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What Impact do Flexible Working Arrangements (FWA) have on Employee Performance and Overall Business Results?

Abstract

FWAs are mutually beneficial agreements between employees and employers which provide alternate options as to when, where, and how much one works. As both the demographics of the workforce and the nature of work are changing, FWAs provide a low cost solution to help employees balance their work and family needs. These arrangements may vary in the type of solution, level of formality, and degree of flexibility offered. For the purposes of this summary, we will narrow our focus to flexible hour and flexible location arrangements by examining their impact on performance, possible risks, and best practices to utilize.

Keywords

human resources, flexible work arrangements, FWA, employee performance, performance management, business results, employee engagement, talent retention, retention, inclusion, work life balance, results driven, culture

Comments

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EXECUTIVE SUMMARY

Research Question

What impact do flexible working arrangements (FWA) have on employee performance and overall business results?

Introduction

FWAs are mutually beneficial agreements between employees and employers which provide alternate options as to when, where, and how much one works.¹ As both the demographics of the workforce and the nature of work are changing, FWAs provide a low cost solution to help employees balance their work and family needs. These arrangements may vary in the type of solution, level of formality, and degree of flexibility offered. For the purposes of this summary, we will narrow our focus to flexible hour and flexible location arrangements by examining their impact on performance, possible risks, and best practices to utilize.

Business Case

Impact on Performance

FWAs have been shown repeatedly to yield both positive individual and organizational results for a full spectrum of indicators (**Appendix A**). At the individual level, research has linked FWAs with:

- **Improved productivity:** FWAs reduced absenteeism and improved supervisor and self performance ratings across numerous studies and industries.²
- **Improved quality of work:** FWAs are linked to a reduction in customer complaints and errors made²; Deloitte reports that 84% of clients are satisfied or very satisfied with the service provided by employees with FWAs and only 1% of clients are dissatisfied.³
- **Enhanced job satisfaction:** Employees widely report higher levels of satisfaction; JP Morgan Chase's annual employee survey found that employees with an option of flexibility were much more likely to report overall satisfaction than those who felt they did not have access to flexibility.³
- **Increased organizational commitment:** A study of five organizations that implemented flexibility reported that overall commitment was 55% higher for employees with flexibility and stress and burnout was 57% lower.⁴
- **Favorable applicant perceptions:** Nearly a third (of 1,500 U.S. workers surveyed) considered flexibility to be the *most* important aspect of an employment offer.⁵ Additionally, 80% of a cross section of managers surveyed indicated that the flexibility offerings impacted recruitment of top talent.³

At the firm level, FWAs have been linked to:

- **Higher financial performance:** A study on the impact of Fortune 500 company profits in The Wall Street Journal found that firms' stock prices rose 0.36% on average following announcements of flexibility initiatives.⁵ When looking at workplaces with established FWAs, researchers also found a positive association between the availability of FWAs and long term financial performance with both remote working and schedule flexibility offerings.²
- **Reduced labor turnover:** Flexibility policies are a significant predictor of talent retention with both schedule flexibility and remote working associated with reduced labor turnover.² Deloitte quantified their turnover related cost savings due to the availability of FWAs at \$41.5 million in one year alone.⁶

Potential Drawbacks

Overall, there exists a strong business case for the adoption of FWAs especially in recent studies, but it is important to consider mediating factors that may affect success such as:

- **Type of employee:** Careful consideration for job, type of work, and type of employee while ensuring employee autonomy in FWA decisions since one size doesn't fit all.
- **Work intensity:** Employees may respond to the ability to work flexibly by exerting additional effort in an attempt to repay to their employer, so careful management of work load to mitigate "burn out" effects is needed.⁷
- **Impact on inclusiveness:** A lack of genuine support and unfair policy application may create a barrier to inclusion in the organization.⁸

Best Practices

Strategies for successful implementation of FWA policies include gaining supervisor support, fostering an inclusive organizational culture, and integrating informal flexibility organization wide.

Supervisor support leads to sustainable use of FWA

Critical Factors ⁹	FWAs were most effective when managers	Implication to practice
Attitude of manager	Have favorable view on the merits of FWA	Incentives to promote a favorable manager perspective and recognition to reward managers for supporting FWAs are highly recommended
Manager's engagement in conversations regarding FWA use	Are engaged in conversations regarding FWA fit with employees	Policy of constant discussion between managers and employees regarding FWAs use and needs
Manager characteristics and value	Are female or younger managers, are open to risk taking	FWAs policy leadership or pilot team, which includes both young and female managers

Building an inclusive organizational culture

Effective implementation of FWAs will assist in building an inclusive organizational culture; this inclusive culture will, in turn, encourage increased usage of such FWA policies. Implementation should be based on the following:^{10, 11}

- **Supervisor support:** to promote organizations' culture of respect and inclusion and recognize individual needs and values.
- **Universality:** the degree to which FWA policies are perceived as readily available for use by everyone.
- **Negotiability:** the perceived fairness of the process and its ability to adapt to unique employee needs.
- **Quality of communication:** will lead to greater perceptions of inclusiveness related to the policy use and acceptance of HR and managerial innovation.

Integrate informal, broad based flexibility

Flexibility within organizations is often conceptualized as only highly formalized schedule or location arrangements, but informal flexibility has been proven to be highly effective way to supplement formal FWAs and reach far more employees. Organization wide informal flexibility is most successful when:³

1. Flexibility culture is built around widely used occasional, "as needed" flexibility
2. No perceived (or actual) penalties for using flexibility exist
3. Emphasis is placed on a "results-driven" rather than "face time" culture

Closer look at telecommuting

The main concern of implementing telecommuting is whether employers can trust employees to work continuously during scheduled work hours without supervisor. Best practices suggest **electronic monitoring** and **adopting a management-by-objective philosophy** to help compensate for the inability to supervise workers visually.¹² Factors to consider for the successful implementation include: careful selection of telecommuters and their work (**Appendix B**), creating *Telecommuting Agreements*, assisting in setting up home offices, and providing actionable guidance to managers of telecommuting workers.¹²

Conclusion & Recommendation

Recent research findings support a strong business case for the adoption of FWA policies as such policies lead to higher productivity, increased job satisfaction, greater organization commitment, higher financial performance, and better labor retention. However, these results are highly dependent on successful implementation of the policy. When reviewing and revising existing company practices, special attention paid to managerial support, building an inclusive culture, and integrating informal flexibility within the organization may go a long way to yielding sustainable results.

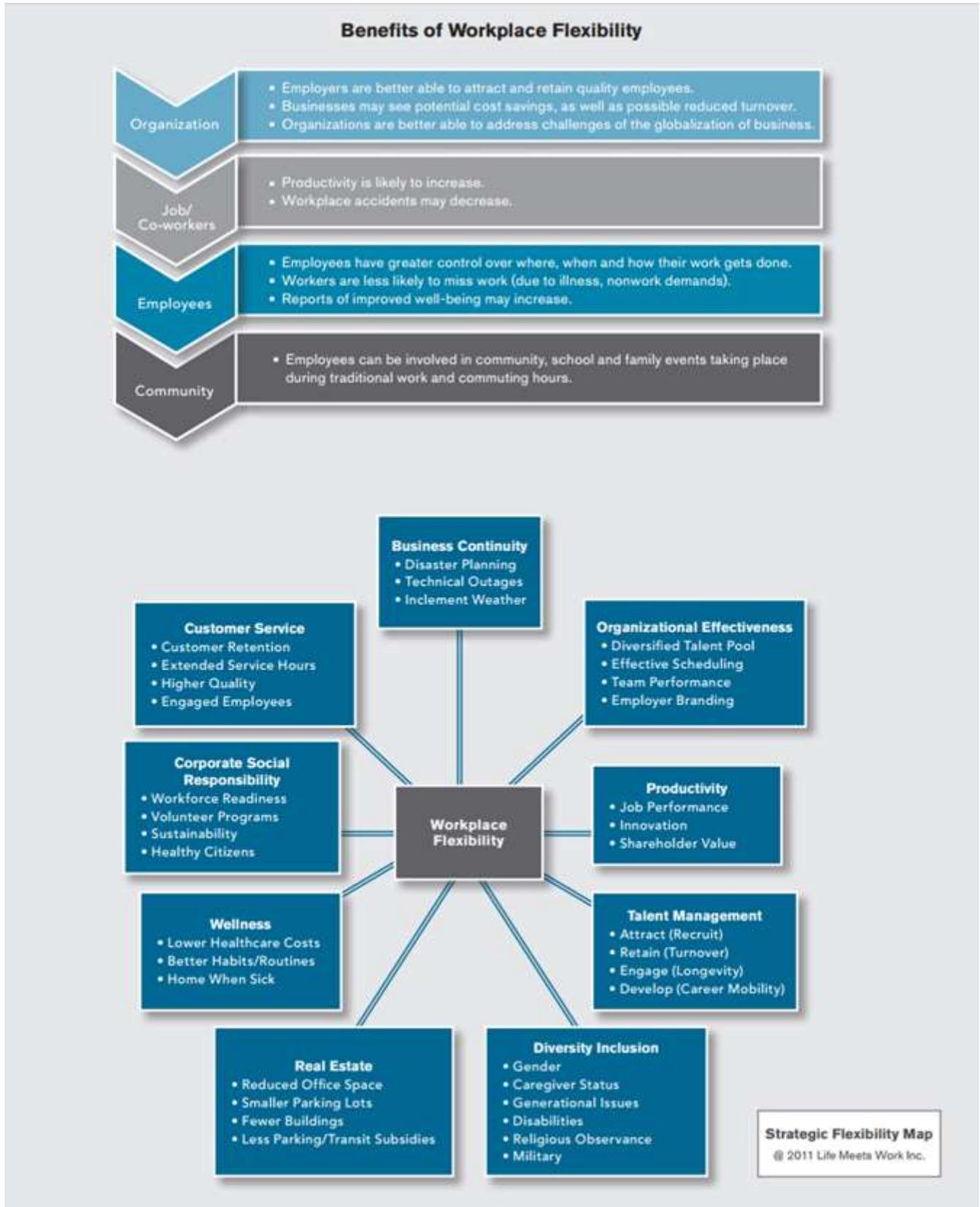
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Further Reading

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Appendix A: Benefits of Workplace Flexibility



Appendix B: Selection of Commuters

Selection of commuters

- **Employees who are well suited for telecommuting tend to:** have a proven ability to perform, together with a high degree of job knowledge; be self motivated, self-disciplined, and self-directed; be above average in planning, organizing, managing time, and meeting standards and objectives; have the ability to work alone without direction; enjoy a high degree of trust from supervisors; want to make telecommuting work; have a separate work area at their residence including home office furniture and equipment; be technically competent; and not have primary responsibility for dependent children or adults during work hours.
- **Supervisors best suited for telecommuting tend to:** have an open, positive attitude toward telecommuting; have a mutual trust and respect in ongoing relations with the telecommuter; have above average organizational and planning skills; provide feedback regularly; facilitate open communication; and have an innovative and flexible approach to supervising subordinates.

<What are some of the current best practices in Telecommuting?, HR focus, July 2011>