

**Managing a Remote Workforce:
Employee Engagement and Distance in the Insurance Industry:**



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Executive Summary

COVID-19 has changed the way insurers operate and these changes have created an opportunity to transform the sector. While many companies focus on implementing the right technology solution our paper focuses on the need to better engage remote and disparate teams.

Through the myriad of articles on the latest trends in insurance one theme appears to occur more than any other, that of employee engagement. This seems logical because employees are a common factor across all business units, but the need for engagement goes deeper than that. Employee engagement is a critical driver of organizational productivity, profitability, competitive advantage and customer loyalty.

The insurance industry has performed well and remained stable for the last hundred years, but like it or not, change is coming. A newfound recognition of the potential to work from home, a proliferation of remote work options, outsourcing, advances in technology and customer and demographic changes, , the need for innovation, and increasing competition are all climaxing into one truth:

Insurance companies need highly engaged employees in order to keep up with changes and differentiate themselves to remain successful.

This statement becomes even more important with the possibility of an increase in global insurers able to enter the US.

As the significance of employee engagement rises, so does the need for additional research to understand the essential elements to creating a work environment that drives it. With this in mind, we looked at employee engagement from several perspectives to gain a deeper understanding. The primary driving force behind engagement is organizational commitment, which has been a popular theme in academic research for several years. Although there are some very technical distinctions between commitment and engagement, for the purposes of this paper we will use the two terms interchangeably. The positive outcomes for both employer and employee that result from increased engagement have been well researched and are listed in the table below.

Benefits of Employee Engagement

- | <u>Organization</u> | <u>Employee</u> |
|---|---|
| <ul style="list-style-type: none">• Increased retention (both customer and employee)• Improved employee relations• Increased employee attendance• Increased employee performance• Improved goal achievement• Improved reputation/Customer loyalty• Improved profitability | <ul style="list-style-type: none">• Reduced stress• Improved work-life balance• Increased job satisfaction• Improved feelings of accomplishments• Perception of inclusion• Organizational citizenship behavior |

Distance Factors Affecting Employee Engagement

There are several factors that influence employee engagement including organizational values, organizational justice, leadership styles, perceived organizational support and person-organizational fit. One item of interest that we did not find much research for is the impact of distance on engagement. Several of the current changes happening within the industry, such as increases in remote work arrangements, outsourcing and diversity initiatives, are affecting the distance between employees and supervisors, co-workers and the organization itself. Therefore, we conducted a research study to see if different types of distance have any influence over employee engagement levels. It turns out they do, and the results were somewhat surprising in that of the many factors influencing engagement mentioned above, distance and specifically one type of distance, may account for up to one fifth of employee engagement levels.

Using Relational Distance, a multidimensional measure of distance consisting of structural distance, status distance and psychological distance, we found that only one measure of distance has any impact on employee engagement - **psychological distance.** Structural distance is the characteristics or properties of a technology, task, or organization that may influence organizational communication. Structural distance exists at the intersection of physical distance, channel of communication, and frequency of interaction. Status distance is created by differences in sociodemographic factors, power, and prestige and is akin to relationship inequality. Psychological distance is a lack of affinity between people and is driven by internal and sometimes unconscious factors. It is comprised of relationship quality and decision-making latitude.

Structural distance and status distance had no relationship with engagement, however structural distance, in connection with remote work arrangements, receives most of the attention from organizations, the popular press, and researchers. This paper goes into detail on each of these dimensions and presents an argument as to why, regardless of work arrangements and how far a supervisor's desk is from their employees, psychological distance can vary greatly and has a significant impact on employee engagement. We will try to dispel a common perception that physical distance negatively affects how engaged an employee is with their organization. We conclude with practical suggestions on how to reduce psychological distance by connecting with employees on a personal level. **Taking the time to do small and seemingly insignificant tasks can have a large impact on employee engagement and ultimately your bottom line.**

The following white paper is going to discuss how and why employee engagement is affected by distance in the workplace. In order to do so, we need to expand our thinking of distance beyond simply that of physical separation and learn why this is an important topic and one that is misunderstood in the minds of many. We will define engagement and explore why this is an essential and differentiating factor. We will look at some current trends in the insurance industry and how employee engagement and distance affect our workforce. We will also cover the current trends regarding remote work arrangements and their effects on engagement. To expand our thinking on distance, which can affect employees working both remotely and located in close proximity, we will look at the three different dimensions of distance, collectively termed relational distance. We will present our research on each of these types of distance in relation to engagement and conclude with a new set of management functions to enhance employee engagement based on our findings.

Remote Work After COVID-19 and the Need for Employee Engagement

According to Upwork¹, an estimated 26.7% of work force will still be working from home through 2021, and 36.2 million Americans (22% of the workforce) will continue working remotely by 2025. This is a staggering 87% increase from the number of remote workers prior to the pandemic.

A 2021 McKinsey Report² analyzing 2000 tasks used in 800 occupations found that 20-25 percent of work force could work from home without a loss in productivity and a reduction in office space by 30 percent.

Forward-thinking companies are evaluating how they work and where they work after the pandemic. We suggest that while companies consider new technologies, and new processes they not overlook a key to transformational success- employee engagement.

A report from ContactBabel stated that companies were concerned about: Effective Communications (48%), Technology Concerns (38%), Productivity Concerns (24%) and Trust (18%).

Three broad trends to look for are increasing use of virtual meetings, faster adoption of AI, and trend toward shifts in occupations such as STEM, management, and legal professionals.

With the continued rise of remote workers, remote working options, networking technology sophistication and documented benefits of working remotely, it is crucial that organizations work to successfully engage these employees in order to sustain the competitive advantage this operating structure has to offer. Technological advancements, changes in workers' thinking about work, and massive shifts from labor workers to knowledge workers are all adding to the pressures in today's work environment which

¹ Businesswire 2021.

² Lund S., A Madgavkar, J. Manyika, et al. The Future of Work After Covid-19. McKinsey Study.

will alter how businesses operate and how employees connect to their companies and work.

Organizational assumptions about whether remote workers are engaged contributes to the decisions of whether to implement remote work programs³. The impact these programs have on engagement is still not well known⁴. A number of studies suggest that work redesign policies, such as remote work options, can have a positive impact on work-life balance and a recurring message in these studies is that employees are more committed to the organization because they appreciate the autonomy and improved quality of life that these work alternatives offer.

According to HDA, a global provider of human resources outsourcing, a critical challenge for the 21st Century organization is in understanding how to engage employees in a world where geographical boundaries have no limits and remote working is commonplace⁵. Due to this ever-changing business environment, it will become increasingly difficult for employers to sustain the standard on-site employment structure maintained since the industrial revolution. As employees are increasingly equipped with laptops and mobile devices, information and ideas can be shared anytime and anywhere, and teleworking has become a viable option for employees in an array of jobs where physical presence is not necessary to complete the work. Although becoming increasingly important and prevalent, its effects and potential pitfalls are still uncharted territory for most companies and most managers⁶. In addition to the myriad of challenges faced in managing and leading employees in a traditional setting, there are several additional challenges to managing workers you rarely see. One of the greatest challenges managers may face in a remote work setting is how to create engaged and committed employees from a distance.

Improved performance is probably the most widely touted benefit associated with teleworking. There is much research that shows performance may increase for employees who work remotely. There are several possible reasons. First, employees can work in blocks of uninterrupted time and have increased work hours made possible by time saved from not commuting. Second, employees are very familiar with exchanging information with employees and customers over email. Finally, these employees can avoid some of the personal disruptions that can distract people from work. However, critical to high performance is the process of receiving feedback. Whether this feedback is project-based or on a formal schedule, employees must know how they are doing in order to perform at their best. In this vein, it is imperative for managers to establish clear, measurable goals that are understood by both leaders and followers and monitor these goals on a regular basis. Perhaps more important is the process of evaluation. Because managers can no longer see what employees are doing at any given time, these managers must evaluate outcomes based on completion of objectives rather than the more traditional view of measuring performance based on “attendance.”

³ Guimaraes, T., & Dallow, P. (1999). Empirically testing the benefits, problems, and success factors for teleworking programmers. *European Journal of Information Systems*, 8, 40–54.

⁴ Golden, Timothy D. (2006) Avoiding depletion in virtual work: Telework and the intervening impact of work exhaustion on commitment and turnover intentions. *Journal of Vocational Behavior*. Vol.69(1), Aug 2006, pp. 176-187.

⁵ Gallagher, Melissa (2009, March 26). Engaging a Remote Workforce. *Personnel Today*. Retrieved June 10, 2010, from <http://www.personneltoday.com/articles/2009/03/26/49899/engaging-a-remote-workforce.html>

⁶ Bailey, D. E., & Kurland, N. B. (2002). A review of telework research: Findings, new directions, and lessons for the study of modern work. *Journal of Organizational Behavior*, 23, 383–400.

Remote workers have greater autonomy over when and how to carry out work activities and respond to requests from others. Autonomy is employees' perceived control over how they carry out their job, including scheduling, work procedures, and task variety. Remote employees can also use electronic media, including email, to buffer intense face-to-face interactions which results in lower experienced stress at work. Employees who view their organization as helping to reduce stress are likely to display greater commitment in return for this reduction in stress⁷. Remote work options allow opportunities for professionals to ease work demands and simultaneously fulfill personal and family needs which will likely result in increased job satisfaction. Saved energy and time can be reallocated to leisure activities⁸, reducing work-family conflict, and enhancing job and life fulfillment,⁹ all of which will add to increased job satisfaction. Satisfied employees are more likely to be engaged with organization goals and are less likely to leave an organization that is meeting their personal and social needs¹⁰.

Benefits of Remote Working Options¹¹

Employer

- Cost savings from reduced overhead and expenses
- Recruitment incentive
- Improved retention
- Improved employee morale
- Increased productivity
- Reduced absenteeism
- Improved ability to maintain service levels during adverse conditions

Employee

- Less time commuting
- Improved concentration due to fewer distractions
- Improved quality of life
- Ability to set work hours to coincide with peak work time
- Increased sense of control
- Increased time with family
- Reduced stress
- Time and expense savings
- Improved work/life balance

Everyone

- Reduced air pollution
- Decreased highway pollution
- Improved health due to less germ sharing

Many of the benefits of remote working options can also be viewed as disadvantages. For example, the increased freedom and autonomy also brings several challenges such as lack of structure and lack of onsite technical support. Remote workers need often need to maintain their own maintenance and housekeeping doing small things rarely considered such as removing trash or vacuuming. There can also be a difficulty in separating work and family if not carefully monitored. Perhaps the biggest disadvantages

⁷ Rhoades, L., & Eisenberger, R. (2002). Perceived organizational support: A review of the literature. *Journal of Applied Psychology*.

⁸ Guimaraes, T., & Dallow, P. (1999). Empirically testing the benefits, problems, and success factors for teleworking programmers. *European Journal of Information Systems*, 8, 40–54.

⁹ Bailey, D. E., & Kurland, N. B. (2002). A review of telework research: Findings, new directions, and lessons for the study of modern work. *Journal of Organizational Behavior*, 23, 383–400.

¹⁰ Yoon, Jeongkoo, Thye, Shane R. (2002) A dual process model of organizational commitment: Job satisfaction and organizational support. *Work and Occupations*. Vol.29(1), Feb 2002, pp. 97-124.

¹¹ Karen Peterson, *SPHR, CAE*, Resource Review: Teleworking/Teleworking: An Overview *Dollars & Cents*, March 2009, <http://www.asaecenter.org/PublicationsResources/EnewsletterArticleDetail.cfm?ItemNumber=40556>

of remote working options are the feelings of isolation and difficulty in building relationships with co-workers. There are also several disadvantages to the organization such as security risks due to cyber-attacks, remote access problems, and increased liability for discrimination or monitoring non-exempt work time. Commercial insurance has not kept pace with the remote working trend. Insurance policies are intended to cover claims arising from a location defined within the policy. Regular and permanent use of the home (which is not an insured location described in the policy) precludes coverage in the property/general liability/workers compensation policies maintained by most associations.

Disadvantages of Remote Working Options¹²

Employer

- Potential remote worker/non remote worker dissatisfaction;
- Potential discrimination claims;
- Problems with remote access;
- Susceptible to cyber-attacks;
- Security risk;
- Increased cost working around needs of remote workers;
- Increased support cost;
- Retraining managers to manage by results;
- Difficulties keeping track of nonexempt employee time;
- Nonexempt employees working unauthorized overtime;
- Financial obligations or liability claims due to improperly used association email address;
- Jeopardizing exempt status because of the lack of contact with a remote worker. An employer may be tempted to require exempt employer to monitor work hours, assign task-oriented duties (rather than goal oriented) or limit their decision-making authority.

Employee

- Isolation;
- Altered relationships with coworkers;
- Ability to be passed over for promotion because of low profile;
- Ability to lose trust easier;
- Trouble keeping work and home separate;
- Difficulties with staying in the loop;
- Problems with remote access;
- Slower;
- No technical support on premises;
- Ease of laziness;
- High probability of distractions;
- Increased overhead (electricity, supplies, etc.);
- Cost of setting up home office.

Engagement

It is clear that technology has enabled a “new normal” with how people access their work and each other. One could make a strong argument that people are the

¹² Karen Peterson, SPHR, CAE ,Resource Review: Teleworking/Teleworking: An Overview Dollars & Cents, March 2009, <http://www.asaecenter.org/PublicationsResources/EnewsletterArticleDetail.cfm?ItemNumber=40556>

primary driver of any business in any industry and for a business to thrive and succeed it needs employees that are engaged in their work and committed to the organization. Employee commitment is viewed as a measure of a company's health because "[no] company, small or large, can win over the long run without energized employees who believe in the firm's mission and understand how to achieve it"¹³.

Employee engagement, as defined by The Kenexa Research Institute, is the "extent to which employees are motivated to contribute to organizational success and are willing to apply discretionary effort to accomplish tasks important to the achievement of the organizational goals."¹⁴ Engagement involves a 'psychological bond' that ties an employee to the organization; it is an emotional attachment, identification, and involvement that an employee has with their organization and its goals¹⁵. Engaged employees favorably rate measures such as "pride in their organization", "willingness to recommend it as a place to work" and "overall job satisfaction". It also accounts for greater company loyalty as employees are less likely to leave voluntarily. With effective employee engagement, much higher staff performance levels can be expected, as well as greater commitment to the company. Encouraging employee engagement can have an obvious positive effect on the company's success.

Three factors of Employee Engagement¹⁶

There are three factors that define employee engagement.

- (1) Belief in and acceptance of the organization's goals and values
- (2) A willingness to focus effort on helping the organization achieve its goal's
- (3) A desire to maintain organizational membership

The benefits of high engagement along these factors can easily be surmised and include positive outcomes such as increased retention, reduced stress, improved work-life balance, heightened morale, satisfaction and increased performance are of special importance in a remote work setting due to the costs and risks of instituting remote work programs¹⁷. Engagement has been shown to have an impact on several positive work outcomes which may be of increased importance to managers of remote work employees since they might have to change their strategies for monitoring employees from behavior-based to outcome-based controls, such as management by objectives. Behavior-based controls refer to the fairly common practice of supervisors evaluating performance based on employees' observable actions. Output-based controls refer to supervisor's evaluation of employee performance based on the assessment of output, products, or deliverables of work, not on the process or behaviors involved in producing the output. Managers who are unwilling to or who lack the training to change their management and control styles would likely see deterioration in the engagement of remotely working subordinates.

These positive outcomes stem from the employee's firsthand experience that the organization supports its employees, treats them fairly, and enhances their sense of personal importance and competence by appearing to value their individual and collective

¹³ Vance, Robert J. (2006) Employee Engagement and Commitment: A guide to understanding, measuring and increasing engagement in your organization. Effective Practice Guidelines. SHRM Foundation, p. 5.

¹⁴ The Kenexa® Research Institute. (2010) Does an Organization's Leadership Team Really Affect Employee Satisfaction? Kenexa Executive Summary No. 50

¹⁵ Meyer, J. P., & Allen, N. J. (1997). *Commitment in the workplace: Theory, research and application*. Thousand Oaks, CA: Sage.

¹⁶ Mowday, R. T., Steers, R. M., & Porter, L. W. (1979). The measurement of organizational commitment. *Journal of Vocational Behavior*, 14, 224–247, p. 27.

¹⁷ Gajendran, Ravi S; Harrison, David A. (2007). The good, the bad, and the unknown about teleworking: Meta-analysis of psychological mediators and individual consequences. *Journal of Applied Psychology*. Vol.92(6), Nov 2007, pp. 1524-1541.

contributions. These feelings of support are key to employee engagement and are termed perceived organizational support (POS). POS is based on the organizational support theory which indicates that employees develop global beliefs concerning organization's commitment to them and the extent to which the organization values their contributions and cares about their well-being¹⁸.

POS is viewed by employees as assurance that:

- Aid will be available from the organization when it is needed to carry out specific job duties effectively or to deal with stressful situations
- Increased work will be rewarded
- Social and psychological needs will be met

Remote workers are in special need of this assurance as they may be lacking other support measures traditionally available to employees working less independently. Recent research suggests that of the various factors that can impact employee engagement levels such as mentor relationships or supervisory support, POS has the highest positive correlation¹⁹. POS is specifically important in terms of the remote worker as they have increased challenges and additional stressors in being separated from co-workers and lacking some of the traditional support of office relationships. Employees reciprocate POS by respecting organizational priorities more fully and alter their efforts to meet organizational goals²⁰. Perceived organizational support is also assumed to increase the employee's affective attachment to the organization and expectancy that greater work effort will be rewarded by the organization.

Perceived Organizational Support is also important in a remote work context because such an arrangement could be representative of an organization's willingness to alter the work environment in response to employees' needs. This might be perceived by employees as reflecting or allowing a greater fit between themselves and their job, which is an aspect of positive work role adjustment. Remote workers also are likely to experience increased feelings of freedom and discretion because they are physically and psychologically removed from direct, face-to-face supervision. Having a remote work program in place for employees who desire the provided flexibility to meet their work-life balance needs can improve engagement; however, effectively engaging remote workers requires tailoring the leadership skills that are used in the "traditional" workplace to fit the needs of a remote workforce.

Psychological control or perceived autonomy, which is a key feature of any work arrangement, is comprised of an employee's personal assessments of the extent to which they can structure and control how and when they do their particular job tasks. In this context, remote work can be viewed as a supportive employee option when it can enhance perceived autonomy by providing employees with choice over the location, scheduling (at least for some), and means of work²¹. Organizations providing employees

¹⁸ Eisenberger, Robert; Huntington, Robin; Hutchison, Steven; Sowa, Debora. (1986) Perceived organizational support. *Journal of Applied Psychology*. Vol.71(3), Aug 1986, pp. 500-507.

¹⁹ Dawley, David D; Andrews, Martha C; Bucklew, Neil S. (2008) Mentoring, supervisor support, and perceived organizational support: What matters most? *Leadership & Organization Development Journal*. Vol.29(3), 2008, pp. 235-247.

²⁰ Eisenberger, R., Rhoades, L., & Cameron, J. (1999). Does pay for performance increase or decrease perceived self-determination and intrinsic motivation? *Journal of Personality and Social Psychology*, 77, 1026–1040.

²¹ Dubrin, Andrew J. (1991) Comparison of the job satisfaction and productivity of telecommuters versus in-house employees: A research note on work in progress. *Psychological Reports*. Vol.68(3, Pt 2), Jun 1991, pp. 1223-1234.

with the flexibility to work remotely are providing, in addition to the personal benefits, a positive signal, visibly demonstrating their trust and support for employees' well-being.²² Remote workers are therefore likely to reciprocate with increased engagement in return for the ability to gain greater control over work interactions and the flexibility to better meet family needs²³.

Choice can play a very important role in the success of remote work processes. Without knowledge about whether the individual employees had options in determining their work arrangement we cannot know whether employees would have liked to be closer and whether this may have had an impact on perceived organizational support. Endogeneity, the self-selection of a preferred work style (either collocated or remote) is something that has been found to be important in several facets of remote work and is likely to also be relevant to perceptions and organizational outcomes.

Employers who create remote work programs and make them available to employees before they become a commonplace industry standard may have a competitive advantage when it comes to attracting talent and gaining employee engagement. Social exchange theorists argue that resources, such as remote working options, are more highly valued if they are based on discretionary choice rather than circumstances beyond the donor's control and such voluntary aid is welcomed as an indication that the donor genuinely values and respects the recipient. Thus, organizational rewards and favorable job conditions, such as the flexibility to work from home and have influence over scheduling and location of work efforts, contribute more to POS if the employee believes that they result from the organization's voluntary actions, as opposed to external constraints such as competition or necessity to keep talent²⁴.

Current Trends in the Insurance Industry

The insurance industry, as an industry of knowledge workers, has engaged in remote work arrangements and is well-positioned to continue to take advantage of flexible work arrangements to obtain the best talent, through the most efficient means, with enhanced customer satisfaction and bottom-line results. reporting the following results:

- Improved ability to source talent from much broader geographic area
- Increased customer satisfaction by increased responsiveness even on harsh winter days
- Improved employee satisfaction
- Decreased in its expense ratio

Furthermore, in permitting this teleworking arrangement for workers companies can green their operations by

²² Guimaraes, Tor; Igbaria, Magid. (1999) Client/server system success: Exploring the human side. Kendall, Kenneth E [Ed]. (1999). Emerging information technologies: Improving decisions, cooperation, and infrastructure. (pp. 317-341). x, 373 pp. Thousand Oaks, CA, US: Sage Publications, Inc; US.

Rau, Barbara L; Hyland, Maryanne M. (2002) Role conflict and flexible work arrangements: The effects on applicant attraction. *Personnel Psychology*. Vol.55(1), Spr 2002, pp. 111-136.

²³ Rhoades, L., & Eisenberger, R. (2002). Perceived organizational support: A review of the literature. *Journal of Applied Psychology*.

²⁴Eisenberger, R., Cummings, J., Armeli, S., & Lynch, P. (1997). Perceived organizational support, discretionary treatment, and job satisfaction. *Journal of Applied Psychology*, 82, 812–820.

Shore, L. M., & Shore, T. H. (1995). Perceived organizational support and organizational justice. In R. S. Cropanzano & K. M. Kacmar (Eds.) *Organizational politics, justice, and support: Managing the social climate of the workplace* (pp. 149–164). Westport, CT: Quorum.

- Employees using less gasoline and,
- The company reducing its annual electricity consumption and,
- The company using less paper with the implementation of extensive electronic processes.

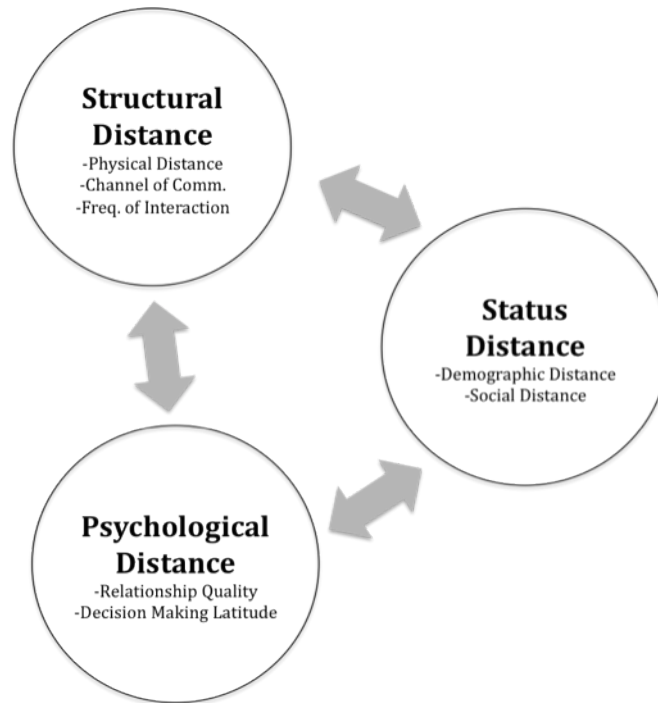
Multiple Dimensions of Distance

The concept of distance in the workplace has been very limited in scope in the minds of many and is generally considered to be only a measure of physical separation. Through careful research we have identified three distinct types of distance in the workplace and constructed definitions and measures for each. Using these measures and a sample of employees from multiple insurance and financial service organizations, we have tested the impact each type of distance has on employee engagement. We will provide a brief explanation of the three measures of distance, collectively termed Relational Distance, and then the results of each in connection to engagement.

Relational Distance

Relational distance is the multidimensional and interactive distance that exists between individuals. Because relational distance is multidimensional, its essence cannot be captured by a single concept. It is defined as three interrelated dimensions reflecting an individual's perception of distance between themselves and another individual: structural distance, status distance, and psychological distance (see Figure 1). Structural distance is the characteristics or properties of a technology, task, or organization that may influence organizational communication. Structural distance exists at the intersection of physical distance, channel of communication, and frequency of interaction. Status distance is created by differences in sociodemographic factors, power, and prestige and is akin to relationship inequality. Psychological distance is a lack of affinity between people and is driven by internal and sometimes unconscious factors. It is comprised of relationship quality and decision-making latitude.

Figure 1: The Construct of Relational Distance



While relational distance is likely to have a significant impact on many organizational relationships and processes, no process is more likely to be impacted than leadership, because it is inherently relationship based²⁵. Relationships are the building blocks of many organizational functions, and attitudes and interpersonal bonds often influence interaction within these relationships. Leader-follower relationships impact judgments of satisfaction with work, follower performance, and individual engagement²⁶. Therefore, structural, status, and psychological distance should each have an impact on follower engagement.

With an increase in virtual teams, remote work, and teleworking, researchers have examined the impact of being physically separate on different organizational outcomes. However, other kinds of distance have not been similarly investigated. What has not yet been assessed is whether relational distance affects organizational outcomes such as employee engagement.

Structural Distance

There is ample evidence that the impact of physical separation is often difficult to isolate from channel of communication or frequency of interaction. By questioning the importance of leaders' and followers' physical location and addressing how, and how often, they might use different channels of communication (e.g., phone or face-to-face), the interdependence of physical separation, channel of communication, and frequency of interaction is reinforced within the structural dimension of distance.

²⁵ Hunt, J. G. (2004). What is Leadership. In J. Antonakis, A. T. Cianciolo & R. J. Sternberg (Eds.), *The nature of leadership* (pp. 19-47). Thousand Oaks, CA: Sage Publications; Uhl-Bien, M., & Marion, R. (2001). Leadership in complex organizations. *Leadership Quarterly*, 12, 389-418.

²⁶ Lowe, K. B., Kroeck, K., & Sivasubramaniam, N. (1996). Effectiveness correlates of transformational and transactional leadership: A meta-analytic review of the MLQ literature. *Leadership Quarterly*, 7, 385-425.

Higher physical distance often forces reliance on communication technologies (e.g. email as a communication channel) and physical distance is also tightly tied to frequency of interaction, as evidence shows that having two people in close proximity increases both the likelihood and frequency of communication.²⁷ There is also the assumption that there is both greater frequency of interaction and more immediacy of transactions between physically close leaders and followers. Face-to-face communication has much higher levels of immediacy than asynchronous communication channels, such as email or letters and memos.

Status Distance

There is a strong connection between demographic distance and social distance as status incongruence can explain the effects of demographic differences on work outcomes. Both demographic and social distance describe how alike (or different) individuals can be from each other. As such, they are deeply interdependent. Attraction-Selection Theory suggests people are attracted to similar others and, as a result, organizations tend to be homogeneous.²⁸ Similarity is most frequently determined by visible cues such as race and gender but can also be determined by hierarchical rank and organizational status. This can limit people's organizational worlds with powerful implications for the information they receive, the attitudes they form, and the interactions they experience. Once individuals perceive they belong to a given group, this membership becomes part of how they self-identify. To the extent that this is true, people are expected to evaluate members of their own group more positively than those of other groups to maintain a positive self-regard. Status distance describes the impacts of the demographic and social differences between leaders and followers.

Psychological Distance

Employees who receive more autonomy from their supervisor perceive closer affect and better relationships with those supervisors and demonstrate a willingness to put forth extra effort. There are a variety of reasons for differential treatment of followers, which speaks to the connectedness of relationship quality and decision-making latitude, but superior performance often leads to increased autonomy given by the leader and felt by the subordinate. This superior performance can be facilitated by increased resources provided by the leader due to a positive relationship and can facilitate the improvement of the relationship quality between leaders and followers.

Katie School Study on Distance and Employee Engagement

Data Collection Procedure

The data for this study were collected using an electronic survey sent out to members of local and national insurance industry societies. The society members are from multiple insurance and financial service companies so single company bias was avoided. The companies included range from Fortune 500 companies to small limited partnerships and membership includes employees from a wide range of professions, levels of responsibility and work settings. The survey invitation included a message from

²⁷ Allen, T. J. (1977). *Managing the flow of technology: Technology transfer and the dissemination of technological information within the R&D organization*. Cambridge, MA: The MIT Press.; Monge, P. R., & Contractor, N. S. (2003). *Theories of communication networks*. Oxford: Oxford University Press.

²⁸ Schneider, B., Goldstein, H., & Smith, D. (1995). The ASA framework: An update. *Personnel Psychology*, 48(4), 747-773.

one of the co-authors explaining the survey and was endorsed by each of the societies to encourage participation. All respondents were informed that their participation in this study was voluntary and that their individual responses would remain confidential. Due to anonymity being guaranteed no company affiliation information was requested.

Sample Characteristics

A total of 2,012 individuals were invited to take the survey and data were collected from 219 employees, a 9.2% response rate. 63% of respondents were female and 95% were white or Caucasian. 50% of all respondents were between the ages of 45 and 54. Seventy-nine percent had a bachelor's degree or higher and an additional seventeen percent reported having some college education. 79% of the respondents had more than eight years of service with their current employer and 80% of the employers had more than 500 employees.

Engagement and Structural Distance

Structural distance is the combined interaction of physical separation, channel of communication, and frequency of interaction. Our initial thoughts about the relationship between structural distance and engagement were that increases in structural distance would decrease engagement. One of the key jobs of leaders is to convey a sense of shared purpose to their followers and intuition tells us that structural distance may make this more difficult. The more frequently individuals have the opportunity to interact with others; the more likely they are to create a sense of shared meaning around organizational goals which helps employees feel like active participants in the organization²⁹. The reduction in face-to-face interactions and the lower frequency and richness of communication between remote workers and other organization members weakens the interpersonal bonds they have with coworkers or supervisors³⁰ and, thus diminishes felt presence³¹. Even with advanced technology, the amount of felt presence of the leader will not be the same in conditions of structural distance. If employees do not feel the presence of their leader throughout their communication interactions, this could have a negative influence on engagement.

However, upon researching engagement issues and structural distance in depth, we found that the evidence contrasted with our initial assumptions. Although physical distance creates conditions where interaction may become more difficult, technology advances improve communication opportunities between those separated by physical distance. The increased physical separation due to remote work arrangements may diminish the channel richness and frequency of interaction but the positive employee engagement outcomes felt by employees from the arrangement could counteract this negative effect. As options for remote work increase, autonomy and satisfaction increase for those employees, both of which have been shown to positively relate to engagement across a range of studies³². An implicit assumption in the remote worker literature has

²⁹ Klaus, R., & Bass, B. M. (1982). *Interpersonal communication in organizations*. New York, NY: Academic Press.;

Monge, P. R., & Contractor, N. S. (2003). *Theories of communication networks*. Oxford: Oxford University Press.

³⁰ Golden, Timothy D. (2006) Avoiding depletion in virtual work: Telework and the intervening impact of work exhaustion on commitment and turnover intentions. *Journal of Vocational Behavior*. Vol.69(1), Aug 2006, pp. 176-187.

³¹ Short, J. E., Williams, E. A., & Christie, B. (1976). Theoretical approaches to differences between media. In *The social psychology of telecommunications* (pp. 61-76). London: John Wiley.

³² Mathieu, J. E., & Zajac, D. (1990). A review and meta-analysis of the antecedents, correlates, and consequences of organizational commitment. *Psychological Bulletin*, 108, 171-194.

been that flexibility in work location is likely to increase self-reliance in scheduling particular tasks and to increase control over the means of completing them. The opportunity for the flexibility and increased autonomy is interpreted by the employee as POS. Remote workers who perceive the organization as caring for them are apt to demonstrate increased loyalty and research suggests remote workers are less likely to leave such preferable conditions for organizations not offering them³³.

Despite the evidence available to support our hypothesis that structural distance would increase engagement; our analysis revealed that there was no relationship between the two. This could explain why, depending on the source being researched, an argument could be made in support of both arguments. Many of the other researchers exploring these topics may not have been separating and considering the multiple dimensions of distance causing their results to be skewed. Structural distance, while it cannot be ignored, should be recognized as an important factor only in how it relates to how a supervisor connects with their employees. Steps need to be taken to ensure that supervisors are checking in with each of their employees on a regular basis regardless of physical distance. And as we will see when we get to psychological distance, these interactions should not be limited to strictly work-related discussions. In order to connect with your employees and improve engagement there needs to be some level of discussion around aspirations, development and personal sharing.

Engagement and Status Distance

Status distance incorporates two components: demographic distance, or dissimilarity, and social distance. Our literature review for status distance and engagement led us to the hypothesis that a negative relationship would exist between the two. Several recent reviews of the literature have concluded that similarity leads to more positive interactions at work including greater understand of shared goals and commitment to achieve them³⁴. For instance, demographic similarity has been related to more positive superior-subordinate and mentoring relationships, communication and job satisfaction, all of which have been positively linked to increased employee engagement³⁵. Demographic similarity has been shown to increase supervisory influence and decrease role ambiguity which can cause employees to feel as though they are getting more guidance and support from the organization in their ability to carry out job

³³ Guimaraes, T., & Dallow, P. (1999). Empirically testing the benefits, problems, and success factors for teleworking programmes. *European Journal of Information Systems*, 8, 40–54.

³⁴ Reskin, B. F., McBrier, D. B., & Kmec, J. A. (1999). The determinants and consequences of workplace sex and race composition. *Annual Review of Sociology*, 25, 335-361.

Riordan, C.M. (2000). Relational demography within groups: Past developments, contradictions, and new directions. In K.M. Rowland & G.R. Ferris (Eds.), *Research in personnel and human resources management* (Vol. 19, 131-173). Greenwich, CT: JAI Press.

Williams, K. Y., & O'Reilly, C. A. I. (1998). Demography and diversity in organizations: A review of 40 years of research. In B. M. Staw & L. L. Cummings (Eds.), *Research in Organizational Behavior* (Vol. 20, pp. 77-140). Oxford, UK: JAI Press.

³⁵ Ensher, E. A., & Murphy, S. E. (1997). Effects of race, gender, perceived similarity, and contact on mentor relationships. *Journal of Vocational Behavior*, 50, 460-481.

Green, S. G., Anderson, S.E., & Shivers, S.L. (1996). Demographic and organizational influences on leader-member exchange and related work attitudes. *Organizational Behavior and Human Decision Processes*, 66(2), 203-214.

Vecchio, R., & Bullis, R. (2001). Moderators of the influence of supervisor-subordinate similarity on subordinate outcomes. *Journal of Applied Psychology*, 86(5), 884-896

Zenger, T. R., & Lawrence, B. S. (1989). Organizational demography: The differential effects of age and tenure distributions on technical communication. *Academy of Management Journal*, 32(2), 353-376.

functions³⁶. Perceptual differences stemming from hierarchy and past experiences (among other factors) positively impact productivity and negatively impact communication effectiveness and when employees are not connected to the organization perceived support may diminish³⁷. Therefore, increased status distance will decrease POS due to differences in perspective and perception of support.

Socialization is important in that it affords the opportunity to buy into a corporate culture which is critically important for an employee to identify with and become engaged with an organization. Status and prestige are influential in controlling the flow of communication, the perceived importance of the targets, and the generation of trust and confidence which impact on follower's attitudes and translate into perceived support from the organization. Research on groups also points out many of the positive effects of similarity on group processes: lack of diversity has been shown to increase interpersonal liking, psychological commitment, group cohesion, and intergroup communication³⁸. Studies by O'Reilly and colleagues found that age similarity can improve communication and social integration and result in greater commitment and lower turnover³⁹. They concluded that employees that are socially and demographically distant from their direct supervisor will experience lower engagement.

However, despite the evidence predicting a negative relationship between status distance and engagement, our research did not indicate such a relationship exists. We think this can be explained due to the use of the relational distance construct and the separation of status distance and psychological distance. Much of the evidence cited above does not distinguish between the status distance referenced and psychological distance that may exist. Based on our findings it would reason that while the above research is valid, it is missing the psychological distance as the root cause of the issues. As diversity and generational differences have become very important and prevalent topics within organizations, it is not surprising that much of the communication and training around revolves around how to connect on a psychological level. The fact is that when you get down to the behaviors that impact engagement levels around status distance that it is the psychological distances that are important.

Engagement and Psychological Distance

Psychological distance is understood as a lack of affinity between people. Our in-depth literature review led to our only supported hypothesis; that increases in psychological distance would negatively affect employee engagement. It is no surprise that relationship quality with one's supervisor and co-workers is positively associated with attitudinal outcomes, such as increased job satisfaction, as well as behavioral and physiological outcomes, such as enhanced effectiveness, reduced stress and increased engagement.⁴⁰ Our research results not only supported the hypothesis that psychological

³⁶ Glomb, T. M., & Welsh, E. T. (2005). Can opposites attract? Personality heterogeneity in supervisor-subordinate dyads as a predictor of subordinate outcomes. *Journal of Applied Psychology, 90*(4), 749-757.

³⁷ Gibson, C. B., Cooper, C. D., & Conger, J. A. (2005). Do you see what we see? The complex effects of perceptual distance between leaders and teams. *Working paper*.

³⁸ Cummings, J. N. (2004). Work groups, structural diversity, and knowledge sharing in a global organization. *Management Science, 50*(3), 352-364.

³⁹ O'Reilly, C. A., III, Caldwell, D. F., & Barnett, W. P. (1989). Work Group Demography, Social Integration, And Turnover. *Administrative Science Quarterly, 34*(1), 21-37.

⁴⁰ Sousa-Poza, Alfonso; Sousa-Poza, Andres A. (2000) Well-being at work: A cross-national analysis of the levels and determinants of job satisfaction. *The Journal of Socio-Economics. Vol.29*(6), 2000, pp. 517-538.

distance has a significant negative correlation with employee engagement, but the level of significance was noteworthy. While there are other factors that impact engagement levels, our survey results revealed that psychological distance accounted for more than 20% of the variation in engagement.

The leader-member exchange paradigm is one of the driving forces behind psychological distance. Specifically, close relationships are more likely to fulfill psychosocial functions and can enhance individual competence, effectiveness and engagement⁴¹. It has been shown that in-group members perform better, are more committed to the organization⁴². In exchange for loyalty and commitment, followers in the in-group receive favourable treatment from their supervisor, including privileged information, support, and improved access to developmental assignments⁴³. Therefore, increased psychological distance will decrease employee engagement.

Psychological distance can have a negative impact on trust; employees that are psychologically distant are likely to self-categorize themselves as members of the out-group⁴⁴. Insights from self-categorization theory show out-group members as being more distrustful and more competitive than in-group members which can often lead to miscommunications and misunderstandings⁴⁵. Social psychological research points to the importance of psychological distance creating out-group members. Remote workers isolation can make them feel alienated, underappreciated and mistrusted. This sense of distrust may cause remote workers to perceive they are being given second-tier status in the minds of their peers and the corporation. As a result of the psychological distance which causes distrust and insecurity, employees may feel a sense of betrayal and lack of support (decreased POS).

Remote workers often find it challenging to learn about new job opportunities, identify upcoming changes in organizational direction and find collaboration opportunities with coworkers⁴⁶. Although it may be more difficult to develop relationships with co-workers in a mobile environment because they miss out on the 'water-cooler' conversations and other social networking aspects of office life, it is important to remember that psychological distance is not caused by physical separation. Psychological distance will have the same impact on engagement with co-located teams and virtual teams. Psychological distance can have impact on employee engagement and thus your operations in any type of work setting and physical distance caused by remote works options may not play a part. It's a "hidden truth" in plain sight that relationships are what make managing people successful. We often get so enamored with technology and its potential for remote work capabilities that we overlook that it's still about the relationship.

Focus is on the wrong distance

⁴¹ Ibarra, H. (1995). Race, Opportunity, and Diversity of Social Circles in Managerial Networks. *Academy of Management Journal*, 38(3), 673-703.

⁴² Howell, J. M., & Hall-Merenda, K. E. (1999). The ties that bind: The impact of leader-member exchange, transformational and transactional leadership, and distance on predicting follower performance. *Journal of Applied Psychology*, 84(5), 680-694.

⁴³ Liden, R. C., Sparrowe, R. T., & Wayne, S. J. (1997). Leader-member exchange theory: The past and potential for the future. In G. Ferris (Ed.), *Research in Personnel and Human Resources Management* (Vol. 15, pp. 47-119). Greenwich, CT: JAI Press, Inc.

⁴⁴ (Erskine, 2008)

⁴⁵ Hambrick, Donald C., Sue Canny Davison, Scott, A. Snell, & Charles C. Snow. 1998. When groups consist of multiple nationalities: Toward a new understanding of the implications. *Organization Studies*, 19: 181-205.

⁴⁶ Amble, B. (2005) Remote workers suffer from a 'trust gap'. Management Issues at the Heart of a Changing Workplace. 13 May 2005 <http://www.management-issues.com/2006/8/24/research/remote-workers-suffer-from-a-trust-gap.asp>

Attention is given primarily to structural distance when contemplating both the pros and cons of remote working, but this concern may be misplaced. It is only one of three dimensions of distance and the important measure regarding engagement is not the physical separation but the psychological distance between an employee and their supervisor. A recurring theme in the remote work literature revolves around the message 'out of sight, out of mind'. There is a sense that if an employee is given the freedom to work remotely and are not visually monitored that they can and will slack off and do the minimal amount of work necessary. From the employee perspective there is the perception that when working remotely they do not get recognition and opportunities equivalent to those of onsite employees. The findings from our research demonstrate that this is not necessarily the case. Employees working in remote work situations with greater structural distance are not any engaged with their organizations than employees working near their direct supervisor. Even employees 'in sight' can be 'out of mind' and the employees 'out of sight' may receive more attention due the sensitivities of their arrangement. There should be an emphasis on connecting with your employees regardless of the work arrangements.

Our research findings show that neither structural nor status distance has an impact on employee engagement. Psychological distance, on the other hand, was shown to have a significant impact on employee engagement. Psychological distance creates an emotional disconnect between leaders and followers. Although physical separation and communication channel may be what the news media and organizations are focusing on, the real driver of employee engagement is the degree of psychological distance between leaders and followers. Followers who felt that their leader trusted them, would back them in difficult situations, and gave them autonomy were more engaged with the organization.

Employees who feel psychologically close to their leaders and who have both their leader's trust and the opportunity to make decisions are more engaged with the organization than follower who did not. This level of engagement is regardless of whether they are physically close or distant. It is important to remember that structural distance is not always due to simply physical separation created by remote working arrangements. Employees that work in on the same floor as their supervisor could have very few interactions, thus increasing structural distance. The physical separation distance by itself is only important as it relates to the other two measures of structural distance. Considerable forethought must go into creating and developing relationships between managers and remote subordinates and between co-located subordinates as well.

These findings lead to several implications for organizations and those that manage in them. Managers must gain comfort with giving all subordinates autonomy and trusting results. In this environment, behavior is more discretionary and cohesion around mission and vision enables everyone to step up to leadership roles—leading both themselves and others. Managers cannot 'legislate' this but instead must rely on the emotional connections that result from bringing people together around ideas.

Trust is critical to having individuals and teams do their best work. You must trust that that your leaders and co-workers will do what they say and follow through on what they have committed to. You must trust others motivation and information to be able to move ahead with decisions that need to be made. The fundamental way to get this trust is through interaction. This means slowing down to speed up and taking the time to

reduce the psychological distance; taking the time to know each other and understand others points of view. We each need to know what our teammates need to do their best work and work at building a partnership. In order for this to happen there needs to be sharing, listening and respect; and feeling of inclusion and an established level of safety around speaking up and challenging ideas and actions. Sometimes teams try to ignore the psychological distance and waste time and resources without the creating a foundation of trust.

Although many leaders may not be used to having conversations with employees that go beyond the boundaries of the task at hand, the results of making a personal connection can be dramatic. Something as simple as a follow-up e-mail praising an employee for a job well done, asking an employee's opinion on a pending decision, or asking how an employee's weekend went can tighten bonds. Advances in technology allow organizations to use discussion boards or blogs that allow people to introduce themselves and share more than their job-related information. Online social networking becomes an important conduit for building relationships. While travel can be expensive and time-consuming, leaders must also create opportunities for face-to-face interaction. Getting together once or twice a year pays long term dividends in terms of organizational commitment, satisfaction, and performance.

Required: Change in management style

The collective talent of your engaged workforce provides a distinctive competitive differentiator and can make or break your bottom line. Employees today are taking more control over how, when and where they do their work and employees allowed these freedoms have higher engagement. We have moved from work being primarily repetitive, process driven tasks to work that requires creative, knowledge-based workers whose contributions are directly related to their level of engagement.

Up until recently, the traditional management functions to plan, lead, organize and control have worked well enough, and they will continue to be important in organizations for the foreseeable future. Managers will continue to have to plan; identify goals, determine resources and set performance objectives. Leadership skills have become an important and popular topic for years and leadership development will continue to be a key driver for engagement. Organizing systems and processes, providing training and ensuring resources are properly allocated is necessary for team at all levels of any organization. And control, accountability and measurement are necessary for maintaining regulatory requirements, perceptions of fairness and order throughout the organization. However, with the changes in employee expectations and the importance of employee engagement, these primary functions may not be enough in neither remote work nor co-located work settings.

Traditional management tasks still need to happen, but they need to be framed by new functions which are required to keep psychological distance at a minimum. These new management functions require a change in management style regardless of work arrangement. They are⁴⁷:

- Cultivating relationships
- Focusing on outcomes

⁴⁷ LIMRA – *Managing in a Virtual World*

- Development planning

Cultivating Relationships

Building strong relationships happens as a result of keeping frequent communication with your team members. By creating an environment of inclusion and collaboration, team member engagement increases, trust is gained, and the threat of isolation is minimized. For most of the history of work, we have relied on the “water cooler” as a place to develop friendships and share information – both personal and work-related. Even employees at different hierarchical levels had opportunities to interact as their paths crossed in physical office space. As casual interactions with employees that are in remote locations are unlikely at best, managers must make deliberate efforts to communicate with their subordinates. For some managers, this means building phone calls “just to chat” into their schedules. For others, the first few minutes of conference calls are dedicated to small talk. If employees can get used to the idea that communication does not always have to be task-related, relationships are more easily created. If, on the other hand, every phone call or email is designed as a status update on current projects, those employees that are remotely located will have a very hard time getting to know their coworkers.

Effective and frequent communication is central to creating and sustaining a cohesive organization where staff are engaged with and committed to the organizational goals. Therefore, developing an effective approach to communicate with all workers will be a key influencing factor in employee engagement. One way this can be achieved is by communicating with and engaging people in a way they are familiar. The majority of younger, if not all, workers use the internet to connect with the organization, therefore internet-based social media applications would appear to be an obvious communication solution that is high on impact, low on cost and available on demand. Social media applications such as interactive webinars, podcasts, blogs, video-sharing, or online social networks all will encourage companywide discussion and feedback, while building a cohesive organizational community.

Focusing on Outcomes

Focusing your attention on the tangible outcomes of your team members will reduce the frustrations sometimes associated with wondering “are they really working?” Setting agreed upon and well-crafted goals, along with sound performance expectations, will enable you to provide team member with ample autonomy to get their job done as they see best. The implication is managing more by outcome-based accountabilities rather than managing by time clocks. Work expectations and desired objectives should be clearly communicated and documented but leaders need to accommodate different lifestyles and work choices and find ways to balance these with business needs.

Our research on distance shows that employee engagement seems to be unrelated to how geographically far apart leaders and followers are or whether they are communicating in person or through e-mail. It is possible that this is because many employees choose or request this work arrangement from their organization. For managers, this is a particularly interesting result. Employees who express a desire to telecommute or work from home and are then given that opportunity are often more satisfied with their jobs and display no decrease in production or performance. Leaders

who are shying away from offering virtual work opportunities may find this result to be particularly relevant.

Development Planning

Developing employees goes far beyond providing employees with classroom training. Inter-departmental experiences, consistent coaching and feedback, and helping them remain visible at the ‘home office’ are all valued greatly by team members. Managers need to advocate for career development opportunities for their team, especially by keeping remote workers considered for career advancement, since they are ‘out of sight’ employees. Ways to increase visibility for your team are cross functional projects, job rotations, and including team members in higher level meetings (as a guest or presenter). Managers should also create formal and informal recognition programs and be aware of recognition preferences. Acknowledging a job well done by forwarding client correspondence to your manager, your peers and your employees’ peers encourages repeat behavior and reinforces positive behavior models to all employees.

Psychological distance is an important component of effectively developing your employees. Effective development opportunities do not happen overnight or without effort; employee development needs to be tailored to each person individually. Some individuals might base their sense of perceived organizational support (POS) upon such factors as a supervisor’s willingness to provide them with special assistance, special equipment in order to complete a project or opportunities for training in an area that was of interest to them. This can be a challenge because often the employee cannot articulate their exact aspirations or career goals. To assist your employee with their development requires prodding coaching questions and active listening over time. Managers need to really get to know their employees and work to decrease psychological distance in order to understand their actions and accurately interpret their goals and aspirations. Once this understanding is achieved you can begin to focus your influence and assistance on providing the development method to best increase each employees’ level of engagement.

<u>Traditional Management Functions</u>	<u>Additional Management Functions</u>
<p>Plan – Create a mission and vision, identifying goals, setting performance objectives, determining resources</p> <p>Lead – Setting direction, creating a culture, driving engagement, communicating with the team</p> <p>Organizing – Creating systems and processes, ensuring resources are properly allocated, preparing and training the team</p> <p>Control – Managing performance, ensuring accountability, measuring productivity, providing feedback</p>	<p>Cultivating Relationships – Frequent communication, sense of inclusion, collaboration, and access to support</p> <p>Focusing on Outcomes – Clear goals, autonomy to determine how best to get the work done</p> <p>Development Planning – Performance assessment, feedback, coaching, employee visibility, advocacy for career advancement</p>

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Conclusion

The most interesting result of our research has been that we have not discovered anything new, rather we've uncovered and brought to light a 'hidden truth' that has been known for some time. The learning and training function have been aware of the effects of psychological distance for some time. Take a look at any of the training offered around the subjects of diversity, generations in the workplace or virtual teams and you will consistently find the same message: it is all about connecting with others and reducing the psychological distance. When training professionals examine the critical factors that make a difference regarding challenges presented by structural or status distances they realize that it really comes down to the psychological distance factor. We get so caught up with the details of the other two distances that we often miss the point that at the end of the day, only the psychological distance, or more importantly ways to overcome the psychological distance, is what really matters.

The benefits to both employees and the continued success of insurance organizations in providing remote work options are mounting. The evidence through research and practical application is that remote working options increases employee engagement, satisfaction and the bottom line; however, there is still a resistance to do so in the industry. Although there are some legitimate security concerns, it is often disregarded as a generational shift for younger workers, or a challenge to manage virtually that isn't worth the effort, and senior management does not provide the needed resources to overcome the inherent challenges. A shift in thinking from challenges around managing from a distance or across generations to managing the psychological distance between all employees may help alleviate these concerns and provide the motivation necessary to free up the necessary resources. Companies that integrate this new perspective into their culture will be able to spend less time analyzing and more time dealing with root cause issues. The increased employee engagement as a result will become a critical success factor to differentiate you from the ever-increasing competition.

Appendix 1 – Measurement Scales

Relational Distance

To measure structural distance, status distance, and psychological distance, we used the Relational Distance Scale (Erskine). This instrument assesses the three dimensions of relational distance between leaders and their followers. Structural distance has five items associated with physical separation, channel of communication, and frequency of interaction. A sample item is “My leader and I work on the same floor of the building.” The alpha for structural distance was $\alpha=0.88$. Status distance has three items associated with demographic difference and social distance. A sample item is “Compared to me, my leader has a lot of control in this organization.” The alpha for status distance was $\alpha=0.77$. Psychological distance has six items associated with relationship quality and decision-making latitude. A sample item is “My leader would defend me to others in the organization if I made an honest mistake.” The alpha for psychological distance was $\alpha=0.82$.

Think about the relationship between you and your supervisor and decide how frequently each statement applies. (Frequently, if not always; Fairly often; Sometimes; Once in a while; Not at all)

Structural distance

1. My leader and I work on the same floor of the building. (R)
2. My leader and I are located in different time zones.
3. My leader's workspace is within walking distance of mine.
4. My leader and I are located in different buildings.
5. Think about the methods you use to communicate with your leader. For the types of communication used, also indicate your level of expertise in the second column.

	Frequently, if not always Fairly often Sometimes Once in a while Not at all	Never used Novice Competent Expert
Audioconference		
Email		
Face-to-face		
Fax		
Memos		
Skype (or similar technology)		
Telephone		
Videoconference		

Status Distance

6. Compared to me, my leader has a lot of control in this organization.
7. My leader has more power in this organization than I do.
8. My leader holds high status within the organization.

Psychological Distance

9. I have significant autonomy in determining how I do my job. (R)
10. My leader defends my work actions to a superior, even without complete knowledge of the issue in question. (R)
11. I can decide on my own how to go about doing my work. (R)
12. I am willing to apply extra efforts, beyond those normally required, to meet my leader's work goals. (R)
13. I have considerable opportunity for independence and freedom in how I do my job. (R)
14. My leader would defend me to others in the organization if I made an honest mistake. (R)

Organizational Commitment

We used a 15-item scale based on original measure of overall commitment from Mowday, Steers, and Porter (1979). They define organizational commitment as “the relative strength of an individual’s identification with and involvement in a particular organization.” Their measurement scale has questions such as “I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful” which are directed more toward the idea of being committed to action readiness in addition to questions regarding an emotional connection with the organization. The alpha reliability of this scale was $\alpha=.906$.

The following questions are about the nature of your current job or task and your feelings about the organization and leader for whom you work (Strongly agree; Agree; Neutral; Disagree; Strongly disagree).

1. I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.
2. I talk up this organization to my friends as a great organization to work for.
3. I feel very little loyalty to this organization. (R)
4. I would accept almost any type of job assignment in order to keep working for this organization.
5. I find that my values and the organization's values are very similar.
6. I am proud to tell others that I am part of this organization.
7. I could just as well be working for a different organization as long as the type of work was similar. (R)
8. This organization really inspires the very best in me in the way of job performance.
9. It would take very little change in my present circumstances to cause me to leave this organization. (R)
10. I am extremely glad that I chose this organization to work for over others I was considering at the time I joined.
11. There's not too much to be gained by sticking with this organization indefinitely. (R)
12. Often, I find it difficult to agree with this organization's policies on important matters relating to its employees. (R)
13. I really care about the fate of this organization.

14. For me this is the best of all possible organizations for which to work.
15. Deciding to work for this organization was a definite mistake on my part. (R)

Perceived Organizational Support

POS was measured using an abbreviated eight item scale that follows the recommendation of Rhoades and Eisenberger (2002 p. 699) who note “because the original scale is unidimensional and has high internal reliability, the use of shorter versions does not appear to be problematic.” A sample item is “The organization really cares about my well-being.” The alpha reliability of this scale was $\alpha=.916$.

The following questions are about the nature of your current job or task and your feelings about the organization and leader for whom you work (Strongly agree; Agree; Neutral; Disagree; Strongly disagree).

1. The organization strongly considers my goals and values.
2. Help is available from the organization when I have a problem.
3. The organization really cares about my well-being.
4. The organization would forgive an honest mistake on my part.
5. The organization is willing to help me when I need a special favor.
6. If given the opportunity, the organization would take advantage of me. (R)
7. The organization shows very little concern for me. (R)
8. The organization cares about my opinions.