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“Shirking from home?”: The effects of remote work on overstatement of working hours

“*Shirking from home?*”: Os efeitos do trabalho remoto no reporte exagerado de horas de trabalho

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“*Shirking from home?*”: Os efeitos do trabalho remoto no reporte exagerado de horas de
trabalho

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Orientador: Prof. Dr. Andson Braga de Aguiar

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Science never solves a problem without creating ten more.

(George Bernard Shaw)

All that I saw and learned was a new delight to me.

(Marie Curie)

RESUMO

Este estudo investiga o efeito do trabalho remoto e o efeito moderador das normas sociais no comportamento de auto-reporte dos trabalhadores em relação às horas de trabalho. A literatura não tem um consenso sobre o efeito da distância física no reporte exagerado de horas de trabalho. Então, minha primeira pergunta de pesquisa explora se o trabalho remoto afeta o reporte exagerado das horas de trabalho. A literatura também não tem um consenso sobre o efeito combinado do trabalho remoto e das normas sociais dos colegas sobre o excesso de horas de trabalho. Então, minha segunda pergunta de pesquisa explora o efeito combinado do trabalho remoto e das normas sociais no reporte exagerado de horas de trabalho. A literatura também mostra que dois fatores podem explicar a relação entre trabalho remoto e superestimação da jornada de trabalho: probabilidade de auditoria e pressão social. Minha primeira hipótese afirma que há um efeito da probabilidade de auditoria na relação entre trabalho remoto e reporte exagerado de horas de trabalho. A segunda hipótese afirma que há efeito da pressão social sobre a relação entre trabalho remoto e superavaliação da jornada de trabalho. Eu aplico um cenário experimental onde manipulo a distância física (trabalho remoto versus escritório) e as normas sociais dos colegas (honesto versus desonesto). Meus resultados da primeira pergunta de pesquisa mostram que o trabalho remoto não exerce nenhum efeito significativo sobre o reporte excessivo de horas de trabalho dos participantes. Além disso, meus resultados da segunda pergunta de pesquisa também mostram que o efeito combinado do trabalho remoto e das normas sociais não exerce nenhum efeito significativo sobre o reporte excessivo de horas de trabalho. Posteriormente, realizo uma análise de mediação para investigar minhas hipóteses. Encontro efeitos significativos das variáveis mediadoras sobre o reporte excessivo de horas de trabalho: probabilidade de auditoria e pressão social. Em primeiro lugar, meus resultados mostram um efeito mediador da probabilidade de auditoria sobre o reporte excessivo de horas de trabalho dos trabalhadores remotos, mas não mostram o mesmo efeito significativo para os trabalhadores de escritório. Atribuo esses resultados ao incentivo da empresa em trabalhar horas extras, que atua como norma social complementar às normas sociais dos pares para os trabalhadores de escritório. Esses resultados são corroborados pela diferença significativa entre a identificação dos trabalhadores remotos e dos trabalhadores de escritório com seus pares e as percepções de pertencimento, que são aspectos cruciais das normas sociais. Meus resultados apontam para percepções diferentes de trabalhadores remotos e de escritório em relação à disponibilização de informações da empresa. Enquanto os trabalhadores remotos se concentram nas informações das normas sociais dos colegas como um possível aviso da empresa e reduzem significativamente o reporte excessivo de horas de trabalho, os trabalhadores de escritório são significativamente afetados pelos efeitos complementares entre as normas sociais dos colegas e as normas sociais da empresa e aumentam significativamente o reporte exagerado. Meus resultados sugerem que as informações da empresa e a pressão social são interpretadas de forma diferente de acordo com a distância física. Além disso, os resultados do meu estudo podem aumentar a compreensão das empresas sobre as diferenças entre o comportamento de reporte de trabalhadores remotos e de escritório e o papel das informações da empresa e da pressão social sobre o assunto. Especificamente para trabalhadores remotos, as empresas podem se concentrar em informações direcionadas para impedir o reporte excessivo de horas de trabalho, visto que, para os trabalhadores de escritório, os incentivos superam os riscos do comportamento oportunista. Além disso, devido aos resultados sobre o papel da identificação com os pares e pertencimento ao grupo à influência das normas sociais dos pares, as empresas podem planejar seus sistemas de controle contando com a interação desejada entre trabalhadores remotos e seus pares.

ABSTRACT

This study investigates the effect of remote work and the moderating effect of social norms on workers' self-reporting behavior regarding working hours. Literature does not have a consensus over the effect of physical distance on the overstatement of working. So, my first research question explores whether remote work affects the overstatement of working hours. Literature also does not have a consensus over the combined effect of remote work and peers' social norms on the overstatement of working hours. So, my second research question explores the combined effect of remote work on the overstatement of working hours. Literature also shows that two factors might explain the relationship between remote work and overstatement of working hours: auditing likelihood and social pressure. My first hypotheses states that there is an effect of auditing likelihood on the relationship between remote work and the overstatement of working hours. The second hypotheses states that there is an effect of social pressure on the relationship between remote work and the overstatement of working hours. I use an experimental case scenario where I manipulate physical distance (remote work vs. office) and peers' social norms (honest vs. dishonest). My results from the first research question show that remote work does not exert any significant effect on participants' overstatement of working hours. Additionally, my results from the second research question also show that the combined effect of remote work and social norms does not exert any significant effect on the overstatement of working hours. Next, I conduct a mediation analysis to investigate my hypotheses. I find significant effects of the mediating variables on overstatement of working hours: auditing likelihood and social pressure. First, my results show a mediating effect of auditing likelihood on remote workers' overstatement of working hours, but they do not show the same significant effect for office workers. I attribute this to the role of peers' information that could display a higher perception of monitoring to remote workers, which is corroborated by recent literature on remote work. Second, my results also show a mediating effect of social pressure on office workers' overstatement of working hours, but they do not show the same significant effect for remote workers. I attribute these results to the company's incentive to work extra hours, acting as a complementary social norm to peers' social norms for office workers. These results are corroborated by the significant difference between remote workers' and office workers' identification with peers and belongingness perceptions, which are crucial aspects of social norms. My results point to different perceptions from remote workers and office workers regarding the company's display of information. While remote workers focus on peers' social norms information as a possible warning from the company and significantly reduce their overstatement of working hours, office workers are significantly affected by the complementary effects between peers' social norms and the company's social norms and significantly increase their overstatement. My results suggest that a company's information and social pressure are interpreted differently accordingly to physical distance. Moreover, results from my study can increase companies understanding of the differences between remote workers' and office workers' self-reporting behavior and the role of the company's information and social pressure on the issue. Specifically for remote workers, companies can focus on targeted information to hinder the overstatement of working hours, given that, for office workers, incentives to overstate hours surpass the risks of opportunistic behavior. Additionally, due to the results on the role of identification with peers and belongingness to the group to the influence of peers' social norms, companies can plan their control systems relying on the expected interaction that remote workers will have with peers.

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1 INTRODUCTION

“Every so often the more-or-less smooth tenor of our lives is disrupted. We are forced to deal with a new set of challenges and circumstances. [...] while these disruptions are undoubtedly inconvenient, not to mention potentially life-threatening, they do offer us an opportunity for transformative change.” (Davison, 2020)

Remote work represents a flexible work arrangement where the employee can work from home or another remote location outside the office (Groen, van Triest, Coers, & Wtenweerde, 2018). Therefore, employees establish a physical distance between themselves and the company in these circumstances. Since the beginning of 2020, due to the COVID-19 outbreak, companies that have not engaged in remote work were compelled to send employees home, creating a "new normal" (Farrer, 2020). On the one hand, the adoption of remote work allowed companies to continue their work despite the pandemic. On the other hand, control issues that already existed were heightened by sudden changes, such as diminished monitoring possibilities (Delfino & van der Kolk, 2021; Downes, 2020; Kurland & Egan, 1999). In this study, I investigate the effects of remote work on overstatement of working hours. Specifically, I explore whether remote work can affect the overstatement of working hours and whether the combination of remote work and social norms exert different effects on remote workers' and office workers' overstatement of working hours. Moreover, I explore when and how remote work affects the overstatement of working hours through perceptions of auditing likelihood and the company's social pressure.

This work arrangement was not news to several companies that increasingly engaged in remote work due to cost reduction with real state, environmental concerns related to commuting, and access to a global talent pool (Narayanan, Menon, Plaisent, & Bernard, 2017). Around 8 million Brazilians either continued working remotely or fully adopted this work configuration during the pandemic (Amorim, 2020). Moreover, research conducted after remote work's adoption showed that almost all employees that held eligible positions for remote work were working remotely (i.e., 46% eligible vs. 41% currently working), and that companies orientation mainly

was focused on employees' working hours (71%), with issues related to adequacy to work hours (8%) (FIA, Grupo Cia de Talentos, & Xtrategie, 2020).

Research has shown that previous aspects that were fundamental to remote work control (e.g., video conferencing) are now manageable and permanent (Kniffin et al., 2020). In Brazil and in the US, companies diverge on the future of remote work, with part of them fully supporting the return to the office and part of them enabling employees to continue to work remotely (Andrion & Yuge, 2021; AON, 2021; Ritter, 2021). Mainly, the divergence is due to convoluted experiences that companies had with remote work during COVID-19, such as the increase or decrease in productivity (Alexander, Smet, Langstaff, & Ravid, 2021; Smet, Dowling, Mysore, & Reich, 2021). Nevertheless, due to the pandemic's disruptive experience, the proportion of people working remotely will likely not return to pre-pandemic rates (Foss, 2020).

The crucial adjustment was that remote work became mandatory instead of the few days a week that employees worked outside the office before the pandemic, and we all had to adapt to it. On that note, remote work, as we all knew before, took a dramatic change. With increased flexibility, companies face control issues and are required to adapt (Lautsch, Kossek, & Eaton, 2009). These control issues were related to the lack of conventional control possibilities that companies were more accustomed to, such as the impossibility of face-to-face meetings, lunch gatherings, and direct monitoring (Delfino & van der Kolk, 2021). Moreover, managers were even more concerned about losing control over employees due to increased anxiety caused by the pandemic (Kniffin et al., 2020; Rudolph et al., 2020).

For managers, the physical distance between employees and the company represents a challenge, given that the lack of direct monitoring allows employees to engage in pernicious behavior, such as misreporting or social loafing (Blaskovich, 2008; Lill, 2020). In terms of agency issues, it becomes harder and more costly for companies to monitor their employees without seeing them promptly (Jensen & Meckling, 1976; Jensen, Lyons, Chebelyon, Bras, & Gomes, 2020). Therefore, the main concern is whether employees are indeed working when they are out of managers' sight, which is corroborated by frequent comments about remote work, such as "working from home is shirking from home" (Bloom, 2020; Choudbury, 2020). It seems that this stigma also harms people that are just momentarily unavailable since managers tend to attribute employees' unavailability to shirking (Wilkie, 2019). This suggests that, given the opportunity, employees might not shirk when working from home, but rather that individuals that were already prone to pernicious behavior would self-select to a less monitored environment (Brüggen, Feichter, & Haesebrouck, 2020). Moreover, during the pandemic,

companies reported an increase in employees' productivity (PwC, 2021), which also suggests that remote workers were working more rather than shirking.

Research also shows that, for remote work to be effective, managers need to establish trust and rely on controls that allow autonomy, such as output controls and behavioral controls (Dimitrova, 2003; Groen et al., 2018; Rudolph et al., 2020). However, this control choice was mainly designed for voluntary remote work, where both manager and employee can agree on the working arrangements, which was not the case during the mandatory change that the pandemic brought (Stoker, Garretsen, & Lammers, 2021). Research from the pandemic period showed that several companies did not resort to output controls, mostly continuing with the controls already in place (van Triest, 2021). While others invested in leadership changes to adapt their controls to the new dynamic, relying on monitoring measures such as working hours (i.e., timesheet), project completion, and other self-reported measures (Kashyap, 2021).

Most of all, managers wanted to be aware of their employees' behavior either through software, apps, or simple timesheets. Because of the increased physical distance between the employee and the company and the diminished monitoring possibility, remote work creates an ideal opportunity for employees to misreport aspects such as their working hours. However, in light of contradicting research (Brüggen et al., 2020), remote work might not cause individuals to misreport but instead offers an opportunity for individuals that would misbehave despite their location. Therefore, due to this conflicting evidence and (possible) behavioral changes that arose during the pandemic, I explore whether remote work affects employees' overstatement of working hours.

From the seminal work of Asch (1951) to the growing body of literature that explores social norms and conformity, there is a consensus in the literature that individuals' behavior tends to be influenced by the majority of the group's behavior. Conformity consists of "the act of changing one's behavior to match the responses of others" (Cialdini & Goldstein, 2004, p. 606). Individuals look for guiding behavior to conform to, which is commonly found in social norms (Goldberg, 1954). Social norms are "external prescriptions that influence behavior" and can appear in many forms, such as an explicit message about a common behavior or individuals' perception about groups' behavior (Smith & Louis, 2008, p. 648).

In companies, it is common to see the influence of peers on individuals' behavior through the enactment of social norms (Brunner & Ostermaier, 2019). In a way, employees' conformity to a social norm can be highly beneficial for the company when there's a norm for honesty. However, it can also bring a lot of damage when it is the norm for dishonesty that dominates in

the workplace (Abernethy, Bouwens, Hofmann, & Lent, 2020). By being aware of both situations, individuals feel constrained to act against their peers' behavior when peers are honest, but can also use peers' dishonesty to justify their dishonest behavior (Paz, Reichert, & Woods, 2013).

One important aspect of the enactment of social norms is salience, since “norms are only likely to influence behavior when focal in attention and salient in consciousness” (Smith & Louis, 2008, p. 650). This means that individuals can only be influenced by peers when peers' behavior is salient enough to become a norm (Cialdini, Reno, & Kallgren, 1990). This might suggest that in an environment where information about peers is less salient, such as in remote work, individuals might be less likely to conform to peers' social norms.

However, there are several technological tools that allow individuals to communicate with one another and see each other's activities (Mulki, Bardhi, Lassk, & Nanavaty-Dahl, 2009). These communication tools, like instant messaging and videocalls, are meant to avoid employees' isolation from their supervisors and their peers (Rudolph et al., 2020). At the same time, project management apps such as Trello and Asana can also convey information to remote workers about peers. Research shows that individuals can even understand social norms by observing or being informed of others' behavior (Cardinaels & Yin, 2015; Schedlinsky, Schmidt, & Wöhrmann, 2020).

Moreover, research has shown that distance can enhance individuals' adoption of social norms (Hansen & Genschow, 2020; Ledgerwood & Callahan, 2012). By improving their ability to think more abstractly – distancing themselves from the situation – individuals at a higher distance conformed more to the group's opinion compared to individuals at a lower distance (Ledgerwood & Callahan, 2012). Physical distance also increases individuals' attention, facilitating the imitation of goals (Hansen & Genschow, 2020). Along with the amount of information that employees have from peers, these findings suggest that the physical distance from remote work environments might not impair individuals' ability to infer about peers' social norms. Therefore, I investigate the effect of peers' social norms on the moderation of remote workers' overstatement of working hours.

Research on the effects of physical distance on misreporting showed that individuals have different perceptions over monitoring (Lill, 2020). Mainly, individuals feel less monitored in a higher distance compared to a lower distance. Additionally, on auditing research, research has also focused on the harmful effects of distance on monitoring effectiveness (Choi, Kim, Qiu, & Zang, 2012; Defond, Francis, & Hallman, 2018; Kedia & Rajgopal, 2011). In which, auditors

closer to clients can better deal with managerial opportunism because the lower information asymmetry from a lower distance increases the flow of information and possibility of monitoring (Choi et al., 2012). So, on the one hand, based upon the perspective that individuals that work remotely are more distant compared to individuals that work in the office, the expectations of lower monitoring could drive individuals to misreport more. More specifically, the effects of remote work on the overstatement of working hours might be explained by monitoring perceptions.

On the other hand, research from remote work during the pandemic showed an increase in employees' perception of monitoring (Delfino & van der Kolk, 2021; Hafermalz, 2020; Kniffin et al., 2020). Because of the number of technological tools that allowed remote workers to work, individuals also were more visible, by their own choice or by the company's choice (Hafermalz, 2020). This means that research conducted before COVID-19 might not reflect the shift on employees' monitoring perceptions. Therefore, I investigate the mediating relationship of auditing likelihood between remote work and the overstatement of working hours.

Companies can also exert some influence on employees' decisions about misreporting (Kerr, 2014). Research shows that a company's incentives can lead employees to engage in opportunistic behavior (Sauer, Rodgers, & Becker, 2018). This happens because incentives are not properly aligned with companies' goals or because, when combined with other controls, incentives can have an undesired effect on employees' behavior (Harris & Bromiley, 2007; Sauer et al., 2018). Moreover, employees justify these acts of pernicious behavior to companies' pressure to do so given that rewards are generally attached to unachievable goals (KPMG Forensic, 2013). This means that incentives that misguide behavior can be formal (e.g., financial incentives) or informal (e.g., company's pressure).

This pressure that leads to misreporting can become even more challenging to be disregarded if employees believe that this is a social norm from the company. For example, social norms can develop by stating what is acceptable or recommended and by rewarding or punishing behaviors that are not aligned to it (Lieberman, Duke, & Amir, 2019; Schultz, Nolan, Cialdini, Goldstein, & Griskevicius, 2007). This means that if companies continuously state to their employees that some specific behaviors are recommendable and pressure them to engage in these behaviors, employees might justify their behavior with the norm. Therefore, I investigate the mediating relationship of a company's social pressure, in the form of employees' incentives to work extra hours, between remote work and overstatement of working hours.

My study answers two main research questions. My first question is: does remote work affects individuals' overstatement of working hours? This first question arises from the lack of consensus in the literature about the effect of physical distance on individuals' misreporting behavior. On the one hand, the literature posits that remote workers might engage in opportunistic behavior due to the physical distance that separates them from the company. On the other hand, it also posits that physical distance per se might not lead to opportunist behavior but rather allow opportunistic individuals to misreport their working hours.

My second question is: do peers' social norms affect remote workers and office workers differently on their overstatement of working hours? This second question arises from antagonistic literature. On the one hand, the focus theory of normative conduct (Cialdini, Kallgren, & Reno, 1991) states that the enactment of social norms is only possible when focused and salient to individuals. On the other hand, accounting literature has shown several examples of the enactment of social norms through information, such as individuals' performance compared to the groups' performance and individuals' awareness of the group's dishonesty (Cardinaels & Jia, 2016; Hannan, Mcphee, Newman, & Tafkov, 2019).

To assess these research questions, I conduct a 2 x 2 between-participants web-based experiment. I use Prolific Academic to collect my participants and to conduct the experiment. I manipulate the physical distance in two levels: Remote and Office. In the Remote condition, the employee works primarily from home and does not interact with peers daily. While in the Office condition, the employee works in the local company headquarters and interacts with peers daily. I also manipulate Peers' social norms on two levels: honest and dishonest. In the honest condition, participants are informed in a company email that the majority of their colleagues report their actual working hours. While in the dishonest condition, the majority of colleagues overstates their working hours. I measure employees' self-reporting by employees' likelihood to overstate extra hours.

I find no significant results from the remote workers' and office workers' overstatement likelihood. I also see no significant difference between honest or dishonest peers' influence on participants' overstatement. Moreover, I find no significant results for the interaction between physical distance and social norms.

I also predict that the relationship between remote work and the overstatement of working hours have two explanatory mechanisms. The first is monitoring perceptions, proxied by employees' auditing likelihood. Overall, the literature on the effects of physical distance on performance misreporting is not straightforward as to whether higher (lower) physical distance will increase

or decrease individuals' monitoring perceptions. Nevertheless, literature also shows that a lower (higher) perception of monitoring is linked to lower (higher) expectations of getting caught (Cardinaels & Jia, 2016; Trope & Liberman, 2010). Therefore, I explore the effects of remote work on the overstatement of working hours through individuals' perceptions of auditing likelihood.

The second is the company's social norms, proxied by employees' social pressure to work extra hours. Mainly, companies establish social pressure on employees that often leads to performance misreporting (DeZoort & Lord, 1997). One of these pressures might be an expectancy that employees work extra hours (Murphy, Wynes, Hahn, & Devine, 2019). Again, on the one hand, literature is not straightforward about the effects of physical distance on performance misreporting. On the other hand, there is a great body of literature that shows how social pressure, in the form of social norms, can help individuals justify their misreporting behavior. Therefore, I explore the effects of remote work on performance misreporting through individuals' perceptions of social pressure.

My mediation analysis shows an indirect effect of physical distance on overstatement through these two mediating variables. My results posit that remote workers show a higher auditing likelihood than their office counterparts. These results are consistent with research conducted during the COVID-19 outbreak, from Delfino and van der Kolk (2021), Hafermalz (2020), and Malik, Sinha, and Goel (2020), which shows that increased distrust from companies towards employees and perpetual monitoring through calls and (video)messaging creates higher monitoring perceptions on remote workers. Accordingly, my results show that the influence of auditing likelihood on overstatement was only significant to remote workers.

Additionally, my results show that office workers have higher perceptions than remote workers that the company's social pressure is to work extra hours, which subsequently creates higher overstatement. I test these results in addition to peers' social norms and find that, consistent with social norm theory, the interplay between peers' social norms (descriptive norm) and company's social pressure (injunctive norm) increased office workers' overstatement. I explain these results with additional tests for peer identification and belongingness, which are fundamental to the enactment of social norms. Mainly, office workers have higher peer identification and belongingness, which facilitates the enactment of descriptive norms. Additionally, social norms literature shows that, when established, the effects of social norms are stronger when both descriptive norms (peers' social norms) and injunctive norms

(company's social pressure) act together, possibly explaining why this was an explanation for office workers overstatement and not for remote workers.

Finally, my results show that auditing likelihood and social pressure are significant to performance misreporting. And that both mechanisms help explain RQ1 and RQ2 since remote work indirectly affects overstatement through auditing likelihood and the company's social pressure. While auditing likelihood reduces overstatement, the company's social norms increase, which do not suppress each other but work in different directions.

This study contributes to the literature in several ways. First, I build on Lill (2020) and Brügger, Feichter, & Haesebrouck (2020), to extend the findings on honest reporting (e.g., Evans, Hannan, Krishnan, & Moser, 2001; Huddart & Qu, 2012) by exploring the impact that the reduction of direct monitoring on account of flexible work arrangements have on employees' self-reporting behavior. My results show that, regardless of their location, individuals behave relatively similarly. In addition, my results show that auditing likelihood influences remote workers' overstatement of hours. I also show that the company's information is significant to remote workers and office workers in different stances. Specifically to remote workers, my study shows that a company's information about peers, when being the only source of information, is highly influential to monitoring perceptions. Finally, these results might also relate to other information that companies provide to remote workers when no additional direct peer information is available.

Second, building on Brunner & Ostermaier (2019), I add to the accounting literature on social norms by exploring how peers' influence plays a role in employees' behavior. Prior accounting studies have investigated how control system design affects social norms and the consequent behavioral change (e.g., Abdel-Rahim & Stevens, 2018; Cardinaels & Yin, 2015; Tayler & Bloomfield, 2011). However, there's still a lot to investigate about these effects on employee behavior when there's a diminished opportunity for controls to enact, such as flexible work arrangements (Groen et al., 2018; Guo, Libby, Liu, & Tian, 2019). I also add to social norm theory with the interplay of descriptive and injunctive norms (Smith et al., 2012b) since I discovered that social norms affect employees differently, but only when employees are additionally subjected to injunctive norms from the company. Additionally, I add the perspective of physical distance on the connection between social identity and social norms (Bartel, Wrzesniewski, Wiesenfeld, Bartel, & Wrzesniewski, 2012; Smith & Louis, 2009; White, Smith, Terry, Greenslade, & McKimmie, 2009), given that my results show that remote

workers were not affected by social norms due to their lack of identification and sense of belongingness consistent with the increased physical distance.

Third, I contribute to management control systems literature on the role of audit adoption as mitigators of pernicious behavior (Cardinaels & Jia, 2016). My results show that the link between auditing and behavioral change is not always straightforward, specifically in environments with incentives (company's social norms) and external influence (peers' social norms). Additionally, my results contribute to the new stream of literature that explores COVID-19's effects on employees' perception of monitoring and surveillance (Delfino & van der Kolk, 2021; Hafermalz, 2020; Lee, 2021), which consequently affected their auditing perceptions.

The study has several practical implications. Since the COVID-19 outbreak, companies have been forced to adapt and discover how to control employees when working remotely. Several companies announced that they would not return to the office after the pandemic (Levy, 2020). My research focuses on individuals' self-reporting. However, I believe that results could be looked at in different reporting aspects. Whether participants are reporting their working hours (e.g., service companies), performance, or even budget reports, individuals are still subjected to the same set of factors considered in the study: physical distance, social norms, auditing perceptions, and company's social norms.

Based on the study's results, companies could use their current technology-based control systems more effectively. Nonetheless, companies must design their control systems based on the amount of interaction they want employees to experience. In other words, even though interaction among employees can be beneficial for employees' work, it can also be harmful in dishonest environments, as seen in the comparison between remote workers and office workers. My results show that auditing likelihood is fundamental to remote workers' overstatement but that it mainly comes from the company's messaging rather than peers' influence. Additionally, my results also show that the incentives that the company provides to ensure employees' effort might backfire when combined with peers' reported behavior for office workers. Companies can consider that remote workers and office workers have different perceptions from the company's messaging, especially when peers' interactions can highlight pervasive behavior.

Overall, my results can help companies develop their monitoring systems, by showing that is necessary to be aware of the possible repercussions of company's social pressure – which can increase employees' opportunistic behavior – while maintaining some perception of monitoring. If not for the amount of pressure to work extra hours, participants would not have

risen their overstatement of working hours, which suggests that companies might benefit from informing employees about monitoring possibilities (even in the configuration of a disclaimer about other employees' behavior, such as portrayed in the experiment). By reducing their amount of social pressure, companies might benefit from the increased effects of monitoring perceptions, and possibly face lower performance misreporting from employees' working hours.

In Section 2, I describe remote work, performance misreporting, and social norms. I develop my research questions focusing on the effects of remote work and overstatement of working hours, and the connection between remote work, social norms, and overstatement of working hours. In Section 3, I explain and show details about my experimental design and choices. In Section 4, I present and discuss my experimental results. Section 5 depicts the conclusion with further discussion.

2 THEORY AND HYPOTHESES

2.1 REMOTE WORK AND CONTROL – THE ROLE OF PHYSICAL DISTANCE

Remote work, telecommuting, homework, telework, and other various names represent the same concept: a flexible work arrangement that allows employees to perform their tasks outside of the office space while interacting with the company through digital technologies (Gajendran & Harrison, 2007). This arrangement is part of a broader concept called distributed work (Hinds & Kiesler, 2002, p. 13). Due to its flexibility, there is no single or ideal way to engage in remote work, which allows for a series of different configurations, such as the amount of time that employees are allowed to work remotely and the amount of interaction they experience while performing their work (Gajendran & Harrison, 2007; Kossek, Lautsch, & Eaton, 2006; Kurland & Bailey, 2000; Lautsch et al., 2009; Narayanan et al., 2017).

For instance, remote workers can work one day a week outside of the office or can never even work at the office, such as the employees that work remotely every day or gig workers – which are paid by a specific task or project, such as Uber drivers and Airbnb hosts (Hickman & Robison, 2020; Istrate & Harris, 2017). They can also talk to their managers, superiors, and colleagues constantly or have few or no interactions with them (Lund, Madgavkar, Manyika, & Smit, 2020). In sum, the concept of remote work is the same, despite its different names, and the ways to engage in it are not equal.

For the past decades, due to enabling technologies, remote work became common to several companies, with mixed perceptions over its potential advantages, but with obligatory adoption during the COVID-19 pandemic (Kuruzovich, Paczkowski, Golden, Goodarzi, & Venkatesh, 2021). The data collected prior to the pandemic showed that 3.8 million Brazilians were working remotely in 2018, which is a 21,1% increase from 2017 (Silveira, 2019). In 2020, during the pandemic, this number increased to 8.1 million Brazilians, or around 11% of the working population worked remotely (Góes, Martins, & Nascimento, 2021). With increased vaccination and consequent lessening of health restrictions, some companies decided to return to the office (Cavallini, 2021; KPMG, 2021). At the same time, others chose to allow employees to continue working remotely all the time or part-time (hybrid) (KPMG, 2021; Smet et al., 2021).

Companies that decided to maintain remote work saw benefits from the adoption of it, such as employees' increased productivity and cost reduction with real estate (Lund et al., 2020). In terms of reduced costs, according to a report from Global Workplace Analytics, "a typical U.S. employer can save \$11,000 a year for each half-time (2 to 3 days a week) remote worker" (Lister, 2021). This, obviously, does not mean that the problems and concerns regarding remote work have been fixed or just disappeared (Kniffin et al., 2020).

If, before the pandemic, there was no consensus regarding the effects of remote work, it seems that the pandemic added another layer of conflicting research results on the topic. Mainly, concerns about how to control employees have lingered without definite results (Delfino & van der Kolk, 2021; Groen et al., 2018; van Triest, 2021). In a way, the companies that decided to continue allowing employees to work remotely see potential benefits that overcome the control challenges but are still concerned about them.

One particular control challenge to companies that lingered is how to control whether employees are working or shirking (Cooke, 2021). By definition of the Cambridge Dictionary, shirking means "to avoid work or a duty". And, despite not stating any link to remote work on its definition, it is rather common to see it connected to remote work in a dismissive manner, such as "shirking from home" (Laurent, 2020). Overall, companies are afraid that employees' performance will suffer from physical distance. This concern is led by two factors: lack of direct monitoring possibilities and the ability to interact impromptu (Kurkowski, 2021). More specifically, managers are concerned about not being able to just drop by at their employees' desks to check whether they are working or shirking.

In order to solve this issue, prior literature recommends that companies develop adequate controls for remote work, mostly focusing on the development of output controls (Foss, 2020; Groen et al., 2018). Moreover, after the COVID-19's outbreak, significant organizational changes were implemented to promote employees' adaptation and performance, such as technology and systems usage, core processes, new behavioral and cultural understandings (McKinsey Global, 2020). Nevertheless, research conducted during COVID-19 showed this was not a consensus among managers, with some of them not resorting to new adaptive controls (or even to output controls) but rather maintaining their current controls in place (van Triest, 2021). While some of the managers resort to technologies such as Software and Apps that can display information about employees' working hours, project completion, and other monitoring aspects (Katsabian, 2020).

In addition to that, literature shows that remote work environments must adhere to control aspects based on trust, communication, and autonomy to succeed (Abdelkader, 2014). Also, trust, given its characteristic to make people more willing to be vulnerable, can collaborate with the information sharing process (Korsgaard, Brower, & Lester, 2015). In contrast, controls that focus on monitoring could undermine employees' perceptions of trust (Christ, Sedatole, Towry, & Thomas, 2008) and harm the success of remote work (Kurkowski, 2021). Mainly, employees see monitoring as a signal of distrust, in which the more they are monitored, the less they feel trusted (Greasley et al., 2005).

In order to solve the intertwined relationship between not being able to constantly monitor employees and having to trust them for the success of remote work, companies often resort to the use of these apps and software while giving employees the autonomy to input their performance (i.e., timesheet, project completion, clients' costs) (Laker, Godley, & Patel, 2020). On the one hand, this type of control allows employees to have more autonomy, which is consistent with a signal of trust from the company (Christ et al., 2008). On the other hand, given that the amount of information collected through the software and apps tends to be overwhelming, it might not be so easy for managers to detect employees' performance misreporting (Schooley, 2021), through ex-post internal audits, for example (Kagermann, Kinney, Küting, & Weber, 2008). Therefore, by using this type of control, managers are still unsure whether employees are working from home or "shirking from home".

2.2 PERFORMANCE MISREPORTING – OVERSTATEMENT OF HOURS

According to the Cambridge Dictionary, misreporting is reporting false or incorrect information. The possibility of an individual misreporting is not exclusive to remote work. Accounting literature has numerous examples of performance misreporting, such as Maas and van Rinsum (2013), Cardinaels and Jia (2016), Indjejikian and Matějka (2009), Courty and Marschke (2004), and Guo, Libby, Liu, and Tian (2020).

Misreporting can be unintentional and error-related (Graham, Li, & Qiu, 2008). For example, Peterson (2012) explores how accounting complexity can increase the likelihood of misreporting by leading managers to err in their judgments when applying standards in transactions. Or it can be intentional and fraud-related (Graham et al., 2008). For example,

Maas and van Rinsum (2013) explore managers' intention to misreport their performance given the effects of this report on their peers.

Additionally, misreporting can be downward, such as managing earnings before private purchases (Del Brio, Lopes-e-Silva, & Perote, 2016). Or, misreporting can be upward, such as budgetary slack creation (Guo, Libby, & Liu, 2017). It can also be investigated at different levels, such as at the firm level (Del Brio et al., 2016) or at the individual level (Cardinaels & Jia, 2016). Finally, misreporting can also be of different types of accounting reports, such as cost misreporting (Guo et al., 2017), expense misreporting (Krishnan, Yetman, & Yetman, 2006), and earnings misreporting (Evans et al., 2001).

Misreporting can also happen for a number of reasons. As seen in Peterson (2012), when non-intentional, it can occur due to human error. In contrast, when intentional, it happens due to individuals' opportunistic behavior (Jensen & Meckling, 1976), which could be heightened by social norms (Brunner & Ostermaier, 2019; Cardinaels & Jia, 2016; Paz et al., 2013) or social pressure (Bishop, Dezoort, & Hermanson, 2017; Hartmann & Maas, 2010), and might be justified through motivated reasoning (Wouters & Stadtherr, 2021) or through social comparison (Luft, 2016). In sum, accounting research has several ways to capture performance misreporting, and also consistently studies the different motivations for misreporting.

In addition, other proxies could represent performance misreporting, only dependent on components of individuals' performance appraisal. For example, in Evans et al. (2001), individuals' performance is appraised through their earnings report; therefore, individuals might misreport their earnings to inflate their performance. In the same way, other elements might also be subject to misreporting. One typical employee's misconduct is misreporting of working hours (Agoglia, Hatfield, & Lambert, 2010; Taylor Jr., 2019). For example, individuals might overstate their working hours or increase their billable hours to inflate their performance, such as those seen in accounting or law firms (Nichol, 2019; Taylor Jr., 2019). On another direction, underreporting of working hours is also a common practice in auditing firms (Agoglia et al., 2010). Therefore, performance misreporting consists of misrepresenting a proxy used to appraise performance.

2.3 REMOTE WORK AND PERFORMANCE MISREPORTING

Before discussing the effects of remote work on performance misreporting, it is necessary to introduce the two conceptual aspects that guide remote workers' behavior. These aspects derive from the same situation: the fact that there is a physical distance between the company and employees. The economic and psychological aspects focus on how physical distance affects individuals' perceptions and its consequences on performance misreporting.

2.3.1 The economic aspect of the relationship between physical distance and misreporting

The economic aspect is in line with classic economic theory in the figure of the economic human (i.e., *homo economicus*), and, more specifically, with companies' agency concerns. Economic theory assumes that the economic human is a perfectly rational individual that maximizes their utility in each decision (Persky, 1995). In the same way, companies expect employees to act upon their interests and not in companies' interests (Jensen & Meckling, 1976). Mainly, companies need to ensure appropriate incentives and incur monitoring costs to guarantee that employees will engage in activities that align with companies' interests (Jensen & Meckling, 1976).

One of the critical aspects of remote work is the distance between employees and the company. In terms of remote work, due to the diminished possibility for monitoring, companies' expectations rely on employees optimizing their utility by engaging in activities that are not consistent with companies' interests, such as expectations of performance misreporting (Blaskovich, 2008; Lill, 2020; Weisner & Sutton, 2015). Moreover, the benefits of physical proximity extend to facilitating information transferring and monitoring (Choi et al., 2012). Therefore the primary expectation from economic theory would be that there is a direct relationship between distance and misreporting. In which, in a higher distance, without any monitoring (or without the right amount of monitoring), individuals would likely maximize their own utility by misreporting their performance.

2.3.2 The psychological aspect of the relationship between physical distance and misreporting

The economic theory still does not fully explain the underlying mechanism that would lead individuals to have different behaviors according to the distance, relying on the psychological aspect. Physical distance¹ is part of a broader construct that affects remote work. I borrow the concept of physical distance (i.e., spatial distance) from Trope and Liberman's (Liberman & Trope, 1998; Trope & Liberman, 2010) Construal Level Theory of psychological distance. According to Trope and Liberman (2010, p. 443), psychological distance "refers to the perception of when an event occurs, where it occurs, to whom it occurs, and whether it occurs". Four dimensions constitute psychological distance: temporal distance (i.e., the when), spatial distance (i.e., the where), social distance (i.e., the whom), and hypothetical distance (i.e., the whether) (Liberman & Trope, 1998).

The theory posits that individuals can only experience situations and objects that are proximate to them, whether by distance or by time (Trope & Liberman, 2010). Nevertheless, they can still imagine different experiences and put themselves in different situations (Trope & Liberman, 2010). This happens because individuals can form "abstract mental construals of distal objects" (Trope & Liberman, 2010, p. 440). For example, despite only being able to experience what happens in the present, individuals can imagine counterfactuals from their lives whether they have taken a different decision (i.e., hypothetical distance). Individuals can also put themselves in the place of others (i.e., social distance). They can also imagine different moments in time, such as remembering the past or planning the future (i.e., temporal distance). And finally, individuals can imagine being in a different physical place than the one they currently are (i.e., spatial distance). Therefore, "psychological distance is a subjective experience that something is close or far away from the self, here, and now" (Trope & Liberman, 2010, p. 440).

Construals can be divided into two levels: low-level and high-level (Liberman & Trope, 1998). According to Trope and Liberman (2010, p. 441), "we view high-level construals as relatively abstract, coherent, and superordinate mental representations, compared with low-level

¹ I chose to adopt the term physical distance instead of spatial due to its similarity in meaning to what remote work represents, as in, individuals are physically distant from each other during remote work. My reasoning is related to Zhang and Wang's (2009, p. 497) example of spatial distance, which is "the physical distance between oneself and a target".

construals”. Moreover, “CLT contends that people use increasingly higher levels of construal to represent an object as the psychological distance from the object increases” (Trope & Liberman, 2010, p. 441). This abstractness of mental representation, created by the psychological distance, affects individuals’ predictions, evaluations, and behavior (Trope, Liberman, & Wakslak, 2011). In other words, the theory posits that individuals analyze elements that are proximal or distant from them differently. While more proximal elements are analyzed with low-level construals (i.e., in a more concrete manner), more distant elements are analyzed with high-level construals (i.e., in a more abstract manner). This reasoning is more developed in Table 1, in which the higher (lower) the distance, the higher (lower) the construal level.

Table 1 – Distinguishing High-Level and Low-Level Construals

High-Level Construals	Low-Level Construals
Abstract	Concrete
Simple	Complex
Structured, coherent	Unstructured, incoherent
Decontextualized	Contextualized
Primary, core	Secondary, surface
Superordinate	Subordinate
Goal Relevant	Goal irrelevant

Source: Trope and Liberman (2010).

Remote work is an example of a phenomenon that might encompass the four dimensions of psychological distance (Weisner & Sutton, 2015). Even though remote work might be closely related to only physical distance or a combination of the four dimensions (Weisner, 2015), the theoretical expectations from Trope and Liberman (2010) suggest that there is an interrelationship between the four dimensions. Despite this interrelationship, both the predictions from Trope and Liberman and empirical evidence (Boroditsky, 2000, 2001; Boroditsky & Ramscar, 2002; Zhang & Wang, 2009) point out that physical distance is more influential than the other three dimensions. The fact that physical distance is the most salient aspect of remote work is also in line with prior literature about its more influential role on psychological distance. Additionally, social psychology research has adopted physical distance to measure social distance and the other dimensions (Trope & Liberman, 2010). In this study, I

only focus on the physical distance dimension of psychological distance as the conceptual aspect of remote work.

Finally, given that high-level construals lead to higher abstraction and that the interconnectedness between the four dimensions can lead to complementary effects between them, the expectation from CLT relies on the fact that a high-level construal from physical distance also leads to a high-level construal from the other dimensions. More specifically, if a decision is affected by physical distance, it will likely be affected by temporal, hypothetical, and social distance. For example, when considering a decision when physically distant, individuals are also bounded to think less about their supervisors (i.e., social distance) and less about the consequences of their actions (i.e., hypothetical distance). Therefore, the primary expectation from the psychological perspective would be that physical distance would increase individuals' performance misreporting.

2.3.3 The link between the economic and psychological aspects of physical distance and the possible effects on performance misreporting

There is a lot of criticism regarding the economic human perspective in the literature (Persky, 1995). Mainly, literature explores the gaps in which the economic human perspective relies upon – that individuals are perfectly rational and would maximize their utility in each presented opportunity (Salterio & Webb, 2006). Moreover, prior literature shows that not all individuals act opportunistically when presented with the opportunity (Church, Lynn Hannan, & Kuang, 2014; Hannan, Rankin, & Towry, 2006; Luft, 1997; Salterio & Webb, 2006). Additionally, on the psychological aspect of physical distance, prior literature explored the link between CLT and remote work (Lill, 2020; Weisner & Sutton, 2015; Wilson, Crisp, & Mortensen, 2013). Overall, the literature that explores these effects from an economic and psychological perspective is intertwined. Nevertheless, the results from both about the effects of physical distance are not a consensus and point to intricacies that might lead this relationship in different directions.

On the one hand, there is a number of examples in literature that display individuals' opportunistic behavior when presented with physical distance. For example, Blaskovich (2008) shows that teams with individuals that work remotely (i.e., virtual teams) are less productive

than teams with individuals that do not work remotely (i.e., face-to-face teams) because the physical distance between teams members contributes to social loafing². Mainly, teams that work face-to-face present much more individual participation and effort compared to virtual teams.

Part of the literature shows that physical distance can increase misreporting since information asymmetry between the employee and the company offers more opportunities to be dishonest and a smaller probability for the employee to get caught (Lill, 2020). Mainly, in Lill (2020), individuals have different perceptions over monitoring, in which the higher the distance, the lower the perception that individuals have over probabilistic audits. This is consistent with the different levels of CLT and the relationships between the dimensions, in which the individuals in a higher physical distance have different perceptions over hypothetical distance (i.e., audit probability), which leads to higher performance misreporting. In others, the physical distance influences hypothetical distance, influencing an individual's behavior.

Additionally, Weisner and Sutton (2015) explore the distinct perspective that auditors experience when relying on the work of specialists that are (close) distant. Auditors had less reliance on specialists that were physically distant from them compared to the ones that were closer, which also led them to reduce their willingness to reduce their budgeted audit hours. Mainly, what these results show is not individuals' opportunistic behavior but rather auditors' expectancy of this behavior. This is in line with companies' expectations of what employees might do when physically distant from the company (e.g., shirking).

Research also shows that even virtual teams engage in different behaviors accordingly to the physical distance between them. Bradner and Mark (2002) show virtual teams with team members in different cities engage in more deception compared with team members in the same city. Overall, individuals that believed that their counterparts were in another city gave more deceptive portrayals of themselves compared to when they believed that their counterparts were in the same city. This might suggest that not only the physical distance could affect individuals' behaviors, but also that the amount of distance could represent an additional issue to the phenomenon.

² Social loafing is the "tendency for individuals to contribute less than full effort to a group" (Blaskovich, 2008, p. 27). The phenomenon has also been mentioned in literature as free-riding or shirking (Blaskovich, 2008), which is in line with my study's primary topic.

There are also examples in auditing research which have explored the role of physical distance³ on audit quality. Francis, Golshan, and Hallman (2021) show that audit partners that have a higher physical distance with clients show lower audit quality compared with clients with lower physical distance. The authors shed some light on these results with explanations that are in line with companies' concerns over remote workers. Overall, auditors with clients from a higher physical distance have, generally, fewer interactions with clients, which decreases auditors' possibilities to detect financial reporting bias and decreases auditors' expectations for audit reviews.

These results are in line with Choi et al.'s (2012) results that show that lower physical distance between auditor and clients tends to improve auditors' client-specific knowledge due to lower information asymmetry that facilitates information flows and monitoring. Mainly, auditors are more capable of "constraining opportunistic earnings management or improving accrual quality" when clients are at a lower physical distance, which leads to improvement in audit quality.

On the other hand, there is also research that does not show the connection between physical distance and misreporting. For example, Nagin, Rebitzer, Sanders, and Taylor (2002) explore the behavior of call center employees that are physically distant (i.e., in 16 dispersed locations) from the company's headquarters (i.e., monitoring site). In their study, the call center employees are presented with the possibility of engaging in opportunistic behavior (i.e., shirking) by having their monitoring decreased. While the authors predicted that call center employees would behave as rational cheaters, such as they would engage in opportunistic behavior to maximize their own advantages, the results show that only a part of employees behaved according to their predictions. This part of the employees also reported management to be unfair and uncaring. Another significant part, however, did not engage in opportunistic behavior. This might suggest that the ones who engaged in this detrimental behavior could be partially responding to the company's controls.

Additionally, Brügggen et al. (2020) discuss whether the location (i.e., the physical distance) influences individuals' behavior. The authors investigate, in an effort task and in an honest task, participants' behavior when doing the tasks in the lab or at home. Furthermore, they explore participants' preferences towards location itself to account for selection effects. Overall, their results show that participants' exerted similar effort, regardless of their location. Their results

³ These papers adopt the term "geographical distance".

also show that participants were less honest when the physical distance was higher compared to when it was lower, such as prior literature. Nevertheless, these latter results are only consistent when not taking selection effects into consideration. In other words, individuals that already had opportunistic intentions saw this situation as a means to act upon it. These results also show that remote work (i.e., physical distance) might not be what is driving opportunistic behavior but rather working as a way to accomplish this behavior.

Finally, a few studies also show that physical proximity does not always lead to better results compared to higher physical distance. For example, Defond et al. (2018), show that auditors from non-Big 4 audit offices that have higher proximity with Securities and Exchange Commission (SEC) tend to be more aware of SEC's investigation of misconduct compared to auditing firms that are distant from the SEC. This perception is in line with availability bias, which leads to excessive precaution and decreased audit quality. Mainly, auditors that are closer to the SEC tend to issue more unwarranted going concern opinions compared to auditors that are more distant to the SEC. Moreover, these results are only consistent with non-Big 4 audit offices since the proximity of SEC did not affect Big 4 audit offices' going concern decision.

Finally, in addition to the conflicting results in the literature, several literature from the COVID-19 pandemic explore another crucial change that might affect the relationship between physical distance and misreporting: monitoring perceptions (Delfino & van der Kolk, 2021; Hafermalz, 2020). Overall, prior literature explores the different perceptions in monitoring as an important aspect of performance misreporting, in which the higher the physical distance, the lower the perceptions of monitoring. However, a key aspect of this shift from voluntary remote work to mandatory remote work was also the different monitoring perceptions that individuals experienced.

If, before the COVID-19 pandemic, individuals had lower perceptions of monitoring when working remotely (Bradner & Mark, 2002; Lill, 2020), it seems that this might not be the case during and after the pandemic. Research on monitoring during the pandemic shows that a great part of employees experienced an increase in their monitoring perceptions (Delfino & van der Kolk, 2021; Kniffin et al., 2020; Kurkowski, 2021). Companies not only increased the amount of monitoring technology with apps, software, instant messaging, and videocalls but also increased the number of interactions between the employees and their managers or supervisors (Delfino & van der Kolk, 2021).

Although several companies were already adopting such technologies to monitor employees (even the ones that were on-site) before the pandemic, the company generally chose trusted

employees to work remotely, and a great part of these employees did not work remotely full time (Kniffin et al., 2020). This means that the mandatory physical distance that the pandemic demanded made several of these companies increase monitoring and interactions with employees while also creating a movement between employees to make themselves more “visible” (Delfino & van der Kolk, 2021; Hafermalz, 2020). Mainly, these results show that, if before the pandemic, the literature was already convoluted on the topic, the after COVID-19 literature showed that physical distance does not necessarily lower monitoring perceptions.

This means that prior expectations from the effect of physical distance on individuals’ performance misreporting might not hold after the pandemic. Moreover, research also shows that remote workers have been productive (OECD, 2021; PwC, 2021), which could also mean that remote workers were, in fact, working during the pandemic and not engaging in opportunistic behavior while at home. Overall, what literature seems to point is that, even before the pandemic, the results were not a consensus, in which the physical distance would not unequivocally lead to performance misreporting. Additionally, the shifts in monitoring perceptions and the data on remote workers’ productivity also seem to point that this relationship is not as straightforward as expected. Therefore, I posit Research Question 1 about whether remote work can affect individuals’ overstatement of working hours as follows:

RQ1: Does remote work affects individuals’ overstatement of working hours?

2.4 REMOTE WORK, SOCIAL NORMS, AND PERFORMANCE MISREPORTING

One of the first works on social norms focuses on norm conformity (Asch, 1951). In Asch’s (1951) work, individuals conformed to an incorrect answer given by a confederate since they thought that they were expected to go along. From there to now, researchers have substantially studied conformity to social norms. Social norms are a way to predict what is acceptable or permissible behavior among a group of people (e.g., society, company’s environment) (Fishbein & Ajzen, 2011). Mainly, social norms can be constricting since not conforming might lead to punishment, so it is the individual's best interest to conform with the social norms that are in place (Fishbein & Ajzen, 2011; Tayler & Bloomfield, 2011).

Social norms can be differentiated as what people commonly do (i.e., descriptive norms) and what is commonly approved (i.e., injunctive norms) (Cialdini et al., 1991). This literature has also shown that norms can influence people's behaviors. In this study, as in others in the accounting literature (Huddart & Qu, 2012; Maas & Rinsum, 2013; Tayler & Bloomfield, 2011), social norms are seen as norms of what people (i.e., peers) do in the company. Psychological research has already established that social norms are able to inform behavior via example (Cialdini, Demaine, Sagarin, Barrett, & Winter, 2006), that they need to be salient to elicit behavioral changes (Cialdini et al., 1990), and that social interaction is a pivotal component for people to understand which social norms are in place (Real & Rimal, 2003).

Social norms are important to companies because they are able to inform, either through example or by other types of informal controls (e.g., mission statement, value statement) what is the accepted behavior (Abernethy et al., 2020; Cialdini & Goldstein, 2004; Fischer & Huddart, 2008). For example, a company's social norms might be related to the type of values that are part of organizational culture (Aguiar, 2020). They can also be focused on peers' behavior, such as whether to have lunch outside or on the work desk or whether to arrive early or late to work because the majority of the company's employees act in that manner.

Mostly, social norms can also be harmful to the company if the norm is not aligned to the company's interests (Emett, Guymon, Tayler, & Young, 2019). For example, if there is a norm for opportunistic behavior, such as performance misreporting, employees' conformity to such norm could be detrimental to the company (Brunner & Ostermaier, 2019; Maas & Rinsum, 2013). Additionally, prior research shows that individuals face an emotional cost for not conforming to honest social norms that are in place (Bicchieri & Xiao, 2009; Fischer & Huddart, 2008). This means that if there is a social norm for honesty – or that does not promote opportunistic behavior – individuals would be less inclined to be opportunistic. While, when there's a social norm for dishonesty, individuals can justify their self-interested behavior and engage in unethical behavior (Kish-Gephart, Harrison, & Trevino, 2010; Smerdon, Offerman, & Gneezy, 2019).

Corporate scandals such as Enron and Volkswagen are extreme examples of dishonest behavior in the workplace. However, small acts of unethical behavior (e.g., slack creation, overstating performance, lying in negotiations) are more common and, when accumulated, can also harm the company (Gino, 2015). It is a common mistake to assume that only morally corrupt individuals engage in this kind of behavior since psychological research shows that a shift in the individuals' perception of social norms for dishonesty can increase bad behavior (Cialdini

et al., 1991). This happens because when individuals engage in unethical behavior, they need to justify these acts of dishonesty by comparing themselves with others (Bicchieri & Xiao, 2009).

The engagement in self-interested behavior consistent with the conformity to dishonest social norms is dependent on the degree that individuals identify themselves to the observed group (Wenzel, 2005). This suggests that, given their identification with their peers, individuals are more inclined to conform to dishonest social norms when observing that this is a norm among peers. In addition to that, conformity to social norms is not symmetrical since individuals tend to conform more to social norms that are more self-interested to them than norms that are more socially interested (Emett et al., 2019). The asymmetrical conformity to social norms is related to how salient these norms are to the individual, enabling dishonest social norms to be perceived more strongly (Bicchieri, 2006; Cialdini & Trost, 1998). In other words, individuals are highly susceptible to their peers' social norms, whether they are for honesty or dishonesty (Innes & Mitra, 2012).

Accounting literature also presents similar results on peers' influence on how concerns about reputation and fairness can prevent individuals from misreporting (Arnold & Schreiber, 2013; Webb, 2002) and justify unethical behavior (Brunner & Ostermaier, 2019). The conformity to social norms becomes less clear in environments where peers' behavior is not so transparent to the individual. Moreover, when individuals do not have this information or, more precisely, when this information is bounded to a phenomenon such as physical distance, individuals tend to be less influenced by their peers (Brucks, Reips, & Ryf, 2007). This reasoning is in line with psychological research since the physical distance is also one of the components of Latané's Social Impact Theory⁴ (Latané, Liu, Nowak, Bonevento, & Zheng, 1995) regarding social influence. Social Impact Theory suggests that physical distance (as opposed to immediacy) is part of the determinants of social influence. Hence, by being physically apart from the company (and consequently, their peers), employees might be less affected by peers' influence than in the close distance.

In terms of operationalization, the physical distance could have an effect on a key aspect of social norms: interaction. Nevertheless, to ensure remote work's success, companies massively adopted Information and Communication Technology (ICT) (e.g., software and Apps) (Coelho, Faiad, Rego, & Ramos, 2020). Overall, ICTs provide interaction to employees and supervisors

⁴ The other two components are strength (e.g. persuasiveness) and number of sources of influence. In this paper I only analyze the aspect of physical distance as a determinant for the reduction of social influence.

(OECD, 2021). Interaction can be achieved through several technological tools that enable the employee to engage with her peers and supervisors (Sewell & Taskin, 2015; Tokarchuk, Gabriele, & Neglia, 2021).

Companies often rely on the same system to control and interact with their employees; however other communication tools such as Zoom, Slack, Google Hangouts, Skype, and others are also used for interaction and monitoring (Kashyap, 2021). These tools help avoid the social and professional isolation that remote workers experience, helping them develop better interpersonal relationships and increasing the flow of information between themselves and the company (Purvanova, 2014). This suggests that technology allows companies to interact with their employees and ensure that employees interact with each other.

Reinforcement of workplace relationships in remote work environments is also crucial to knowledge sharing, paramount to several organizational structures (Cascio & Aguinis, 2008). These workplace relationships among peers are also highly dependent on the intensity of remote work; moreover, literature from before the pandemic showed that the frequency that an employee works remotely is negatively associated with coworker relationships (Gajendran & Harrison, 2007).

On the one hand, this established connection might still be less powerful than the ones that are made personally. Despite acknowledging the importance of these technological tools, remote workers, before the pandemic, believed that they were still incomparable to face-to-face interaction (Richardson & Mckenna, 2014). Prior literature showed that employees felt left out of the company since interactions (i.e., communication) were often delayed (Park & Cho, 2020; Sewell & Taskin, 2015). Moreover, more recent research showed that, at least to some companies, this did not change during the pandemic, with employees stating that they feel less connected since interactions are primarily focused on projects or work (Delfino & van der Kolk, 2021).

This suggests that the physical distance from remote work also brings fewer interactions between employees and the company, even with the adoption of ICTs. If that is the case, the adoption of social norms, whether for honesty or dishonesty, would be much harder since employees would be less aware of what are the norms that are in place. Additionally, individuals tend to conform according to their degree of identification with the group (Wenzel, 2005), and the lower amount of interaction in remote work might not be sufficient for that. Therefore, it might be likely that individuals with a physical distance from their peers (i.e., remote workers) would be less affected by peers' behavior. In other words, given that remote workers are more

distant from their peers, the influence of a social norm for performance misreporting would be lower for them than for peers that are physically closer (e.g., work in the office).

On the other hand, companies increased their amount of interactions during the pandemic at exceptional levels. The ICTs generally used for interaction before the pandemic were emails, calls, and instant messaging, which are less-rich mediums of communication than, for example, a video chat (Fonner & Roloff, 2012). With the increasing use of ICTs, companies were able to interact with employees in a more synchronous manner, with richer mediums, and at a much higher rate (Zoonen et al., 2021). This suggests that the interaction issue might be less straightforward as prior literature expected.

Social norms literature also does not have a consensus about the combined role of physical distance and norm conformity. Research shows that increasing individuals' distance would lead to higher abstraction (i.e., as proposed on CLT), which, in consequence, would allow individuals to adapt to the demands of a situation, such as the conformity to social norms (Ledgerwood & Callahan, 2012). Moreover, an individual's construals can also help to imitate more distant individuals through more directed attention to what should be copied (Hansen & Genschow, 2020). This suggests that, such as the interaction issue, the physical distance might not have the expected effect in relation to social norms conformity.

Finally, when facilitated by ICTs, individuals might have a sufficient amount of information to comply to the social norms that are in place. Social norms are endogenous, which means that the process of understanding and complying with the norms is within the individual (Fischer & Huddart, 2008). Accounting literature has shown a number of examples in which individuals would comply with social norms by only reading some information about their peers' or supervisors' behavior, such as in Cardinaels and Jia (2016) or by observing peers' behavior, such as in Berger, Fiolleau, and Mactavish (2019) and Ewelt-Knauer, Knauer, and Sharp (2020).

Overall, literature is conflicting in terms of the effects of social norms on performance misreporting when individuals are physically distant from each other. Part of the literature shows that individuals require an amount of interaction to conform to social norms, which cannot be achieved through ICT. Another part of the literature posits that the pandemic made individuals interact at a much higher level than before, which could mean that there was enough interaction for conformity to social norms. In contrast, another part of the literature shows that the physical distance might, in fact, be even better for social norm conformity. Since the

literature is not consistent about the effects of peers' social norms on physically distant individuals' performance misreporting, I posit Research Question 2 as follows:

RQ2: Does the effect of social norms differ between remote workers' and office workers' overstatement of working hours?

2.5 MEDIATING ROLES OF AUDITING LIKELIHOOD AND COMPANY'S SOCIAL PRESSURE ON REMOTE WORKERS' REPORTING

Rational economic theory and Construal Level Theory posit that the control problem over remote work is that the location conveys perceptions of (lower) monitoring that entails opportunistic behavior (Blaskovich, 2008; Lill, 2020). In sum, participants that feel less monitored believe that the possibility of getting caught lying (Lill, 2020) or social loafing (Blaskovich, 2008) is lower compared to the ones that feel more monitored.

Nevertheless, as mentioned before, during COVID-19, there was a shift in employees' monitoring perceptions regarding remote work due to the increase in the use of ICTs that facilitated managers' monitoring and interaction (Delfino & van der Kolk, 2021; Eulerich, Casper, & Sofia, 2021; Kniffin et al., 2020). Moreover, remote workers were feeling much more monitored than when not working remotely, which led a great part of them to report feelings of anxiety (Lee, 2021)

Generally, companies adopt probabilistic audits to avoid misreporting, using a sample of the information provided by ICTs (Ewelt-Knauer, Schwering, & Winkelmann, 2021; Lill, 2020). Prior literature posits that when individuals believe that they might be audited, they tend to refrain from misreporting (Cardinaels & Jia, 2016). The underlying principle behind this reasoning in remote work is the different monitoring perceptions caused by the likelihood of the event to happen (i.e., getting caught) (Blaskovich, 2008; Trope et al., 2011).

In a way, individuals can behave opportunistically due to lower monitoring perceptions. However, the increase in ICTs adoption might lead to individuals' different perceptions on monitoring. Therefore, the assumption that individuals with higher physical distance from the

company would have lower monitoring perceptions that would lead to lower perceptions in auditing likelihood is not straightforward.

Still, both streams of literature focus on the different monitoring perceptions, as in, the physical distance will decrease (increase) individuals' monitoring perceptions, which will consequently decrease (increase) their perceptions of auditing likelihood, affecting their performance misreporting. However, there is no consensus on the literature as to whether office workers or remote workers might have higher monitoring perceptions compared to their counterparts. Therefore, despite not directing whether remote work will increase or decrease individuals' overstatement of working hours through perceptions of auditing likelihood, there is a strong expectation from the literature that this effect will happen. In line with that, I posit my first hypotheses as follows:

H1: There is a mediating effect of auditing likelihood between remote work and the overstatement of working hours.

Additionally, literature has also explored the role of social pressure on performance misreporting (Fiolleau, Libby, & Thorne, 2018). This pressure can come from all sorts of sources, such as peer pressure or organizational pressure in the figure of the supervisor or the CEO, for example (Bishop et al., 2017; Cohen, Ding, Lesage, & Stolowy, 2010; Hartmann & Maas, 2010). This perceived pressure leads to the development of a social norm that individuals understand as the behavior that they should perform or not perform (Fishbein & Ajzen, 2011).

These norms, however, are not always from the same source and not interpreted on the same manner, which classifies them differently (Cialdini & Trost, 1998). For example, individuals can see their peers misreporting and understand that it is acceptable behavior, justifying their misreporting based on that (Cardinaels & Jia, 2016; Guo et al., 2019). This is based on the belief that this is a behavior generally accepted or "what people do" and, as mentioned before, is consistent with descriptive norms (Cialdini et al., 1990). Additionally, individuals can also perceive or be informed about what type of behavior they should do, which is consistent with injunctive norms (Jacobson, Mortensen, & Cialdini, 2011). For example, a CFO might justify her misreporting, given that the CEO is pressuring her to meet expected results (Bishop et al., 2017; DeZoort & Lord, 1997).

In terms of organizational pressure, companies can also pressure to other types of misreporting, such as overstatement of hours (Murphy et al., 2019). Several companies tend to develop social norms in which working overtime is a sign of dedication, rewarding employees for doing it or punishing employees for not doing it (Cha, 2013; Feldman, 2002). Since misreporting often happens motivated by financial or social pressures (Murphy et al., 2019), when this is also an established norm from the company (Cha, 2013), employees might not only feel compelled to do so, but they might also justify their misreporting on the matter due to the company's pressures.

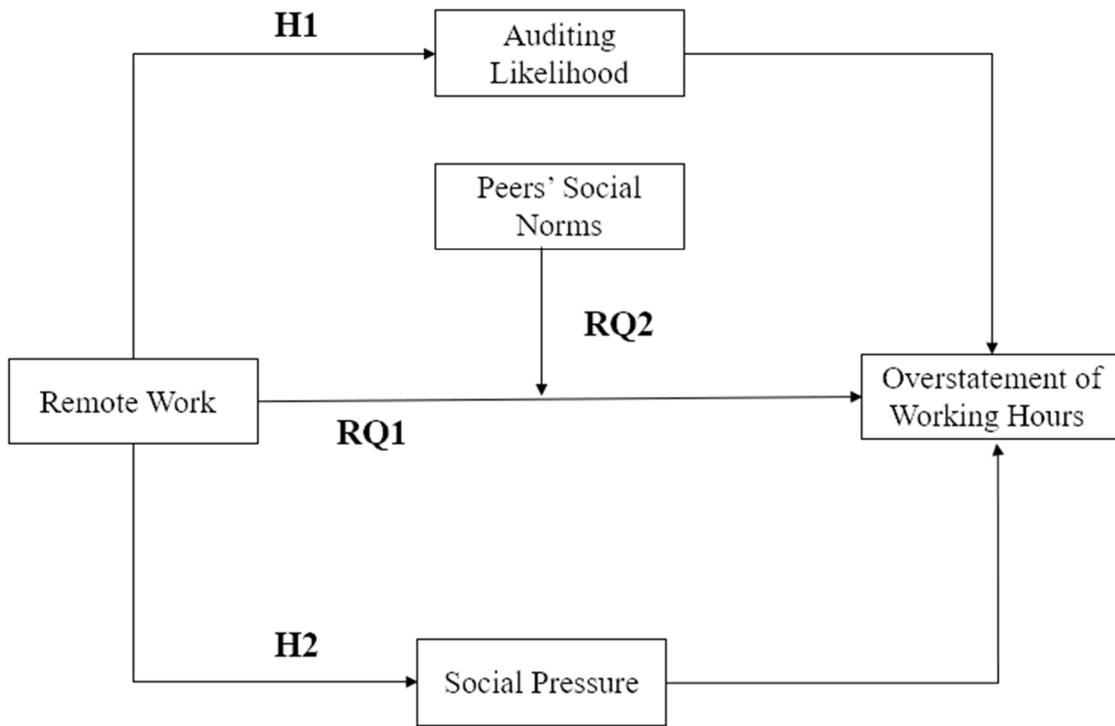
In terms of remote work, this pressure might lead to two situations. On the one hand, since literature shows that the effect of social norms might be higher or lower on performance misreporting when individuals are physically distant, the company's social norms might also (not) be an explanation to individuals' behavior. On the other hand, the literature also shows that remote workers frequently have to work more hours compared to their in-office colleagues because companies tend to have higher expectations from them (Coelho et al., 2020).

Therefore, expectations rely on the fact that a company's social norms, in the figure of pressure to work extra hours, will be able to explain individuals' performance misreporting either when they are physically distant or when they are physically closer. In line with that, I posit my second hypothesis as follows:

H2: There is a mediating effect of social pressure between remote work and the overstatement of working hours.

The first and second research questions and the first and second hypothesis are also presented on Figure 1.

Figure 1 - Relationships between Remote Work, Peers' Social Norms, Auditing Likelihood, Social Pressure, and Overstatement of Working Hours



3 METHOD

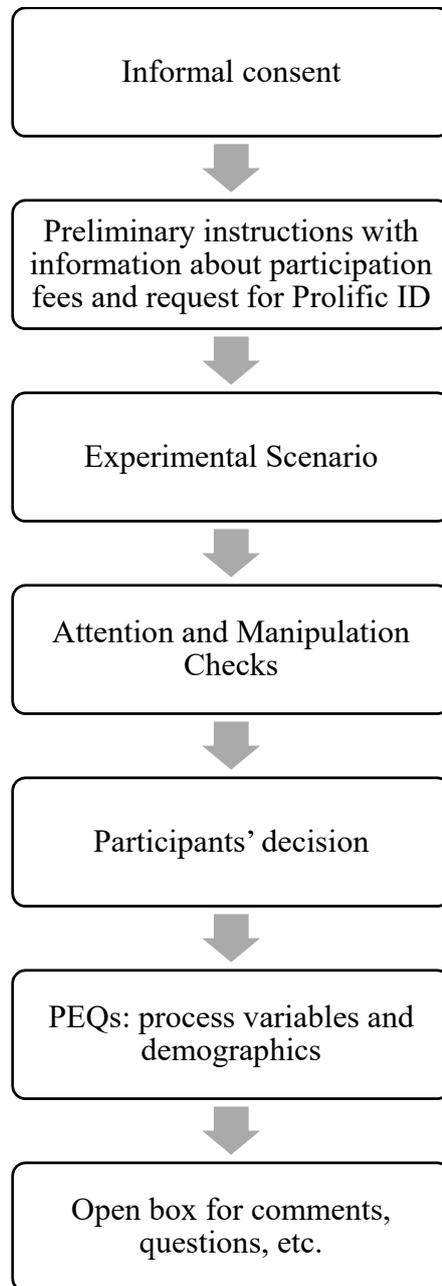
3.1 EXPERIMENTAL PROCEDURE

After informal consent acceptance, all participants started reading the instructions about the experiment. On the instructions, I informed them about the study's stages with specifics about every step and asked them to read everything carefully. I also instructed them beforehand about earning their participation fee only upon correctly answering the manipulation checks. Participants read the instructions once, and I separated the instructions into different screens. Every time the participant clicked to continue to the next screen, she would not be able to go back to the previous instructions.

I wanted to have their full attention on every screen, so indicating that there was only one chance to read the study could nudge them towards a more attentive state. On the other hand, this could be a limitation to the study, seeing that participants could just click on the *continue* button accidentally and not read the instructions fully. Since case scenarios tend to have a great amount of information that could add noise to the analysis, I tested both situations (i.e., reading everything on the same screen vs. small amounts of information per screen) in previous pre-tests and had a better understanding from participants when they read the information gradually. All participants received the same instructions, and I embedded the manipulations in the case scenario that came after the instructions.

I asked attention and manipulation checks right after the case scenario and before the decision assessment (i.e., dependent variable measurement). The post-experimental questionnaire that followed the participants' decision assessed the study's process variables and participants' demographics. Participants also had the opportunity to make comments or ask questions in an open-ended question at the end of the study. Several of them used this opportunity to explain their reasoning while making their decision (e.g., "*I consider that honesty is very important in my job position and if I want a healthy relationship with the company I should not lie and I need to be honest with what I do*"). In contrast, others gave feedback about the research. Figure 1 depicts the timeline of the experiment.

Figure 2 - Timeline of the experiment



3.2 RESEARCH INSTRUMENT – THE EXPERIMENTAL SCENARIO

My research instrument consisted of an experimental scenario specially developed for this study. Experimental scenarios are commonly used in accounting literature to inquire about the likelihood of behavior⁵ (e.g., Hartmann & Maas, 2010). In this study, the scenario's adoption was a design choice to avoid internal validity issues. I wanted to ensure no reduction of control in the experiment since the condition that explores physical distance - the Remote condition - would require participants to complete the task in a different place.

Participants had to decide on their working hours' report based on the presented situation in the experimental scenario beforehand. In their decision, participants faced a trade-off between reporting their actual working hours and not harming the company due to improper financial earnings (i.e., compensation based) or overstating (i.e., misreporting) their working hours, displaying consistent behavior over previous working hours and willingness to *go the extra mile* for the company. Regardless of their decision, participants are paid equally, solely with their participation fee.

Since the experimental scenario is a hypothetical situation, it could be problematic to give them a variable compensation based on their answer once their (real) compensation would be based on a situation in which their behavior is hypothetical. As opposed to an experimental task, in which participants are often compensated based on their actual misreport. Participants' decision is also aligned with their payment method since I assessed their likelihood to overstate their working hours and not the number of hours that they would overstate.

The experimental scenario depicted a situation where the business analyst (i.e., the participant) works for an IT company⁶ named TJS. The background story portrayed information about its year of foundation, size, locations worldwide, products, and services. It also characterized the

⁵ Experimental scenarios that deal with ethical issues might be affected by participants' social desirability bias (Fisher, 1993; Jidin & Monroe, 2018). In order to confirm that my results were not driven by social desirability bias, I also conducted the experiment in the form of indirect questioning (i.e., third person scenario) as proposed by Fisher (1993) and Wason et al. (2002). My main results remained the same.

⁶ The experimental choice to use an IT company is related to the fact that remote work was a common type of work arrangement in this type of company before the pandemic (Talty, 2019). However, it is also a study's limitation, since IT companies tend to have better monitoring tools (Simon, 2021) which might have caused some noise regarding participants' perceptions of monitoring.

business analyst's function in the company and the number of other business analysts who work in similar positions under the firm's local management.

After this introduction, I assigned participants to one of the two Physical Distance manipulations. Going forward, participants read more information about their work requirements, alongside colleagues' work requirements, such as budget and forecasting for new products. In that instance, it is explicitly stated that both their work and their colleagues' work require an equivalent amount of time and effort to finish. This means that they can infer about their colleagues' working hours with their amount of hours.

It is also explicit that the company relies on project completion and self-reports of weekly working hours to evaluate employees. On that note, the company's culture assumes that working hard means working a lot of hours. Employees who overcommit to the company's culture (i.e., work extra hours) are preferable for raises and promotions over the ones that do not work as many hours. I also informed participants that their compensation at the company is based upon contract hours (i.e., 40 hours per week) with a fixed salary plus the variable compensation - paid at the end of the month - based on the amount of weekly extra working hours. This established the motivation for employees to report extra hours since it results in better prospects for their future in the company and more money at the end of the month.

Since working hours are crucial for TJS, employees were asked to input their weekly amount of working hours (contract hours + extra hours) into TimemanagementTJS, the company's system. They were also given a baseline of their average weekly working hours (55 hours per week, or 40 contract hours + 15 extra hours⁷). This was a design choice to ensure that participants understood the variability of their extra working hours on that particular week. Furthermore, participants also read that, despite the report, it's improbable that participants' and colleagues' working hours would be audited later.

3.3 MANIPULATIONS

Physical Distance' and Social Norms' manipulations are embedded in the scenario. In addition to the standard part of the case scenario, participants assigned to the Remote condition read that

⁷ This amount of extra hours could be a limitation to the study's results, considering that several countries' legislations establish a maximum of weekly working time.

they work from home and do not interact with colleagues daily. At the same time, participants assigned to the Office condition read that they work from the local company headquarters building and interact with colleagues daily.

Specifically, participants in the Remote Condition read the following:

“In this industry is very common that people work in the office, however, like other business analysts from the company, **you work from home**. This means that you and your colleagues **do not interact with each other on a daily basis**.”.

While, participants in the Office condition read the following:

“In this industry is very common that people work from home, however, like other business analysts from the company, **you work from the local company headquarters building**. This means that you and your colleagues **interact with each other on a daily basis**.”.

I decided to clarify to the participant the amount of interaction they had with colleagues to control for possible problems associated with participants' perception of their interactions or knowledge of what other colleagues were doing. For example, if not clarified, participants in the remote condition could have assumed that they had one or several interactions with their peers, which would not remain constant and could impair their perception of psychological distance. Additionally, participants' past experiences working remotely alone and/or with a group of people could influence their decision. Therefore, the clear statement of (zero) interaction emulated a more precise scenario to participants.

This design choice is also in line with the aspect mentioned above of remote work (i.e., Trope and Liberman's CLT) that involves a more significant concept than physical distance. Higher interaction with peers could mainly decrease participants' perception of their physical distance (Bradner & Mark, 2002). Hence, to guarantee the study's internal validity, I chose not to leave it to participants' interaction perceptions.

Similarly, management reminded participants in the Social Norms' manipulations in an email about their requirement to input their weekly working hours (i.e., contract hours + extra hours) in TimemanagementTJS. The email also displayed information about how overstating their hours would be harmful to the company. Information about the detrimental effects of overstating their hours was crucial to guarantee a more balanced judgment from participants due to only receiving instructions that would incentivize them to overstate their hours (low possibility of hours audited + all the benefits from working long hours). Finally, participants in Social Norms' – Dishonest condition read that colleagues are overstating their actual working

hours. While participants in Social Norms' – Honesty condition read that colleagues are reporting their actual working hours.

In the interest of maintaining identical manipulations across conditions, it was necessary to design a procedure that conveyed peers' information plausibly and similarly to all participants. Since peers' actions were unobservable to participants, preventing them from inferring about peers' (dis)honesty, it was necessary to provide the information itself. Another possible real-life scenario that might give employees the same type of information would be if they could see colleagues' self-reported performance perceiving the social norms through social comparison. However, software that companies often use to acquire this kind of information (e.g., Timecamp, Harvest, Toggl) is generally focused on collaborative work as opposed to this study. Previous research focused on presenting descriptive norms' manipulation (i.e., peers' information) as descriptive information about peers' past behaviors, giving participants enough data to compare their behavior with what is presented (Schultz et al., 2007). Accounting research also employs the same procedure of active manipulations of peers' honesty or dishonesty by conveying messages about peers' behavior to participants (Cardinaels & Jia, 2016).

As seen in Figures 3 and 4, I borrowed the idea of explicitly informing the participant about peers' behavior (i.e., *the majority of your colleagues are overstating their actual working hours*, and the *majority of your colleagues are reporting their actual working hours*) from previous research.

Figure 3 - Manipulation Peers' social norms – Dishonesty

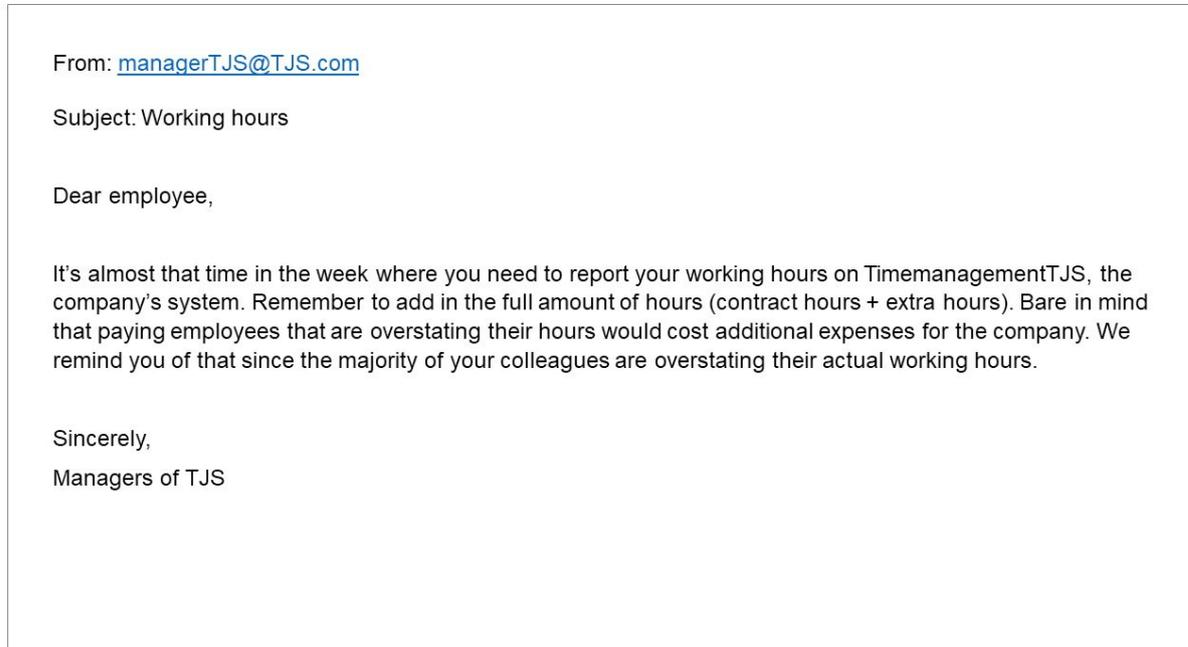
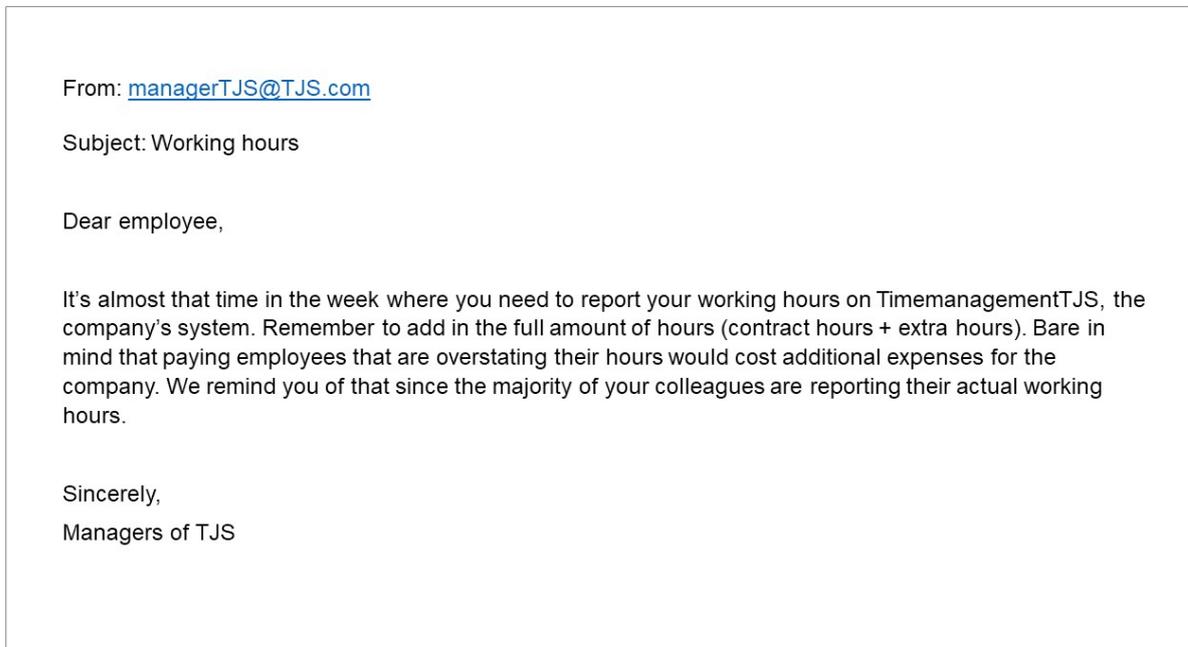


Figure 4 - Manipulation Peers' social norms – Honesty



However, as opposed to Cardinaels and Jia (2016) and Schultz et al. (2007), I did not add any proportion of colleagues that were (dis)honest alongside the “*majority*” information to avoid participants' deception. Since the experiment was a case scenario and not an experimental task, counting the hypothetical colleagues' proportions was improbable for the case reliability.

3.4 DEPENDENT VARIABLE

The dependent variable – Likelihood to overstate – was measured by asking participants to indicate their (hours) overstatement likelihood over the situation described in the case scenario with the following statement:

“It is now Friday afternoon, and you need to enter this week's number of hours worked into TimemanagementTJS, the company's system. In an average week, you work 55 hours, so 15 hours more than the minimum specified in your contract. However, this week you were working on a less demanding project and put in only 42 hours of work, or just 2 more extra hours. **You are considering whether you should input a larger amount of working hours than the ones you actually worked this week.**

From 1 to 7, where 1 is "Definitely not do it" and 7 is "Definitely do it", how likely would you overstate your number of worked hours in this situation?”.

Behavioral intentions have been fairly used in previous literature when assessing actual behavior (Greaves, Zibarras, & Stride, 2013; Jones & Kavanagh, 1996). Actual conduct is easier to evaluate by observation, as seen in laboratory experiments, with some limitations or field experiments. On that note, both Theory of Reasoned Action and Theory of Planned Behavior suggests that intentions are the closest predictor of behavior (Ajzen, 1991; Sheeran, 2002). It is also relatively common and useful in the literature to inquire about intentions rather than actual behavior (Chang, 1998).

Besides, unethical behavior (e.g., overstatement of hours, misreporting, slack creation) can be very hard to observe due to yea-saying/social desirability bias (Wason, Polonsky, & Hyman, 2002). As argued before, case scenarios (i.e., vignette studies) are common to assess unethical behavior (e.g., Hartmann & Maas, 2010) on account of reducing social desirability bias and achieving greater real-life decision-making situation realism (Wason et al., 2002). Moreover, intentions are also common when observing outcomes in social norms literature (Greaves et al., 2013; Smith & Louis, 2008; Smith et al., 2012a). In sum, there's a wide range of research advocating for the case scenarios versus direct-question-based studies, not only for unethical behavior but also for social norms' framing.

4 RESULTS AND DISCUSSION

4.1 PRE-TEST

I used Qualtrics® to develop the instructions and experimental design. Before conducting the experiment, I employed several measures to ensure the reliability of the instrument and participants' understanding of the case scenario. First, I presented the case scenario to peers to assess their understanding of the experimental setting before I ran the pre-tests. Second, I recruited participants on Prolific⁸ - a web-based platform that is oriented to academic research where social and economic science experimental subjects can be recruited – to run the pre-tests. In comparison to other platforms such as MTurk and CrowdFlower, Prolific participants provided higher quality response data (Peer, Brandimarte, Samat, & Acquisti, 2017).

I ran pre-tests to ensure that (i) participants understood the case scenario properly, and (ii) that the features that I added to the experiment were working properly. Overall, these tests allowed me to ensure that the configuration was properly set to guarantee the randomizations and the best assessment of the data later.

4.2 PARTICIPANTS

For the actual experiment, I, again, recruited participants on Prolific and prescreened for participants that 1) were fluent in English, to avoid possible language-related misunderstandings, and 2) with at least an undergraduate-level education, and 3) that marked "I sometimes work from a central place of work and sometimes remotely" in their work

⁸ Prolific can be accessed through the website: <https://www.prolific.co/>. Compared to Amazon MTurk, Prolific is still a fairly new platform to Brazilian researchers, however, it offers an ample opportunity for accounting researchers, especially the ones conducting experiments. One of the benefits of Prolific is the higher quality sample (Palan & Schitter, 2018; Peer et al., 2017) compared to Amazon MTurk's participants, it also provides timely responses to the research, allowing researchers to focus less time on trying to find their participants. However, in June 2022, Prolific only offered Brazilians the possibility to conduct their research through the platform, not allowing Brazilians to join in as participants in other research. This means that it would not be possible to use Prolific to gather for a Brazilian sample.

characteristics. Participants read on the study's description that they would participate in a decision-making study based on a presented case scenario. Participants were randomly assigned to different experimental conditions.

The demographics showed that 46.15% of participants had an undergraduate degree, with the remaining participants holding an MBA (17.95%), an MSc (29.49%), and a Ph.D. (6.41%). Moreover, 92.95% of participants stated in the post-experimental questionnaire that they had previous remote work experience. The 7.05% of participants that did not confirm their previous remote work experience could have misinterpreted the question since *previous* could mean before the pandemic. Additionally, there was no significant difference between these participants' answers and the rest of the 92.54%.

Participants had an average age of 31.41 years ($SD=8.13$), and 63 (40.38%) were female, and one did not want to disclose their gender. They had an average of 9.48 years of work experience and 3.83 years in their current position⁹. I found no significant effects when using participants' characteristics as controls (i.e., age, gender, average work experience, time in the current position). Participants were mainly from European countries, with the majority of them from the United Kingdom (25.64%), Portugal (16.03%), and Poland (10.90%). Table 2 displays this distribution. Since the majority of nationalities are not representative in the sample, I investigated nationalities' effects by separating participants into four different clusters: British, Portuguese, Polish, and the rest of the participants' nationalities. Despite not being evenly distributed across conditions, participants' nationalities did not significantly affect results¹⁰.

⁹ Given that there was an increased number of laid-offs during the pandemic, participants' average age and length of time in their current position could prevent them from acting opportunistically due to fear of being unemployed.

¹⁰ I used *Nation* both as a covariate with the overall sample and also tested all four clusters separately. I did not find any significant effect of *Nation* on the dependent variable in these conditions.

Table 2 – Distribution of participants among manipulations over nationalities

Nationality	Physical_Distance Manipulation		Social_Norms Manipulation		Total
	Remote Condition	Office Condition	Honest_Peers Condition	Dishonest_Peers Condition	
American	1	2	2	1	3
Asian*	1	0	1	0	1
Belgian	1	1	0	2	2
British	23	17	25	15	40
Canadian	3	3	3	3	6
Chilean	1	0	1	0	1
Czech	0	1	0	1	1
Dutch	1	3	0	4	4
Estonian	1	1	1	1	2
Finnish	1	1	1	1	2
French	2	0	1	1	2
German	2	0	2	0	2
Greek	1	2	1	2	3
Hungarian	2	1	1	2	3
Irish	2	0	2	0	2
Italian	4	4	1	7	8
Jamaican	0	1	1	0	1
Lithuanian	1	0	0	1	1
Mexican	6	3	5	4	9
Mongolian	3	1	0	0	1
Nigerian	0	1	0	1	1
Polish	7	10	7	9	17
Portuguese	12	13	14	11	25
Romanian	0	1	1	0	1
Scottish	1	0	0	1	1
Slovenian	0	1	0	1	1
South African	0	2	1	1	2
Spanish	4	5	5	4	9
Swedish	1	0	1	0	1
Turkish	1	1	1	1	2
Venezuelan	2	0	1	1	2
					156

*Self-reported nationality

The experiment was conducted twice, with 45 participants¹¹ in the first round and 139 participants in the second round, with 184 participants. Both rounds were conducted in June 2020. I assured that participants are evenly distributed through the experimental conditions, with 51.09% (48.91%) of participants in the High (Low) Peers' dishonesty manipulation, and with 51.63% (48.37%) in the Remote (Office) conditions in the Physical distance manipulation. Finally, participants in the first round of the experiment received an average of £4.73 per hour, while participants in the second round received £5.24 per hour¹².

4.2.1 Excluded participants

I only excluded participants who failed at least two manipulation checks or two attention checks from the sample, resulting in 156 participants total. I chose to only exclude participants that were in this situation since I detected that some participants might have failed it by mistake (e.g. clicking on the wrong button). To ensure that this was the case, I asked participants, after their payment, whether they had any points of clarification, and several of them confirmed that they clicked on it by mistake.

Excluded participants were evenly distributed in all experimental conditions, with 14 in the remote manipulation, 14 in the office manipulation, 13 in the dishonest condition, and 15 in the honest condition. Participants had an average time of study completion of 394.08 seconds (vs. 547.70 seconds from the other 156 participants, $t= 1.77$, $p=0.07$). Which could mean that participants did not read the instructions and the case properly, causing them to fail the attention and/or manipulation checks.

The original mean time for the excluded participants was 924.16 seconds. However, this number was driven by 3 participants that spent 1,352, 2,210, and 4,494 seconds on the experiment and were timed out by Prolific (i.e., the experiment was completed by the platform and not by the participant). Since this is not a regular situation and represented a greater amount of time compared to the rest of the sample, I took these participants out of the analysis. Participants that spent an unusual amount of time on the experiment could also be included in

¹¹ This first round was conducted beforehand for a pretest and was added later for further analysis. Notably, my results are similar if I exclude the first round.

¹² Participants' fees are different in both rounds since they are calculated according to the median completion time of the experiment by Prolific.

the same reasoning as the ones that spent very little time since they could be doing the study without the proper attention (i.e., browsing the internet or doing some other task).

4.3 RESULTS

My results intend to answer an overall research question: what is the effect of remote work on the overstatement of working hours? Over the next sections I answer two specific research questions that inquire about whether remote work has an effect at all on overstatement of working hours and whether this effect might be different for remote worker or office workers when remote work is combined with peers' social norms. Next, I explain which mechanisms are the underlying factors for these effects, auditing likelihood and social pressure, that also explain when and how remote work affects overstatement of working hours.

4.3.1 Does remote work affects the overstatement of working hours?

My first research question inquires whether physical distance, in the figure of remote work, affects performance misreporting, in the figure of overstatement of working hours. Descriptive statistics show that participants assigned to the Remote condition had, on average, a lower likelihood to overstate their working hours compared to the Office condition (2.82, $SD = 1.74$ vs. 3.01, $SD = 1.96$). These results, however, were not statistically significant between conditions ($t = -0.63$, $p > 0.1$, two-tailed). Table 3, Panel A displays all results.

Table 3 – ANOVA examining the effects of Physical Distance on Performance Misreporting

Panel A: Mean (Std. Errors) of Overstatement of Working Hours by Condition				
Condition	Mean	Std. Errors	N	
Remote	2.82	0.19	81	
Office	3.01	0.23	75	
Total	2.91	0.15	156	
Panel B: Main Effects				
Source	df	MS	<i>F</i>	<i>p-value</i>
Physical Distance (Remote x Office)	1	1.34	0.39	0.531
Residual	154	3.43		
Panel C: Simple Effects				
	df	MS	<i>F</i>	<i>p-value</i>
Simple effect of Physical Distance in the Honest Condition of Peers Norms	1	1.33	0.38	0.542
Simple effect of Physical Distance in the Dishonest Condition of Peers Norms	1	0.18	0.05	0.815

My reasoning in the Theory section was based on two overall theories. On the one hand, the economic theory, in the figure of agency theory and the economic human, predicted that individuals that are less monitored tend to act more opportunistically. This perception is in line with companies' concerns over remote workers since remote work has a bad reputation for being an easy way to avoid work (i.e., shirking). Additionally, Construal Level Theory posits that individuals that are in a higher distance tend to have a more abstract idea over their experiences, which might render them a lower perception over being monitored. Therefore, the expectation would be that remote workers might overstate more compared to office workers.

On the other hand, literature not only shows situations where individuals do not act opportunistically when presented the chance, contradicting the economic human perspective but also shows that in situations where monitoring is decreasing. Moreover, research conducted after the pandemic shows that individuals developed a higher perception of monitoring while working at home compared to when they were not physically distant. Therefore, the expectation would be that remote workers' reporting might not be different from office workers' reporting or that, considering the increased monitoring perceptions, remote workers might overstate even less than office workers.

The descriptive statistics results point to this second reasoning, showing that participants in the Remote condition reported lower intention to overstate their working hours. However, since the

difference between remote workers and office workers' overstatement of hours was not significant, the results point to the fact that remote work might not have any effect on participants decision to overstate (or not) their working hours.

I conducted an ANOVA to investigate the effects of remote work on the overstatement of working hours. Table 3, Panel B depicts the ANOVA results. My results show no significant effects from Remote Work on the dependent variable, overstatement of working hours. Mainly, I found that the participants in the remote condition behaved similarly to participants in the office condition. The increased physical distance between themselves and the company did not make their answers significantly different from their office counterparts. Moreover, simple effects results shown in Panel C are also in line with the results of the main effects, showing that remote work is not significant to the overstatement of working hours regardless of the peers' social norms.

This is in line with Brügger et al.'s (2020) findings since less honest individuals tend to look for a less monitored environment (i.e., remote work). Still, when controlled for the selection effect, the location has no significant impact on individuals' honesty. Brügger et al.'s (2020) data was also collected after the COVID-19 outbreak, corroborating my reasoning and results about fundamental changes that might have occurred in individuals' perceptions about remote work. Additionally, the results are also in line with several research that show how the economic human reasoning might not be a consensus in situations where monitoring might be impaired or limited, such as in Nagin et al. (2002).

Another important aspect of my research participants is that the whole sample was selected after the COVID-19 outbreak, with about six months of remote work. As mentioned before in the Theory section, being actively able to choose between work with less monitoring, whether remotely or in another distributed type of work arrangement, and being compelled to work remotely is a radical transition. The previous strong connection between less perceived monitoring and consequent misreporting might be impaired by this "new normal" situation that we are currently living.

Finally, even though the results are not significantly different, the mean scores for overstatement of working hours from participants that are in the remote condition are lower than the ones that are in the office condition. This suggests that participants in the remote condition might have shifted their perceptions over monitoring not only to have similar perceptions to the participants in the office condition but rather to show higher monitoring

perceptions, as shown in Blumenfeld, Anderson, and Hooper (2020) and Delfino and van der Kolk (2021). I investigate this suggestion further in my mediation analysis.

4.3.2 Do social norms exert different effects on remote workers?

My second research question inquires about the effects of social norms on remote workers' and office workers' overstatement of hours. Descriptive statistics showed that both in the Remote and Office Conditions, participants that were in the Dishonest Peers Condition reported lower overstatement of working hours than participants that were in Honest Peers Condition. Specifically, remote workers with dishonest peers had lower mean scores for overstatement of working hours than remote workers with honest peers (2.79, $SD=1.73$ vs. 2.89, $SD =1.97$). This difference, however, was not significant between conditions ($t= -0.23, p> 0.1$).

Table 4 – ANOVA examining the effects of Physical Distance and Peers Norms on Performance Misreporting

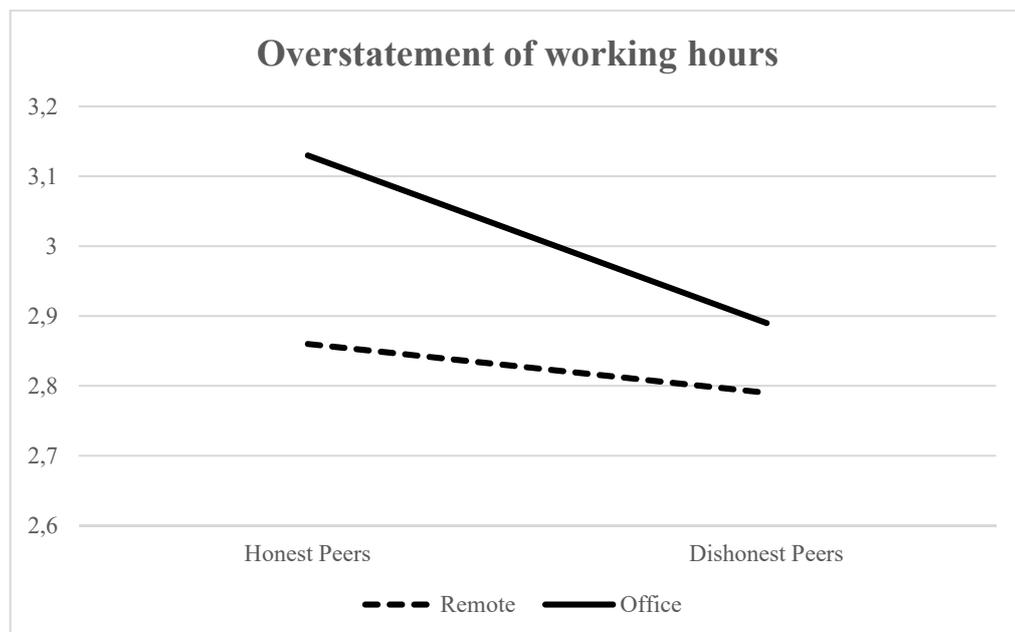
Panel A: Mean (Std. Errors) of Overstatement of Working Hours by Condition				
Condition	Honest Peers	Dishonest Peers	Total	
Remote	2.89 (0.32) N= 37	2.79 (0.26) N=44	2.82 (0.19) N=81	
Office	3.13 (0.32) N=38	2.86 (0.29) N=37	3.01 (0.23) N=75	
Total	3.00 (0.22) N=75	2.84 (0.20) N=81		
Panel B: Main Effects				
Source	df	MS	F	p-value
Physical Distance (Remote x Office)	1	0.19	0.05	0.817
Peers Norms (Honest Peers x Dishonest Peers)	1	0.09	0.03	0.868
Physical Distance * Peers Norms	1	0.28	0.08	0.776
Residual	152	3.47		
Panel C: Simple Effects				
	df	MS	F	p-value
Simple effect of Peers Norms in the Remote Condition of Physical Distance	1	1.33	0.38	0.542
Simple effect of Physical Distance in the Dishonest Condition of Peers Norms	1	0.18	0.05	0.815

Additionally, office workers with dishonest peers also had lower mean scores for overstatement of working hours compared to office workers with honest peers (2.86, $SD=1.78$ vs. 3.13, $SD=1.98$). Yet, this difference was also not significantly different between conditions ($t= -0.61$, $p> 0.1$). Table 4, Panel A depicts all results with standard errors.

The connection of social norms on performance misreporting was extensively explored in the literature, with overall findings that show how honest and dishonest peers might affect individuals' decision making, as seen in Cardinaels and Jia (2016) and Maas and van Rinsum, (2013). Nevertheless, the literature has not given enough attention to these effects while accounting for physical distance. In which might moderate the higher (lower) physical distance. Mainly, I am interested in how the interaction between physical distance and social norms affects performance misreporting.

In order to answer RQ2, I run an ANOVA to test for the interaction between remote work and peers' social norms on overstatement of working hours. My results show no significant effect from the interaction, as shown in Table 4 Panel B and Figure 5.

Figure 5 - Do social norms exert different effects on remote workers?



Additionally, the simple effects of peers social norms for remote workers and office workers for overstatement of working hours are also not significant. Overall, my results show that not only that remote work does not affect the overstatement of working hours, but also that the interaction of remote work and peers' social norms has no significant effect on it. Mainly, results are consistently showing that there is no moderating effect of peers' social norms on the relationship between remote work and participants' overstatement of working hours. When taken together with descriptive results, my results become even more counterintuitive, given that, regardless of being remote workers or office workers, participants in the dishonest peers' condition report lower mean scores for overstatement of working hours compared to participants in the honest condition.

One possible explanation for this phenomenon is linked to participants' monitoring perceptions and to the way that peers social norms are conveyed. Literature shows that the influence of social norms on individuals' decision making is not symmetrical, in which bad social norms (i.e., dishonest peers) exert a higher effect compared to good social norms (i.e., honest peers) (Emett et al., 2019). Nevertheless, particularly in my study, participants are not aware of social norms by observation but rather by the company's email. The email conveys peers' overall reporting behavior but also informs participants of the company's possible monitoring. So, in a sense, while participants might be more influenced by the fact that their peers are overstating their overstatement of working hours – and be able to justify their own overstatement because of it - they might also see the information about dishonest peers as a stronger warning of the possibility of getting caught.

As well as the opposite, since, in a way, peers' honest social norms can influence them to not overstate their working hours but can also allow them to believe that peers might be overstating their working hours but are not getting caught. This is consistent with Brunner and Ostermaier (2019), that show that, when relying on partial transparency, individuals tend to assume that their peers are being dishonest rather than honest.

Additionally, I also explored the lack of significant effects of the interaction between remote work and peers' norms on overstatement of working hours on the mediation analysis.

4.4. MEDIATION ANALYSIS¹³

4.4.1 The role of auditing likelihood and company's social norms on overstatement of working hours

As mentioned in the Theory Section, the underlying reasoning regarding physical distance's effects on performance misreporting relies on participants' perceptions of monitoring. My overall results for RQ1 show that there is no significant difference between remote workers' and office workers' overstatement of working hours. I explain these results based on current research conducted after the COVID-19 pandemic that shows how remote workers have increased their monitoring perceptions (Delfino & van der Kolk, 2021; Hafermalz, 2020). Nevertheless, literature is quite prolific on the connection between physical distance and the lower perception of monitoring. Therefore, I explore the monitoring perceptions – in the figure of participants' perceptions of auditing likelihood - as the underlying explanation over the relationship between remote work and overstatement of working hours. More specifically, I explore whether the relationship between remote work and the overstatement of working hours is mediated by auditing likelihood.

Literature also shows that performance misreporting might be driven by other reasons such as social pressure (Murphy et al., 2019). For example, if individuals feel pressured to achieve some company's goal or work the number of hours that the company expects, they might misreport their performance. Research also shows that if this social pressure that a company exerts is institutionalized, it might also become a social norm, such as when employees collectively feel pressured to work longer hours (Cha, 2013; Coelho et al., 2020). Therefore, I explore the role of social pressure as the additional underlying explanation to the relationship between remote work and the overstatement of working hours.

My model assesses the mediating roles of both variables – auditing likelihood and company's social pressure - and their effects on the overstatement of working hours. The model comprises

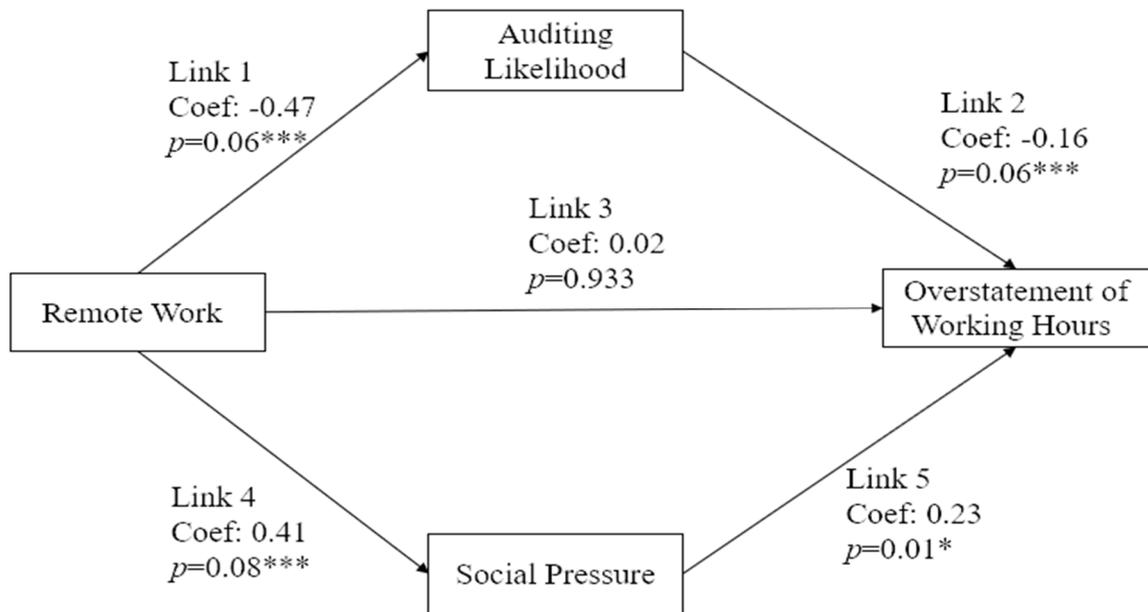
¹³ There is a debate in the literature as to whether mediation can exist without main effects (i.e., a significant direct effect of the independent variable on the dependent variable) or if it only should be described as indirect effects when no main effects are found (Burt & Hampton, 2019). I join Kenny, Kashy, and Bolger (1998) and Zhao, Lynch, and Chen (2010) in the use of the term mediation even without the significant main effect of the independent variable on the dependent variable.

these two mediating variables for two reasons. The first reason is related to the underlying explanations that both variables provide, given that the effects of remote work on the overstatement of working hours might be explained by participants' perceptions of monitoring and by their perceptions of the company's social pressure. The second is related to choices in the experimental scenario, in which I rely on participants' perceptions of both variables; therefore, the reasoning behind participants' overstatement of working hours might be dependent on their perceptions of both variables at the same time. As in, participants' overstatement of working hours might depend on how remote work influences their perceptions over monitoring and the company's social pressure.

I investigate the first hypothesis, which states that there is a mediating effect of auditing likelihood between remote work and overstatement of working hours. To avoid any misconceptions on auditing likelihood and capture only the participants' perception over it, I explicitly told them that "*you also know that it is very unlikely that yours and your colleagues' working hours would be audited later*" in every condition. Hence, their auditing likelihood is based solely on their perception of Physical Distance manipulation. To examine this, I investigate whether their auditing likelihood can explain their overstatement of hours decisions. On a seven-point Likert scale, I asked participants post experimentally to indicate their agreement level to the sentence "*I believe that there's a great likelihood that my hours will be audited*".

I use structural equations-based path analysis to test the indirect effects of remote work on the overstatement of working hours through Auditing likelihood. Figure 6 shows the path analysis. The goodness of fit is confirmed with a root mean square of error approximation (RMSEA) below the threshold of 0.06, standardized root mean square of approximation (SRMR) of 0.015, below the cutoff value of 0.08, and Comparative Fit Index (CFI) above the threshold of 0.95 (Hu & Bentler, 1999).

Figure 6 – Indirect effects of Remote Work on Overstatement on working hours through Auditing Likelihood and Social Pressure



* $p < 0.01$, ** $p < 0.05$, *** $p < 0.1$

Consistent with expectations in H1, I find that remote work is significant to participants' perceptions of auditing. Results show that the effect of *remote work* on *auditing likelihood* is significant (Link 1 of Figure 6, $\beta = -0.47$, $z = -1.83$, $p < 0.1$), and that the effect of *auditing likelihood* on *overstatement of working hours* is also significant (Link 2 of Figure 6, $\beta = -0.16$, $z = -1.84$, $p < 0.1$). Results from the indirect effect of remote work on the overstatement of working hours are also significant ($\beta = 0.17$, $t = 1.93$, $p < 0.05$), confirming the mediating role of auditing likelihood and the company's social pressure.

Moreover, the descriptive results showed that participants in the remote condition showed higher auditing likelihood compared to participants in the office condition (3.85, $SD = 0.19$ versus 3.37, $SD = 0.17$), with a significant difference between these results ($t = 1.85$, $p < 0.05$). These results explain why remote workers presented lower overstatement of working hours compared to office workers. Mainly, consistent with current literature from the pandemic, participants in the remote condition had a higher perception of monitoring than in the office condition. Furthermore, consistent with theory (Cardinaels & Jia, 2016), participants that have higher (lower) auditing likelihood displayed lower (higher) overstatement¹⁴ of working hours,

¹⁴ I used the mean score of auditing likelihood (3.62, $SD = 0.13$) to create a dummy variable with 0 as low auditing likelihood and 1 as high auditing likelihood.

mean scores confirm that this difference is significant (3.19, SD=0.21 versus 2.61, SD=0.19, $t=1.99$, $p<0.05$). In sum, participants that had greater perceptions of being audited were less likely to overstate their working hours.

Additionally, when divided by the Physical Distance conditions, participants in the remote work condition were significantly influenced by whether they had a higher (lower) auditing likelihood to display lower (higher) overstatement. Mean scores results showed a significant difference between remote workers with lower perceptions about auditing than remote workers with higher perceptions on overstatement decisions (3.31, SD= 0.29 versus 2.39, SD=0.24, $t=2.44$, $p<0.01$). Results from office workers are in the same direction, with office workers with higher (lower) auditing likelihood overstating less (more). However, results are not significantly different (3.09, SD=0.31 versus 2.90, SD=0.32, $t=0.40$, $p>0.10$). Table 5 depicts all results.

Table 5 - Descriptive statistics of the effects of Remote Work on Auditing Likelihood

Panel A: Means (Std Errors) for Auditing Likelihood			
Physical Distance Condition			
Remote workers		3.85 (0.19) n = 81	
Office workers		3.37 (0.17) n = 75	
Total**		3.62 (0.13) n = 156	
Panel B: Means (Std Errors) for Overstatement of Working Hours			
Physical Distance Condition	Auditing Likelihood		
	Low	High	Total
Remote workers*	3.31 (0.29) n= 38	2.39 (0.24) n=43	2.82 (0.29) n = 81
Office workers	3.09 (0.31) n = 43	2.90 (0.32) n = 32	3.01 (0.22) n = 75

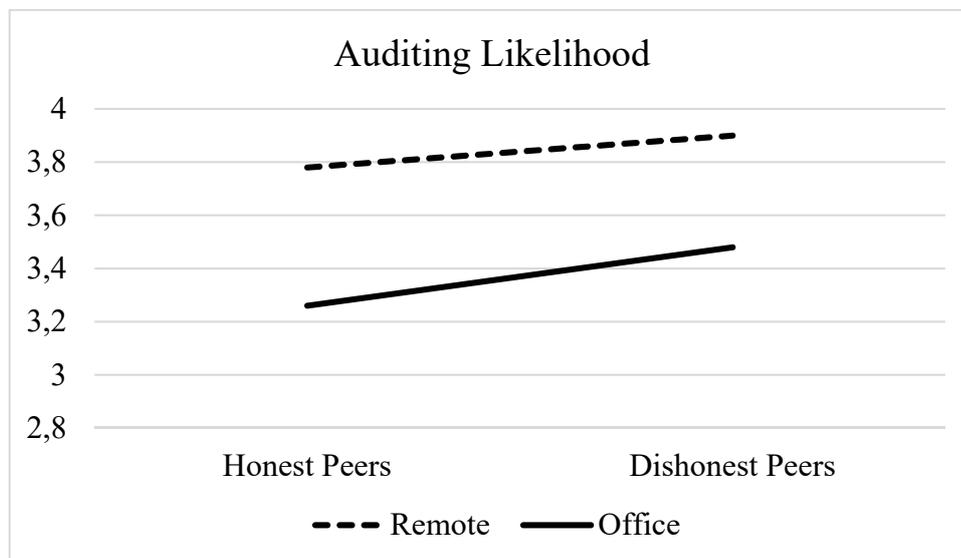
Results are significantly different at * $p < 0.01$, ** $p < 0.05$, *** $p < 0.1$.

Again, these results explain why remote workers had a lower overstatement of working hours than office workers since remote workers not only believed more in their likelihood of being audited but were also the only ones that significantly reduced their overstatement because of it. These results show that, while office workers had the same behavior (i.e., mean scores are in the same direction) from their remote counterparts, their perception of the likelihood of auditing was not significantly influential to their overstatement of working hours.

One possible explanation for this shift in auditing likelihood is how the second manipulation (i.e., peers' social norms) affected participants. Since peers' social norms are a source of information about how one should behave (or, in the case of dishonest peers, could behave), social norms could also influence participants' perceptions over auditing. More specifically, when participants receive the information about peers' behavior, they can either see that as (a) a warning to not overstate since they might be caught or (b) justify their overstatement tendencies. In sum, individuals might show higher (lower) auditing likelihood due to their physical distance while also experiencing a higher (lower) influence from auditing due to peers' social norms. Moreover, this shift might also explain the difference in perception between remote and office workers towards their perceptions over auditing likelihood.

To test this possibility, I also explore how participants behaved when segregated by the physical distance and the peers' social norms manipulation. Figure 7 displays the effects of both manipulations on auditing likelihood.

Figure 7 - Influence of Remote Work on Auditing Likelihood (simple-effects)



Mean scores results show that consistently with the previous results, remote workers still showed higher perceptions over auditing likelihood compared to office workers. When faced with honest peers, remote workers showed significantly higher auditing perceptions than office workers (3.78, SD=0.27 vs. 3.26, SD=0.21, $t=1.53$, $p<0.1$). When faced with dishonest peers, participants showed higher perceptions over auditing likelihood compared with honest peers, with remote workers again displaying higher scores (3.90, SD=0.27 vs. 3.48, SD=0.27, $t=1.08$, $p>0.1$); however, results are not significantly different. Again, these results suggest that remote workers and office workers saw the peers' social norms information as a warning, specifically when faced with dishonest peers.

Additional results show no significant difference between remote workers with dishonest peers' information and honest peers' information (3.90, SD=0.27 vs. 3.78, SD=0.27, $t=0.32$, $p>0.1$). The same results were consistent with office workers (3.48, SD=0.27 vs. 3.26, SD=0.21, $t=0.64$, $p>0.1$). Again, these results show that the company's information increased (decreased) participants' auditing likelihood. However, it also suggests that, due to the lack of significance, participants were affected by the company's information on their peers' behavior and not by the peer behavior per se¹⁵. Table 6 depicts all results.

Table 6 - The effect of Peers' Social Norms on Remote and Office workers' Auditing Likelihood and Overstatement of Working Hours

Panel A: Means (Std Errors) for Auditing Likelihood		
Physical Distance Condition	Peers' social norms	
	Honest***	Dishonest
Remote workers	3.78 (0.27) n= 37	3.90 0.27 n=44
Office workers	3.26 (0.21) n = 38	3.48 0.27 n=37
Total	3.52 (0.17) n=75	3.71 0.19 n=81

Results are significantly different at * $p < 0.01$, ** $p < 0.05$, *** $p < 0.1$.

¹⁵ A suggestion for future research is to explore these results further, with absent/present manipulations for a company's information about peers' behavior.

My results are somewhat comparable to Schedlinsky, Schmidt, & Wöhrmann (2020) results that show that surveillance negatively affects the motivational aspects of relative performance information (RPI). The authors actively manipulate surveillance on their experimental design with detrimental effects on RPI's social comparison benefits. My design does not manipulate surveillance, consisting only in conveying the peers' social norms from the company. Nevertheless, due to the results, participants might perceive the company's information as a display of surveillance. Yet, compared to Schedlinsky et al. (2020), the control was not pernicious to remote workers' behavior since it decreased their overstatement of working hours. Overall, this exploratory analysis suggests that remote workers might interpret the company's information about peers more strongly than their counterparts. Remote workers could be analyzing any information from the company as surveillance that captures peers' reported information. This information may be more substantial to remote workers due to the lack of other information that they receive from their peers, as in, the company provides the only information about their peers.

Another complementary possibility is that participants in the remote condition feel less trusted, which is consistent with prior literature from before (Weisner & Sutton, 2015) and after (Delfino & van der Kolk, 2021; Hafermalz, 2020; Kniffin et al., 2020) COVID-19. The reasoning would be that remote workers already feel less trusted than their counterparts (a perception that is not controlled or explored in my design) and, alongside the lack of interaction with peers, would see the company's information as a reassurance that they are being closely monitored.

4.4.2 Company's social pressure and overstatement of working hours

As mentioned before, I assess the possibility of another underlying explanation to the relationship between remote work and the overstatement of working hours: social pressure. In the case scenario, participants read that the company values employees that work a significant number of hours and that these employees are rewarded with bonuses and promotions. This was a design choice to make sure that participants had enough motivation to overstate since, due to the use of the case scenario, they were not receiving financial incentives.

Since the company conveys both the social norms manipulation and this statement, participants may perceive this statement as an additional social norm from the company, which is consistent with the concept of injunctive norms (Schultz et al., 2007). One participant was very explicit about his/her decision to overstate due to the company's pressure to work extra hours on the post-experimental open-ended question. This aligns with the theory that this might be considered a norm by the company. In sum, participants might have perceived two norms instead of just the one from their peers (i.e., honest or dishonest peers' manipulation).

Prior literature shows that social norms can be communicated indirectly and that the framing of an incentive can direct behavioral changes (Lieberman et al., 2019). Moreover, participants see the overstatement of working hours as a justified behavior (Hochman & Levine, 2021) due to the company's incentive to "go the extra mile." This means that an incentive to work extra hours might also affect participants to reduce their negative perception of overstating their working hours. Finally, social norm theory (Schultz et al., 2007) posits that both injunctive (i.e., the company's norm to work extra hours) and descriptive norms (i.e., peers' social norms) are influential to individuals.

Therefore, my second hypothesis investigates whether their perception of the company's social pressure can explain their overstatement of working hours, more specifically, whether they believe that the company wants them to work extra hours. On a seven-point Likert scale, I asked participants post experimentally to indicate their agreement level to the sentence "*I believe that the company wants me to work a great number of hours*".

On the same model presented in Figure 6, I explore the indirect effects of the remote work on the overstatement of working hours through participants' perceptions of social pressure. Consistent with the expectations in H2, I find that remote work is significant to participants' perceptions of social pressure. Results show that the effect of remote work on social pressure is significant (Link 4 of Figure 6, $\beta=0.41$, $z=-0.47$, $p<0.1$), and that the effect of social pressure on overstatement of working hours is also significant (Link 5 of Figure 6, $\beta=0.23$, $z=2.42$, $p<0.05$).

Again, consistent with the previous explanation, mean scores results show that participants in the remote condition had lower perceptions that the company required them to work extra hours compared to their office counterparts (5.23, $SD=0.17$ vs. 5.64, $SD=0.16$, $t=-1.72$, $p<0.05$). At the same time, participants with lower perceptions of social pressure declared lower

overstatement of working hours than participants with higher perceptions¹⁶ (2.48, SD=0.19 vs. 3.23, SD=0.20, $t=-2.54$, $p<0.01$). Results are depicted in Table 7.

Table 7 – Descriptive statistics of the effects of Remote Work on Social Pressure

Panel A: Means (Std Errors) for Social Pressure			
Physical Distance Condition			
Remote workers		5.23 (0.17) n = 81	
Office workers		5.64 (0.16) n = 74	
Total**		5.43 (0.12) n = 155	
Panel B: Means (Std Errors) for Overstatement of Working Hours			
Physical Distance Condition	Company's social pressure		
	Low	High	Total
Remote workers*	2.49 0.24 n= 41	3.18 (0.29) n=40	2.83 (0.19) n = 81
Office workers	2.48 0.31 n = 25	3.28 (0.29) n = 50	3.01 (0.23) n = 75

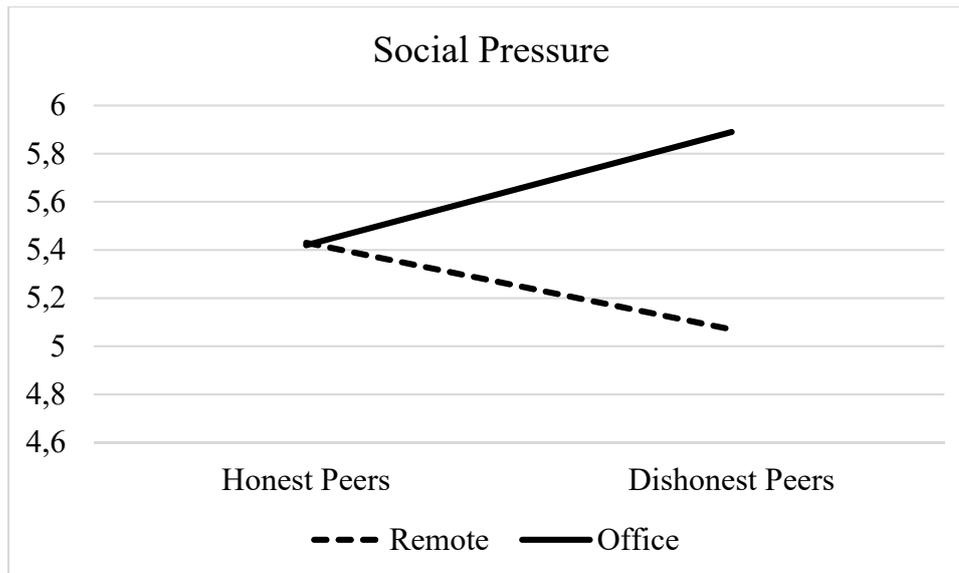
Results are significantly different at * $p < 0.01$, ** $p < 0.05$, *** $p < 0.1$.

These results partly explain the lower mean scores from office workers on auditing likelihood compared to remote workers. They suggest that office workers were more concerned about the company's social pressure to work extra hours than about the possibility of auditing. Results,

¹⁶ I used the mean score of *Social_Pressure* (5.37, SD= 0.11) to generate a dummy variable with 0 as low pressure and 1 as high pressure.

displayed in Figure 8, are in the same direction when divided by the peers' social norms. With an increase in the company's social pressure effects on office workers when receiving information about dishonest peers compared to honest peers (5.88, SD=0.18 vs. 5.42, SD=0.26, $t=1.44$, $p<0.1$).

Figure 8- Influence of Physical Distance on Company's Social Pressure (simple-effects)



These results are consistent with prior social norms literature that shows that descriptive norms can enhance the effect of supportive injunctive norms (Schultz, Nolan, Cialdini, Goldstein, & Griskevicius, 2018; Smith et al., 2012b). More specifically, both peers' dishonest social norms and the company's social norms are directed to enhance the overstatement of working hours, which might contribute to participants' justification process. Not only are they reading that their peers are overstating, allowing them to justify their overstatement (i.e., "everybody is doing it"), but they are also aware that their bonuses and promotions are based on working extra hours (i.e., "the company is forcing me to overstate").

Contrary to that, remote workers are not significantly affected by their peers' social norms (5.06, SD=0.25 vs. 5.43, SD=0.23, $t=-1.04$, $p>0.1$) in their perceptions of company's social pressure, which is consistent with results found over auditing likelihood. This is in line with part of the social norms literature that focuses on the possibility of higher influence of social norms on office workers than remote workers on overstatement of working hours. One of the underlying

theories behind this reasoning relates to the constitution of social norms; specifically that social norms are bounded to individuals' identification with the group that presents the norm (Lapinski & Rimal, 2005; White et al., 2009). Social identification is also more salient in organizational environments that allow individuals to interact with each other easily, such as in situations with higher proximity (lower physical distance) (Hinds & Kiesler, 2002, p.173). Since participants in remote condition do not have interactions with colleagues, it is less likely that they are able to identify themselves with their peers. This would explain why the social norms were only significant to office workers.

To test for this explanation, on a seven-point Likert scale, I asked participants post experimentally to indicate their agreement level to two sentences, adapted from De Cremer & Van Vugt (1999), "*How much do you identify yourself with your colleagues?*" and "*Do you consider yourself as belonging to your group of colleagues?*". Mean scores show that remote workers significantly identify less with colleagues (3.39, SD=0.16 vs. 3.85, SD=0.18, $t=-1.89$, $p<0.05$) and consider themselves less belonging to the group of colleagues (3.50, SD=0.18 vs. 4.41, SD=0.17, $t=-3.61$, $p<0.01$). In sum, these results suggest that remote workers were not affected by peers' social norms and the company's social pressure due to their lack of identification and belongingness to their colleagues.

Finally, since both variables – auditing likelihood and social pressure - were mediating physical distance effects on overstatement, it is important to investigate how the interplay of these variables affected the overstatement of working hours. More specifically, whether both variables (collectively or solely) were suppressing or enhancing participants' overstatement of working hours. To test for that, I regress¹⁷ auditing likelihood and social pressure on the overstatement of working hours. Untabulated results show that, as expected from prior results, both variables are significant to participants' overstatement of working hours, which is consistent with the different responses from remote workers and office workers to their effects. Moreover, their effects are counteracting each other, with auditing likelihood decreasing ($\beta=-0.16$, $t=-1.85$, $p<0.1$) and social pressure increasing ($\beta=0.23$, $t=2.43$, $p<0.05$) overstatement, but not suppressing one another (i.e., both relationships are significant). This is also consistent with the previous results that these mediating variables were significant to different relationships, with auditing likelihood to remote workers and social pressure to office workers.

¹⁷ I used a OLS regression instead of an ANOVA for this test given that I was using ordinal variables (Likert scale points).

5 CONCLUSION

Remote work is a work arrangement that had exponential growth during the COVID-19 pandemic. Due to health concerns, a great number of companies sent their employees home, and resumed their normal activities in a very different scenario. Some companies saw this experience positively; however, others saw the work arrangement as more troubling than the more traditional office work. Overall, a major concern between companies that had good experiences with the ones that had bad experiences was how to control employees. Specifically, remote work often has a bad reputation of being an easier way to shirk since the situation impairs more traditional monitoring possibilities (i.e., office drop-ins). Companies are also often required to implement controls that rely on trust to ensure successful remote work. Therefore, controls that are focused on self-reporting are generally preferred, such as reporting working hours. So, in this study, I explored the effects of remote work on overstatement of working hours.

Companies' concern over controls is consistent with the literature on economic and psychological literature on physical distance. In both streams of literature, individuals show higher opportunistic behavior with physical distance, which means that it would be expected that employees that are working remotely might overstate their working hours. Nevertheless, conflicting literature also shows that individuals also tend to refrain from acting opportunistically even when given a chance (i.e., in low monitoring environments). Additionally, literature also shows that there was a shift from monitoring perceptions in remote workers during the pandemic as well as an increase in employee productivity, which might also mean that employees are working and not shirking. Over this reasoning, I developed my first research question, which inquired about the effects of remote work on employees' overstatement of working hours.

Companies are also susceptible to the effects of social norms, especially regarding employees' reporting. Mainly, social norms might be beneficial to companies, but they can also increase employees' opportunistic behavior, such as the overstatement of working hours. When it comes to remote work, the combination with social norms and the consequential effect on the overstatement of working hours is not a consensus in the literature. On the one hand, social norms literature relies on the saliency of norms to be able to enact behavioral change, which means that a less visible environment, such as remote work might not be sufficient for the

enactment of social norms. This might lead to the expectancy that social norms would have less influence on remote workers than office workers. On the other hand, literature also shows several examples of the enactment of social norms through information from peers, such as observation of peers' reporting behavior. So, this might also lead to the expectancy that social norms might have a similar influence on remote workers and office workers. Over this reasoning, I developed my second research question, inquiring whether peers' social norms exert different effects on remote workers' and office workers' overstatement of working hours.

Both questions have two underlying explanations: auditing likelihood and social pressure. First, a stream of the literature shows strong evidence of the connection between physical distance and monitoring perceptions. The economic perspective focuses on the opportunities that reduced monitoring creates for opportunistic behavior. The psychological perspective posits that the high-level construals, consistent with distance, lead to higher abstraction, rendering less concrete perspectives of consequences. So, an employee that is working remotely would have a higher overstatement of hours due to her more abstract perceptions regarding her possibilities of being caught. However, literature also shows that there was a shift in employees' perceptions over monitoring during the pandemic, challenging the prior expectation that the higher distance would lead to lower monitoring perceptions. Additionally, literature also shows that the abstraction that physical distance entails might lead to better decision making. Therefore, I posited the first hypothesis that there was a mediating effect of auditing likelihood between remote work and overstatement of working hours.

Second, there is a prolific stream of literature asserting the effects of social pressure on employees' decision making. Moreover, this literature shows that social pressure can lead to opportunistic behavior, such as overstatement of working hours. It becomes even more pernicious to companies when the pressure becomes a social norm to which employees can justify their behavior. In a way, social norm literature is very consistent on the importance of saliency to the enactment of social norms, so remote workers might feel less pressured than office workers to engage in opportunistic behavior. However, literature also shows that remote workers generally feel more pressured to work more hours compared to their office counterparts. So, social pressure from the company might also explain remote workers' overstatement of working hours. Therefore, I posited the second hypothesis that there was a mediating effect of social pressure between remote work and the overstatement of working hours.

My results from the first research question showed no significant difference between remote workers' and office workers' overstatement likelihood. The results, although not significantly different, also showed that remote workers had lower scores on overstatement of working hours compared to office workers. Additionally, my results from the second research question also showed no significant difference in the combined effect of remote work and peers' social norms on overstatement of working hours. Moreover, I found that both remote and office workers displayed lower scores on overstatement of working hours with dishonest peers compared to honest peers.

My results were explained by my two hypotheses regarding auditing likelihood and social pressure as mediating variables to the indirect effect of physical distance on overstatement. My results showed that auditing likelihood was significant to remote workers, decreasing their overstatement likelihood. These results were a possible indication that, due to the lack of interaction with peers, the company's information about peers' reporting behavior was much more influential to remote workers than to office workers. Future research should explore how remote workers with different degrees of interaction would react to the company's message about peers' overstatement.

Further, my results show that social pressure only significantly mediated the effect of office workers on the overstatement of working hours. I interpreted this in the light of social norm theory, which states that the interplay between an injunctive norm (company's social pressure) and a descriptive norm (peers' norms) increases the directed behavior. These results add to a very broad stream of literature about the detrimental effects of incentives, showing that even non-financial incentives, such as the one from the study, can increase employees' pernicious behavior. I also explored why the company's social norm was not significant to remote workers and found that consistent with theory, social identification plays a role in social norms effectiveness and that remote work aspects make it harder for individuals' social identification.

Overall, my results showed that remote work and peers' social norms do not affect individuals' behavior per se. However, they can enact different perceptions on which affects individuals' self-reporting behavior. Results also show that an expressive amount of previous research conducted on the topic before COVID-19 might be significantly impaired by the "new normal." It means that every possible control issue that companies' faced before the pandemic became a new and utterly different issue now.

A possible direction is to explore how informal technology-based communication might have created a more (less) effective type of control than previously applied output controls. Future

research could investigate how individuals' interactions over technology-based controls affect principal-agent relationships differently. Another stream of future research could also focus on the extent of change in auditing likelihood and monitoring perceptions in remote work environments.

My study has some limitations. First, several remote work aspects were affected by COVID-19, changing employees' behavior and perceptions dramatically. If, before the pandemic, dishonest employees self-selected themselves to work in a less (perceived) monitored environment (Brüggen et al., 2020), this option is no longer feasible (at least until it is completely safe to return to the offices). On that, perceptions on monitoring, social identification, and social norms have also dramatically changed in remote work. Future research could investigate whether this tendency from remote work will continue if companies remain with remote or hybrid employees.

Additionally, the adoption of hybrid work can also represent a great source of research ideas, especially as follow up for my study's results. Since hybrid work allows people to experience both characteristics from remote work and office work, employees might shift their perceptions over monitoring and company's pressure again. Overall, companies might maintain the increased monitoring over ICTs which could continue to affect employees - especially the ones that are spending more time at home than at the company - but, by returning to the company's premisses, employees could also feel more pressured to perform according to company's expectations.

Second, I chose to conduct an experimental scenario to answer my research questions. When developing the scenario, I tried to balance the right amount of mundane realism to experimental realism. Nevertheless, experimental scenarios can be noisy, especially when trying to convey a credible scenario for participants. Therefore, given that a group of individuals might have different perceptions from the same scenario, participants might have overlooked more important information and focused on less important information from the scenario. Finally, due to the nature of experiments, I cannot extrapolate my results to other types of misreporting. Given that, future research could look into the effects of remote work in different types of misreporting, such as slack creation.

Third, I collected my sample during a period of the pandemic that (the majority of) people were refraining from leaving their homes to work or to do any other activities. Additionally, several countries were restricting non-essential services (e.g., the UK and Portugal), which means that my participants' opportunity to shirk was very low. This is also related to the employees'

perceptions about monitoring, since employees felt like supervisors were expecting them to always be available to work given that they were staying at home at all times. Therefore, future research could focus on the effects of remote work on misreporting when there is higher opportunity for shirking.

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APPENDIX A

Instructions

Welcome to the research study

You have been invited to voluntarily participate in a decision-making study in order to increase understanding of individual judgments and decisions in business settings. You will be presented with a case scenario and asked to answer some questions about it. Please be assured that your responses will be kept completely anonymous and confidential. We will not know your name and no identifying information can be connected to your answers in any way.

There are no risks associated with your participation in this study and your participation in this research is completely voluntary. You have the right to withdraw at any point during the study, for any reason, and without any prejudice.

The study should take you around 10 minutes to complete. If you would like to contact the principal investigator in the study to discuss this research, please email Myrna Modolon Lima at the University of Sao Paulo (myrnalima@usp.br).

By continuing you acknowledge that your participation in the study is voluntary, you are 18 years of age or older, and that you are aware that you may choose to terminate your participation in the study at any time and for any reason.

Would you like to continue to the study? By selecting "I agree" below you indicate that you have read and understood the information provided on this page.

I agree.

I do NOT agree. If you choose this option your participation in the study will be terminated.

Before you start, we recommend you to put away your mobile / music / e-mail so you can focus on this study.

Please insert your Prolific ID in the box below:

This study consists of **three parts**. In the **first part of the study** we ask you to read a fictional case scenario and answer some questions **about this scenario**. In order to make an appropriate decision you must read the case scenario very carefully. Please, remember that after proceeding you will not be able to go back to a previous screen, so take your time to read and understand the case.

In the **second part of the study** we ask you to answer some questions about the decision that you made.

In the **third part of the study** we ask you to add some demographic information about yourself.

Please note that you will **only** receive the participation fee if you answer all the **attention questions correctly**.

Part 1

You will now read the case scenario. In this case scenario, we want to give you enough information to make a thoughtful decision.

We ask you to make your decision as if **you are working in a actual company**.

The Case Scenario

For this study, we ask you to imagine that you are working as a **business analyst** at TJS. TJS is a multinational Information Technology (IT) company founded in 1991. The company provides clients with custom software development, product design and consultancy services. TJS employs over 1,500 experts across Europe, the US, Canada, and Latin America. As a business analyst **you support the firm's local management team**. For example, you analyze the profitability of specific product lines and make cash flow projections and forecasts for TJS's clients. You and 30 other business analysts are working under the firm's local management.

Manipulation Physical Distance – Remote

In this industry is very common that people work in the office, however, like other business analysts from the company, **you work from home**. This means that you and your colleagues **do not interact with each other on a daily basis**. You face different demands on your job. Sometimes you have projects where you need to put a lot of time such as budgeting and forecasting with complex excel sheets, but you also have simple projects that are not as demanding. You are not the only business analyst working for the company and you know that

all business analysts tend to work the **same number of hours on average** in each particular project. This means that, if it took you about 50 hours to create a new product forecasting, your colleague probably took the **same amount of hours to complete a similar project**. Nonetheless, you all have individual projects and do not work with each other.

Manipulation Physical Distance – Office

In this industry is very common that people work from home, however, like other business analysts from the company, **you work from the local company headquarters building**. This means that you and your colleagues **interact with each other on a daily basis**. You face different demands on your job. Sometimes you have projects where you need to put a lot of time such as budgeting and forecasting with complex excel sheets, but you also have simple projects that are not as demanding. You are not the only business analyst working for the company and you know that all business analysts tend to work the **same number of hours on average** in each particular project. This means that, if it took you about 50 hours to create a new product forecasting, your colleague probably took the **same amount of hours to complete a similar project**. Nonetheless, you all have individual projects and do not work with each other.

Employees' working hours are an important issue to the company. So, whenever you talk with your supervisor you are always reminded of that. In other words, you know that the company expects you to put in some extra hours to complete your projects. TJS gives you a lot of freedom concerning the amount of time that you have to finish a project, as long as you finish it as requested by your supervisor. However, per your contract, you were hired to work for 40 hours a week. You also know that management see the number of extra hours that you input as a good sign when considering employees for promotions and raises.

Management do not consider working a small amount of extra hours as a sign of good productivity since they expect a lot of dedication from you when performing the tasks. This means that, **regardless of the difficulty of the projects**, management wants you to show that you dedicated a great amount of hours on it. In that sense, your average amount of worked hours

per week is 55 hours, or 15 extra hours from what your contract states. To keep track of the number of hours worked by each employee TJS requires you and the other employees to report your total amount of working hours (**contract hours + extra working hours**) into TimemanagementTJS, the company's computer system, at the end of each week. Your number of extra hours are paid out by the company at the end of each month as an **addition to your salary**. Despite the report, you know that it is also **very unlikely** that your and your colleagues' working hours would be audited later.

Manipulation Peers' Social Norms for Dishonesty

Close to the day of the report, you and your colleagues always receive an email from management similar to the one below.

From: managerTJS@TJS.com

Subject: Working hours

Dear employee,

It's almost that time in the week where you need to report your working hours on TimemanagementTJS, the company's system. Remember to add in the full amount of hours (contract hours + extra hours). Bare in mind that paying employees that are overstating their hours would cost additional expenses for the company. We remind you of that since the majority of your colleagues are overstating their actual working hours.

Sincerely,

Managers of TJS

Manipulation Peers' Social Norms for Honesty

From: managerTJS@TJS.com

Subject: Working hours

Dear employee,

It's almost that time in the week where you need to report your working hours on TimemanagementTJS, the company's system. Remember to add in the full amount of hours (contract hours + extra hours). Bare in mind that paying employees that are overstating their hours would cost additional expenses for the company. We remind you of that since the majority of your colleagues are reporting their actual working hours.

Sincerely,
Managers of TJS

Manipulation checks

Before we move to your decision, we would like you **to answer some factual questions about the case** you just read.

What is your role in TJS?

Manager

Business Analyst

Controller

You have a salary, but you are also compensated based on the amount of extra hours that you work.

True

False

You and the other business analysts work the same amount of hours on average.

True

False

You work primarily from home.

True

False

You interact with your colleagues on a daily basis.

True

False

Most of my colleagues are overstating their amount of worked hours.

True

False

Participants' decision

Your current decision:

It is now Friday afternoon and you need to enter this week's number of hours worked into TimemanagementTJS, the company's system. In an average week you work 55 hours, so 15 hours more than the minimum specified in your contract. However, this week you were working on a less demanding project and put in only 42 hours of work, or just 2 more extra hours. **You are considering whether you should input a larger amount of working hours than the ones you actually worked this week.**

From 1 to 7, where 1 is "Definitely not do it" and 7 is "Definitely do it", how likely would you overstate your number of worked hours in this situation? (Likert scale 1 to 7)

	1	2	3	4	5	6	7
From 1 to 7, where 1 is "Definitely not do it" and 7 is "Definitely do it", how likely would you overstate your number of worked hours in this situation?	<input type="radio"/>						

Process Variables

Part 2

Before we move to the demographics we would like to ask you some questions about your decision.

Demographics

Part 3

For the next set of questions, we would like you to answer some **demographics about yourself**.

Please state your age on the box bellow.

What's your gender?

Male

Female

Another

Please state your nationality on the box bellow.

Please inform your highest educational level:

Undergraduate

MBA

MsC

PhD

How many years of work experience do you have? Please state on the box bellow.

How many years are you working on your current position? Please state on the box bellow.

On a scale of 1-7, where 1 is "Low" and 7 is "High", please state bellow what's your level of computer skills.

My level of computer skills is...

▲

1	<input type="radio"/>
2	<input type="radio"/>
3	<input type="radio"/>
4	<input type="radio"/>
5	<input type="radio"/>
6	<input type="radio"/>
7	<input type="radio"/>

Have you ever done remote work (i.e. telecommuting, homework) before?

Yes

No

Do you have any comments, questions or suggestions about this study? Please, feel free to write it on the box below.

End!

We would like to **thank you** for your participation in the study.

If you have any questions, please do not hesitate to contact us at **myrnalima@usp.br**.