

SERENDIPITY LOST? WORKING FROM HOME AND INNOVATION

Working from home is expected to have a positive impact on the level of productivity but will it also influence its growth rate? The answer largely depends on what happens to innovation. Interaction between people is key for idea generation and the exchange of information. Formal interaction can be easily organized using a variety of software applications but informal interaction is a bigger challenge. To make sure that serendipity within and amongst teams – given its importance for a culture of innovation – is maintained, a combination of working from home and onsite seems to be recommended.

Based on recent surveys, companies seem to expect a positive impact of working from home on productivity¹. If confirmed, it remains to be seen whether it will be an increase in the level of productivity or in its growth rate. One would expect the former as it is not obvious why working from home would cause productivity to increase year after year.

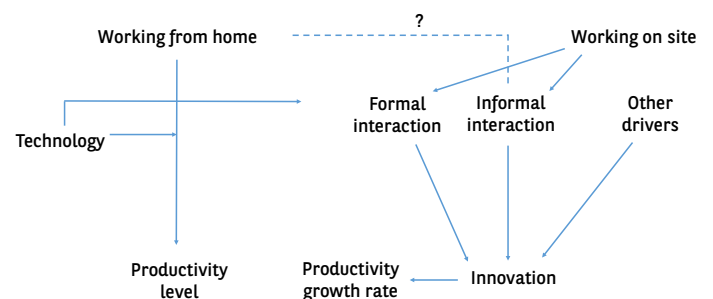
For the growth rate of productivity, innovations play an important role. Innovation can be defined as “a new or improved product or process (or combination thereof) that differs significantly from the unit’s previous products or processes and that has been made available to potential users (product) or brought into use by the unit (process).”² Recent innovations have been instrumental in facilitating working from home by making the necessary technology available. There is also evidence that “suggests that COVID-19 is re-directing technical change in ways that will improve remote interactivity” whereas other research shows that “the extent of working from home is indeed responsive to innovations that facilitate remote work.” This means there is a fascinating reciprocal influence between technological innovation and working from home, the former being a facilitator and the latter acting as a push factor. Innovation has also changed the way of working in many professions. In certain countries, regulatory innovations have allowed for virtual consultations by healthcare professionals³.

Although innovation has facilitated working from home, a key question is whether the capacity to innovate will benefit or suffer from this new way of working. The answer matters at the micro level through its influence on long-term productivity growth and the competitiveness of individual companies as well as the macro level, via economic activity and growth.

Innovation in companies depends on many factors. An extensive survey of the literature has identified up to twenty innovation enablers⁴ with three of them being mentioned the most often. Firstly, collaboration, which concerns open communication and free flowing information. Secondly, management of innovation with the right balance between formalization and informal approach, between working in cross-functional groups and individually. Thirdly, knowledge management, which is about using the company’s ‘knowledge assets’ in the best possible way to foster innovation. Against this background, working from home brings challenges but also opportunities. Concerning the latter, the extensive use of videoconferencing facilitates the access to expert information. A variety of software applications also allows

4. *Innovation Enablers for Innovation Teams – A Review*, Mikael Johnsson, Journal of Innovation Management, vol. 5, nr 3, 2017, pp. 75-121. The author analysed 211 academic articles. The twenty enablers were: Climate, culture, economy, management, strategy, time, collaboration, education, human resources, need, processes, awareness, capabilities, dedication, empowerment, entre-/intrapreneurship, incentives, knowledge, knowledge management, mind-set.

WORKING FROM HOME, PRODUCTIVITY AND INNOVATION



SOURCE: BNP PARIBAS

1. *Working from home and labour productivity*, EcoWeek, BNP Paribas, 3 May 2021.
 2. OECD/Eurostat (2018), *Oslo Manual 2018: Guidelines for Collecting, Reporting and Using Data on Innovation, 4th Edition, The Measurement of Scientific, Technological and Innovation Activities*, OECD, Publishing, Paris/Eurostat, Luxembourg. <https://doi.org/10.1787/9789264304604-en>
 3. Source, including of the quotes: *Why Working From Home Will Stick*, Jose Maria Barrero, Nicholas Bloom and Steven J. Davis, NBER paper 28731, April 2021. The authors mention research showing that new patent applications that advance WFH technologies more than doubles from January to September of 2020

“ A combination of working from home and onsite seems to be recommended to make sure that serendipity within and amongst teams is maintained, so as to foster a culture of innovation. ”

to easily organize the formal interaction between people – which is key for idea generation and the exchange of information – although the effectiveness may depend on the tool that is used. Research shows that communication via chat reduces the creativity of teams whereas there is *“no significant difference between performances of groups that communicate via video conferences as compared to face-to-face.”*⁵ Online interactions also *“decrease the effectiveness whereby employees share “peripheral knowledge” – i.e., knowledge that is critical to a small audience but seemingly parenthetical to other receivers.”*⁶ A bigger issue is that working from home makes it difficult to have unscheduled, informal contacts and discussions, which are key for idea generation and to stimulate thinking. To make sure that serendipity within and amongst teams – and its importance for a culture of innovation – is maintained, it seems that a hybrid model is to be recommended. People would work from home part of the time – because of the efficiency and productivity that this brings – and onsite for the remainder. The onsite presence would have to be organized in such a way that those people who need to meet and chat for the exchange of ideas are present the same days.⁷

William De Vijlder

5. *Innovation and Communication Media in Virtual Teams – An Experimental Study*, Nicola Grözinger, Bernd Irlenbusch, Katharina Laske, Marina Schröder, IZA Institute of Labour Economics, DP No. 13218, May 2020.

6. *Safeguarding Serendipitous Creativity During the COVID-19 Pandemic*, Shiko Ben-Menahem and Zeynep Erden, California Management Review, Volume 63, Issue 2, Winter 2021.

7. This is also the conclusion from a survey of business leaders reported in *Why Working From Home Will Stick*, Jose Maria Barrero, Nicholas Bloom and Steven J. Davis, NBER paper 28731, April 2021.

