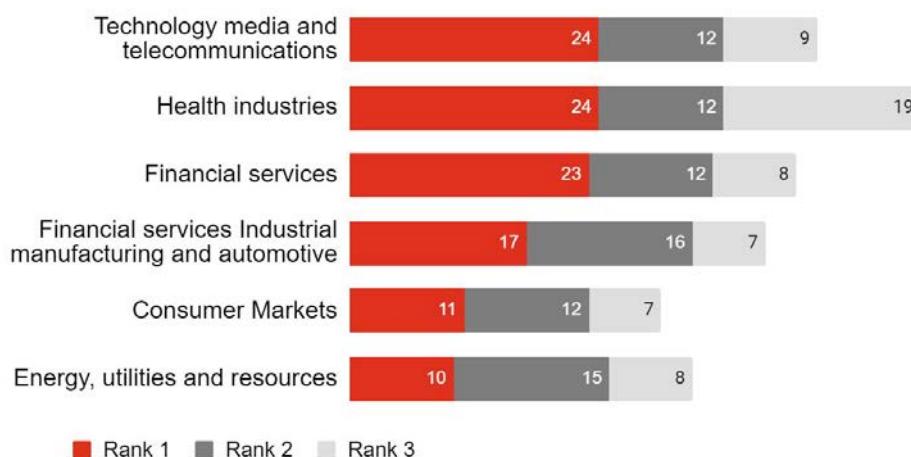
~ USD  
**2,000**

direct cost savings per employee, in rental costs by reducing office space

Unsurprisingly, remote working support is highest in occupations that require less personal contact. As an example, when surveyed, CEOs in sectors like financial services, health services, and technology were more open to the idea of digitising operations and changing their business model to adapt to remote working. In contrast, sectors that require more physical interaction or customer encounter tend to have lower levels of support. Core operations at the energy and utility sector is an example where it is difficult to transition to this model, in addition to the retail, leisure and travel sectors where face-to-face interactions with customers are required.

**Question: "Our business model after the COVID-19 pandemic will become more virtual by adding digital products/services"**

- percentage who ranked virtual business models as one of their top three priorities



Health and tech CEOs are most likely to prioritise a more virtual business model



## **B. Shorter working week**

A less conventional approach to work flexibility is the shorter working week. Every working day in which an organisation opens its doors contributes to higher operating costs, therefore one way to save on these expenses is to shorten the working week. If employees usually work 8 hours a day for 5 days, they can for example work 10 hours for 4 days, providing everyone with a 3-day weekend without compromising the weekly output.

The four-days workweek has been under discussion in many research institutions for several decades. This model aims to achieve two main benefits: The first is to save operating costs, and the second is to give employees more time to practice hobbies, spend time with family, get more sleep and improve morale, which can in turn increase productivity.

Recently in New Zealand, Prime Minister Jacinda Ardern suggested that employers consider a four-day workweek and other flexible work models as a way to divide jobs, encourage domestic tourism, improve work-life balance and increase productivity in the post COVID-19 workplaces.



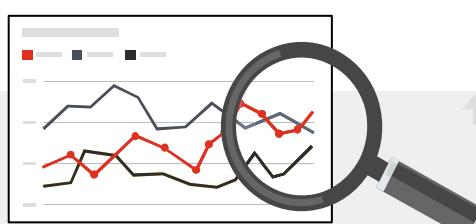
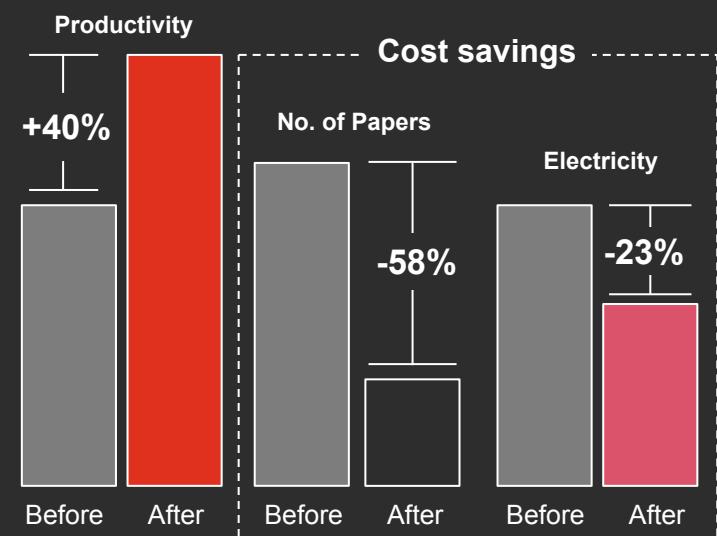
## Case study

Microsoft  
Japan



For a period of one month, Microsoft tested out a 4-days working week model in a pilot programme called Work-Life Choice Microsoft Challenge Summer 2019.

The company decided to give all employees Fridays off as a one-day addition to their weekends without a pay cut.





## How do flexible working models cut costs?

Flexible working brings many benefits to both the organisation and employees alike, chiefly among them: cost savings. Some of the cost benefits of remote working include:



## **Increased productivity**

Contrary to the belief of some employers, employees who work remotely tend to be more productive. They are less likely to waste time on commutes, take less sick time and are generally more satisfied. Furthermore, remote working helps with the business continuity in situations such as pregnancy, illness, family emergencies or weather conditions. Reducing wasted time contributes to increased employee's productivity and better utilisation of available capacity. It is worth noting that remote working can cause the delineation between work and personal or family time to disappear. This requires organisations to take an active role in encouraging employees to maintain their work-life balance.

## Access to talents

Flexible working offers organisations a lot of employment opportunities and access to a wide range of global talent at lower costs. Employers will not be confined to searching for talents in the geographical area in which they operate, rather they can employ the best talents from any location in the world without having to go through the cost and hassle of immigration and travel. In addition, remote work allows employers to search for and hire new parents who will be more receptive to the idea when they know they can work remotely alongside their newborns.



## Recruitment and training

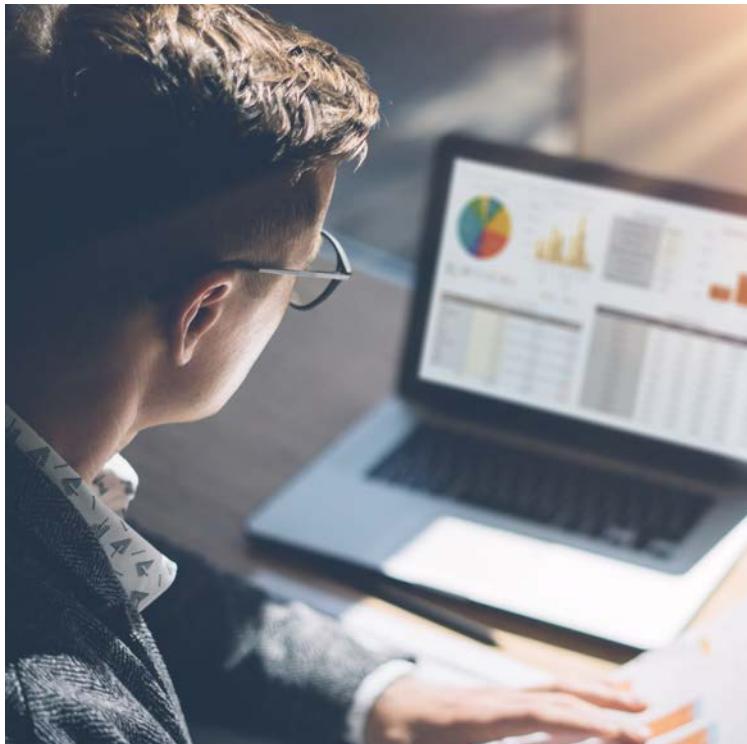
Hiring and training new employees is very expensive. Organisations are constantly looking for ways to improve their recruitment process and retain talented employees. Remote working can help achieve this goal by boosting employees' job satisfaction and reducing the need to relocate. Retaining current employees will save on recruitment and training costs typically associated with new hires. It is important to note that employees, especially new recruits, still require personal interactions which remote working lacks. This is key to gaining knowledge and experience and providing clarity about their progress.

## Workspace costs and overheads

Organisations that adopt flexible working models save on the cost of buying or renting real estate, as they will require less space for their workers. Other savings include the costs of furniture, equipment and office supplies. In addition, flexible working models contribute to reducing operating expenses such as utility bills and parking fees.



Flexible working is expected to have an even bigger impact on economies of the future. Other societal and environmental benefits include reduced traffic congestion and lower pollution levels as people make fewer trips to work. It also improves organisations' disaster and emergency preparedness and business continuity planning, as work does not stop with an emergency in the workplace and employees continue to work remotely.



## CEO Panel Survey

"[The] greater emphasis on remote work [is] enabling a significant reduction in real estate footprint and cost — allowing those savings to be returned to the workforce via increased benefits."

Asset & wealth management CEO,  
US

## How to maintain productivity while working flexibly?

In order for organisations to reap the benefits of flexible working and maintain regular productivity levels, clear work plans and policies must be put in place, along with accelerating the process of digital transformation. Here is some of what can be done to make flexible working programmes more successful:

Assess assets and expenditures	Provide the infrastructure	Identify new ways of working	Adapt output-based working model
<p>With changes in the ways of working due to flexible working, organisations should look at their expenses and assets, and assess their need for them. As an example, organisations may look at properties they own or lease, as remote work may reduce the need for office space. This calls for a redesign of existing offices, either by downsizing or modifying them to enable stronger collaboration.</p>	<p>Organisations must ensure that collaboration and data access tools, such as video conferencing, project management and file sharing applications, are available for their employees to be able to work remotely and effectively. Organisations may look into assisting their employees with the cost of home-office furniture and equipment.</p>	<p>Organisations must embrace new, more digital ways of working. This includes setting new meeting protocols and project delivery methods, in addition to formulating processes, guidelines and procedures for new working methods. It is also important to pay attention to training employees on the new ways of working, while not neglecting the usual employee development programmes.</p>	<p>Unlike with traditional working methods, it is not possible to determine or verify employees' remote working hours. Organisations should change performance standards to be based on delivering projects or completing tasks according to agreed deadlines, not working hours. This requires defining the required tasks and expected outputs clearly.</p>



# Conclusion

In light of the recent economic crises, organisations are pressured to reduce expenditures driven by cash flow constraints, shareholder demands, uncertainty and fear of the future, or investment needs. But despite the negative perception, cost optimisation provides an opportunity to reformulate the organisation's strategy and revise its policies to grow stronger and more competitive.

Unfortunately, many organisations cut costs in an ineffective way. Many look to reduce expenditures in the short term, typically through layoffs and disposal of assets, without examining the impact this may have on future prospects. To avoid weakening performance in the long run, decision makers must think of new ways to optimise cost and invest in digital transformation solutions that contribute to the organisations' continuity, increase productivity, and enhance capabilities.



In this volume, we have presented a set of initiatives that harness technology and modern practical solutions that, if implemented in an effective manner, will contribute to achieving greater savings, enhance employees' experience, and build business resilience. In the next volume, we will continue shedding the light on more of these modern solutions and look at some of the potential challenges organisations face when implementing cost optimisation programmes.



# PwC Cost Optimisation Service Offerings





## About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with over 276,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).

Established in the Middle East for 40 years, PwC has 22 offices across 12 countries in the region with around 5,600 people. ([www.pwc.com/me](http://www.pwc.com/me)). PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.