

HIDDEN COSTS, VISIBLE CHALLENGES: DIAGNOSING THE DYSFUNCTIONS THAT LEAD TO HIDDEN COSTS IN HYBRID WORK MODELS OF ICT COMPANIES

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ABSTRACT

Hybrid work has emerged as a significant paradigm shift, particularly emphasized by the pandemic-induced lockdowns, and is now considered the ‘third way’ of future work arrangements, allowing individuals to vary their work location, schedule, or both (Gratton, 2021). Some benefits associated with this work arrangement are flexibility, increased productivity (Oppong Peprah, 2023), reduced attrition, and improved job satisfaction (Bloom et al., 2022). On the other hand, challenges like substantial investments in technology, IT support, and training, the need for redesigning organizational control, organizational identity, and organizational learning can arise (Petani and Mengis, 2023). It has been recognized that hybrid work also has hidden costs, which are indirect costs not readily apparent in standard financial accounting (Deco et al., 2023). They often result from poor management practices that significantly impact an organization’s performance and profitability (Savall and Zardet, 2010). Hidden costs frequently occur when new technologies are introduced in the organization. This research aims to explore the hidden costs of hybrid work.

Theoretical background

Savall and Zardet (2010) define hidden costs as the consequence of constant interactions between the workers’ behaviors and the organizations’ structures, created through dysfunctions, as a by-product of the said interactions. As such, these hidden costs take the form of excess salary and time, over-consumption, missed creation of potential, risks, and missed production (non-production) (Savall and Zardet, 2010).

As mentioned above, organizational dysfunctions cause the emergence and increase of hidden costs (Savall and Zardet, 2010). The analysis of organizational dysfunctions is of interest now because they result from the lack of good structural conditions and the behavior of workers, which has changed tremendously with the widespread adoption of hybrid work models. Dysfunctions can be assessed through their indicators, which include absenteeism, turnover, variations in direct productivity, work accidents, and product quality defects (Savall and Zardet, 2010). Past research has shown that there can be shifts in absenteeism and turnover, as well as variations in worker productivity and output quality in the hybrid work model (Oppong Peprah, 2023), making calls for additional research.

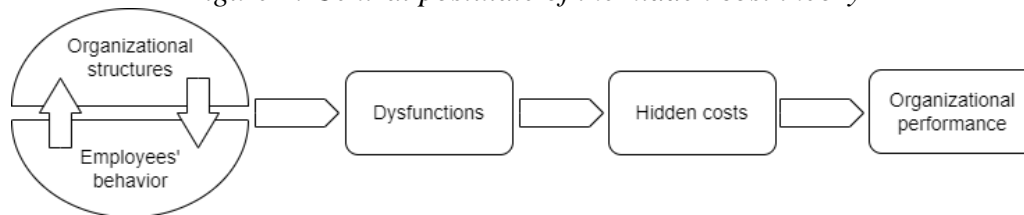
Dysfunctions and hidden costs are subjects of interest in the Hidden Cost Theory, derived from the concept of hidden costs proposed by Henri Savall. The theory is based on innovative, heterodox management thinking, or the socio-economic approach to management, which considers the notion of dysfunction and costs that aren’t recognized by traditional management tools, i.e., hidden costs (Savall and Zardet, 2010). The central relationships of the theory are illustrated in Figure 1. While abundant socio-economic research examines dysfunctions and hidden costs in different contexts, there remains a gap in the literature

regarding their occurrence in hybrid work environments. Moreover, through this research, we aim to assess the common practices of hybrid work in ICT companies and identify the primary dysfunctions that lead to the emergence of hidden costs. We propose the following research questions:

RQ1: What is the current form of hybrid work practices in Macedonian ICT companies?

RQ2: What are the primary organizational dysfunctions that lead to the appearance of hidden costs?

Figure 1: Central postulate of the hidden cost theory

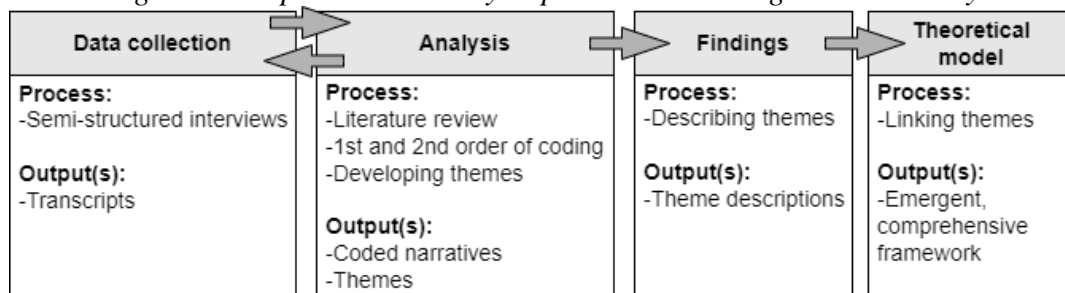


(Source: Adapted from Savall and Zardet (2010).)

Methodology, data collection, and analysis

Programmers in the ICT industry as a general population for this research can provide valuable insights into their hybrid work before, during, and after the pandemic, shedding light on the organizational dysfunctions that affect the level of hidden costs. We will use a qualitative research method and a semi-structured interview for data collection. For data analysis, we will use a grounded theory approach (Corbin and Strauss, 2008). The planned procedure is outlined in Figure 2. The scope of the research will include semi-structured with 20 programmers in the ICT industry or until we reach data saturation. To ensure additional representativeness, a call for interviewees will be published in popular Facebook groups for programmers; the interested random individuals will fill out a consent form and state their profession. Moreover, we will invite members of our networks of contacts to participate in the research. The timeframe for conducting the interviews is six months.

Figure 2: Proposed data analysis process based on grounded theory



(Source: Adapted from Corbin and Strauss (2008).)

As mentioned, we will use purposive sampling for data collection. An open call for informants was posted on a Facebook group dedicated to Macedonian software developers and programmers on March 22, 2023. We have conducted two interviews with programmers working in different ICT companies. Table 1 summarizes the demographic information.

Table 1: Summary of data sources

#	Title	Gender	Age	Education	Employment status
1.	Computer programmer	Female	25	University student	Full-time employed

2.	Computer programmer	Male	23	University student	Full-time employed
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Preliminary findings

The conducted interviews yielded several preliminary findings so far: 1) beforehand planning and premature task assignment save organizations from excess (over) salary, missed creation of potential, and excess time (overtime) (*Informant #1*); 2) companies tend to provide the necessary equipment that employees can take home and don't cover other costs when employees work remotely (*Informant #2*); 3) dysfunctions in hybrid work mostly occur due to breaks in communication because, most often, someone is missing from the team (*Informant #1*); 4) hybrid work tends to be unregulated with a lack of company laws and procedures, and it is considered part of the informal company culture (*Informant #2*); 5) the biggest long-term concern is for the IT workforce to permanently transition from hybrid to remote work and for hybrid work to disappear. (*Informant #1*); 6) defects in product quality, as indicators of dysfunctions, are solved faster when the team is in the office due to swifter communication and collaboration (*Informant #2*).

This extended abstract is the first step in our research endeavor and will serve as the basis for developing a full paper. As a result, this research will contribute to a better understanding of the critical dysfunctions in hybrid work settings that result in increased hidden costs, and how employers and employees can work together to mitigate their negative effects – leading to helping organizations adopt hybrid work practices that minimize hidden costs.

Keywords: *Hidden costs, Dysfunctions, Hybrid work*

JEL classification: *M10, M15, O33*

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