MANAGEMENT

The Challenges of Work From Home for Organizational Design

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While WFH has proven to have certain advantages, organizations should be cautious before fully committing.

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The onset of COVID-19 hastened the transition to remote work (RW) arrangements such as work from home (WFH). Many organizations, including Apple, Facebook and Microsoft, are permanently moving to hybrid models, with WFH becoming integral to organizational design. The benefits of WFH are well-documented, but so are its drawbacks. For instance, **the negative cognitive impact of WFH on the remote worker has been widely acknowledged**: mental health problems due to social isolation, digital fatigue, and difficulty in compartmentalizing work, among others.[1] But the focus has been on the individual employee, and there is no systematic study on the challenges of WFH for organization design and governance.

This is a critical issue that has made some organizations, such as IBM and Yahoo, far less optimistic about the benefits of working remotely. We caution organizations that despite its advantages for employees and firms, WFH **poses critical organizational design challenges** along two critical dimensions: alignment of organizational goals with those of individual employees working remotely, and, coordination of tasks among organizational participants.[2] After all, it is not the lack of a common goal that causes Olympic relay teams to drop the baton. To successfully adopt WFH, firms must identify and adequately address the organizational alignment and coordination problems arising from RW.

Alignment of Organizational Goals

Cooperation is needed to resolve the problems that could arise from the misalignment of individual and organizational goals. **Performance incentives, monitoring and control, and shared values** are the three main organizational levers to align goals and ensure employee cooperation. [3] A transition to RW can weaken these levers and impede cooperation among organizational participants.

Performance incentives
RW is often lauded for the autonomy it gives to virtual workers by motivating, evaluating and compensating them using outcome-based incentives. But outcome-based performance evaluation focuses on measurable goals with immediate payoffs. This can

deter employees from undertaking complex tasks with uncertain or long-term payoffs, and even curtail an organization's propensity to innovate, with harmful effects for long-term value creation.

Outcome-oriented reward systems can have an element of process rigidity, which can cause frustration for the more talented employees who thrive in complex and uncertain job scenarios. Such employees, demoralized in routine, remote jobs, may leave to join rival firms whose cultures encourage experimentation and failure. In a remote environment, it is difficult to distinguish between employees who deliver similar outcomes, but differ widely in terms of behavioral traits such as leadership skills, interpersonal abilities, empathy, and knowledge about the firm and industry. Firms working remotely will therefore find it harder to identify the right candidates for leadership positions that ask for specific behavioral traits. After all, your best salesperson – now possibly virtual – need not be your best choice for the divisional head.

Firms adopting WFH therefore need to develop hybrid models in which only process-oriented tasks (e.g., support services) will be outcome-based, leaving ample room for talented innovators. To prevent employee exit and to build a leadership pipeline, firms must focus on enhanced employee engagement (e.g., via 360-degree feedback), and make ample investments in employee re-skilling, learning, and leadership development.

Monitoring and control

RW does not allow close monitoring through physical supervision. This can cause data security breaches or privacy concerns due to weakened control systems, employee laxity or outright connivance. Incidents such as *Zoom* calls **getting routed through China**, or *Pegasus*, the spyware technology, **hacking into the iPhones of top executives**, reveal the vulnerabilities of an organization's servers, devices and applications in the face of RW.[4] [5]

More generally, "work from anywhere" – say from a coffee shop – potentially makes an observant (cyber)criminal privy to confidential company information, and official exchanges become susceptible to unsecured networks. Internal security breaches courtesy the virtual worker compounds the problem. Relaxed monitoring raises the risks of corporate fraud in invoicing, billing and compensation, and could cause leakage of inside information.

The veil of anonymity offered by the virtual world can also encourage workplace harassment. According to a recent Upceed poll, around 30 percent virtual workers feel that work from home is unsafe. **Women in particular have faced harassment** in the form of lewd messages or inappropriate gestures during video calls, under the pretext of official information exchange.[6]

This makes it important for firms adopting WFH to invest heavily in upgrading their digital security infrastructures. They also need to strengthen their legal processes and systems to protect privacy and prevent harassment. But monitoring and control, however strict, may not suffice, and firms must also strive to build an ethical company culture with a focus on integrity.

Shared values (culture)

RW also impedes cooperation to the extent it prevents employee bonding through shared cultural values. Face-time with colleagues, a key facilitator of organizational culture, is the first casualty of RW. While telecommuting (e.g., via video conferencing) can to an extent forge task-specific formal ties, it is no match for workspace interactions when it comes to developing informal ties that form the basis of a shared cultural identity.

Informal interactions also help foster innovation. After all, nothing ensures a better cross-pollination of ideas and perspectives than that water cooler chat between two employees from R&D and Sales. With RW, such interactions will remain largely confined to individual departments, resulting in siloed subcultures. But innovation, **as Tom Kelley tells us**, occurs not in silos but through collaborative efforts in multi-disciplinary teams where individuals can dissolve traditional role boundaries.[7]

Take Google or Bain & Co., or new-age "agile" organizations such as Valve. These companies pride themselves on attracting the best talent by creating a cultural environment where there is a free and fair exchange of ideas across departments and teams, often through office-wide offsites, retreats, and extracurricular events. In Bain, a similar culture of creativity, risk-taking and camaraderie, enshrined in the philosophy "One Bainie never lets another Bainie fail", helps attract the very best talent.

In a hybrid model, inter-team conflicts can arise if teams working from office have better information and career growth opportunities than teams working from home. Over time, the growing physical disconnect can also reduce workforce loyalty and tarnish the corporate brand, especially in companies where human capital is the most important resource. Charles Handy refers to organizational culture as the soup we all swim about in. That soup is best savored as a family meal over interesting stories and good banter.

To overcome cultural silos, companies could take a number of steps: schedule inter-departmental meetings and webinars, encourage established integrating activities such as company-wide training, offsites, and retreats (think "synergy boot camps" in Walt Disney under Michael Eisner), and rotate personnel not just across divisions or teams, but also within a division or team between office and home.

Coordination of Tasks

Although goal alignment fosters cooperation, it is coordination that ensures that the efforts of organizational participants, be it in Cirque du Soleil or the US Army Band, are in sync. Effective coordination relies on synchronized actions that become routines, and also requires individuals engaged in different tasks to make spontaneous adjustments. With RW, firms will need to break out of predictable ways of working, and develop capabilities to reconfigure existing routines. Siloed interactions due to RW can also create structural separations within the organization, making spontaneous adjustments difficult.

Routines
Firms adopting RW need to redesign established routines and communication channels to seamlessly transition to a digital mode. This means a complete overhaul of the technology infrastructure: from providing employees, in their "home offices", with the right hardware, software, and collaboration tools, to upgrading company servers to store an avalanche of data. For large multinationals with dispersed operations, technology transition can be complex and disruptive, besides being asynchronous between divisions. For example, employees in relatively less developed regions of the corporate portfolio might struggle with such basic features as network quality and bandwidth at home.

Job scheduling will be another major challenge. WFH would blur professional and personal lives, making it hard, for example, for employees to simultaneously attend to their children and be available on-call 24/7. Because every household has unique circumstances, the remote worker's preferred schedule will be very personal. Aggregation of such diverse personal preferences can make scheduling a nightmare, rendering coordination ineffective.

While RW can make business processes more streamlined through data-driven coordination of activities along the value chain, it will still be a challenge to groom leaders who can lead the digital transition, as many may be unwilling to disrupt the status quo. Besides, digital workflows, processes, and communication channels may be too narrow or mechanistic to meet the more complex and dynamic decision needs of C-Suite leaders.

The scheduling problem can be resolved to an extent by dividing tasks and teams into "asynchronous" and "synchronous", where only synchronous tasks would require scheduling. Several leadership initiatives, such as smaller teams, short daily check-ins, allowing the use of mobile-enabled official communication, and providing opportunities for remote social interaction, **could also help managers adapt to the new routines**.[8]

Spontaneous adjustments

Coordination also requires organizational participants to make quick, reflexive adjustments to their actions as situations unfold. Dynamic, in-person negotiations with alliance partners to finalize a profit-sharing mechanism, or finetuning a design based on ongoing feedback from colleagues, are examples. By developing a siloed culture, RW diminishes the scope for such spontaneous interactions. This increases roadblocks and bureaucracy even in trivial, day-to-day task accomplishment and problem resolution.

A less obvious casualty is the loss of organizational trust. For instance, although customer engagement via e-mails, text messaging, social media and live chatbots can be convenient, they do not build trust and credibility the same way that face-to-face interactions do. This is especially true in B2B contexts like management consulting, an investor pitch, or demonstration of software features for a potentially game-changing contract. Without

visual or gestural cues that ease communication and build mutual trust, chat bots, however "live" they may be, cannot present a compelling value proposition to employees or customers.

"Arm's length" communication can also complicate transactions that require mutual learning through spontaneous adjustments, besides not being able to integrate divergent cultural values. A case in point is the post-merger integration of two firms with different processes, cultures, and histories. Quick adjustments for effective coordination might be especially difficult for remote workers in large, bureaucratic organizations.

Firms pursuing a WFH strategy need to make appropriate changes to their organization design, ideally transforming themselves into flat, agile "adhocracies" that are more amenable to flexible adjustments even in RW environments. They can also develop hybrid models where critical tasks in the value chain, such as last mile delivery/ touchpoint, can remain physical.

In his book *The Third Wave*, **Alvin Toffler had presciently observed** how advances in digital technologies "could shift literally millions of jobs out of the factories and offices into which the Second Wave (Industrial Revolution) swept them and right back to where they came from originally: the home".[9] With the advent of COVID-19, it seems that RW has finally come to stay. Research on RW has focused on the types of activities for which it is more suitable, its demographic implications for the workforce of the future, its cognitive impact on employee productivity, and its benefits for the employee, and to some extent, for the organization. By demonstrating that these benefits are not costless, not just from an employee perspective, but also from the perspective of organization design, our article provides an important point of departure. Firms considering making WFH a permanent feature and transitioning to a hybrid RW model must therefore weigh the unintended negative implications for their organization design.

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