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Employer perspectives on employee work location: Collaboration, culture and control

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EMPLOYER PERSPECTIVES ON EMPLOYEE WORK LOCATION: COLLABORATION, CULTURE AND CONTROL

DIANE MULCAHY AND TATIANA ANDREEVA

This paper discusses employers' experience of working fully remotely during the pandemic, and their approaches to returning to the office following the pandemic. We chose to focus on the point of view of the employer since it is relatively less explored; much more is available and written on the views and opinions of employees about remote work and return to office.

To understand the employer's perspective, we reviewed existing research evidence, and carried out eleven structured interviews with corporate leaders about their experiences with remote, in-office and hybrid work.

Our literature review suggests that remote work does not have negative effects on performance. Similarly, the small sample of employers we interviewed experienced very strong company and employee performance while operating their businesses fully remotely. All employers we interviewed are implementing a hybrid return-to-office policy, although the specifics of the policies are different for each company. No employer was returning to full in-office work.

We focused our literature review and interviews on the impact of remote work on employee collaboration, firm culture and manager control, which we call 'the 3 Cs'. We found that leaders maintain a belief that employee collaboration is negatively impacted by remote work, but the evidence to support this assumption is mixed. Firm culture is often cited by employers as an important rationale for bringing employees back to the office, but the research evidence and our interviewees suggest that the notion of culture is vague and the idea that better culture is supported by in-office work is not supported by any data. Finally, the shift to remote work caused corporate leaders and front-line managers to worry about effectively managing employees they couldn't see every day. We found that companies did not widely begin implementing employee monitoring systems in lieu of onsite management. Our interviews suggest that much learning remains to transition managers and leaders to effectively managing remote or hybrid employees and teams.

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1. Introduction

The forced mass-scale shift to work-from-home during the COVID-19 pandemic has changed both employees' and employers' perspectives on work location, demonstrating that more jobs could be done remotely than we could have imagined before. As we emerge from the pandemic, there is an ongoing debate about return to office, hybrid, and remote work. Employee surveys across different countries consistently indicate that employees prefer to remain working remotely and do not want to return to the office full time (Aksoy *et al*, 2022; Teevan *et al*, 2022). At the same time, many companies are trying to bring their employees back to the office.

A comparative study across 27 countries concludes that the employers in those countries wanted employees to be back to the office for more days a week than employees would prefer (Aksoy *et al*, 2022). The discrepancy between employee and employer preferences on average is one full day. Aksoy *et al* (2022), in a sample of 36,000 respondents, also found that employees have such a strong preference for remote work that they are ready to accept a pay cut of 5 percent on average in exchange for the opportunity to work remotely 2 or 3 days a week. A full 26 percent of respondents said that they would quit immediately or seek a new job that allows remote work if their employer announced that all employees must fully return to the office.

It's not surprising that employees prefer to work remotely since evidence suggests that remote work can improve employee well-being, work-life balance, and job satisfaction (Allen *et al*, 2015). In addition, data collected during the pandemic indicates that employees feel that they are just as productive working remotely as in the office (Aksoy *et al*, 2022).

Given those positive results, what drives employers to bring their employees back? What are their challenges and concerns and how does bringing people back to the office help them deal with those? In this paper, we set out to explore these questions. We specifically focused on addressing 'the three Cs' of employee collaboration, culture, and control. Those three factors were frequently cited in the press and in corporate leader interviews as reasons to bring employees back to the office. Our goal was to further explore, define, and understand each of the three Cs as important drivers of corporate work location policies.

2. Methodology

We conducted a comprehensive literature review of academic and industry studies to evaluate the existing evidence about the impact of remote or hybrid work on employers. We also conducted eleven

structured interviews with senior leaders of companies that were working fully remotely during the pandemic and are now experimenting with hybrid work arrangements. We combined these two approaches because they are complimentary. The academic literature gives data on the trends taking place around work location, as well as evidence on the potential effects of these trends, while the interviews allowed us to dive more deeply into *why* these trends are taking place, and *how* employers are thinking through their workforce decisions. Details of our methodology are provided in Appendix A.

3. Results

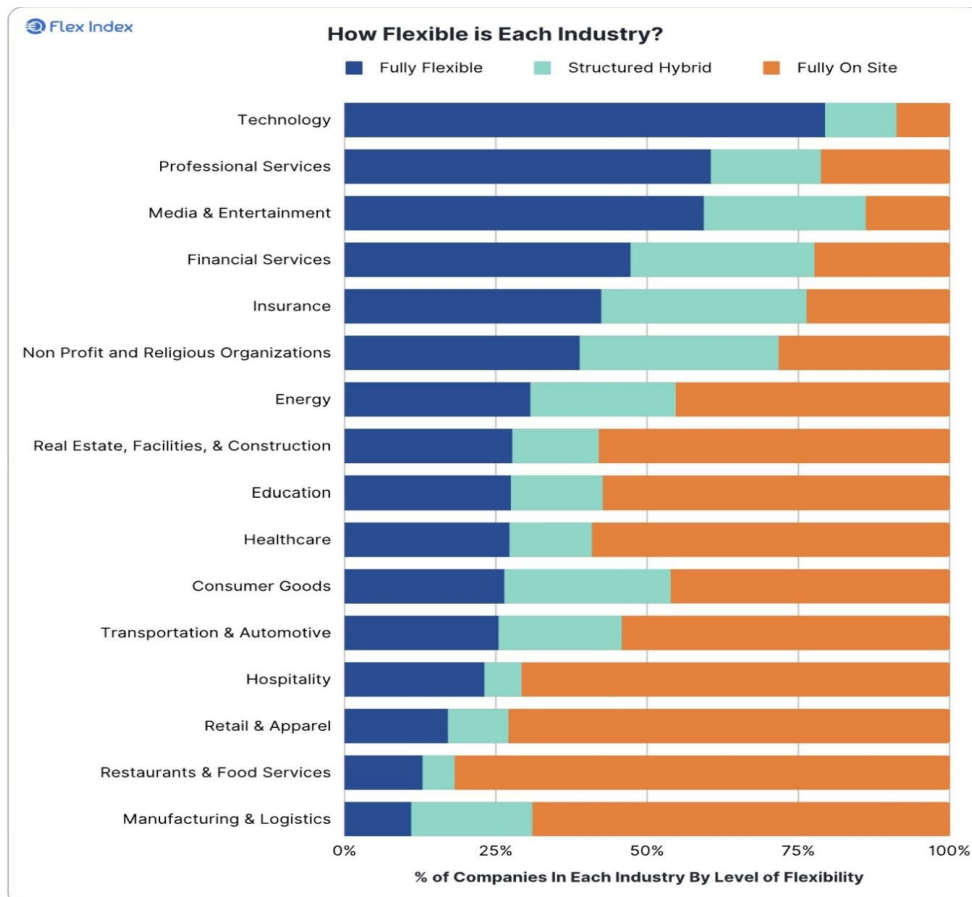
Below is a summary of our findings from a review of the existing literature and evidence, as well as eleven structured interviews. We have organised our results to focus on the state of current remote work policies, the impact of fully remote work on company performance and a discussion of employer perspectives on each of collaboration, culture, and control ('the three Cs'), as well as the impact on workforce diversity and inclusion.

3.1: Companies have gone hybrid, but what does that really mean?

The recently launched Flex Index report (2023a) analysed more than 3,000 US-based companies from a wide range of industry sectors and found that 51 percent offer some flexibility regarding the location where an employee can work. A study that surveyed 500 Dublin-based businesses (Dublin Chamber and Savills, 2023) finds that 84 percent of the companies offer some flexibility of work location. In the US sample, only a small number of employers (23 percent) allow employees to fully choose where they would like to work; another 20 percent declare they use a hybrid approach, that is, they require employees to come to the office for some days and these requirements vary between requiring a minimum number of days, to specific days of the week, to a combination of both. In contrast, employers from the Irish sample have overwhelmingly implemented a hybrid approach (73 percent of respondents) and 11 percent allow their employees to have complete choice about where they would like to work. The stark differences between two samples can be explained by their industry composition, as the Irish sample is dominated by the services sector, including tech and professional services that are less bound to on-site work (58 percent). It is important to note though, that these numbers do not shed light on the share of employees in each of these organisations who are allowed flexibility regarding their work location. Before the pandemic, remote working was often offered to a small share of the highly qualified or high performing employees (eg Allen *et al*, 2015) and there is not yet sufficient post-pandemic data to evaluate whether this trend has changed.

Consistent with this explanation, the Flex Index data by industry suggests that the distribution of fully flexible, hybrid or fully on-site work location policies differs dramatically by industry sector (see Figure 1).

Figure 1: Work location varies across industries; tech companies are the most flexible

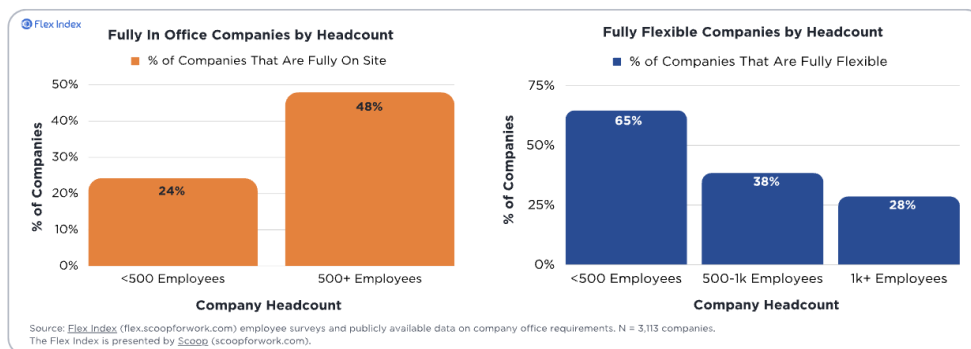


Source: Flex Index (2023a).

Flex Index (2023a) also suggests that the size of the company plays a role in the work location policy it has (see Figure 2). Larger companies dominate the “fully in office” group (48 percent), while smaller companies represent the majority of the “fully flexible” group (65 percent). This data is particularly interesting in the light of the extant research, as the latter demonstrates that full flexibility of employee work location comes with additional coordination challenges at the organisational level and requires dedicated efforts in managing those challenges (eg Rockmann and Pratt, 2015; Lautsch and Kossek, 2011; Lautsch *et al*, 2009). For example, a recent study of 1,500 Dutch companies (Groenewegen and

Hardeman, 2023) found that in the middle of pandemic, the companies that had well-structured management practices were more likely to plan to adopt flexible work location policies after COVID-19. It has been shown that larger companies are likely to have more structured management practices (Bloom *et al*, 2019), hence one would expect that larger companies are more likely to be better prepared to adopt hybrid and flexible work. Figure 2 suggests the opposite trend and it would be interesting to explore why smaller companies are more flexible now with their work arrangements.

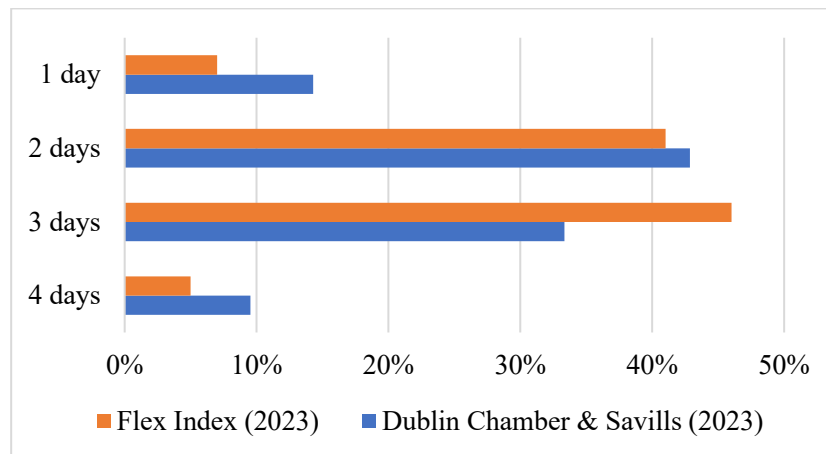
Figure 2: Large companies are returning to the office while small companies stay flexible



Source: Flex Index (2023a).

Hybrid work means different things to different employers. Some require minimum time spent in the office, while others specify the number of days (usually per week) an employee needs to be on-site. The Flex Index (2023b) acknowledges huge confusion around the terms 'hybrid' and 'remote' work, as they mean different things to different employers. Figure 3 contrasts the data from Flex Index (2023a) and Dublin Chamber and Savills (2023), demonstrating the variance of the minimum number of days in office per week. Here the differences between two samples are much smaller, and 2 or 3 days onsite are two preferred options across both samples. Some companies also require that in-office days fall on a predefined day(s) of the week. The most popular specified in-office days in both studies are clustered around mid-week (Tuesdays-Wednesdays-Thursdays).

Figure 3: Hybrid work policies: most companies require 2-3 days per week in the office



Source: Bruegel based on data from Flex Index (2023a) and Dublin Chamber and Savills (2023).

In both studies, if companies chose a structured hybrid approach, decisions on the specific work location requirements are centralised at the company or function-level (77 percent in Flex Index, 2023a; and 86 percent in Dublin Chamber and Savills, 2023 datasets). Team-level managers have discretion on this in 17 percent (Flex Index, 2023a) and 14 percent (Dublin Chamber and Savills, 2023) of companies that use structured hybrid approach.

These study results show the overall trends among businesses, but they do not explain why and how the companies make these decisions about their work location requirements. To understand these factors better, we spoke about this with our interviewees.

All the companies that we interviewed are from professional services or tech sectors, with global operations across multiple countries. Prior to the pandemic, each of the companies we interviewed were traditional office-based firms. Following re-opening, all but one of the companies changed their approach and implemented a hybrid work policy starting in 2022/2023. The one outlier company that is not hybrid has become 'remote first', with no company-wide required days in an office, allowing their teams to choose how many days they prefer to be back to the office.

How each company defined and is implementing hybrid work varied along three dimensions: how strict the policy is, the quantity of days in office, and who decides when and how much employees must be in the office. The hybrid work policies among the companies we interviewed ranged from being fully flexible and employee-driven ("*no company-wide policy; employees choose when to come to the office*"), to designating the team or managers as arbiters of work location ("*decisions based on the employee's work, client needs, stage of the project and individual employee needs*") to clear firm-

wide policies mandating employees to be in the office for a specified number of days. The latter, in their turn, varied from considering exceptions for individual circumstances to requiring everyone to follow the policy strictly.

That said, our sample of interviewees confirmed that “*no one works full time from the office*” anymore. None of the companies we spoke with are currently implementing, or plan to implement, a full-time return to in-office working. One of the companies summarised their philosophical approach to hybrid work as “*earning the commute*.” After two years of remote working, it highlights the need for companies to give employees a strong rationale and good reasons to spend the time commuting to be physically present in the office.

3.2: Companies performed well while operating fully remotely

Employers have concerns about managing employee performance in remote and hybrid work mode (eg Bloom *et al*, 2023). Yet the existing evidence on the impact of remote or hybrid work points to either no impact or a positive impact on employee performance (Allen *et al*, 2015). It is important to note that some studies used employee self-rated performance evaluations, while others used manager-rated performance metrics. These two groups may have discrepant views on performance, as managers and employees may have different interpretations of what productivity means (eg Bloom *et al*, 2023). Indeed, some research suggests that managers are more likely to define productivity as outcomes, while individual employees are more likely to define productivity as output (Storey *et al* 2021; Teevan *et al*, 2022).

Meta-analyses of the pre-pandemic research explored the effects of remote work on individual, team and organisational performance. Meta-analyses are seen as offering stronger evidence compared to individual studies as they integrate multiple findings across various samples (Barends and Rousseau, 2018). On the individual level, remote working (in any degree, including hybrid) did not have any effect on self-rated employee performance and it had a positive effect on supervisor-rated or archival metrics of performance compared to onsite working (Gajendran and Harrison, 2007). A recent replication and extension of this study suggests that both remote work in general (as compared to fully in the office), and the degree of remote work intensity have positive effects on supervisor-rated performance (Gajendran *et al*, 2021). Golden and Gajendran (2019) suggest that the effect of remote work on performance depends on the type of the job, for example, it is positive for the jobs with low levels of interdependence and neutral for others. Focusing on team-level performance, Purvanova and Kenda (2022) found that virtuality of the team did not have a direct effect on any of the wide range of

team performance indicators for organisational teams. They also demonstrate this neutral relationship in organisational teams holds across several different contextual conditions. Meta-analysis of the studies that focus on organisational-level performance in the companies that used remote work demonstrates positive effects (Harker Martin and MacDonnell, 2012).

At the same time, some individual studies point to potential negative effects of remote work on performance – especially those that measure remote work as a continuous variable (capturing different degrees of remoteness and thus isolating a hybrid mode) rather than binary (non-remote versus remote in all variations). For example, Van der Lippe and Lippényi (2020) report a negative effect of remote work on performance, but a non-linear one, as they found that working one day per week remotely had the worst performance effects, compared to both working in the office and working remotely for more than one day per week. Moreover, they found a spillover effect, as the increase in the percentage of the co-workers working remotely decreased one's individual performance.

Contrasted with the results of meta-analyses, these findings indicate that the effects of the degree of remoteness on performance might be contingent on some additional factors, particularly on how remote work is managed by the organisation (eg Golden and Veiga, 2008; Lautsch *et al*, 2009).

Interpreting pre-pandemic research findings, it is also important to acknowledge that previously the opportunity to work remotely was often offered just to the best performing or most conscientious employees. Hence, non-experimental studies, which are the majority in the field, may suffer from reverse causality or selection bias (Allen *et al*, 2015) – that is, the positive performance effects they demonstrate might be due to the type of employees (high performers) that were allowed to work remotely. In this light, the findings from the rare experimental studies are of particular interest, and these do report positive effects of remote work on performance (Bloom *et al*, 2013; Choudhury *et al*, 2021).

Post-pandemic studies predominantly report that during the pandemic employee performance remained at the same level or even increased. For example, Aksoy *et al* (2022) found that most employee respondents self-reported that their performance while working remotely was the same (31 percent of respondents) or better (56.4 percent) than they expected. However, it's important to note that Aksoy *et al* (2022) focus only on those working remotely (fully or partially) and hence cannot contrast their data with opinions of those who work in the office. In contrast, Bloom *et al* (2022) in an experimental study compared two groups of employees – those fully in the office and those who were assigned to work two days a week remotely (that is, in hybrid mode). They found no differences between two groups in their manager-rated performance, while hybrid employees self-rated their own

performance a bit higher than in-office workers, and their number of lines of code they wrote (work output) was higher as well. Gibbs *et al* (2021) compared pre- and post-pandemic performance and found no changes in objective performance indicators.

The companies we interviewed all described the strong performance they experienced during the pandemic. Company results, as measured across multiple objective dimensions, including profitability, revenues, sales and productivity, were as good as, or in many cases, better than they were pre-pandemic. Our interviewees cited several examples of strong performance:

- *“We were incredibly productive during the pandemic. We’ve proven that this can work.”*
- *“If you look at our financial outcomes through the pandemic, they were extraordinary.”*
- *“Our company had excellent financial performance. We went public during the pandemic.”*
- *“Sales and revenues both increased.”*
- *“Our employee turnover dropped to its lowest point, our share price doubled, and we became profitable.”*

The most notable finding is that none of the companies we interviewed described a decline in company or employee performance during the two years of fully or mostly remote working.

Remote working also brought about operational changes that positively impacted company performance. The most cited was the ability to hire talent in geographic locations that were not as competitive but were out of reach previously with the *“in-office”* requirement. One firm told us that during the pandemic, their US operations, which are based in California, hired employees from 15 different US states. This geographic flexibility allowed them to find great talent at lower prices than they could find in their local market.

It is not clear from the literature if the strong performance was generated from employees working better, or longer, or a combination of both. The data across different countries suggests that employees who have at least some degree of remoteness in their work location more frequently work more hours than required (Eurofound, 2022). Interestingly, employees in the hybrid work arrangement do this even more than those who work fully remote, with almost 50 percent of employees in this group reporting overtime hours and more hours than required (Eurofound, 2022). The share of employees in (fully or partially) remote work arrangements that worked overtime was found to be higher than the national average of all workers in 25 out of 27 European countries surveyed (Eurofound, 2022).

One reason that remote employees may work longer hours is that they re-allocate their saved commuting time to working time. Aksoy *et al* (2023) found that employees who work remotely allocate on average 40 percent of the time they saved on commuting to their job tasks. This data on overtime, compared to the overall positive or “no-change” impact on performance, suggests that productivity (per work hour) might decline in remote or hybrid work arrangements. A study of Gibbs *et al* (2021), based on a sample of more than 10,000 employees in a large IT services company explored this proposition and found that the actual productivity per work hour fell by 8-19 percent in the fully remote mode, compared to pre-pandemic levels. Gibbs *et al* (2021) demonstrate with their data that these productivity losses could also be due to the increased communication and coordination of remote work. We explore these issues in the separate section below.

3.3: Leaders don't know if remote collaboration works.

Existing empirical evidence on collaboration is mixed, but it predominantly points to negative effects of remote work on collaboration, communication and knowledge sharing (eg Allen *et al*, 2015; Jackowska and Luring, 2021; Wong *et al*, 2022). For example, remote work has been consistently found to increase both professional and personal isolation (Soga *et al*, 2022; Wong *et al*, 2022) – which the researchers interpret as an outcome of the lack of collaboration, knowledge sharing and peer-to-peer learning in remote work environment.

Indeed, older pre-pandemic meta-analyses that explored knowledge sharing in remote teams report negative effects (Mesmer-Magnus *et al*, 2011; Ortiz de Guinea *et al*, 2012) but their findings are nuanced. Specifically, Ortiz de Guinea *et al* (2012) found that remoteness negatively influenced frequency of communications and level of knowledge sharing and that this negative effect was stronger for the teams that worked together for a short time compared to longer-term teams, suggesting that, with time, teams find ways to adjust. They also found that the method of measuring remoteness (binary versus as a continuum) influenced the findings. The results from Mesmer-Magnus *et al* (2011) may shed more light on this, as their meta-analysis found that the effects of remoteness on knowledge sharing in teams is curvilinear rather than linear. This means that low levels of remoteness in teams improve information sharing, but high levels hinder it. Working in remote teams (that is, spatial separation from one's colleagues) negatively influences frequency of knowledge sharing among employees and temporal separation (that is, when an employee's chosen working times differ from those of their colleagues) decreases their awareness of the knowledge those colleagues have to offer (van der Meulen *et al*, 2019). Interestingly, not only employees who work

remotely may suffer - employees who remain in the office can also feel professional isolation and decrease in collaboration, when their colleagues go remote (Rockmann and Pratt, 2015).

Evidence on other behaviours related to collaboration also indicate the challenges of remote work. For example, remote workers engaged less in helping other team members (Lautsch *et al*, 2009). Recent experimental research demonstrates that people are much less likely to agree to help requests made via different communication media than those made in-person and that people who seek help substantially underestimate the relative advantage of asking for help face-to-face (Roghanizad and Bohns, 2022).

Post-pandemic research also indicates that remote workers received less peer feedback on their work (that is, on-the-job-learning, Emanuel *et al*, 2022). Whillans *et al* (2021) explored how work teams adapted their activities after the pandemic-induced shift to fully remote work and found that they allocated less time than before to the activities that involved building on each other's ideas, brainstorming and sensemaking of prior meetings and interactions.

One of the few studies that argue that some degree of remoteness is the best, Choudhury *et al* (2022) found in their experiment that employees who worked in a hybrid mode (specifically, those who spend from 23 percent to 40 percent of their time working remotely) had the highest quantity of email communications with the colleague and the highest novelty of their work output. However, in the light of Gibbs *et al* (2021) study we discussed above, that suggests productivity losses due to increased communication and coordination costs, it is less clear whether this finding from Choudhury *et al* (2022) points to increased collaboration as the authors interpreted it, or to the increased coordination and collaboration challenges hybrid employees can face. Furthermore, recent evidence suggests that reliance on text-based electronic communication (such as emails) for completing complex collaborative tasks - the ones that require resolving ambiguity and conflicting interpretations to form shared understandings - negatively affects performance (Gajendran *et al*, 2022).

Existing evidence also suggests that remote or hybrid work arrangements alter not only the quantity of collaboration and communication, but also their patterns – that is, with whom people collaborate. For example, Bloom *et al* (2022) found that employees that worked in hybrid mode (two days per week remotely) focus more on communicating with their close contacts than those who work in the office. Research also reports that with the shift to fully remote work due to the pandemic, collaboration networks of employees became more static and siloed, with fewer bridges between disparate parts (Yang *et al* 2022, Dahlander *et al*, 2021). Zappa *et al* (2023) studied the other shift - from fully remote

due to pandemic to hybrid mode afterwards - and also found that the informal sharing network in the organisation they studied shrunk and became more siloed – that is, employees were mostly going for work-related advice to those who work in the same work arrangement, e.g. fully remote employees talked mostly to other fully remote employees.

At the firms we interviewed, collaboration during the time when everyone was fully remote continued and was successful in the sense that employees and teams collaborated and work together to generate very good performance and objectively strong results. Projects were completed, deadlines were met, and critical financial targets at the company were achieved or even exceeded. There is no disputing the measurable outcomes that employees and teams -- working together -- achieved during the pandemic. Several leaders confirmed the ability of their employees to work together while remote.

- *“Collaboration certainly didn’t suffer from a technical point of view. In fact, if anything, it allowed us to put in a framework to develop the human side of collaboration as well.”*
- *“Collaboration remained the same or even increased, because we had to work remotely, and everybody had to stay at home, so the urge to remain connected to your colleagues was really there.”*
- *“I don’t have evidence, either positive or negative, about whether collaboration is changing.”*

Others expressed some concerns about the relational aspects of collaboration - for example, whether employees were building good relationships with their teams, as well as whether company-wide collaboration across teams was diminished because of remote work.

- *“We actually saw people through the pandemic build stronger bonds with their immediate team and their peers. The [aspect of collaboration we monitored] was making sure that employees felt connected more broadly to the company, the leadership teams, and the community.”*
- *“There was lower informal interaction among colleagues ... when everyone is fully remote the distance between the third floor the 10th floor is as large and as long as between Brussels and New York.”*

Where collaboration worked, it was due in part to companies already having in place the widespread use of technology tools that facilitate remote teamwork, such as Dropbox, Google Docs and Google Sheets, Microsoft Teams, Zoom and Slack. The use of already familiar tools helped employees continue working effectively together even when they were physically apart.

- *“During COVID on Zoom, there was a more equal, symmetric exchange of information. Before COVID it was asymmetric. There was more information exchanged in central hubs where a lot of people worked, versus in less populated offices.”*

Despite the evidence of strong company results and the successful use of collaborative technology, some leaders expressed a belief that collaboration requires physical presence in an office.

- *“There is more synergy when people are in the office. Zoom is a second best solution.”*
- *“It’s hard to innovate from your couch because innovation comes from collaboration.”*

The consensus point of view that emerged was that the outputs that require collaboration effort were not impacted by working remotely. Company results are objective and clear evidence that employees worked together to accomplish stated goals. Even so, the leaders we interviewed expressed concern that employee collaboration declined during remote work. They worry that employees become fatigued from interacting and working over video, that their broader networks across the company atrophy or are never created, and that informal conversations that spark ideas are harder to initiate and hold remotely. These opinions were consistently expressed among our interviewees, but they did not have evidence to support them.

3.4: The culture argument to return to the office is not convincing

One of the most common arguments companies make to bring employees back to the office is based around culture. The premise is that having employees present in the office will help create, strengthen, improve, or amplify the company’s culture. For example, Dublin Chamber and Savills (2023) report that 75 percent of their respondents had concerns about cultivating positive team culture in remote and hybrid work mode and 62 percent were concerned about onboarding new staff, which can be interpreted as at least partially related to the integration of newcomers into organisational culture.

Empirical evidence that explores this argument is very limited. Most of the past research on the connection between organisational culture and remote work explored the ‘right’ organisational culture as an important enabler of the successful remote working (Gohoungodji *et al*, 2022; Allen *et al*, 2015). There is some advice in the literature on how to keep organisational culture in hybrid or remote work environments (Arena *et al*, 2023; Asatiani *et al*, 2021; Hinds and Elliott, 2021), but these papers do not provide any evidence to support the claim that organisational culture is diluted due to remote working.

Culture is a vague concept that is not well defined or measured in the organisational literature. It is therefore possible that some employers, when raising concerns about culture, are referring to employee engagement and organisational commitment. To this end, pre-pandemic research demonstrates that remote working slightly enhanced organisational commitment (Allen *et al*, 2015). A recent meta-analysis demonstrates that any amount of remote work positively influences organisational commitment, while the intensity of remote working did not play a role (Gajendran *et al*, 2021). This result suggests that fully remote work does not differ from hybrid work in terms of employee commitment. These findings need to be interpreted in light of the fact that, pre-pandemic, the opportunity to work remotely was often offered as a bonus and it might be one of the reasons why employees reacted to it positively.

During the pandemic, everyone was forced to work remotely, and hence the effects on employee commitment and engagement might be different. A longitudinal study that monitored employee engagement during the pandemic between March 2020 and January 2021, found that employee engagement decreased over this time (Straus *et al*, 2022). They suggest that this decrease results from the depletion of various resources, such as social support from colleagues and leader support during this acute period of the pandemic, which make the results difficult to generalize to other time periods.

We found that culture was not easily defined by the company leaders we interviewed. Just one leader was able to offer a definition of his company culture:

- *“I think a good summary is bringing value to society and customers, being innovative, and enjoying what we do.”*

The remaining leaders we interviewed were not able to offer a clear definition of their culture or describe how they measured or assessed it. Some of them remain unconvinced by the “*culture*” argument and are highly sceptical that culture is meaningfully impacted by bringing employees back to the office.

- *“Culture is a weak argument to bring people back to the office.”*
- *“Culture is one of those blurry concepts that are sometimes hard to grasp.”*

Some leaders specifically identified the culture argument as an excuse that leaders were using to bring employees back to the office.

- “I would say that culture sounds more like an excuse.”
- “I think culture is the biggest con of 2023. I think a lot of companies are using the culture piece as an excuse.”

Ultimately, there is no empirical or academic evidence that suggests either an office or physical proximity is either a necessary or sufficient condition for creating a strong, functional culture. Companies that are fully in the office can have dysfunctional, weak, or toxic cultures just as fully remote companies can create functional, strong, and supportive cultures.

3.5: Employers limit their control over employees

Organisational control is a set of mechanisms aimed at aligning employees’ activities and performance to organisational objectives (Pianese *et al*, 2022). It can be enacted both through formal (eg rules, procedures, key performance indicators) or informal (eg shared norms, trust relationships) systems. Pre-pandemic research suggests that organisations often shifted to output control when their employees went remote (Pianese *et al*, 2022). While this approach was appreciated by employees, it was also found to produce negative side-effects such as less collaboration and helping among colleagues or more stress and anxiety among remote workers (Lautsch and Kossek, 2011; Virick *et al*, 2010; Biron and Van Veldhoven, 2016). Digital surveillance tools, not surprisingly, were found to be perceived by employees as intrusive and unreasonable (Charbonneau and Doberstein, 2020) and a recent meta-analysis suggests that such electronic performance monitoring tools do not improve worker performance and increase employee stress (Ravid *et al*, 2022). Pre-pandemic research hence suggests that combining formal and informal control systems is optimal for managing remote workers (Lautsch and Kossek, 2011; Pianese *et al*, 2022). It also demonstrates that it is beneficial to use the same approach to monitoring remote and non-remote employees rather than designing a separate approach for those who work remotely (Lautsch *et al*, 2009).

Post-pandemic research also suggests that too much monitoring of remote workers by their line managers negatively affects employees, making them feel that they have less autonomy and less control over their work and that their managers have less trust in them (Zheng *et al*, 2023). These feelings were found to make remote employees question their abilities and feel physically and intellectually exhausted. Zheng *et al* (2023) also found that those negative effects were particularly pronounced when line managers’ monitoring behaviour varied from day to day at the onset of pandemic – employees perceived such monitoring as unpredictable and hence felt even more stressed.

There is some evidence that remote employees often self-monitored their own output in response to ambiguities in their work arrangements and concerns they had about their visibility to their managers and colleagues (Cristea and Leonardi, 2019; Hafermalz, 2021; Pianese *et al*, 2022). These studies demonstrate that remote workers themselves put extra efforts into communicating frequently with their managers and colleagues and making their work progress more visible to others.

A recent study of managers of distributed, hybrid teams suggests that managers perceive the increased visibility of the work processes and hence feel less need to rely on performance metrics and output controls (Downes *et al*, 2023). Downes *et al* (2023) also found that team managers were sceptical and reluctant to use output controls, because they felt these metrics often did not suit the collaborative and complex nature of the tasks their teams worked on.

Our interviews demonstrate the same lack of adoption of employee monitoring tools. Despite the widespread availability of people analytics software and remote monitoring to track employee meeting time, web and software usage and other measures of intra-day work, no leader we interviewed used or analysed that type of data to track or evaluate employee performance.

- *“On the monitoring, it’s a hard no.”*
- *“We do have people analytics – I’m not sure how it is used.”*
- *“I’m not aware of any people analytics or monitoring.”*

Instead, there seemed to be an almost complete absence of any controls at all over daily work. For example, when employees were all working fully remotely, no employer we interviewed disseminated expectations or guidelines around common working hours, expected response times to emails or text messages, or common rules about video conferencing, including the use of cameras.

Our idea when we began this study was that employers initiated a return to the office to increase the control and management of their employees by being able to observe their workday. We imagined that managers supervising remote employees might feel that they had no control over their employees and lack trust that they were working during the day. Our interviews suggest that employers are both philosophically opposed to the idea of implementing widespread employee monitoring and don’t fully see the need to do so.

Supervisors play a key role in enacting organisational control (Pianese *et al*, 2022). However, emerging evidence from the pandemic period suggests that managers found it challenging to cope with their role in this new environment (Birkinshaw *et al*, 2021) and found remote working (or remote

managing) more difficult than their employees (Ipsen *et al*, 2021). First-line managers (team leaders) whose job is to manage daily operations were found to be more challenged than other management levels (Andersone *et al*, 2023). Along the same lines, Dublin Chamber and Savills (2023) report that 41 percent of their respondents had concerns about managing remote and in-person teams in the new hybrid environment. The variability and perceived unpredictability of monitoring behaviours of line managers during the first months of the pandemic that Zheng *et al* (2023) identified may reflect these challenges, as line managers most likely were in the process of figuring out which approach to monitoring their newly remote subordinates works the best.

At the same time, managers perceived the organisational support that could help them to deal with these challenges as either lacking or outdated and superficial (Ipsen *et al*, 2022; Andersone *et al*, 2023). In this light, it is understandable that the majority of managers (67 percent) reported they would prefer to manage from the office (Ipsen *et al*, 2022). This finding can explain why organisations want so much to bring employees back to the office – because the majority of managers reported that their managerial job is more demanding when done remotely (71.6 percent) and it requires them to work more hours (64.8 percent).

Emerging evidence also suggests that in reaction to these challenges, managers changed their behaviours and became more task-focused at the expense of relationship-building (Birkinshaw *et al*, 2021). This finding can be at the root of the other frequently raised concerns we discuss in this paper – about collaboration and culture, because they depend on interpersonal relationships in the organisation. Hence, if managers shifted their focus away from relationship-building activities, it is plausible to suggest that collaboration and organisational culture may suffer.

In terms of the support offered to managers by the companies we interviewed, the most common initiative we heard was for companies to develop and offer online training to managers about how to better manage and engage remote employees through trust-building and empathy. However, these initiatives were mostly rolled out at the early stages of pandemic and focused on a remote-only environment. Only one company we have interviewed developed a targeted training programme for managers when it shifted to the hybrid mode post-pandemic.

3.6: Remote workforces might be more diverse and inclusive

Emerging research suggests that remote and hybrid work arrangements bring both opportunities and risks in terms of diversity and inclusion (Milliken *et al*, 2021). On the one hand, employers' flexibility about work location creates more opportunities for various groups of individuals to join the workplace,

eg it enables employees to balance their work commitments with family care responsibilities or facilitates access to work for employees with disabilities. On the other hand, remote work may amplify the challenges these groups of employees often have at the workplace, or even create additional ones. For example, Szulc *et al* (2021) report that communication problems in the virtual work environment were particularly burdensome for neurodivergent employees. They also indicate that changes in the work routines and longer hours associated with remote working (discussed in Finding 2), also represent an additional challenge for neurodivergent employees. These problems can be further escalated by the fact that line managers find it more difficult to monitor these issues in the remote work setting.

In their comprehensive literature review on the gender aspects of remote work, Villamor *et al* (2023) demonstrate that remote work has the potential both to enable and inhibit career outcomes for women. For example, working virtually may both reduce gender-stereotyping social cues and at the same time provide fewer social cues to counter already existing negative stereotypes. Similarly, working virtually may further increase the exclusion of women from informal networks (Milliken *et al*, 2020), or enable women to more easily access a company's knowledge and expertise, if a company uses digital collaboration tools (Wu and Kane, 2021).

In our interviews, almost half of the leaders we interviewed experienced and described an increase in the diversity and inclusivity of their workforce thanks to the opportunity to work fully remotely, mainly as a result of hiring new talent from previously underrepresented groups

- *"We have much more diversity now. We have more neurodiverse workers and it's been easier to attract and retain working parents.*
- *"We increased our female workforce numbers by 9%" during the pandemic"*
- *"Since the pandemic people more comfortable being open about who they are and what their needs are – we're a much more inclusive environment".*
- *"Our workforce is more inclusive. During the pandemic we hired several workers with disabilities".*

There have always been workers who find a commute or fixed hours in the office to be an obstacle to full-time employment. Caregivers, working parents and the disabled are a few examples of employees who could most benefit from the absence of a commute and the presence of flexibility that remote work offers. Our small sample suggests anecdotally that companies can begin to build a more diverse

and inclusive workforce by continuing to offer fully remote and flexible hybrid work options to employees.

4. Concluding observations and policy recommendations

Let us summarise key observations that stem from our analysis:

- Company performance of the firms that we interviewed was very strong during the pandemic. The leaders we interviewed all confirmed that their companies generated very strong results and performance during the pandemic, as measured across several variables including sales, revenues, profitability, employee retention, and increased workforce diversity.
- Companies do not have data or metrics to monitor the 3 Cs. While our interviewees varied in the level of concern that they had about the 3 Cs - collaboration, control and culture, what united them was a universal absence of data to define or evaluate these issues. Instead, senior management teams relied on their own perspectives, and often biases, to develop points of view and policies around each of the three Cs. For example, we were not able to find or elicit from most of the interviewees a clear definition of company culture or understand specific ways it was impacted by the shift to remote work.
- The rationale for returning to the office is weakly explained. All the companies we interviewed are from sectors (professional services and technology) that can relatively easily transition to remote work. Most also have international operations which means that even pre-pandemic they were used to working in geographically distributed teams. Considering that performance did not suffer during the pandemic and the companies did not have specific evidence that other commonly held concerns (collaboration, culture or control) were a problem, it is surprising to see that most of our respondents implemented policies that require their employees to return to the office at least some of the time.
- There was a lack of company-wide guidelines and expectations around remote work by senior management or HR. Companies did not proactively discuss and agree upon common working hours, expected email response times, Zoom availability, or new norms around intra-company communication, collaboration and knowledge sharing. As a result, there was little consistency, and working norms were created within teams or departments, or not at all.

- Lack of organisational support left managers struggling. Many companies did not implement learning and training for managers or employees to help them adapt to remote managing or working. After the shift to remote work during the lockdowns, sharing of best practices and what was working well among teams was used in some companies, though not in all. However, after the shift from fully remote to a post-pandemic - mainly hybrid - work arrangement, the majority of the companies did not provide any support to their employees.

Based on our analysis, we propose the following recommendations that can guide managers in their decisions about post-pandemic organising of their business:

- Be intentional, proactive, and strategic about supporting remote or hybrid work.

Both the review of existing research and our interviews suggest that remote or hybrid work can lead to good performance, effective collaboration, sufficient control, and/or a strong culture. It also has the potential to boost diversity and inclusion. Companies need to consciously, strategically, and proactively manage the policies and processes that support remote or hybrid work to achieve and sustain these positive outcomes.

Specifically:

- Develop concrete work location guidelines.

As companies experiment with hybrid work in different forms, or consider returning fully to in-office work, or staying fully remote, it's important to decide and communicate to employees the priorities, goals, and guidelines for post pandemic work. Describe the company's work location policies and its specific rationale, as well as how your company *"earns the commute."*

- Clearly define and monitor culture.

If culture matters to you and your company, clearly define what it means and communicate it to your employees. Otherwise, it is likely to be perceived as a poor "excuse" to bring employees back to the office.

- Proactively manage relationships and collaboration

Relationships and collaboration in remote and hybrid mode need to be intentionally managed – both by employees themselves (Hafermalz and Riemer, 2020) and via

organisational interventions. For example, Bojinov *et al* (2021) demonstrated in an experimental study that “*virtual water coolers*” as an organisational intervention targeted at newcomers had a positive effect on their integration in the organisation and their performance ratings.

- Teach managers how to successfully manage remote and hybrid workers and teams.

The skills of managing remote and hybrid teams do not come naturally (or may take very long to develop). Learning and professional development are important to help managers develop the skills to successfully manage remote or hybrid employees. Companies need to develop, support, and train managers on how to communicate, coordinate, and optimize performance among geographically dispersed workers (eg Latsch and Kossek, 2011 offer a useful framework to stimulate your thinking on this).

To help managers, companies should clearly communicate expectations around common working hours, acceptable response times, and knowledge sharing procedures to facilitate successful remote and hybrid working outcomes.

- Develop policies to support diversity and inclusion.

To capture the benefits of alternative work arrangements for enhancing diversity and inclusion, and at the same time minimise the risks these work arrangements may bring for the underrepresented groups of employees, companies need to consciously manage the process. For example, line managers need to diagnose and monitor the needs and challenges of their subordinates and develop team norms and expectations that lead to strong performance while considering individual employee needs and preferences. To enable them to do so, organisations need to train line managers and develop supportive guidance policies. Mortensen and Haas (2021) can serve as a useful starting point to develop those.

This intent of this working paper is to spark conversation about the employer perspective on work location – it is too early and too close to the pandemic period to have concrete take-aways and definitive conclusions. Our goal is to offer a framework for thinking about post-pandemic work, and to introduce specific dimensions for consideration, based on early post-pandemic studies, and our small sample of interviews with corporate leaders who are making decisions and policies about work location real-time.

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Appendix A: Methodology of the study

This paper is a qualitative investigation of the impacts of the shift to remote work during the COVID-19 pandemic from an employer perspective. To evaluate the benefits and challenges employers experienced, we completed a comprehensive academic literature review and conducted structured interviews with senior employees at eleven companies.

The goal of the literature review was to capture existing evidence about employers' experiences in managing remote and hybrid workforce, as well as in transitioning their workforce to fully remote work, and then to a new post-pandemic approach. In line with the focus of this paper, we particularly focused on studies that reflected the employer or company perspective. In our literature search, we considered both post-pandemic and pre-pandemic research (where it was relevant to our research questions). We prioritised the most recent empirical evidence, in order to capture the impact of the abrupt changes in the location of work caused by the COVID-19 lockdowns, and their early after-effects. Among pre-pandemic research, we prioritised meta-analytic or systematic literature review studies where possible as their findings are more robust against various contextual factors (Barends and Rousseau, 2018; Tranfield *et al*, 2003).

To identify this literature, we used academic databases (Business Source Complete) and a range of search terms that reflect our core concept of interest (eg Allen *et al*, 2015) such as *remote work*, *hybrid work*, *telework*, *telecommuting*, *distributed work*, *virtual work*, *work from home*, *work from anywhere*, *flexible work*, and *distance work*, as well as team-level equivalents where applicable (eg *virtual team*, *distributed team*, *hybrid team*) and searched in the titles and abstracts of the papers. We further combined them with the search strings for meta-analyses and systematic reviews (Barends and Rousseau, 2018), as well as the search strings for other concepts we were interested in and their synonyms (eg *performance*, *collaboration*, *knowledge sharing*, *culture*). Separately, we searched for government and industry reports. As a result, we incorporated academic peer-reviewed articles into this paper, as well as industry articles and reports based on empirical data.

While interpreting existing research on remote work, it is important to acknowledge that the majority of existing studies have measured the work location in the binary mode – mainly contrasting employees who work fully on-site with all others (eg Lautsch *et al*, 2009; Gibbs *et al*, 2021), or focused on remote workers only (eg Golden and Raghuram, 2010). In other words, we often cannot isolate in the previous studies those who work partially remotely – or in “hybrid mode”, despite this group being of particular

interest now as many companies are opting for this approach. For clarity of interpretation, we specify in our analysis what point of comparison a specific study used.

We also conducted structured interviews on a small sample of senior leaders from eleven organisations. We focused on companies from technology and professional services sectors as they are experimenting the most with different work location policies (Flex Index, 2023a). We sought to interview individuals in senior HR or general management roles who were knowledgeable about the organisational-level challenges and decisions made, relating to the work location of their employees. To recruit participants for our interviews, we reached out to companies that were part of Bruegel's Future of Work Excellence Network and that are current corporate members of Bruegel. We selected these companies based on their established affiliation with Bruegel, which indicated an interest in the research work we do and a likely willingness to agree to a one-hour interview and share candid perspectives with us. We also reached out to companies that were professional connections of the authors, for the same reasons. An anonymised description of the companies interviewed is included in Appendix B.

We developed a structured interview questionnaire of open-ended questions to encourage in-depth, contextual responses based on the respondent's personal experiences. The questions were based on the authors' expertise, the knowledge gained from Bruegel's Future of Work project and prior projects about remote work and informed by our review of the existing literature. In addition, we also focused on the specific topics covered in this paper: collaboration, control, and culture. The questionnaire used is attached in Appendix C.

We conducted the interviews by Zoom, and with the participants' permission, we recorded them all except for one. Each interview lasted about an hour and was tailored to the interviewees' expertise, role, and experiences. We then used otter.ai to create a transcript of the interview that both authors could use to review responses, identify common themes and trends and select specific quotes and examples. To avoid corporate legal review, the interviewees indicated that they did not want to be quoted by name, so the comments and quotes are anonymised by person and company in this paper.

Appendix B

Description of companies interviewed

All companies we interviewed were publicly traded and had multiple offices worldwide.

Company code	Company size (No. of employees)	Industry	No. of offices worldwide
A	> 700,000	professional services	200
B	>200,000	financial services	over 2500
C	>180,000	technology	70
D	>80,000	financial services	600
E	70,000	energy	30
F	40,000	professional services	over 4700
G	5,500	technology	30
H	3,500	technology	over 20
I	1,200	technology	8
J	1,000	technology	over 20
K	400	technology	over 20

Appendix C

Interview Guide

- How many employees does your company have?
- What is your current policy on remote/hybrid/in-office work?
- What was the biggest driver of that policy?
- What was your experience in terms of impact of the location of work on employee productivity? For example, did you experience a decrease or increase in the employee productivity when you worked remotely? How did you measure productivity?
- Do you have any measure (surveys, etc) of which work location policy your employees prefer?
 - If not, why not?
- What was your experience of remote work during the pandemic? How do you think it impacted:
 - employee collaboration,
 - firm culture, and
 - manager control
- How do you track or measure each of those dimensions?
- If the company's policy is no longer fully remote, how do you expect your new policy to impact.
 - employee collaboration,
 - firm culture, and
 - manager control
- What impact do you expect your work location policy to have on company results?
 - How do you measure/evaluate your managers' ability to manage remote workers?

- Have you provided any training to your managers to improve their ability to manage remote workers? If so, please describe.
- Do you use any people analytics or employee monitoring tools/software to monitor employee work time or tasks? If so, what are they?



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