



# Why Companies should Scale

## New tech-based Flexible Work Practices

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# Why companies should scale new tech-based flexible work practices

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## Abstract

Using a panel of about 4000 large multinational companies, this research provides regression-based evidence of revenue enhancement by the adoption of flexible work practices, that are closely related to complementary investment in technology-based support and to new organizational, and human care, design. Those complements are key to make flexible work practice stick as productive in the “future of work”

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## 1. Introduction

By 2022, [Shopify](#), a well-known global next generation e-commerce platform has secured a perennial flexible work arrangement, centered around the possibility to work from home (WFH) scheme across its entire workforce. My Ryan is another HR-based program built by Ryan<sup>1</sup>, a global tax firm, which allows their employees to work remotely from everywhere. Accenture, has an effective flexible work policy with nearly 100% of employees working on remote.

As digital technologies expand and may work from home effective, companies are also warming to the idea of more flexible work arrangements, especially when this flexibility is clearly valued by employees. Still, despite the large amount of management books recommending to provide more responsibility to workers for higher firm value, or institutions such as the OECD or the ILO supporting the scaling of those practices for improved workers' welfare (Kattenbach et al., 2010), the harsh reality is that there are only a few Shopify and Ryan's, among the many companies stuck in the old Taylorism-like paradigm of work organization. There, workers have often been assigned to a specific rigid posture in a hierarchy, which in turn provides the orders for a job done full time and on-premises.

One peculiar expectation of new work organizations has been remote work, but at the exception of developed AngloSaxon countries, this has failed to scale as fast as anticipated. Looking at the period pre-covid, Work for Home (WFH) was limited, [barely used by 15 % of the European population<sup>2</sup>](#). The covid-19 pandemic has been a major catalyst to WFH, but more out of necessity because of lockdown rules. E.g. 40% of workers have been working from home in both US and Western Europe in the first months of the pandemic, or more than twice the level pre-crisis. But it remains to be seen whether WFH will stick as “new normal”, or was just a tactic for coping with the pandemic specificities.

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<sup>1</sup> <https://www.bbvaopenmind.com/en/articles/new-ways-of-working-in-the-company-of-the-future/>

<sup>2</sup> [https://www.eurofound.europa.eu/sites/default/files/ef\\_publication/field\\_ef\\_document/ef20059en.pdf](https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef20059en.pdf)

One reason for poor usage of new flexible HR practices may have resided in the ambiguity of the true productivity benefits of flexibility as well as the risk for workers of technology substitution. Regarding productivity growth, fair is to say from a variety of academic studies that productivity change from the WFH boost during covid-19 was at best neutral.

Studies brought mixed evidence one decade ago, but when WFH was only at its start and when technology to support WFH was immature ( Martinez-Sanchez, et al., 2010; or Moen et al., 2011). Still, more recent studies has also shown no clearcut results (Mandall et al. 2022). For example,, only a minority of UK workers could complete as much work during the first wave of the pandemic as during pre-covid. In Japan, a recent study by Morikawa (2020) during the covid has suggested that WFH productivity was only 2/3 of the level achieved at workplace in Japan. Similar analysis for some occupations in the US suggests a material productivity gap attached to WFH during the pandemic (Gibbs, et al. 2021).

Technology, on the other hand, may have bad press, especially because its current form, -digitization-, has too often materialized in job restructuring, [and especially during major economic crises, when workers suffer the most](#). A powerful study conducted by Jaimovich and Siu (2020) has for example demonstrated that the secular decline in routine employment, -which has been visible for about 50 years, is in fact, a set of long stabilization periods, corrected at each recession, by a permanent employment loss with more firms embracing major automation. During the first wave of the covid-19, automation boomed. Investment in robotics to replace workers tasks under lockdown also increased by more than 20% during the pandemic in the US (Chenrnoff and Warman, 2020).

## 2. New-tech work practices rebooted

But something may have perhaps changed through the pandemic. Instead of digitization being leveraged mostly/only as efficiency response to crises by companies, digitization has also brought major *support* to a workforce fearing to be contaminated

on-premises, and has made companies conscious that HR practices must indeed evolve.

A lot of surveys in the first wave of covid-19 pandemic has referred to the “FOG” syndrome (for “Fear Of Going back to work”) (Bughin and Cincera, 2021); as a new worker’s psychological challenge. This challenge has been sufficiently material that the active labour participation had shrunk by more than 10% in 2020 alone. While the pandemic has also made people struggling to work at home, especially those with work space invaded home space, and for those with limited digital savviness, the fact is that challenge has been transitory, and lots of workers claim that they are known sufficiently adapted to a WFH model. As pandemic further stabilized, firms have also seen that people were not necessarily coming back to work, calling for solving the dilemma of better welfare of workers and better productivity.

This research (as detailed in the sidebar), focuses on the view of large multinational firms, and we are finding that some companies are cracking the code, and turn the dilemma into a strategic advantage. We expand the work by Bai et al. (2020) which regress firm performance on WFH feasibility, in and out covid pandemic. Contrary to those authors, we have access to WFH intensity by firms, and underlying technology spend by firms to support WFH.

### 3 . Turning tech-based practices into a strategic advantage

#### 3.1. New tech-based work practices can be productivity enhancing

In general, the difference between using and avoiding fully, flexible work, has been associated in the last three years with 3,1 points extra revenue growth annually, for large companies worldwide. This figure is rather close to Bai et al. (2020), and also demonstrates a large revenue productivity gain,- equivalent to about 1/3 of the revenue growth observed among multinationals.

Of course, a very large portion of companies have used WFH and other practices during covid, but the difference between bottom and top 25% firms still lead to 1,3 points of difference in annual growth, or more than 15% shareholder value premium.

As we have data on WFH before pandemic as well as data on firm revenue growth, we were able to further analyze whether flexible work practices were only due to pandemic, in which case, they may be only tactical, and may revert to the old way of work practices when pandemic will have fully disappeared, and despite workers making their preferences for remote working, etc. The evidence is that 2/3 of the effect of WFH on revenue growth was already apparent pre-covid, and the effect of WFH is highly persistent. What covid-19 has triggered is a broader race to experiment with those practices—but the best companies were already mastering those practices with productivity advantages. Those companies simply used the covid-19 to further scale those advantages.

### 3.2. Three ingredients help cracking the code for better productivity

Best companies are making flexible work practice a success, by complementing the HR practice with adequate complementary capabilities. The two first ones we find to really drift the productivity up, are not people related, but are organizational and technological support.

Among the organizational practices, best companies have developed new leadership behaviors across all types of work practices, built new community rituals, supervision and coaching to best engage workers in a hybrid form of works. Needless to say, those companies are some of the most agile and innovative, and are applying those capabilities into every corner of their operations, including work practices.

Likewise, we find that those companies with more flexible HR practices usage, are not only more digitally mature than peers, but have more consciously invested in specific, new technologies to support more flexible WFH practices, rather than for efficiency. This includes a large suite of tech-based enterprise tech-based collaboration tools.

But one other important aspect of productivity gain is when companies put “humans at the center”. We see that best companies are taking a conscious mindset shift of

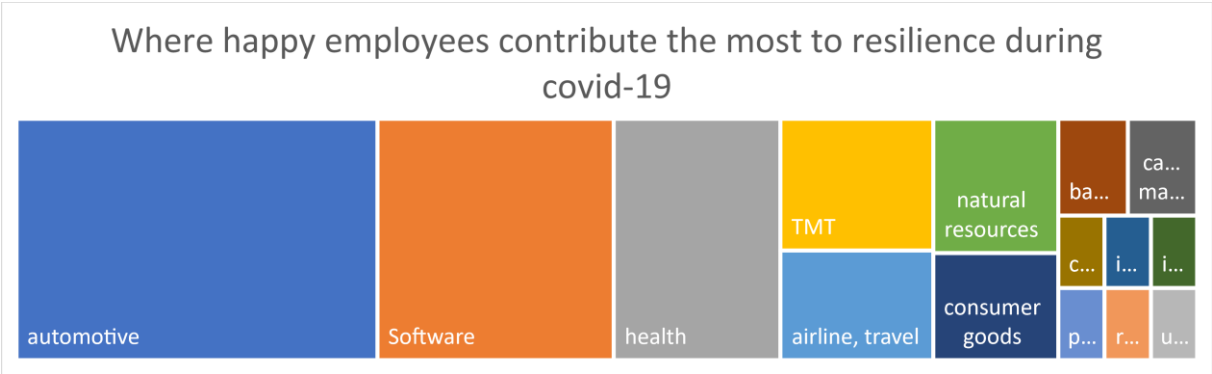
considering workers as efficient factor of production, to be a source of cooperative talent with management, especially if they feel part of a cohesive and meaningful culture.

#### 4. A recipe for everyone?

One might argue that the recipe above may have different level of success, depending on company features, workers mix of tasks, and many others. For example, one may not deny that a large part of tasks may not be ready to be performed remotely (Dingel and Neiman, 2020)<sup>3</sup>, or that productivity is often enhanced by frequent and close team interactions, that may limit the potential of WFH (Battiston, et al, 2017).

Still, if our analysis shows some difference by industry, or country, the positive returns to flexible work practices remain large for any sector, -- and the key difference is really among how companies *are successfully engaging at scale for this beneficial HR transformation*.

Figure 1- Relative contribution of employee care on firm resilience during the pandemic



We for example has built up an index of human care, based on how workers critically felt that their emotional, relational, creativity were taken into account to facilitate

<sup>3</sup> The first authors used the O\*NET database to estimate that 37% of U.S. jobs can be performed from home. Boeri et al. (2020) using the European data, found that 24-31 % of jobs can be performed at home in major European countries.

their daily tasks, in line with recent Accenture work<sup>4</sup>. We have found that this caring index may have weight to predict revenue, especially in sectors such as health, automotive and software (Figure 1).

This HR transformation is a step to take in the war for talent, and will need to include all technologies, such as AI, that also may lead to an important skill shift as highlighted elsewhere (Bughin et al, 2017).

### Appendix: about the research

The research is based on an executive survey of more than 4000 multinationals stratified to be representative of industry mix in US, the main European countries and China. Company performance for 2021 has been expected to be 9% revenue growth, and margin of about 10%. Covid-10 pandemic has radically changed work practices. 1/3 of companies reports less than 10% of workers using flexible work practices before the pandemic. This has shrunk to only 10% by end of the 2021. Still, only 2% of companies by the same time report that 3/4 of their workforce uses flexible work practices. Best revenue growth performing firms were 30% more likely to have a holistic well-being approach of human resources. Relative to other performance drivers such as innovation, agility, etc, the well-being of the workforce drives performance especially in sectors such as software, health, and automotive. We use regression techniques to assess how difference in performance by firms (within each industry) can be linked to the use of tech-based practices of work, controlling for business segments, company size, and location. We also use an error-correction model to separate structural versus short-term effect linked to covid. Performance link with flexible work practices and human resources wellbeing practices has been confirmed by machine learning techniques (Random Forests) leading to predictive accuracy of more than 80%.

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<sup>4</sup> [https://www.accenture.com/\\_acnmedia/Thought-Leadership-Assets/PDF-3/Accenture-Care-To-Do-Better-Report.pdf#zoom=50](https://www.accenture.com/_acnmedia/Thought-Leadership-Assets/PDF-3/Accenture-Care-To-Do-Better-Report.pdf#zoom=50)



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