

COVID-19: Impacts, Responses and the Implications for Productivity



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Covid-19 related lockdowns, restrictions and economic slowdowns and/or recessions have resulted in new ways of working and operating and changes of business model and priorities. What are their impacts on overall and corporate productivity? Much will depend upon whether one is looking at labour productivity, returns on technology investments or the results of combinations of people and technology. There may also be changing environmental impacts, usage of natural capital and work-life balance issues to evaluate. As re-purposing, re-invention and re-prioritisation occur, should directors and boards also reassess how they measure productivity and performance? What should they be keeping an eye on?

Directors should ensure that productivity assessments reflect the strategic direction they provide and encourage sustainable behaviours. There are outputs/benefits and inputs/costs to consider and factors to balance. For example, the loss of jobs and outputs in city centre business districts, as fewer people visit offices and nearby coffee shops, sandwich bars and other retail outlets could be compared with the possibilities for more services to be provided closer to where people live and may now also work. Some retail jobs may be replaced by those in distribution and the support of people who are spending more time working at home.

Assessing Overall and Differential Impacts

Overall changes in productivity during a pandemic can conceal differing short and longer-term impacts. Much will depend upon relative measured levels of productivity in activities that are allowed or enabled to continue and those that are restricted or closed down by Government intervention. Average levels of productivity might increase if responses to Covid-19 lead to less efficient and productive players failing. However, some imposed restrictions may be more neutral in their impacts on different companies and sectors.

Lockdowns could impact disproportionately upon either higher

or lower productivity activities. Where highly productive sectors of the economy are closed down, overall productivity might fall. Conversely it might rise if less productive areas are disproportionately prevented from operating. Labour productivity could rise or fall as people are laid off depending upon whether outputs falls by a lower or higher proportion. One might expect the most productive and value adding allowable activities to be the last to be closed.

Assessments of productivity can depend upon assumptions made, for example, whether or not furloughed employees are included in output per person measures. In some contexts, output per hour measures could be problematic due to uncertainty as to hours worked in virtual settings. The emphasis may also be upon outputs delivered rather than inputs of time at a work location. Comparisons of pre and post-Covid-19 outputs might also be complicated by a change of focus and/or priority. For example, a hospital might cancel routine and non-urgent operations in order to treat a smaller number of high-risk coronavirus patients.

Embracing Virtual Operation

Virtual teams and responsive network organisations have existed and operated for many years. Why have they not been more widely adopted? Have habit, innate conservatism and the start-up effort and adjustment required deterred people and organisations from being more flexible in terms of where, when and how people work and with whom? Given the wide range of tasks people are involved with and their differing circumstances, why have so many organisations persisted for so long with standard ways of working at particular locations?

With the cost of digital technologies steadily falling and their capabilities expanding, often at an exponential rate, now could be an opportune moment for laggards to embrace them and operate virtually. In response to Covid-19, Government interventions have forced many people and organisations to

change. They have often been quick to react. Homes sometimes harbour mobile and other technologies that match or exceed those available at many places of work. Where labour and technology are plentiful, should outputs be divided by units of the most limited resource to obtain a different and additional measure of productivity?

Increasingly, people can communicate, interact, work, learn and buy as and when required 24/7, including when on the move. Time saved from commuting journeys in traffic jams and/or crowded public transport can be used for working and living. Some homeworkers find they have more time to think and they may be able to do this in locations that are more conducive of reflection and creativity. They may also have greater freedom to select those with whom they interact. Avoiding start and end of day journeys to a workplace can open up new opportunities to contact people in a wider range of time zones.

Assessing the Consequences of Virtual Operation

A MORI survey for Deloitte found that people working from home were thought to be just as productive, if not more so, than before. Reactions to Covid-19 can also give rise to better resource utilisation. Many cars are parked for most of the time. Could virtual operation and their shared use when it is safe to do so result in a reduction in vehicle and related costs for some people and organisations? Might one also see greater investment in the duplication of work related technology and infrastructure, as facilities are required in more than one location and the greater use of mobile and portable technologies?

Direct labour costs can be very different from total employment costs when the expense of premises and facilities are taken into account. Office costs can mount up when local government charges, utility bills and the cost of meeting legal and regulatory requirements and support services from switchboard operators to cleaners are taken into account. They may be largely unaffected when just a few people occasionally work from home and the potential for reducing building and infrastructure costs may be limited. However, when significant numbers begin to work virtually and hot desk when attending particular meetings it may be possible to rationalise an office estate and secure significant savings.

Accounting for Associated Changes

Ways of working may be a management issue, but directors should ensure relevant costs and benefits are considered when assessing the longer term implications of Covid-19 responses. The expense of sanitising hands and work environments and social distancing requirements might increase the cost of people relative to technology, especially where technological capability and performance may be increasing exponentially. Unlike people whose hours of work may be limited by family, social, physical, welfare and/or legal requirements, some technologies might be available 24/7 until maintenance or their replacement is required.

Social distancing requirements might mean that fewer people can be accommodated at a particular work or leisure location. Various options from extending hours or introducing shifts might allow greater utilisation of fewer items of equipment or offices. Much will depend upon health and safety considerations, the reactions of the people involved and the nature of the activity. Management decisions may be complicated by uncertainty concerning how long requirements and restrictions might last and expectations of future changes.

Should financial cost or expenditure measures replace per-person measures so that a fairer comparison of people and technology can be made? Public sector productivity assessments may need to take account of unusually high expenditure and changes in levels of activity as a consequence of Covid-19. The speed with which some initiatives have been rolled out may have reduced the time for traditional value for money, productivity and procurement practices. Some hastily introduced measures may not meet expectations.

Ensuring Incremental Aspects are Included

When frequent changes of business model or working practices occur, directors should ensure that assessments include the consequences of disruption, the costs of setting up new arrangements and any lost opportunities during transitions. A switch to virtual operation or from physical retailing to on-line shopping with fulfilment from a centralised warehouse could result in a significant productivity gain in relation to the people involved. However, overall before and after financial comparisons could depend upon factors as varied as the extent to which changes of consumer behaviour persist, set up, roll out and/or expansion costs, crawl out costs from unexpired lease commitments and receipts from the sale or redevelopment of unused office space or retail premises at a time of marketplace glut.

Unexpected issues can occur during transition. Support should be in place to achieve a change such as to virtual operation and working from home. In the short term, there may be a variety of matters to address such as health and safety, data protection, confidentiality and cyber security issues. Employers should ensure a safe working environment and may have to undertake risk assessments, provide equipment for home workers and reimburse any additional expenses incurred. Insurance cover of those working remotely, counselling support and the protection of confidential and personal information may need to be reviewed.

Both outputs and costs can change. They may need to be monitored during and after transition from one business or operating model to another. As more people work from home, savings from rationalisation, reorganisation and consolidation of corporate premises may take time to realise. There may also be push back from those involved, which can vary over time as situations evolve and people reassess the advantages and disadvantages of different patterns of work. How a change is

perceived can depend upon whether it is voluntary, temporary and variable or imposed, permanent and fixed.

Consequences of New Ways of Working

Directors may need to monitor the consequences of changes. Some people are not self-motivated, inwardly directed and able to work on their own in a different context. They may benefit from the presence of work colleagues and be easily distracted elsewhere. Their managers might worry that some teleworkers may opt to free up more time for non-work related activities rather than maintain or improve quality or increase output. Perhaps they might be inclined to rush through their work responsibilities as quickly as possible, rather than think or go the extra mile. Such thoughts can unsettle people who are used to greater control. A lack of trust may spur a desire to remotely monitor work-related activities.

Isolation at home can prevent the physical interaction that is often conducive of creativity. On the other hand, some people might use distance from supervision, their greater freedom to think for themselves and an opportunity to access a wider range of digital contacts to reflect, question and challenge. Not all workplaces are hives of creative interaction, productive meetings, active sharing and collective learning. A growing range of tools can support virtual collaboration and joint working on shared documents and collective tasks. The potential of any way of working can depend upon the context and the people and personalities involved.

Enforced homeworking due to a lockdown can yield immediate benefits such as time saved from commuting journeys and fewer interruptions from colleagues. Some teleworkers become so productive that they may have to take care to avoid over-working. They might need to consciously achieve better work-life balance. Imposed full-time homeworking can have different implications than those from a voluntary choice by an individual according to task or role and as and when appropriate. It can raise practical issues. Childcare and home schooling were problems for many people during some national lockdowns.

Allowing Time for Changes to Settle

Over time some people begin to miss physical contact with others and the resulting sharing of experience, knowledge and understanding. Such interaction can be more stimulating than working alone and more conducive of innovation. Depending on personal circumstances, extended working from home can also result in adverse reaction from family members unable to use space and facilities that were previously more available. Teleworkers may start to feel distant from colleagues and cut off from the office grapevine. They might think they are 'out of sight and out of mind', and at risk of missing career and development opportunities.

Virtual operation is easier for some activities, tasks and roles than it is for others. Personal services such as hair dressing require the physical presence of individuals. Virtual dentistry beyond the giving of advice in areas such as hygiene may be

problematic, but many interactions between doctors and patients are by telephone and video link as telemedicine spreads. Embracing digital technologies, automation or a new business model can increase the range of what could become a virtual activity and increase flexibility and resilience.

Providing alternative ways of collaborating, sharing and interacting, being visible and having access to support services and opportunities can address particular problems of teleworking. Advice could be given on different aspects of working remotely. Policies and support may need to change when restrictions ease. Should people be given more flexibility in terms of where, when and with whom they work, depending upon task, individual preferences and team requirements? When groups and communities are involved, one may need to ensure that allowing some to operate from home does not negatively impact overall team performance.

Ensuring Balanced Assessment

Whether or not new patterns of work introduced in response to Covid-19 will impact positively or negatively upon customers and other stakeholders, and result in significant changes in productivity and operating and overhead costs will depend upon the extent to which they continue and result in sustained improvement and/or innovation, and/or people revert to previous practices. In time, the initial attraction of working from home may wear off. In the absence of restrictions, this may lead to a return to traditional patterns of work. In some contexts, might virtual and teleworking wax and wane with Covid-19?

Covid-19 and some reactions to it have complicated the assessment of productivity, depending upon the approaches and techniques used. There may be trade-offs to consider as a result of a desire for greater flexibility, resilience and/or social distancing. Hitherto, many organisations and boards have had greater discretion to introduce changes. Social distancing requirements and imposed lockdown and other restrictions are forcing changes of working practices. These might have implications for others beyond the people directly affected.

Overall, the global pandemic has highlighted many issues with widely used methods of assessing output and performance. It has led to a period of instability in various indicators as a consequence of economic slowdown and recession, followed by partial recovery and further waves of disruption and accompanying higher levels of unemployment. Non traded outputs, such as people voluntarily helping their neighbours or those shielding, are rarely considered. Directors should be alert and sensitive to trends. Some customer and public views of what represents value and the relative value of certain outputs and activities may have changed.

Embracing Wider Considerations

Externalities, whether of costs or benefits, are taken into account in some major projects and certain public policy decisions. However, they are not included in many corporate

assessments. Might the pandemic, which has made more people aware of externalities, result in significant changes? During severe lockdowns, environmental improvements were noted in areas such as traffic fumes, but these can be reversed. For example, might advising against the use of public transport cause a longer-term increase in car journeys for certain purposes?

The nature and make up of some categories of externality are changing. For example, the global pandemic and related changing patterns of consumption, living and working have also affected the content and distribution of rubbish and waste. Packaging associated with on-line shopping and home deliveries, might now be more evident in some residential areas. Specific Covid-19 waste includes used face-masks and personal protective equipment. These need to be disposed of responsibly

if they are not to pollute rivers, beaches and the world's oceans.

Directors need to ensure that measures of productivity and performance do not encourage behaviours and outputs that are undesirable. For example, the use of fossil fuels contributes to global warming. The acquisition costs of some rare materials and limited natural capital fall short of their replacement costs. Raising productivity and economic recovery might increase the environmental, biodiversity and health damage caused by some outputs. Responsible directors and boards ensure measures and assessments reflect externalities, natural capital, environmental and social considerations and Sustainable Development Goals.

***Prof. Colin Coulson-Thomas** holds a portfolio of leadership roles and is IOD India's Director-General, UK and Europe. He has advised directors and boards in over 40 countries. ■

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