Managing flexible work arrangements: Teleworking and output controls

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A B S T R A C T

Flexible work arrangements present managers with challenges regarding how to manage employees using these arrangements. To date, little research has investigated how managers address these challenges. We investigate the relationship between the use of a specific implementation of flexible work (teleworking) and control system design, specifically the emphasis on output controls. Teleworking reduces the feasibility of monitoring employee behaviour as a control mechanism. Control theory suggests that this might be compensated by placing more emphasis on output controls. We conduct a survey (N = 897) among employees of a financial services institution, of whom 69% is allowed to telework. We find that among teleworking employees, the share of teleworking hours is positively related to the emphasis on output controls. However, employees who are allowed to telework report less emphasis on output controls by their manager relative to those not allowed to telework. We pose various directions for future research, which may help in explaining these findings.

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1. Introduction

Flexible work arrangements are practices such as working from home, working outside regular office hours, reducing or extending contract hours or banking overtime hours (Den Dulk, Groeneveld, Ollier-Malaterre, & Valcour, 2013; Stirpe & Zárraga-Oberty, 2017). These arrangements are offered by firms to support employees in balancing their work and personal life and improve firm performance (Richardson & McKenna, 2014). Although there is a substantial literature investigating the antecedents and consequences of flexible work arrangements at the employee and the firm level (e.g. De Menezes & Kelliher, 2016; Kröll & Nüesch, 2017), there is less attention on how managers address the challenges arising from this increased flexibility. By definition, flexible work arrangements result in employees working at different times and different locations, while performing the same activities and having the same responsibilities and requirements. As Lautsch, Kossek, and Eaton (2009, p. 795) noted, ‘[Managers] must learn how to supervise, maintain contact with and elicit performance from telecommuting subordinates despite the fact that they are out of sight’. This study focuses on this little-researched aspect, namely on how individual managers deal with the challenges of managing teleworking employees.

The literature on teleworking suggests that managers may deal with the challenge of not being able to monitor the actions of teleworkers by placing more emphasis on output controls (e.g. Felstead, Jewson, & Walters, 2003; Kurland & Egan, 1999). This assumption is in line with control theory. Control theory concerns itself with the processes that firms use to ensure that employee actions are aligned with the objectives of the organisation (e.g. Snell, 1992). Control theory suggests that when direct monitoring of employees is not possible, output controls will become more important (Eisenhardt, 1985; Ouchi, 1979; Snell, 1992), which means managers will place more emphasis on targets, performance indicators and outcomes in managing their employees.

The current study investigates whether the logic of control theory holds empirically in a setting where teleworking is used as a means of implementing flexible work arrangements. To our knowledge, the assumption that managers will put more emphasis on output controls when they allow their employees to telework has not been tested empirically. By establishing whether this is the case, we provide a basis for an increased understanding of how managers address the challenges of managing in a flexible work setting.

The remainder of the paper is organised as follows: in Section 2, we develop our hypothesis on the basis of the current literature.

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Our research setting and survey method is explained in Section 3. Section 4 presents our results, and in Section 5, we discuss the theoretical and practical implications, and the strengths and limitations of our study.

2. Theory

2.1. Flexible work arrangements and teleworking

Flexible work arrangements offer employees the possibility to deviate from regular working hours and locations. They come under various names such as work-life arrangements, family-friendly working practices and flexible working, and they involve arrangements such as allowing part-time work, flexible working hours, compressed working weeks, saving overtime hours and working from outside the office (e.g., De Menezes & Kelliher, 2016). In this study, we focus on a specific arrangement, namely teleworking. Teleworking, which comes under various names such as telecommuting, remote working or working from home, is defined by Gajendran and Harrison (2007, p. 1525) as ‘an alternative work arrangement in which employees perform tasks elsewhere that are normally done in a primary or central workplace, for at least some portion of their work schedule, using electronic media to interact with others inside and outside the organisation’. Although teleworking can be relatively accurately identified, the various names and definitions used complicate the assessment of its prevalence (e.g., Allen, Golden, & Shockley, 2015). Estimates of how many people are allowed to telework vary from around 10% of firms in Spain (Mayo, Pastor, Gomez-Mejia, & Cruz, 2009) to around 50% in the U.S. U.K. and Germany (Bloom, Lang, Roberts, & Yinger, 2015; Whyman, Baimbridge, Buraimo, & Petrescu, 2015). Teleworking is increasingly important, especially in light of the increasing quality of technological applications, which facilitate working outside the office.

Teleworking has received substantial attention in the literature, for example, with regard to the impact of teleworking arrangements on individual teleworkers, including their social relationships, work-family conflict, job satisfaction, organisational commitment and job performance (Biron & van Veldhoven, 2016; Gajendran & Harrison, 2007; Kossek, Lautsch, & Eaton, 2006; Martin & MacDonnell, 2012; Richardson & McKenna, 2014; Stirpe & Zárraga-Oberty, 2017), and the organisational performance effects of teleworking (Beauregard & Henry, 2009; Bloom et al., 2015; Coenen & Kok, 2014; De Menezes & Kelliher, 2011; Whyman et al., 2015). For example, Coenen and Kok (2014) found that teleworking is beneficial for new product development performance through increasing cross-functional communication resulting from increased virtual interaction. Bloom et al. (2015), by applying a rigorous experimental methodology, found a substantial positive impact of teleworking on performance in a call centre: call centre employees who were allowed to work from home showed a 13% increase in performance relative to a within-firm control group. After the success of the experiment, the option to work from home was extended to all call centre employees of the case firm, resulting in a productivity increase estimated at 20–30%. However, De Menezes and Kelliher (2011) concluded that the literature does not offer a convincing positive effect of teleworking on financial performance.

2.2. Control theory and teleworking

As we have defined above, control is a process of aligning the actions of employees with the interests of the organisation (Snell, 1992). Once a firm has decided upon its strategic objectives, it has to make sure that it achieves these objectives by designing and applying control mechanisms (Anthony & Govindarajan, 2004). This approach to control is also called management control (e.g., Merchant & Van der Stede, 2012) or organisational control (e.g., Flamholtz, 1996). As such, it is different from the concept of psychological job control, which refers to the extent that an individual employee can decide on where, when and how they do their job (Kossek et al., 2006, p. 356). Control mechanisms can be formal, according to defined procedures and regulations, or informal, resulting from the way in which employees can relate to the organisation’s goals and their colleagues and how they interact and share information. Formal controls are often divided into controls at the behavioural or process level and controls at the results or output level; informal controls focus on the human input for organisational processes such as the existence of an organisational culture that leads to goal alignment between a firm and its employees and among employees, facilitated by placing an emphasis on the selection and training of well-qualified employees (Ouchi, 1979; Snell, 1992). Behaviour and output controls are more formal in that they consist of predefined procedures and targets. They necessarily require planning, monitoring and measurement.

Control mechanisms involving behaviour controls consist of prescriptions at the task level and frequent monitoring of whether these prescriptions are being followed (Allen, 1979). They necessarily require planning, monitoring and regulation of activities, they reduce flexibility and may also have a negative impact on employee motivation. Output controls typically give more freedom to the employee, in the sense that employees may choose how they arrive at certain predefined goals (cf. Kerr, 1975; Snell, 1992).

Building on earlier work by Thompson (1967) and Ouchi (1979), Eisenhardt (1985) identified two characteristics of employee behaviour that influence the feasibility of formal control mechanisms: (1) the extent to which performance can be measured and (2) the extent to which it is understood which type of behaviour leads to what type of result. Output controls require good performance measures, while behaviour controls require an understanding of the desired behaviour. Additionally, both types of control require that the relevant characteristic can be observed: for output controls, the organisation has to have the information systems that allow performance measurement and reporting, and for behaviour controls, it has to be able to monitor the desired behaviour (Eisenhardt, 1988).

One of the challenges in managing teleworkers lies in the reduced possibilities of monitoring employee behaviour (Allen et al., 2015; Bloom et al., 2015). Within the teleworking literature, a common suggestion is that the emphasis on output controls will increase when employees telework. For example, Sewell and Taskin (2015) indicated that eligibility for teleworking may partly be determined by whether an employee’s output can be measured. Furthermore, Felstead et al. (2003, p. 248) noted that ‘a widely recommended approach to the management of home-located workers is to monitor outputs rather than inputs’. Similarly, Illergems and Verbeke (2004, p. 325) suggested that ‘[t]elework requires setting clear performance objectives and measures’, and Allen et al. (2015, p. 50) noted that ‘concrete information on telecommuter performance … can offset managerial concerns with regard to lack of observation’.

Because teleworking is mostly implemented in an existing setting, with existing operations, procedures, activities and policies, in general, similar controls will be present in teleworking and non-teleworking situations. The essence of flexible work arrangements is that they provide flexibility to the employees without impacting the organisation as a whole (e.g., Peters & den Dulk, 2003). As a consequence, when managers allow employees to telework, they...
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