Remotely Productive: The Efficacy of Remote Work for Executives

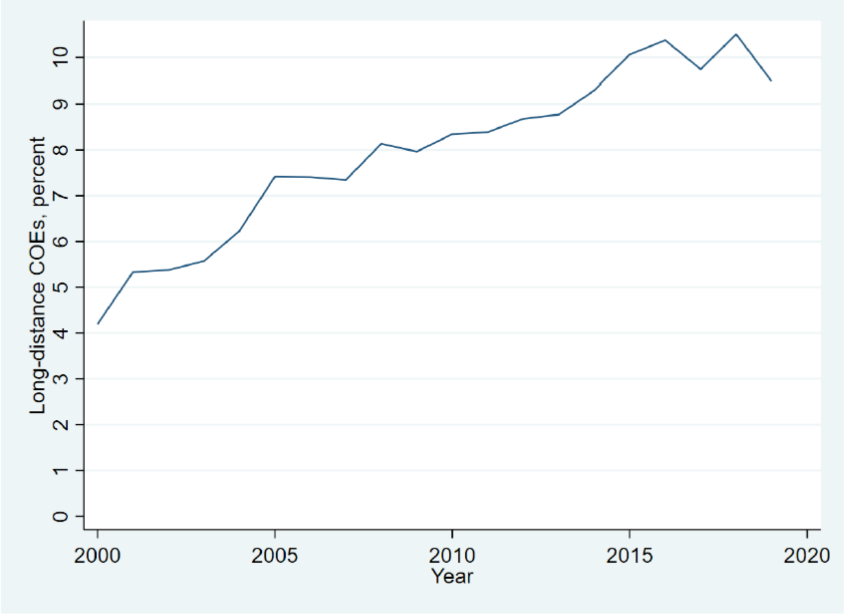
Alan Kwan, HKU
May 2024

Summary

- **The study documents remote working arrangements for CEOs and studies its efficacy**
  - Surprisingly prevalent, increasing trend
- **What fraction of CEOs are remote because?**
  - The CEO is fully remote during tenure (62%)
  - The CEO was remote --> not remote (21%)
  - The CEO was not remote --> remote (17%)
  - The HQ moves, but the CEO does not (none?)

Figure 1
Frequency of Long-distance CEOs over Time

This figure plots the proportion of long-distance CEOs among all sample CEOs in 2000-2019. *Long-distance CEO* is an indicator that equals 1 during CEO-years when the CEO's roundtrip commute from the primary residence to the firm's headquarters exceeds 100 miles. The sample consists of 6,655 CEOs at 3,136 publicly-traded U.S. firms covered by Execucomp or BoardEx with non-missing data on CEO tenure. Sample selection criteria and variable definitions appear in appendixes B and C, respectively.



Summary

- **These CEOs tend to do worse**
  - long-distance CEOs (100 miles+) are associated with a decline in operating performance, firm valuation, and lower approval rates from insiders.
  - Corroborated by IVs and event-study analysis
- **These CEOs are detached, living the quiet life, poorly rated by employees, invest less, and happy**
  - *Bad employee reviews, invest less and less responsively to Tobin's Q, cost a lot to the firm*
  - *Learning:* departure of long-distance CEOs is met with positive stock market reactions, unlikely to appoint another remote CEO

Overall reaction

- **Wow, look forward to seeing it in a top journal**

- **in typical style for these authors**
  - Amazing data collection effort
  - From this noise, a provocative fact
  - Compelling case that remote CEOs live the quiet life at the expense of shareholders

- **However, to help the paper, I'll try my best to be critical**
  - First some R1-style comments, then some R2 style ones

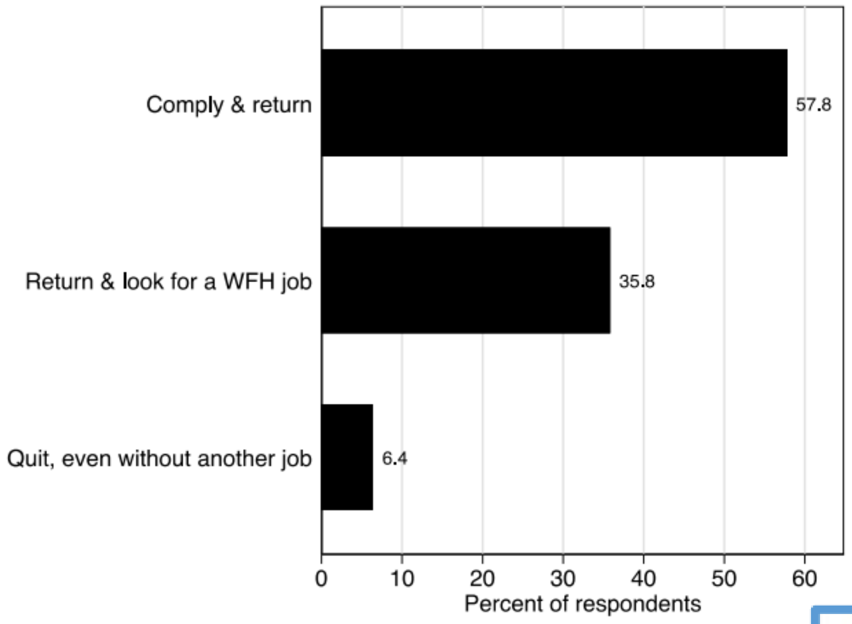
Literature contribution

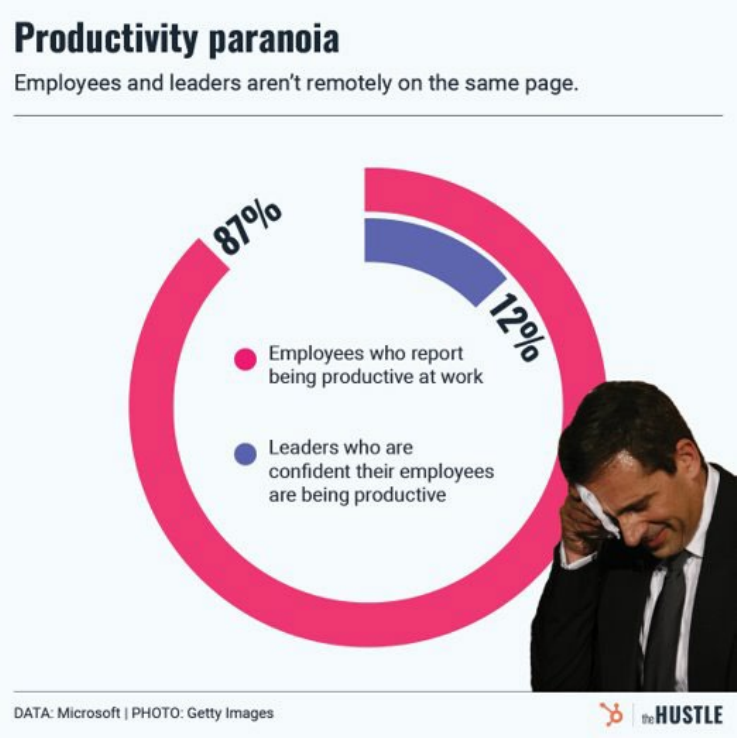
- **Literature #1: Clear corporate governance problem**

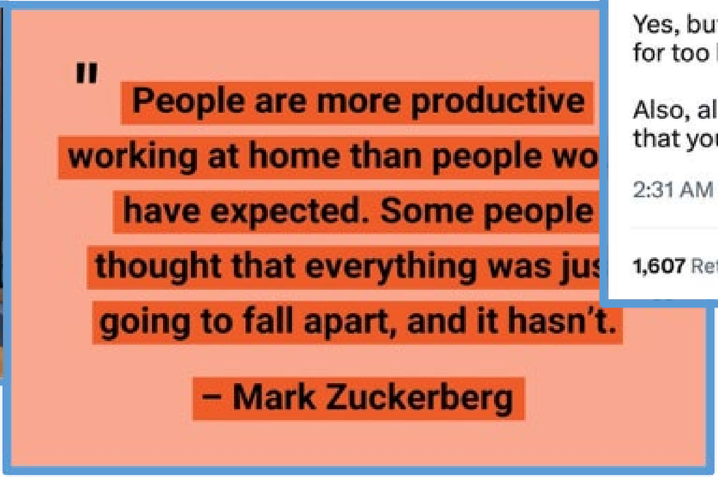
- **Literature #2: Remote work is a huge literature now, obviously**
    - Almost all are single-firm *studies across workers*
    - This paper's firm-level is important because aggregation is not clear
        - Shameless self-plug: Kwan, Matthies Yuskavage (2024) also focus on firm level
        - But this paper is way different with many advantages
    - Amazing these guys get to study **pre-pandemic, enabling generalizability**
    - Unique focus on CEOs is differentiated from literature

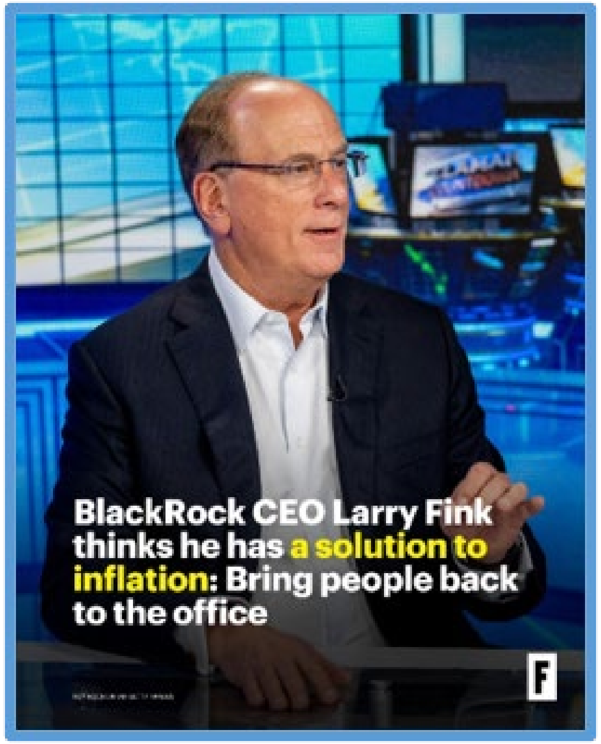
Let me work from home or I quit (Bloom, Barrero Davis 2021)

Figure 1: How would you respond if your employer announced that all employees must return to the worksite 5+ days a week starting on August 1, 2021?









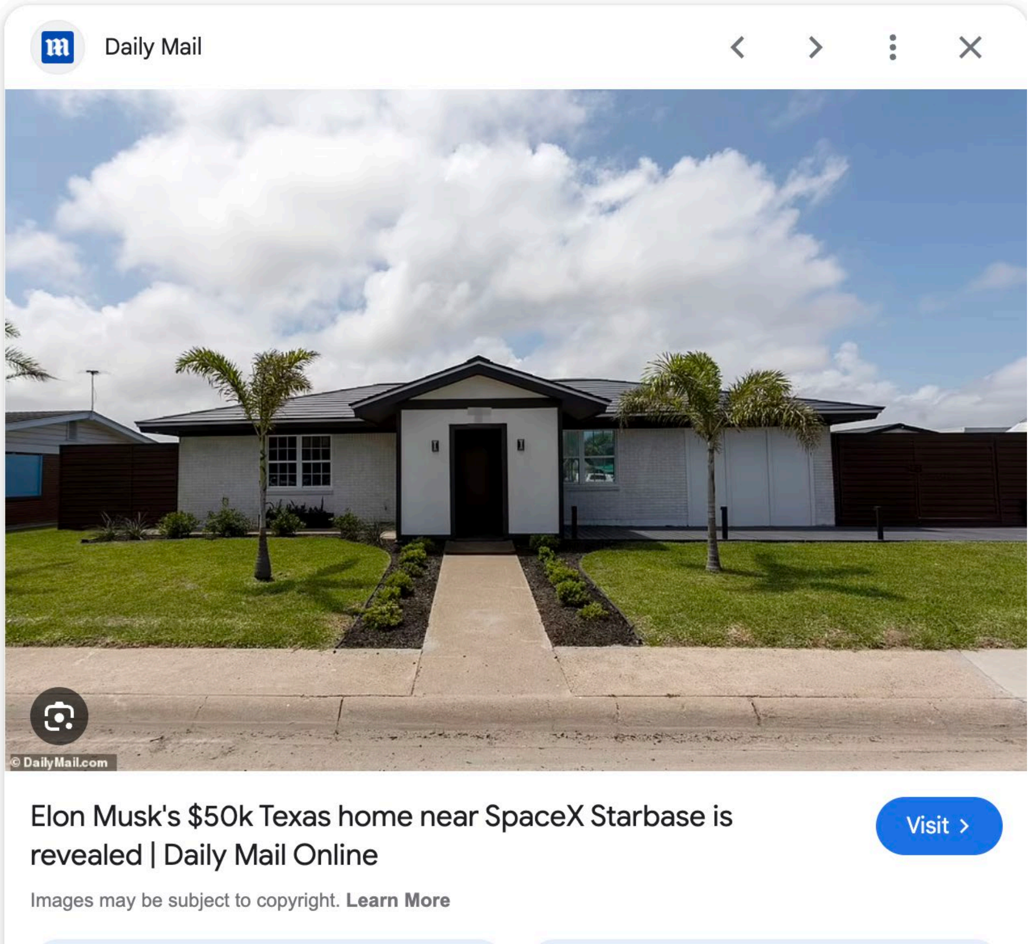
That said …

- **The paper stands on its own terms,**
  - Most discourse is about the **converse**: in-office CEO wanting to bring workers back in
  - **And HQ is special in recent theory/empirical work** (Galleoti, Dessein, Santos AER 2016, Gumpert et al QJE 2020) because HQ allows managers to monitor
- **How can the authors connect more strongly to recent debates?**
  - We document something that is arguably understudied (if public firms are repr.)
  - To better connect to existing debates, do remote managers operate better when COVID-19 happens?
    - In remote-feasible industries?
    - See if workers gravitate toward these types of workers?

Annoying comment about the measure

- **hard to know whether CEOs spend all of their time at the remote residence**
  - CEOs travel
  - Their time allocation is not clear

- **Denis has work on CEOs using mobile phone data:** can we verify the time allocation is different for this measure?
  - is it 4 vs 5 days, for example? 1 vs 2?



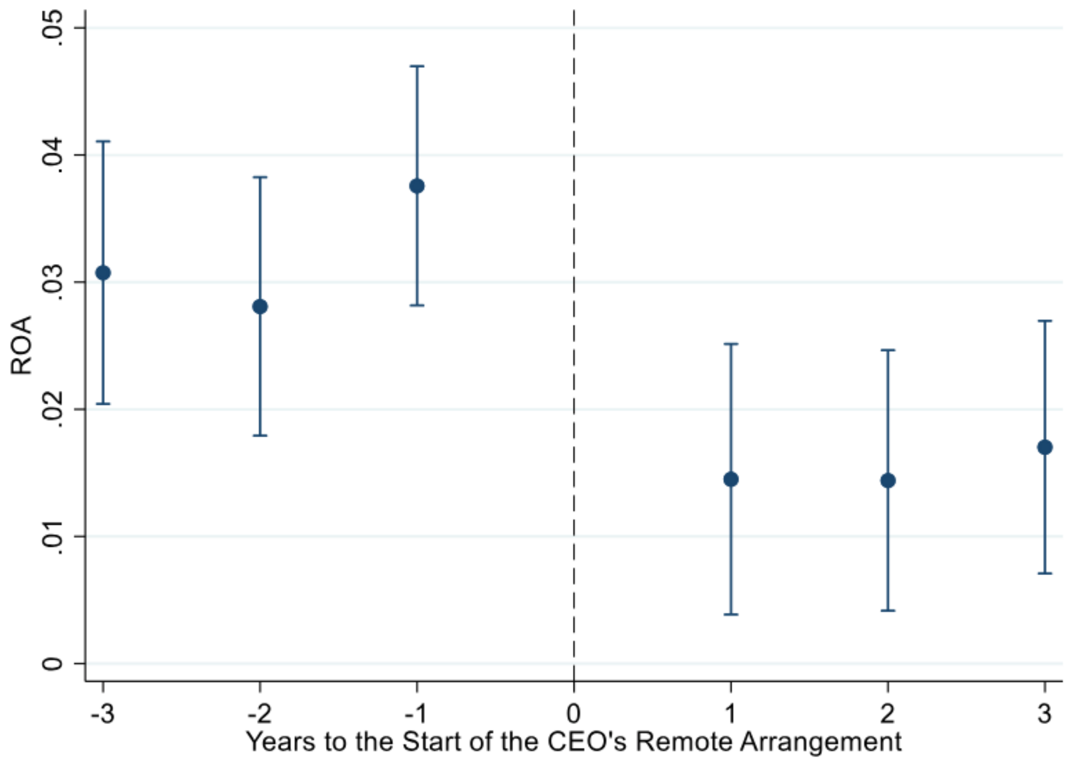
The major identification concern

- **The CEO went remote, or a remote CEO was hired, because the company** … *had a weak board and deteriorating fundamentals, and the board cannot force the CEO to be on site and thus appointed a remote-only CEO*
  - Are the CEOs compensated worse in total? Very little shown about the managers compensation contract

DiD

Figure 5
Operating Performance in Long-Distance CEO Arrangements

This figure shows the dynamics of a firm's operating performance in event time relative to the start of the CEO's remote working arrangement. The x-axis indicates the three years before and after the start of the CEO's long-distance arrangement (marked as year 0). The y-axis shows the firm's annual return on assets (ROA), and the vertical bars correspond to 95% confidence intervals. A long-distance working arrangement is one where the CEO's roundtrip commute from his primary residence to the firm's headquarters exceeds 100 miles. Sample selection criteria and variable definitions appear in appendixes B and C, respectively.



DiD plots

- **What type of CEO move leads to negative ROA?**
  - Appointment, remote --> not remote, not remote --> remote?
  - My concern is the plot is driven by appointment, which I suppose loads more heavily on selection concerns
- **While DiD is not main focus of paper, I would revise it as follows:**
  - Plot everything. Recent referee asked us to claim only outcomes we could plot
    - Tobin's Q for sure but what about other corporate variables?
  - Maybe slightly longer pre-sample
  - **The staggered DiD literature and negative weights**
    - Abraham and Sun (2022), Borusyak, Jaraval and Spiess (2022), etc.
    - All easily available packages in STATA/R at this point

Selection concern

- **Authors are obviously aware, they have some clever instrumental variables that are premised on hand-collected data (2 versions!)**
  - This paper: Does one have to uproot a spouse?
  - Previously: The quality of schools in the local area? Difference in school quality
  - One potential piece of advice: try to present two?
- **Neither instrument fixes selection fully**
  - These instruments select on CEO unless you change your spouse
  - Ideal instrument would be time-varying within CEO
- **I also tried to think a bit about an IV**
  - Flight routes changing? If inconvenient for CEO, may have to go on site
  - Kid goes to college?

Other things I wondered

- **The paper is quite negative:** are there times when a remote CEO is better? Like a CEO who is a dealmaker? Multiestablishment, international firm, etc. Worse when innovative?
  - Maybe alleviates the identification bar required to establish a salaciously negative narrative if one were to focus instead on a trade-off
- **There are 1000 cases**
  - Can we describe more the purported reasons for people leaving? Classify them?
  - Can we control for these variables?
  - Maybe can help with selection concerns
- Another lingering concern is that such firms may suffer in the labor market, unable to attract better workers for similar reasons