



**CORPORATE VOICES**  
*for* **WORKING FAMILIES**

# Business Impacts of Flexibility: An **Imperative** for Expansion



A Corporate Voices for Working Families Report  
Researched by WFD Consulting  
Sponsored by the Alfred P. Sloan Foundation

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# Acknowledgements

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This report was researched and written by Arlene Johnson, Karen Noble and Amy Richman at WFD Consulting. Corporate Voices' Workplace Flexibility Project is made possible by the support of Kathleen Christensen and the Alfred P. Sloan Foundation. We also gratefully acknowledge the financial support of Baxter International.

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## About Corporate Voices

Corporate Voices For Working Families is a non-partisan, non-profit corporate membership organization created to bring the private sector voice into the public dialogue on issues affecting working families.

Collectively our 50 partner companies employ more than four million individuals throughout all fifty states, with annual net revenues of \$800 billion. Over 70% of our partner companies are listed in the Fortune 500, and all share leadership positions in developing family support policies for their own workforces.

# Executive Summary

The large body of business data summarized in this report demonstrates that the business case to expand workplace flexibility is substantial and compelling. Drawing on internal organizational research and information provided by 29 American firms, this report presents for the first time the weight of evidence companies themselves have collected about the positive business impacts of flexibility. Until now, flexibility has often been positioned as simply a benefit or accommodation to employees. Based on the research and experience of many firms, this report provides evidence that employers can gain tremendous benefit from providing flexibility in when and how work gets done. For organizations that intend to improve business performance and shareholder value, that need to get the best from their employees, and that want to compete successfully for talent, this report finds that flexibility is not only a powerful business tool but a key component of successful management practice.

The many data points and rigorous studies presented in this report illustrate that flexibility is advancing business success in a number of ways. The positive impacts of flexibility can be summarized under three headings:

**Talent management** - Organizational research presents compelling evidence of the positive impact of flexibility on talent management, especially retention of key talent. Based on their internal research, organizations conclude that flexibility has saved individual companies millions of dollars in prevented turnover.

**Human Capital Outcomes** - Internal organizational studies establish that individuals who have even a small measure of flexibility in when and where work gets done have significantly greater job satisfaction, stronger commitment to the job, and higher levels of engagement with the company, as well as significantly lower levels of stress. As demonstrated in profit value chain research, these human capital outcomes translate into innovation, quality, customer retention, and shareholder value.

**Financial Performance, Operational and Business Outcomes** - Organizations find that flexibility is a driver of financial performance and productivity and is correlated to increased revenue generation, as well as having positive impacts on cycle time and client service.

Businesses find that it is not only formal flexible arrangements that produce these impressive results, but also a culture that supports occasional flexibility. Positive outcomes such as retention, employee engagement, job satisfaction, and financial performance are consistent across different industries. Moreover, the positive effects of workplace flexibility are documented in hourly, non-exempt environments as well as for salaried, exempt employees.

Organizational studies assembled in this report lead to the conclusion that unless business organizations move forward to accomplish the expansion of flexibility, they will not realize the powerful human capital and business outcomes that flexibility can generate. In light of this robust and well-documented business case, it is essential to:

- communicate the business imperative for workplace flexibility,
- create standards and principles for effectively implementing broad-based flexibility, and
- develop leadership for expanding flexibility

Accordingly, Corporate Voices for Working Families is launching a communications campaign to disseminate the evidence for a business imperative and is developing and distributing Principles of Effective Flexibility. Corporate Voices will convene an Executive Summit on Workplace Flexibility to generate leadership and momentum for making flexible approaches an integral part of the way work is done and how people are managed. By expanding and successfully implementing flexibility, businesses can engage a powerful means to improve financial and human capital results.

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# Business Impacts of Flexibility: An Imperative for Expansion

## Context and Objective of This Study

If expansion of flexibility practices can be measured by an increase in the number of organizations that offer flexible work arrangements, then flexibility in corporate America is indeed growing. In a 2000-2001 survey of 1000 major US employers, Hewitt Associates found that 73% offered flexible work arrangements, up from 67% five years earlier. However, a written policy does not guarantee accessibility or acceptance of flexible work practices. Even organizations that offer a menu of flexible work options report that flexibility is frequently viewed by managers and employees as an exception or employee accommodation, rather than as a new and effective way of working to achieve business results. A face time culture, excessive workload, manager skepticism, customer demands, and fear of negative career consequences are among the barriers that prevent employees from taking advantage of policies they might otherwise use—and that prevent companies from realizing the full benefits that flexibility might bestow.

Understanding the relationship of flexibility to business success is key to expanding the practice and penetration of flexibility in the workplace. The objective of this study is to understand how companies measure and define the business benefit of flexibility and, thereby, to clarify and strengthen the bottom-line case for expansion of flexibility as a core business practice. It draws upon the experience of organizations that are actively engaged in making the business case and have had success in increasing flexibility in their organizations. Implicit in the inquiry is the question of how the impact of flexibility can be effectively measured, demonstrated and communicated and what kinds of measurements build momentum for increased workplace flexibility.

## Methodology

*Corporate Voices for Working Families, a non-profit corporate partnership committed to fostering public and private investments in family supports that are effective for the workforce as a whole, received a grant from the Alfred P. Sloan Foundation to define the business case for expanding flexibility. Drawing on its strong corporate partnerships, Corporate Voices established a task force of 14 companies who have experience implementing flexibility and who are committed to increasing its effectiveness and availability.*

*Working with the task force, and assisted by WFD Consulting, a firm with extensive experience in researching and implementing flexibility, Corporate Voices surveyed its 46 partner organizations to determine what kinds of flexibility data they are collecting and how they are connecting the data to business objectives. Subsequently, 15 organizations—including all the task force member companies—agreed to participate in in-depth interviews. The interviews provided detailed information about how firms are gathering information, what they have documented about the impact of flexibility, what information has proven to have the most impact, and how the business case for flexibility might be strengthened. Many of the organizations interviewed provided case studies, survey results, and examples of internal presentations on the business case for flexibility. Any Corporate Voices partners who were not interviewed received a follow-up questionnaire to determine if and how flexibility effects are linked to business challenges and how data have been used to support implementation of flexibility.*

*The task force met four times to advise on the objectives, data gathering, and final report. Based on the research and their own experience, the task force compiled a Statement of Principles on Workplace Flexibility.*

*In addition to the advice of the task force, the project benefited from the input and insights of Ellen Galinsky and the Families and Work Institute study on “When Work Works,” research on flexibility among low income workers by the Casey Foundation, the work of Chai Feldblum at the Georgetown University Law Center, and the advice of Regina Powers of the Employment Policy Foundation on connecting flexibility effects to business outcomes.*

## Measuring the Impact of Flexibility

*“Through periodic surveys of our employees and users of flexible work options, we’ve been able to gauge the effect that flexibility has in our workplace, how it affects particular target populations, and how we can improve our flexibility efforts to support our business goals.”*

Stan Smith, National Director, Next  
Generation Initiatives  
Deloitte & Touche

Measurement and data collection is at the heart of the business case for flexibility. Among the 29 organizations participating in this study, the types of data and data analysis vary greatly across organizations and illustrate both foundational and creative ways for measuring the impact of flexibility on employees and the business.

The most common approach among the companies surveyed is to embed two to three questions about flexibility in an **annual employee opinion survey or employee pulse survey**. These questions usually measure (1) the perceived availability of flexibility and (2) the relative importance of flexibility in a person’s decision to stay at the company. Analysis of survey responses allows the company to see how the profile of people who have flexibility differs from those who do not—on factors such as job satisfaction, level of commitment, intent to stay, and perceived effectiveness in one’s job. The organizations can also compare the weight given to flexibility compared to other motivators such as compensation and advancement. For organizations that measure flexibility issues in more general employee surveys, the flexibility findings are usually considered against the backdrop of information about **changing workforce demographics**, particularly the increase in dual earner couples and employees with significant responsibilities in both the job and personal spheres. The external and internal information together create a picture of a new kind of workforce for whom flexibility and a degree of control are extremely important.

Ernst & Young is an example of a firm that uses its Global People Survey to measure the extent and impact of flexibility. Interestingly, as flexibility has become an integral part of people management at the firm, the wording of the question has changed. In the first year of the survey, the firm asked whether employees were “*given* the flexibility I need to meet my personal and professional goals.” As of 2005 employees will be asked whether they “*have* the flexibility they need....” The change in wording reflects an assumption that everyone should have access to flexibility and therefore what is important to measure is whether people are taking advantage of and satisfied with this opportunity.

Another common approach is to ask about flexibility within the context of a **specialized work-life, diversity or total rewards survey**. This approach has the advantage of allowing the employer to ask more questions about flexibility than could be included in a more general survey. For maximum impact the survey should also include items related to the employee productivity, personal effectiveness, and performance, to permit analysis that measures the correlation of flexibility to performance and behaviors. The additional probes permit deeper understanding of employees’ attitudes about flexibility, ability to use flexible work options without career jeopardy, the role of flexibility in alleviating stress, and the dynamics of flexibility in work groups, and between managers, co-workers and even clients. Through a work-life diversity survey, Allstate learned that flexible work options are the most important of all work-life issues to its employees; 92% of Allstate employees rated flexibility as “very important” or “important.” IBM’s business case for flexibility has been built from data gathered in eight work-life surveys—two of them global—conducted since 1986. IBM’s survey data is analyzed by geography, business unit, gender and key talent segments. Not only can the company see how those who use flexibility compare with those who don’t, IBM can also learn about the impacts of flexibility on retention, level of stress, and productivity for their sales force, top performers, parents of young children, software

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engineers, or female executives. Bristol-Myers Squibb has also used a work-life survey to examine in detail the relationship of flexibility to a range of objectives, including retention of women, employee commitment and stress reduction. The survey enabled the company to determine the relationship of flexibility to recruitment and retention as well as the contribution of flexibility to corporate objectives of work-life balance, employee satisfaction, and employee commitment.

Some of the most compelling business case data has come from **flexibility evaluation** surveys that focus entirely on employees' experience of and perceptions about flexibility. The in-depth analysis that is possible in this kind of survey sheds light on both formal and informal types of flexibility at different career and job levels and describes patterns and implications of utilization of different kinds of flexibility. These surveys also examine in depth the barriers and enablers of flexibility, the role of managers and co-workers in achieving flexibility impact, and the influence of flexibility on career progress, as well as anticipated patterns of future flexible arrangements. Through surveys such as these that focus on flexibility practices, AstraZeneca and Deloitte have been able to describe thoroughly the impact of flexibility in their workplaces and to construct models of the financial impact of flexibility as measured in corporate cost-savings achieved through the influence of flexibility on stress, turnover, and employee engagement/commitment.



**Qualitative information** is also a part of corporations' measurement of flexibility's effects. For example, one company determined that there is a relationship between "manager supportiveness and sensitivity" and successfully implementing flexibility and with positive employee outcomes of discretionary effort and retention. The company used the survey data to pinpoint those business units that were high scoring in flexibility implementation and then conducted focus groups with managers in

those units to identify the behaviors that contribute to employees' perception of manager sensitivity. These behaviors were translated into company-wide "workplace flexibility standards of excellence." Another company finds that interviewing managers for success stories about individuals and groups who have used flexibility successfully is influential data; posting good "stories" on the intra-company web site has proven to be effective in demonstrating flexibility effects for the business and individuals. Ernst & Young has found that gathering and communicating employees' personal experience helps to shift attitudes and normalize flexibility as a new way of working.

Other types of measurement are the result of **evaluating a particular type of arrangement**, often a pilot or demonstration project or a program initiated at the local level to deal with a site-specific business challenge. The downside of this approach is that information about pilots is sometimes difficult to generalize to the whole organization. However, the advantage is that data are easier to collect, the local manager is usually motivated to create change, and evaluation is usually targeted to a well-defined objective or problem. Most data collection at PNC has been of this type, resulting in several dramatic stories that pinpoint the impact of flexibility in specific situations. Eli Lilly has also used pilots and demonstration projects to measure how flexibility affects a range of business outcomes.

Through human resource software, benefits records and/or employee survey data, most organizations in this study **track utilization** of different types of flexible arrangements, to determine the penetration of flexibility and to assess patterns of use among different demographic groups and job types. While most formal work arrangements can usually be identified, organizations acknowledge that utilization statistics probably underestimate the true reach and impact of flexibility, as they cannot accurately determine the extent of informal

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flexibility--for example employees who occasionally alter their work hours or work from home. Some firms want to improve tracking mechanisms as a way of measuring the extent and impact of flexibility, but others hesitate to institute more stringent tracking mechanisms for fear it would have a chilling effect on informal flexibility.

Less common, but powerful when it exists, is data about **business or operational outcomes of flexibility**. In its EMEA region, IBM has demonstrated the influence of technology-assisted flexibility for increasing time spent with customers. PNC's Eastwick, Pennsylvania Operations Center measured reduced cycle time and extended customer service hours that resulted from a compressed work week pilot. Marriott tracked flexibility's impact on guest satisfaction. And First Tennessee Bank conducted a service profit chain study that traced the causal relationship between flexibility, customer retention, and shareholder value. More detail about these examples and others are discussed in the next

section of the report.

The following is a partial list of the types of data collection and data analysis being used to quantify flexibility's impact. Depending on the objective for implementing flexibility, there are numerous ways a company can collect and analyze information to connect flexibility to business outcomes and objectives.

<b>Most Common and Foundation Measures/Types of Analysis</b>	<b>Less Common Measures/Types of Analysis</b>
<ul style="list-style-type: none"> <li>- Employee opinion surveys</li> <li>- Employee pulse surveys</li> <li>- Focus groups</li> <li>- Specialized surveys (e.g., work-life, diversity)</li> <li>- Flexibility surveys/ evaluating flexibility</li> <li>- Exit surveys/interviews</li> <li>- Utilization metrics</li> <li>- Profile flexibility users compared to non-users</li> <li>- Profile those who have sufficient flexibility to those who don't</li> <li>- Correlate flexibility access to commitment, burnout, retention and other employee outcomes</li> <li>- Analysis by business unit, job status, demographic group</li> </ul>	<ul style="list-style-type: none"> <li>- Assessment by type of arrangement</li> <li>- Department-specific, pre- and post-measures</li> <li>- Measure impact on reduction in overtime</li> <li>- Conduct profit chain study</li> <li>- Measure cycle time, with and without flexibility</li> <li>- Document increased coverage</li> <li>- Track impact on business processes and planning</li> <li>- Gather internal success stories</li> <li>- Track time spent with clients (vs. low value or office time)</li> <li>- Track turnover</li> <li>- Track "hits" on flexibility website</li> <li>- Measure impact on client satisfaction</li> <li>- Track client/customer retention</li> <li>- Conduct 360 evaluation comparing manager and employee opinions</li> <li>- Compare employee and co-worker reports on flexibility impact</li> </ul>

## Making the Business Case

Data collected by organizations makes three kinds of business case: (1) the contribution of flexibility to talent management, (2) the impact of flexibility on positive human capital outcomes, and (3) the impact of flexibility on financial performance and operational and business outcomes. In the first two cases, measurements are conducted to determine the impact on employees; the positive effects of flexibility on the business are mediated through their effects on employees. In the third case, a direct link is made between flexibility and a positive business outcome by taking measurements of financial performance, customer impact, or operational change. The three types of business case are related, but different in nature.

### The Contribution of Flexibility to Talent Management

*“We have evidence in our surveys that prove to us that flexibility has contributed to the attraction and retention of talented people.”*

Denise Singleton, Vice President  
MetLife

Despite economic news of off-shoring and down-sizing, organizations want to retain talent they have invested in and attract the talent they need, both because turnover and replacement is costly and because people with the right mix of abilities, skills and experience are never in over-supply. Rather than be at the mercy of external forces or competing companies, employers want to have a strong measure of influence in attracting and retaining the talent they need. They want to be the Employer of Choice. To meet corporate diversity goals and to recruit in competitive labor markets such as those for scientific and technical staff, it's especially important to have an edge in attracting and keeping diverse and scarce talent. For all these reasons, the impact of flexibility on recruitment and retention is one of the best-documented and most strongly-argued aspects of the flexibility business case.

**Retention** – Organizations have abundant evidence, collected primarily in employee surveys, that availability of flexible work arrangements influences employees' decision to stay in an organization. The following is a sample of the evidence for concluding that flexibility enables companies to retain talent.

- In a recent work/life survey, approximately 80% of Accenture employees said that their ability to successfully manage work and home life roles had an impact on their career choices and their desire to stay at Accenture. The survey also found a strong correlation between the ability to achieve balance in one's work schedule. Of the employees who report that it is easy to balance work, career, and home life, approximately 75% say they have “the flexibility I need” in terms of *when* work gets done. When asked to compare flexibility relative to other benefits or rewards, flexibility was one of the top three on the list, challenging the notion that compensation and advancement are employees' primary motivators. The findings provided motivation to make flexibility more available across the organization.
- IBM's 2004 global work-life survey demonstrated that, for IBM employees overall, flexibility is an important aspect of employees' decision to stay at the company. The survey incorporated both a work-life balance index and a flexibility index, which were found to be strongly related; i.e. employees with higher work/life balance scores also had higher scores on the flexibility index. Based on responses from almost 42,000 IBM employees in 79 countries, the survey found that work-life balance—of which flexibility is a significant component—is the second leading reason for potentially leaving IBM, behind compensation and benefits. Conversely, employees with higher work-life balance scores (and therefore also higher flexibility scores) reported significantly greater job satisfaction and were much more likely to agree with the statement “I would not leave IBM.”

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In a follow-up to its 2001 survey -- and after rolling out flexible work options, manager training and other efforts to support successful implementation of flexible arrangements -- the Corporate Finance organization of IBM found that nearly all managers (94%) reported positive impacts of flexible work options on the company's "ability to retain talented professionals." Because of this survey-based data showing the strong link between flexibility and retention, IBM promotes flexibility as a strategy for retaining key talent.

- A survey of Ernst & Young's Canadian employees documented the impact of unmet needs for flexibility on potential turnover. Of survey respondents, 78% said that it was "very important" or "extremely important" to them to have a flexible work environment. Despite the fact that 83% of respondents would recommend Ernst & Young as a place to work as it relates to flexibility, still 20% of employees (22% of women and 17% of men) say that they have considered or are considering leaving the firm because of unmet needs for flexibility.
- Of respondents to its flexibility survey of Delaware-based headquarters and R&D employees, AstraZeneca found that an astounding 96% say that flexibility influences their decision to stay at the company; 73% say that flexibility is "very important" in that decision, and an additional 23% say that it's "somewhat important."
- Deloitte has quantified the cost savings that can be attributed to flexibility by calculating the cost of turnover for those professionals who say they would have left the firm had they not had a flexible arrangement. Based on this calculation, the firm determines that it saved an estimated \$41.5 million in turnover-related costs in 2003 alone.

Surveys consistently find that flexibility is important to both men and women. However, for organizations that want to increase female presence in the leadership pipeline or stem the attrition of experienced women, flexibility is a particularly

powerful tool.

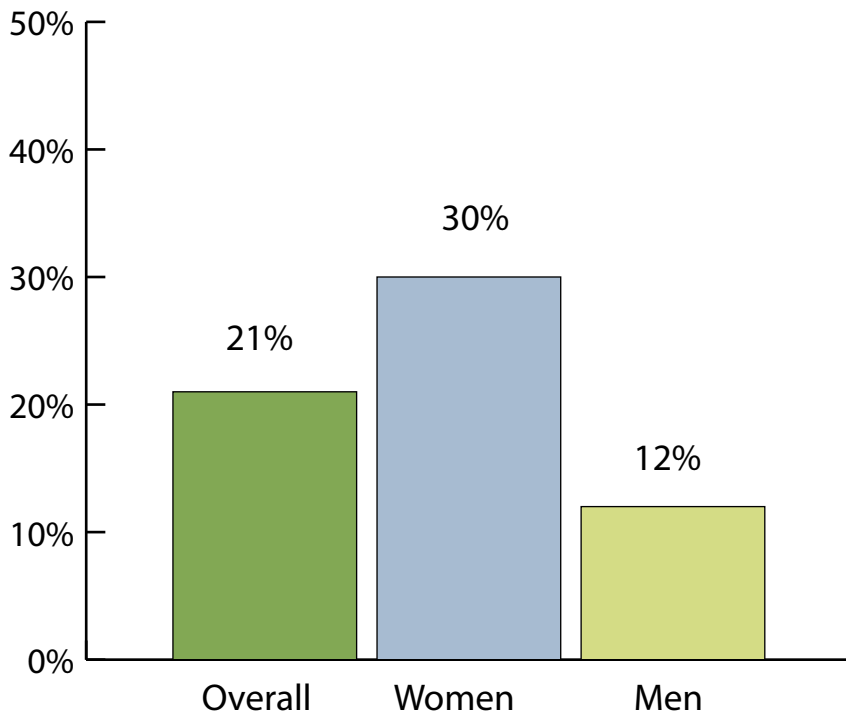
- While 61% of AstraZeneca men say that flexibility is "very important" in their intention to stay at the company, 80% of women say so.
- IBM found that, while work-life balance (including flexibility) was the second leading reason for considering leaving the company for mothers overall as well as for mothers in management, work-life balance was the number one reason.
- In the early 1990s Deloitte conducted a survey to determine what initiative would be most influential in correcting the large turnover rate of women. When the survey identified flexibility as the factor most likely to improve retention of women, the firm implemented flexibility as a key component of its women's initiative. Since then the turnover of women has dropped significantly, to the point that men's and women's turnover rates are now nearly equal. Retaining women in the pipeline enabled the firm to increase the number of women in leadership positions from 14 in 1993 to 168 in 2003.

*Recruitment* - Research in the past two decades has found that work-life supports are much more powerful in retaining employees than in attracting them. One might expect the same finding in regard to flexibility, but in fact the attraction power of flexibility has proven to be a surprisingly powerful element of the flexibility business case.

- In its 2003 global employee survey, Discovery Communications learned that 95% of employees in the U.S. say that availability of flexible work arrangements is a critical factor in taking a job.
- Bristol-Myers Squibb found that flexible work options are a very effective recruitment tool. Of employees hired in the last three years, one in five agree or strongly agree that the company's flexible work options program influenced their decision. Again, the influence on women's thinking was even greater than for men: 30%

of women compared to 12% of men say the flexible work options were a factor in deciding to join the company.

**Of Employees Hired in the Last Three Years, Percentage Who Were Influenced by Flexible Work Arrangements to Join the Company**



Source: Bristol-Meyers Squibb work-life survey

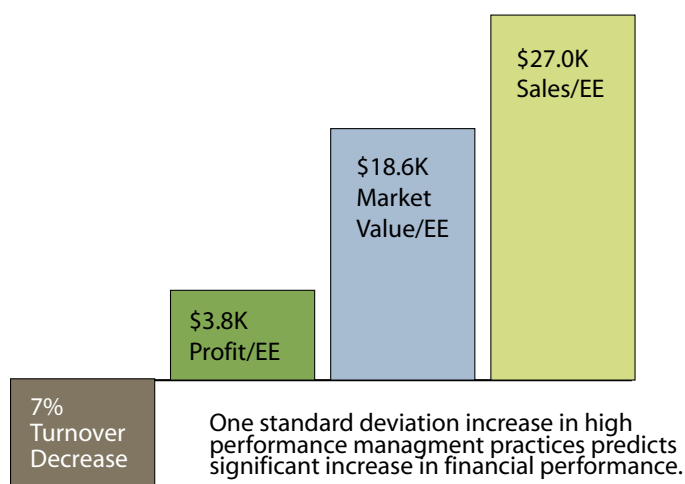
### The Positive Impact of Flexibility on Human Capital Outcomes

*“In an extensive study of our workforce we learned that in order to optimize the ROI of human resource policies and practices, our people must experience an underlying foundation of respect. They told us loud and clear that showing respect for their time and personal commitments is integral to showing respect for them as people. We concluded that offering flexibility and some degree of control over time is fundamental to getting a strong return on human capital investments.”*

Alice Campbell,  
Senior Director  
Baxter Healthcare

Understanding employees’ experience and perceptions has become a keystone of human resource management, because human capital is the source of most value creation. In our knowledge and service economy there is a strong correlation between managing people well and a company’s financial performance.

#### Organizations with High Performance HR Practices Have Significantly Higher Financial Performance



Source: Mark A. Huselid, “The Impact of Human Resource Management Practices on Turnover, Productivity and Corporate Financial Performance,” *Academy of Management Journal* 38 (1995).

Client service, quality, innovation—all are the result of human capital input and flow directly to the bottom line. Growing emphasis on the concept of Total Rewards reflects employers’ awareness that it is not just compensation and benefits that motivates employees, but the total employment experience. Therefore, anything that employers can do to influence positive employee attitudes and behaviors will have an effect on business performance.

Flexibility has proven to have powerful effects on employees’ work experience and the attitudes that make them able and willing to contribute to organizational goals.

- Watson Wyatt’s Human Capital Index found that firms with high employee satisfaction have decidedly higher market value—and that a flexible work place is associated with a 9% change in market value.

**Employee Satisfaction** – Measuring employee satisfaction is an enduring element of employee surveys. It is not simply a measurement of whether employees are “happy,” but rather is a validated research construct that correlates with a range of behaviors essential to effective performance, including discretionary effort and intent to stay.

Workplace research is proving that flexibility has a very strong and positive effect on employee satisfaction.

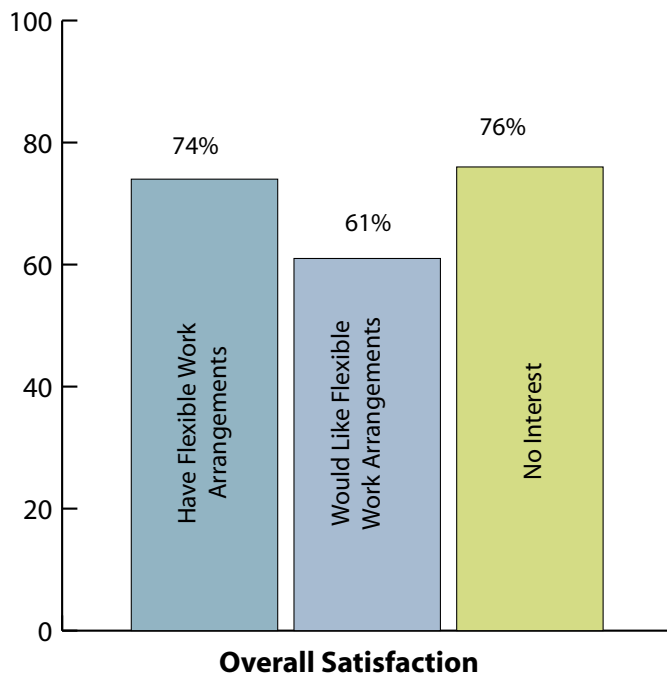
- IBM’s 2004 global work-life survey found that, compared to employees with work-life difficulty, employees who scored higher on the work-life balance index (and therefore also scored higher on the flexibility index) were significantly more satisfied along a number of dimensions, including job satisfaction, their rating of IBM, their sense of accomplishment at work, their rating of the workplace as a healthy place to work, and their willingness to give extra effort.

- JP Morgan Chase measures the impact of flexibility in its annual employee survey.

The company found that support for work-life resources and integration, of which flexibility is a major component, is a key driver of overall employee satisfaction. Employees with access to flexibility are much more likely to report overall satisfaction than those who feel they do not have access to flexibility. The company concluded that, even though some employees are content with their work schedules (represented in the following figure in the “no interest” column), increasing accessibility of flexibility—both formal and informal—could positively affect overall employee satisfaction scores and positively affect employee perceptions of the

Respondents to the survey fell into four categories: (1) those who had a regular work schedule, (2) those who had a flextime schedule which allowed for daily variation of work time around core hours, (3) those on a “Flexweek” in which they had an established schedule for performing a full time in less than 5 days, (e.g. four ten-hour days or four nine-hour days and one four-hour day) and (4) those with a “Flexible Flexweek” who could every week change the way they distributed full-time hours. The company found that employees with the most flexibility and control over their hours, i.e. those on Flexible Flexweek, reported more job satisfaction, greater sense of control, and less intention to leave than those on other schedules. There was no difference in supervisors’ performance rating for employees on the different type of schedules, leading the company to conclude that greater flexibility produces greater job satisfaction without a consequent tradeoff in employee performance.

**Flexibility Contributes to Overall Employee Satisfaction**



Source: JPMorgan Chase

company.

Eli Lilly discovered that there is a linear relationship between the degree of flexibility that employees have and the level of job satisfaction that they describe. Approximately one year after implementing a “Flexweek” policy, the company surveyed employees.

*Increased Employee Engagement/Commitment* - Closely related to employee satisfaction,<sup>1</sup> but even more powerful in its effects, is the concept of employee engagement and commitment. Engagement fuels discretionary efforts and concern for quality. It is what prompts employees to identify with the success of the company, to recommend the company to others as a good place to work and to follow through to make sure problems get identified and solved. “Committed employees believe they have a stake in the organization, and that belief is reflected in their behavior.”<sup>2</sup> Recent research by the Corporate Leadership Council concludes that every 10% improvement in

commitment can increase an employee’s level of discretionary effort by 6% and performance by 2%; highly committed employees perform at a 20% higher level than non-committed employees. Hewitt Associates research finds that double-digit growth companies have 39% more highly engaged employees and 45% fewer highly disengaged employees than single-digit growth companies. In

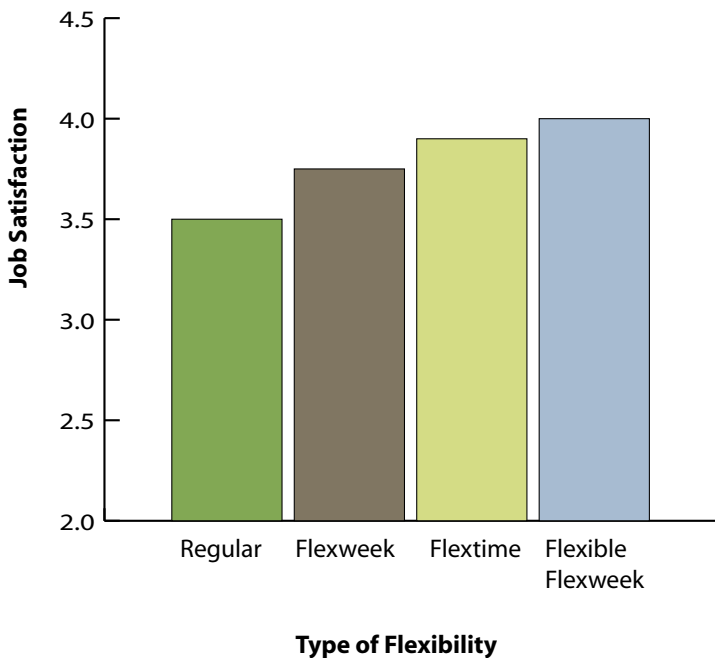
<sup>1</sup>. Many validated measurements of commitment/engagement include a component of employee satisfaction. Therefore commitment can be understood as an overarching measurement that encompasses and extends beyond “satisfaction.”

<sup>2</sup>. WFD Consulting, “Commitment, What It Looks Like,” 1999.

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2002, the Gallup research organization documented dramatic differences in the productivity of business units in the top and bottom quartiles on engagement. Clearly, increasing the percentage of engaged employees and decreasing the number of

### Job Satisfaction Increases with Degree of Flexibility



Source: Eli Lilly Internal Survey

the disengaged has an impact on business results. The use of validated survey instruments allows researchers to measure degrees of commitment and engagement in a workforce and reflect the findings in scales and indices that have predictive power beyond mere self-report. The dramatic effect of flexibility on employee commitment is one of the most powerful components of the business case for flexibility.

- Based on external studies that prove that higher employee commitment and engagement drive higher levels of discretionary effort and retention, Ernst & Young analyzes its Global People Survey results to determine which survey questions best predict individuals' scores on the People Commitment Index. The flexibility question, which measures people's perceptions of whether they have the flexibility they need,

has been found to be highly predictive of commitment.

- Deloitte's employee survey asked whether employees agreed with the statement "My manager grants me enough flexibility to meet my personal/family responsibilities." Those who agreed that they have access to flexibility scored 32% higher in commitment than those who did not have access to flexibility.
- AstraZeneca's survey findings are that commitment scores are 28% higher for employees who say they have the flexibility they need compared to employees who do not have the flexibility they need.
- JP Morgan Chase found that 95% of employees working in an environment where the manager is sensitive to work and personal life--including informal flexibility--feel motivated to exceed expectations, compared to 80% of employees in environments where the manager is not sensitive to needs for informal flexibility.

- At Bristol-Myers Squibb, commitment scores of users of flexible work arrangements were higher than that of non-users, especially in relation to the affective elements of commitment associated with loyalty, job satisfaction and recommending the company as a good place to work.

*Reducing the Costs of Stress* - Stress is extremely costly to employers in productivity loss, illness, disability, medical expenses and health care dollars. According to the Stress Institute of America's latest figures, stress is costing U.S. employers about \$300 billion per year in lost productivity, healthcare and replacement costs. Chrysalis Performance Strategies finds that stress is responsible for 19% of absenteeism, 40% of turnover, 55% of EAP costs,

30% of short-term and long-term disability costs, 10% of coverage for psychotherapeutic drugs, 60% of total cost of workplace accidents and 100% of workers' compensation claims and lawsuits due to stress. Stress is the leading cause of unscheduled absence and is linked to higher turnover. Stress is also a major factor in productivity loss due to "presenteeism" when employees come to work too stressed to be effective.

A compelling part of the business case for flexibility is that flexible work practices reduce stress.

- IBM found that employees who have flexibility report less work-life stress than employees who do not have flexibility. This exemplified itself in an ability to work longer hours without feeling work-life stress; workers with flexibility could work up to an additional day per week without experiencing work-life conflict, compared to workers who did not have flexibility.
- Employees at Bristol-Myers Squibb who use flexible work arrangements are significantly less likely to report feeling stressed and burned

out. Those on flexible arrangements scored, on average, 30% lower in stress and burnout.

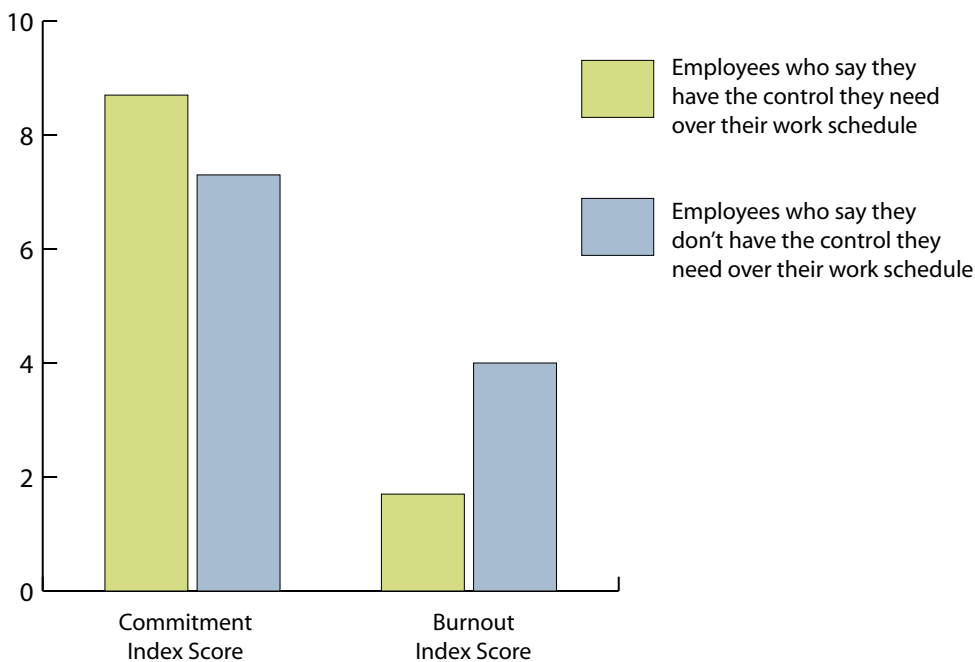
- A New England-based financial services company found that employees who say they have the control they need over their work schedules have burnout index scores less than half that of employees who do not have control over their work schedules.

*The impact of flexibility on non-exempt/hourly employees* – The question often arises as to whether non-exempt and exempt staff experience flexibility similarly and whether the business case for flexibility is the same for non-exempt and exempt employees.

In brief, the picture for non-exempt/hourly employees is very similar to the exempt population, and in some areas more positive. However, access to some types of flexibility, including informal flexibility, may be more difficult for employees in hourly and non-exempt positions.

- At Bristol-Myers Squibb, 87% of non-exempt/hourly employees (vs. 90% overall) use either formal or informal flexibility. A significantly

**Ability to Deliver Business Results by Control over Work Schedule**



Source: WFD Consulting

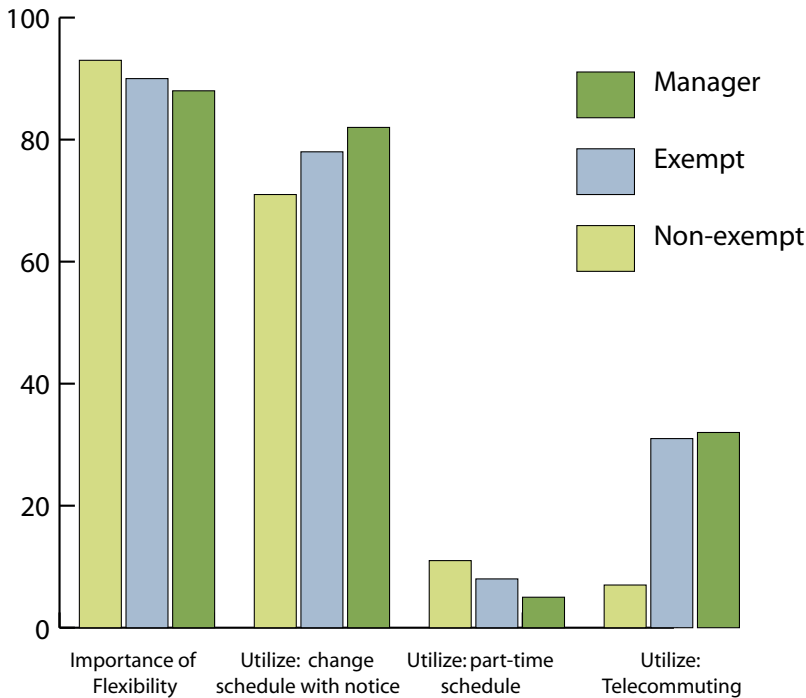
## Business Impacts of Flexibility: An Imperative for Expansion

smaller percentage use informal arrangements (22% vs. 35% overall), suggesting that informal arrangements may not be as practical or appropriate for non-exempt/hourly positions. Their satisfaction with flexibility, the impact on intention to stay and the importance to recruiting among non-exempt staff are virtually identical to the employee population overall.

- Allstate found that non-exempt employees value flexibility as much or more as exempt employees, but the patterns of utilization are somewhat different. (See illustration below.)

as strong for non-exempt employees because the cost of turnover is usually not as high and often the competition for talent is not as intense. Moreover, the absence of flexibility may not be as influential in the tenure of non-exempt/hourly workers. For example, in one company, when people on a flex arrangement were asked, “If you did not have the opportunity to work a flexible schedule, how likely is that you would leave the company?”, 43% of exempt employees said it was likely they would leave while only 16% of non-exempts said it was likely. Non-exempt and hourly employees may not have the same degree of freedom to leave the job.

### Importance and Utilization of Flexibility by Job Type



Source: Allstate internal research

However, the effects of flexibility on commitment and burnout are almost identical for exempt and non-exempt employees (see chart below). In all cases, commitment is higher and burnout is lower for non-exempt employees who have access to flexibility compared to those without flexibility. One can expect, therefore, that positive effects on health, productivity and well-being, and subsequent savings to the company in health care and absenteeism costs, would be as great for non-exempt and hourly employees as for exempt, salaried employees.

Supporting high levels of engagement and commitment is especially important for non-exempt employees as they are often in client-facing roles (as in retail and hospitality) where low engagement undermines client service and customer relations. Non-exempt workers are also likely to be in environments (such as manufacturing and clerical) where they must be attentive to quality and accuracy; disengaged employees are much less likely to take responsibility for making systems work and solving problems as they arise. To the extent that non-exempt jobs can be routine or tiring, it is all the more important that the company give attention to practices that will keep these employees energized and focused.

In general in all companies examined, non-exempt administrative employees tend to use part-time options more than exempt employees but utilize other options less, especially telecommuting. The less frequent use of telecommuting often has to do with the nature of the job.

much less likely to take responsibility for making systems work and solving problems as they arise. To the extent that non-exempt jobs can be routine or tiring, it is all the more important that the company give attention to practices that will keep these employees energized and focused.

In terms of retention, the business case may not be

As seen in the chart above, individual organization

**Impact of Flexibility on Commitment and Burnout by Job Type**

	Company 1  Difference between employees who use flex work arrangement and those who don't	Company 2  Difference in scores between employees who "have the flex they need" and those who don't	Company 3  Difference in scores between those who agree with this statement and those who don't "My manager grants me enough flexibility to meet my personal/family responsibilities"
Commitment Score			
Exempt	+6%	+27%	+44%
Non-exempt	+9%	+23%	+63%
Burnout Score			
Exempt	1.25 times higher for non-flex	4.3 times higher for non-flex	2 2/3 times higher for non flex
Non-exempt	1.5 times higher for non-flex	3.5 times higher for non-flex	2 1/2 times higher for non-flex

results vary due to different baseline measures, difference in flexibility implementation, and slight differences in the question asked. However, in all cases the direction of change is the same: (1) flexibility has a significant, positive effect on raising commitment and lowering burnout and (2) the positive impact of flexibility on non-exempt employees is virtually the same as the impact on exempt employees.

There is sometimes an assumption that flexibility can't work in non-exempt environments because the jobs are too structured, or require physical presence for a specified period of time. While it is true that not all types of flexibility are suitable for all situations (as noted previously, telecommuting

is not suitable for many non-exempt jobs), still flex time, compressed work and other options have been proven successful. At Texas Instruments, over 60% of non-exempt employees are on compressed work week schedules in the manufacturing operations. In other companies, some of the most high-impact effects of flexibility on work process have been documented in call centers and operations centers.

*The Power of Informal or Occasional Flexibility* – Though the term “flexibility” usually connotes some type of formal schedule or work arrangement—such as part-time, compressed work week or job sharing—it is important to note that informal, day-to-day, occasional flexibility also has been shown to have strong impacts on retention and human capital

## Business Impacts of Flexibility: An Imperative for Expansion

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outcomes. Informal flexibility is, in fact, a powerful way to leverage the positive benefits of flexibility over a broader range of employees than normally take advantage of formal flexible arrangements.

In order for informal flexibility to have positive organizational effects, however, it needs to be implemented within an organizational context that openly affirms flexibility as a part of effective people management —not in a context where private deals are secretly and inconsistently made as accommodations for particular employees or “rewards” reserved for high performers. Organizational experience shows that there is a spectrum along which flexibility is implemented. At the left end of the spectrum shown below (Accommodation-Based Flexibility), organizational benefits are not optimized. More organizational benefits accrue when flexibility practice is based in both business and individual needs, becomes explicitly acknowledged as a strategy, and is intentionally incorporated within consistent policy guidelines. The broadest impact of flexibility occurs when an organization develops a true culture of flexibility that incorporates a variety of work arrangements, both formal and occasional. A culture of flexibility is characterized by widespread use of occasional, as-needed flexibility, absence of perceived penalties for using flexibility, and an emphasis on results rather than “face time.”

The examples that follow illustrate practices at the right half of the spectrum and demonstrate the impact of informal flexibility within a culture of flexibility:

- In a far-reaching study of all components of

its workforce, Baxter Healthcare found that employees identified “as-needed” flexibility as an important component of flexibility, along with more formal work arrangements. “As-needed” flexibility was defined as for emergencies or occasional absences for personal or family appointments or commitments.

- At Bristol-Myers Squibb, 14% of employees have a formal flexible work arrangement. Of the remaining, 67% say they have informal flexibility. When asked about the importance of informal flexibility in terms of their intention to continue working at the company, the response is resounding: 71% say that it is “very important.” Again, women place even greater importance on informal flexibility; 78% of women say it is “very important” to their staying, compared to 65% of men. The retention effect is especially strong for women in management: 84% say informal flexibility helps keep them at the company.
- It is not just employees who see the value of informal flexibility for retention. At Deloitte, virtually all managers (96%) report that opportunities to use informal flexibility have an impact on retention.
- In its comprehensive study of the effects of flexibility at the workplace, Deloitte found that it was not only users of formal flexible work arrangements that exhibited positive human capital outcomes. Employees who reported using some kind of flexibility as infrequently as once a month also exhibited higher levels of commitment, lower levels of stress and

### Implementing Flexibility: A Spectrum of Practice

#### **Accommodation-Based Flexibility**

- Private deals based on individual's needs
- Inconsistent implementation, often secret
- Restricted Access to Flexibility

#### **Business-Based Flexibility**

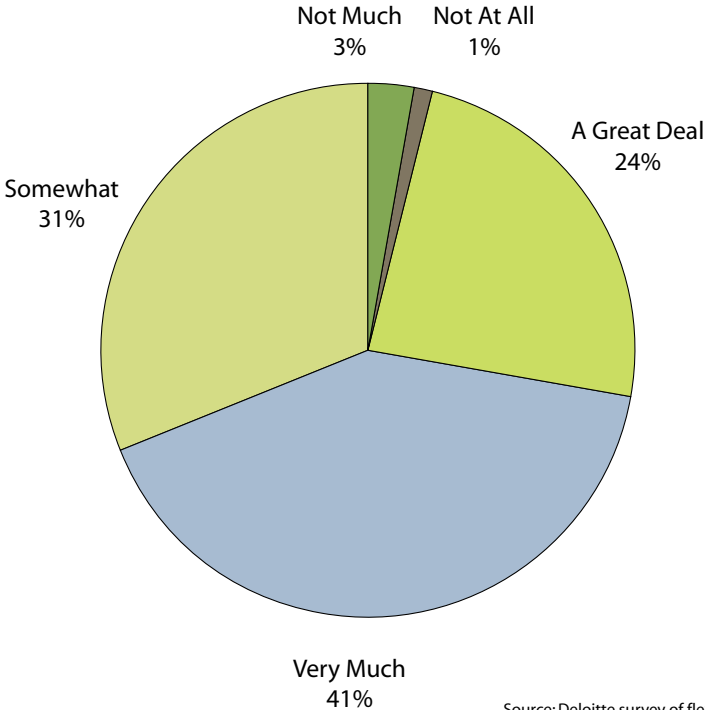
- Decisions based on both businesses and individual needs
- Policy infrastructure that defines scheduling options and supports consistent implementation

#### **Culture of Flexibility**

- Incorporates options for formal arrangements as well as widespread, occasional flexibility
  - Culture that rewards results achieved rather than time spent
  - Flexibility viewed as a management strategy
-

stronger intention to stay at the company than employees who did not take advantage of occasional, informal flexibility in when or where they worked.

Managers' Responses to Question: To What Extent Does Availability of Informal Flexibility Enhance Retention?



Source: Deloitte survey of flexibility practices

### The Impact of Flexibility on Financial Performance, Operational and Business Outcomes

*“Managers buy the people part of the business case, but they’re not sure about the productivity piece. So it’s important to get that data, especially in light of business pressures.”*

Work-Life and Diversity Manager

With respect to retention, recruitment, employee engagement, and stress reduction, the impact of flexibility on the bottom line is mediated through its positive effect on employees. The impact of flexibility for the business can be deduced based on total quality and value profit chain research that demonstrates how employee retention and engagement translates into customer retention and loyalty and eventually to increased profit for shareholders. Organizations that take the service profit chain approach of retaining customers by focusing on making the company a good place for employees to work have shown a larger increase in

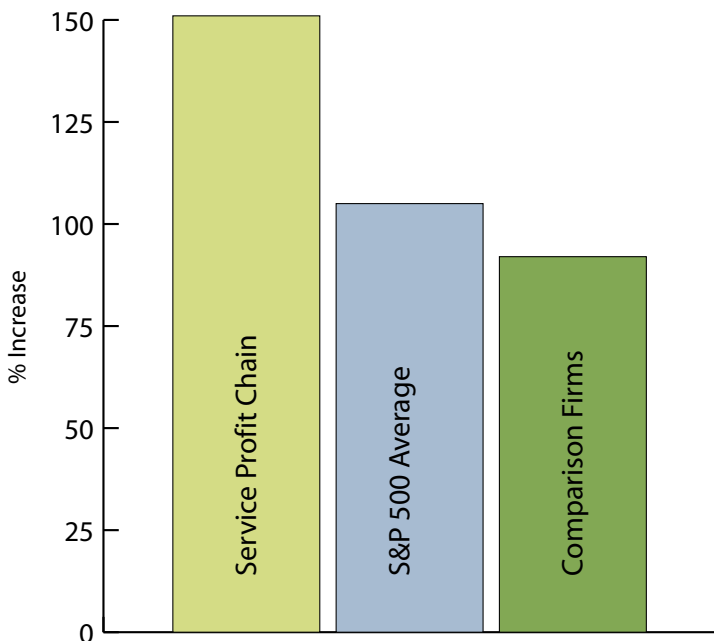
stock price over a ten-year period than comparison organizations or the S&P average.

#### *Demonstration of Service Profit Chain from Flexibility to Revenue and Shareholder Value*

The intuitive logic of the proposition that respecting employees’ needs makes for better business results is often sufficient for making the flexibility business case. But it is also possible to make the link between flexibility and business outcomes more visible by showing how flexibility influences productivity measures, financial performance, or level of client service.

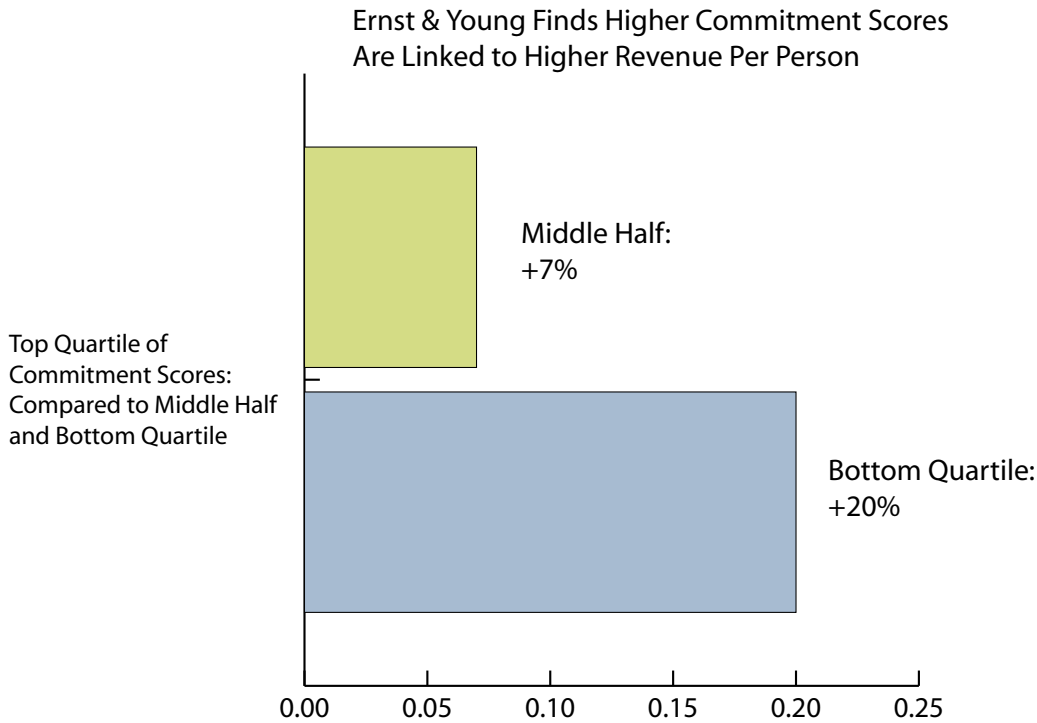
- First Tennessee Bank used flexibility as a centerpiece in putting the service profit chain theory into practice. In several branches, the bank trained managers on flexibility practices and focused on creating a work environment in those branches that was supportive of flexibility and people’s personal lives. The result was that employee retention in these branches proved to be 50% higher than in other branches, and this contributed to a greater retention rate of customers at these branches. The bank demonstrated that as employee satisfaction increased, customer retention increased by 7%, which translated into \$106 million profit increment in two years’ time.

Growth in Stock Share Prices, 1986-1995, Service Profit Chain vs. Comparison Firms



Source: Heskett, Sasser and Schlesinger, The Service Profit Chain, 1997.

- In an analysis of its employee survey results, Ernst and Young found that individuals’ perceptions of their own flexibility are highly predictive of level of commitment, which in turn was found to be highly predictive of revenue per person as well as retention. The firm found that Business Units in the top quartile of People Commitment scores had revenue per person that was 7 percentage points better than Business Units in the middle half, and 20 percentage points better than Business Units in the lowest quartile of People Commitment scores. This led the firm to conclude that having flexibility is an important driver of performance and, ultimately, of financial results.



Source: Ernst & Young

GlaxoSmithKline saw the potential of flexible work arrangements, particularly job sharing among customer service representatives, as a way of retaining talent. In setting up the criteria for evaluating the job share arrangements, the company decided that “revenue neutrality” would be sufficient for success. That is, if the job sharing arrangements could accomplish the goal of retaining associates, then

people in job share positions would only have to produce as well as the population at large. By adopting the “do no harm” principle, the program did not have to prove financial or productivity gain to be successful. (In fact, however, the arrangements resulted in greater productivity and extra coverage.)

*Productivity Effects of Flexibility*

- JP Morgan Chase measures the impact on productivity of having a manager who creates an environment that supports informal flexibility and is sensitive to employees’ personal lives. Of employees with a sensitive manager, 84% rate their area’s productivity as good or very good, compared with 55% of employees that do not have a sensitive manager.
- AstraZeneca implemented job sharing and part-time sales jobs in its field sales force. Productivity in pharmaceutical sales forces is defined in terms of many continually-monitored metrics, including number of calls made, number of presentations and “yield” on activities. Therefore, the company was able to track various metrics of job sharing representatives. Their productivity, as measured by these monitored metrics, has consistently proven to be in line with the productivity of full-time sales representatives.
- In its Management Flexibility pilots, Marriott learned that a flexible approach resulted in greater productivity, even though people worked fewer hours. To address concerns about turnover and survey feedback about long work weeks among hotel property managers, Marriott piloted a process in which managers were encouraged to “do whatever it takes to get your job done, but be flexible in how you do it.” By rethinking the traditional ways work had been done, the focus shifted away from work schedule and “face time” to efficiency and effectiveness. The result was that after six months, managers reported working, on average, five hours less per week than they had prior to the pilots. The company carefully tracked financial impacts and customer service
- The Consumer Health Care Division of

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throughout the pilots and found that more flexible approaches to work had no negative financial impact on operations or on quality of customer service as measured by the company's service quality metrics. Before the pilot, managers reported that they spent 11.7 hours on low-value work that added little value to the business; after six months, time spent on low-value work had dropped to 6.8 hours per week. The pilot also achieved the goal of reducing stress and turnover among Marriott hotel managers.

- A seven-month compressed work week pilot program conducted at a PNC operations center resulted in dramatic reduction of cycle time on core operations and services. For example, cycle time for payment for safe deposit was reduced from 2 days to 1; completion of Exceptions for Bond Settlements was reduced 50-75%; bond inquiries were reduced from two days to same day completion. At the same time customer service was enhanced by extending the length of the service day by one-and-one-



half hours. Cycle time improvements were attributed to greater innovation, cross-training, and better use of staff that was catalyzed by the compressed work week. In addition to process improvements, the flexibility pilot documented a drop in absenteeism from 60 days to 9 days, as measured by pre- and post-pilot records. The pilot was also credited with a \$112,750 cost savings in turnover among the 19 pilot participants; the computation was based on a comparison of turnover rates of pilot participants and non-participants and the assumption that the cost of turnover is 41% of annual salary of the non-exempt workforce.

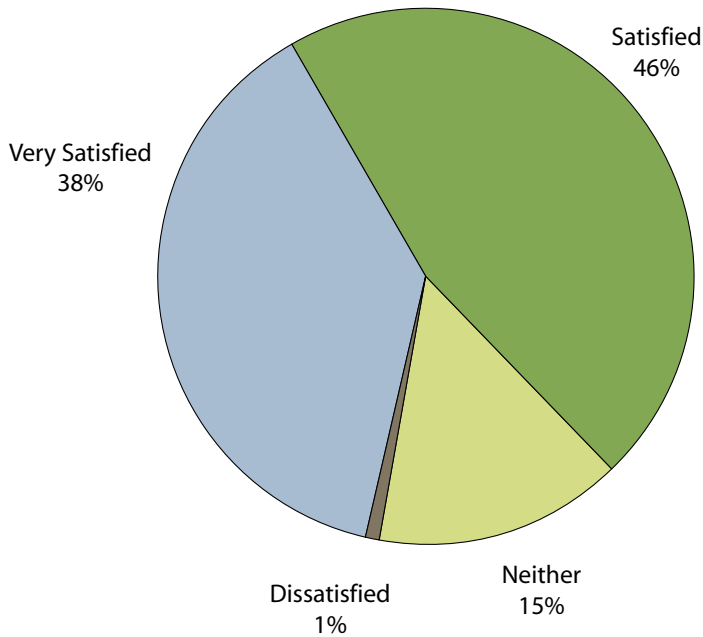
- In another PNC example, a shared service group

initiated a compressed work week pilot among 200 exempt and non-exempt participants to address employee morale concerns. In addition to achieving the objective of improving employee satisfaction (measured by a pre- and post-flexibility survey, participants' satisfaction went up a full two points on a seven-point scale), the pilot proved to have dramatic effects on productivity and effectiveness. Participants, including managers and supervisors, reported positive improvements in the way work was done, including more effective planning (37%), increased cross training (26%), restructured work flow processes (21%) and better use of meetings (9%).

Client Service – Concern for quality and continuity of client/customer service is often one of the concerns raised about whether flexibility can work in a customer-focused organization.

- To assure that its compressed work pilot program did not erode traditionally high levels of customer service, the Consumer Healthcare division of GlaxoSmithKline surveyed customers as part of the evaluation of its flexibility pilot program. The findings of the customer survey were that 89% of customers said they had not seen any disruption in service, 98% said their inquiries had been answered in a timely manner, and 87% said they would not have any issues with the program becoming a permanent work schedule.
- Though Deloitte had clear evidence from its employee surveys that flexibility contributes to employee retention and engagement, the business case for flexibility would be undermined unless the impact of flexibility on client service was at worst neutral. To protect against inflated optimism of associate self-reports, the firm surveyed business managers to assess client satisfaction with the service provided by employees on flexible work arrangements. Only 1% of managers thought clients were dissatisfied; 84% assessed clients as being satisfied or very satisfied. The firm went further and asked managers to assess

Manager Assessment of Client Satisfaction with Level of Service Provided by Professionals on Flexible Work Arrangements



Source: Deloitte flexibility survey, manager responses

range of external research on stress-related health costs, cost of turnover, and incremental value of engaged employees, and then constructed models to estimate the cost-saving that a flexible workplace could theoretically realize. For example, taking its own employee survey information on differences in stress levels between employees who have flexibility and those who don't and then factoring in the research about number of days lost on average to stress-related health issues, the company could calculate the number of employee days saved by flexibility, and from there calculate an overall corporate savings. Using this cost modeling approach for analyzing absenteeism, presenteeism and disability costs, the company estimated a multi-million dollar cost saving from flexibility's impact on stress. Similar analyses were done to determine the financial

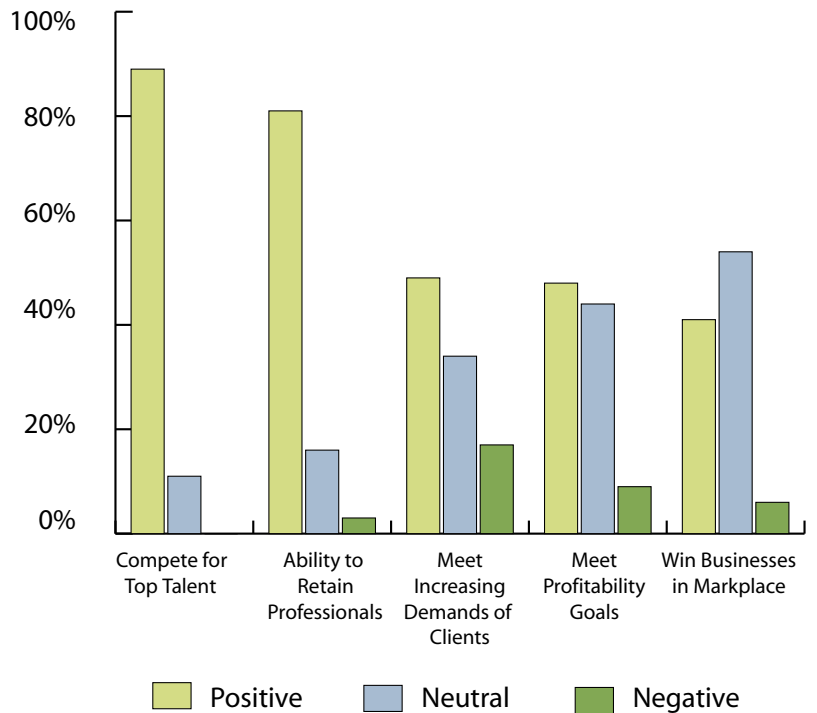
flexible workers along the nine dimensions of service excellence that the firm has established. On all nine dimensions, 88% of more of managers said flexible workers met or exceeded the service quality of their peers who weren't on flexible arrangements.

Deloitte managers reported that flexible work arrangements are an asset in meeting business objectives—except in winning business, in which case flexibility was judged to have a neutral effect.

*Determining Financial Impact --Putting it All Together in Cost Modeling*

AstraZeneca created a financial model that combines the human capital and financial benefits of flexibility to demonstrate the comprehensive impact of flexibility on cost savings. The company compiled a wide

Effect of Flexible Work Arrangements on the Firm's Abilities  
Deloitte Flexibility Survey, Manager Responses



Source: Deloitte Flexibility Survey, Manager Responses

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impact of flexibility on retention and commitment/engagement and financial performance. Taking even the most conservative estimates, this approach demonstrates the impressive, multi-million savings that flexibility practices can yield.



## Implications for Action

The data presented in this report establish a compelling business case for expanding workplace flexibility. In fact, the body of evidence is so weighty that it constitutes an action imperative for organizations that want to stay competitive, get the best from employees, and improve business results.

In compiling the experience and research of many organizations, this report defines flexibility's potential for extensive impact in the workplace. Far from being anecdotal or the product of flexibility advocates, the case is well-documented by disciplined data-gathering and robust research methods. Whereas the arguments for flexibility have in the past centered on "accommodations" and benefits for employees, the data reported here demonstrate that business has much to gain by implementing flexibility more broadly -- and much to lose by not doing so.

Whether measured by cycle time, revenue by person, client service, productivity, sales, retention rates, employee engagement, job satisfaction or reduced stress levels, flexibility has proven to have positive impact. In light of these findings, there can no longer be a question about whether there is a business case for flexibility. The only question should be why a company would not act to capitalize on the powerful potential of workplace flexibility.

### *Summary of Findings: The Weight of Evidence*

The following findings make clear that the business logic for advancing workplace flexibility is substantial and fact-based.

- **Many organizations are implementing flexibility.** Many organizations view their advances in flexibility as a critical component of competitive advantage.
- **Data points are abundant.** Because organizations are using a variety of data collection techniques to document and measure flexibility's impacts, there is a substantial body of data—far more than had previously been known--about workplace effects of flexibility.
- **Direct impact on business outcomes is documented.** Evaluation of pilot and demonstration projects as well as firm-wide studies has shown that flexibility can support customer retention, client service, and productivity as measured by cycle time, team output and team effectiveness and efficiency.
- **Positive people effects are proven.** Through validated instruments, disciplined data-gathering and statistical analyses, flexibility has been shown to have consistently powerful and positive impact on retention, employee satisfaction, employee engagement and employee stress reduction. Any employer that implements flexibility effectively can be confident of achieving these effects to at least some degree.
- **Multiple positive results are possible.** It is rare to find an approach that has potential for as many positive impacts as workplace flexibility, ranging from positive effects on business operations to supporting client service to advancing employee health and well-being.
- **Widespread impact is confirmed.** Few employer initiatives or approaches can have similar impact for all employees, but flexibility is an exception. Though patterns of utilization may differ, the positive effects of flexibility extend to both exempt and non-exempt employees.
- **Diverse industries obtain similar positive effects.** As evidenced by the range of companies that contributed information, documented positive impacts of flexibility extend across industries.
- **Occasional, informal flexibility is powerful.** Formal flexible work arrangements represent only a portion of flexibility's impact. When a

## Business Impacts of Flexibility: An Imperative for Expansion

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business culture allows and supports occasional flexibility, the positive business impacts are extended more broadly.

- **Robust research methods exist to make the case.** There are proven tools and techniques to make the connection between flexibility and business outcomes and to assess, monitor and leverage flexibility with the same rigor applied to other business strategies.

### *Achieving the Next Stage of Flexibility*

Companies that partnered in this study are virtually unanimous in the opinion that the benefits of flexibility have been only partially realized. Extending flexibility means not only that more workplaces will utilize flexible schedules but also that flexibility itself will take on new shapes. Expanding the impact of flexibility means creating truly flexible workplaces, in which flexible schedules, careers, and ways of working are incorporated in management practice.

- As flexibility becomes more pervasive, it will extend beyond formal arrangements and will be embedded in the way work is done. To achieve this, managers must have comfort with flexibility and have an understanding of how to manage it, to a greater degree than is true for most managers today.
- Expanding flexibility means more options and variety in how flexibility occurs. Flexibility need not be limited to organizing work hours on a daily or weekly basis, but can be conceptualized over a year's time or more, as some companies are already starting to do in experiments with sabbaticals and seasonal schedules that reflect seasonal ebbs and flows in work and respond to employees' personal pursuits.
- Expanded flexibility means taking flexible approaches to career paths, making it possible



for employers to retain and utilize people more effectively over a career life cycle.

### *A Call to Action –Moving Flexibility Forward*

This research is a turning point, marking the end of debate about the rationale for flexibility and the beginning of a concerted focus to extend its implementation. The question can no longer be “whether” to move flexibility forward, but “how.” The findings of this study call for three kinds of immediate action to make flexibility an integral part of the way work is done and the way people are managed.

1. Communicate the business case for expanding flexibility
2. Develop leadership for extending workplace flexibility
3. Integrate flexibility practices in mainstream management practice

### *Communicate the Business Case*

Articulating a clear business case is essential for expanding the understanding and acceptance of new ways of working and achieving the goal of a truly flexible workplace. Until now, the business case was unclear and under-documented. With this report, the multi-faceted and factual case becomes clear, opening the possibility to inform the business world about the self-interest of advancing flexibility. It is crucial to reframe the discussion and to position flexibility not as a “perk,” employee-friendly benefit or advocacy cause, but as a powerful business tool and necessary component of optimal business results. A crucial next step is to make the business community aware of the body of evidence, the details of business research, and the means for realizing the positive business impacts generated by flexibility.

### Action:

In addition to releasing this report, Corporate Voices will execute a comprehensive communications strategy, involving print and broadcast media to communicate the findings of this study, to clarify the case for flexibility as a business imperative, and to stimulate dialogue and understanding about the business benefits of expanding flexibility.

### *Strategize to integrate flexibility practices in mainstream management practices*

As with any business strategy, the way that flexibility is implemented will determine to a great extent how much impact it has on business outcomes. For example, a company that provides information and guidelines to managers on how to implement flexibility with consistency and fairness will achieve stronger results and better business outcomes than a company that simply disseminates flexibility policies. To realize the full range of flexibility's positive impacts, organizations must be familiar with and adopt the principles that contribute to successful outcomes. These include aligning flexibility with other systems and establishing flexible management as a management competency.

### Action:

Corporate Voices is disseminating *Principles for Flexibility* to provide guidance in establishing, implementing and monitoring flexibility. This document will be a key element of the communications campaign. It will provide guidance for individual organizational strategy as well as define strategic principles and standards for the larger business community.

### *Develop leadership for extending workplace flexibility*

Creating truly flexible workplaces is a shift from a more traditional way of organizing work and managing people. To make this shift will require leadership—in positioning flexibility as a business strategy, in emulating flexible practices, in building flexible work environments, and in holding managers accountable for successful implementation. The people most suited to this task are those responsible for business results. Every day they confront the challenges of serving customers, building revenue,

inspiring quality and commitment, and containing costs. So they more than others will recognize and value the efficiencies and positive workplace impacts that flexibility stimulates. It is essential, therefore, that line and business managers be informed of flexibility impacts and be enlisted as leaders in extending flexibility in their workplaces and business units.

### Action:

Corporate Voices will convene a Business Summit on Flexibility. With sponsorship from CEOs and business leaders, the Summit will be designed to inform business leaders of the case for flexibility, equip them to strategize and implement flexibility in their own organizations, and enlist them as leaders in extending the benefits of flexibility workplace.

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Whether in driving financial performance or leveraging human capital, flexibility contributes powerfully to business success. But the positive benefits of flexibility will not be fully realized until it is expanded to more workplaces with more varied and effective implementation. Until now, flexibility's expansion was limited by lack of a clear, articulated business case. With this report, that limitation has been addressed. Now it is time to communicate the power of flexibility, to create knowledge that will support effective implementation, and to make flexibility a key leadership imperative. It is time to take action to unleash the power of flexibility and accomplish its expansion.

## Appendix

# Collecting and Leveraging Data to Make an Internal Business Case for Flexibility

Many organizations find that, no matter how compelling external workplace research may be, they need to gather their own data and make an internal business case in order to expand flexibility, gain traction, and achieve widespread acceptance. One outcome of this study was insight about what kind of data to gather and how to position it in order to build an effective business case internally.

The organizations involved in this study reported that several kinds of information, as well as communication and positioning of that information, have proven to be effective in establishing the case for flexibility and expanding the acceptance and utilization of flexibility within their organizations.

- **Informing leadership about the importance that employees give to flexibility** and to having some control over their time, often rating it as important as compensation, captures the attention of decision-makers and those thinking about the future of their business. External information about the changing demographics and attitudes of the workforce lends weight to the fact that employees' valuing of flexibility is not likely to be a passing phenomenon.
- **Internal survey data** has been very effective in providing quantifiable information about the impact of flexibility in an organization and in showing the relationship between flexibility and desired business results. As one company representative said, "It really makes a difference to see bar charts that show the difference in satisfaction and commitment between people who have access to flexibility and those who don't."
- The **power of flexibility to stem turnover** is easily understood, whether seen in one valued

employee who is saved from leaving or in survey statistics that demonstrate the relationship of flexibility to retention. The cost of turnover is easily calculated and widely understood, so quantification of the savings in turnover-related costs has been an influential business case argument.

- It has also proven influential to show flexibility's **impact on highly valued or targeted populations**, such as high performers or executive women. A number of companies regarded as leaders in flexibility have made the connection to diversity goals and advancement of women.
- **Linking flexibility to a specific business challenge** advances understanding and acceptance of different ways of working, not as advocacy but as a business solution. When the business proposes virtual work as a way to deal with a major physical disruption in office space or suggests compressed work weeks as a way to deal with a business transition, managers are more likely to see the lessons learned as business tools.

When asked what is needed to create more flexible workplaces and thereby realize more fully the benefits of flexibility for individuals and companies, respondents in this study strongly agreed on the need for financial, customer impact and ROI data to strengthen the business case. No doubt this is because, while there is very compelling data on the impact of flexibility, most corporate data collection and measurement of flexibility currently has focused on how flexibility positively affects employees, while assuming but not making explicit the link to financial or operational outcomes. In the face of growing business pressures and continuing resistance to widespread flexibility, there is a need to

be more explicit and precise about the connection between flexibility, operational effectiveness, and financial performance.

There are a number of approaches suggested by this research that individuals or organizations can use to make clear the link between flexibility and business outcomes in a way that managers and business leaders will value.

- Use validated survey instruments that facilitate statistical analysis of flexibility effects on a range of workplace and business outcomes. Sophisticated survey instruments enable employers to go beyond numerical frequencies (e.g., how many people want flexibility or how many employees use flexibility) and to conduct analyses that determine drivers of commitment, burnout, retention, effectiveness, customer service and other metrics important to business success.
- Establish baseline measurements to permit pre- and post-flexibility comparisons.
- Evaluate flexibility against established business metrics, e.g., customer service, cycle times, production norms, client service standards. Ask, what is the impact of flexibility on these business metrics?
- Gather data on pilots or demonstration projects or business units, where data collection is easier and results more visible.
- To avoid minimizing the impact of flexibility, be sure to capture information on informal flexibility and not just users of formal arrangements.
- Focus on the stress reduction effects of flexibility; given the very high cost of stress-related illness and productivity loss, this is likely to be a high payoff area for flexibility initiatives.
- Survey managers and clients to assess client service and marketplace impacts of flexibility.

- Utilize the “no harm” approach; if financial effects are neutral and people effects are positive, the effort can be considered successful.

The following examples flesh out three robust data gathering and research approaches that a company might use to extend its understanding of flexibility effects on business metrics.

- 1) To gather business impact data, one can envision a quasi-experimental model in which information is gathered from several corporations at Time 1 -- prior to implementation of flexibility -- about financial performance and general financial health. In subsequent years (Time 2, Time 3, etc.), after flexibility practices are implemented, financial variables would be tracked, along with data on absenteeism, turnover, employee satisfaction and other variables deemed to be important to business success. At the same time, parallel information would be gathered on utilization, expansion, and spread of flexibility practices. Through statistical techniques, one could theoretically determine to what degree flexibility was responsible for changes in financial performance and employee behaviors. The day may come when this study will be done. However, for organizations that have already implemented flexibility, going back to find consistent and complete data for Time 1 and Time 2 may not be possible. Moreover,



workplace change occurs in real time and it is difficult to do a stop action study or to isolate the impact of flexibility from the many other factors that affect corporate-wide organizational health.

- 2) For many companies, a direct and immediate

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approach is attractive and more practical than an experimental model. For these companies, the service profit chain approach has great potential for demonstrating the importance of flexibility's human capital impact on business metrics and value creation. For example, a company can compare flexibility use, employee survey results, employee productivity (based on how a particular company measures productivity), turnover, absenteeism, customer satisfaction, and financial measures across business units. This approach permits examination of business impact in relation to use of and implementation of flexibility.

- 3) Another methodology, that requires less data collection and therefore yields more immediate results, is a cost modeling approach, illustrated by a process that AstraZeneca followed. AstraZeneca compiled a wide range of research on stress-related health costs, cost of turnover and incremental value of engaged employees and then constructed models to estimate the cost-saving that a flexible workplace could theoretically realize. For example, taking its own employee survey information on differences in stress levels between employees who have flexibility and those who don't and then factoring in the research about number of days lost on average to stress-related health issues, the company could calculate the number of employee days saved by flexibility and then calculate an overall corporate savings. Using this cost modeling approach for analyzing absenteeism, presenteeism and disability costs, the company estimated a multi-million dollar cost saving from flexibility's impact on stress. Similar analyses were done to determine the financial impact of flexibility on retention and commitment/engagement and financial performance. Taking even the most conservative estimates, this approach demonstrates the impressive savings that flexibility practices can yield.
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# Publications Catalog

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## Early Childhood Education and Afterschool Care

Early Childhood Education: A Call To Action from the Business Community. *Joint statement on early childhood education from The Business Roundtable and Corporate Voices.* 9 pgs, March 2003.

Afterschool for All: A Call To Action from the Business Community. *Consensus statement from Corporate Voices' partner companies on why America needs high-quality afterschool programs.* 14 pgs, March 2004.

Business to Business Afterschool Toolkit. *To be released December 2005.*

Community to Business Afterschool Toolkit. *To be released March 2006.*

Business to Community Afterschool Toolkit. *To be released August 2006.*

## Family Economic Stability

2004 EITC ToolKit. *Materials and tools designed to help businesses alert their eligible employees about the Earned Income Tax Credit.* December 2003.

2005 EITC Toolkit. *An updated EITC Toolkit.* December 2004.

Employer Guide: Promoting Tax Credits and Federal Benefit Programs. *2006 EITC Toolkit, expanded to address a wide range of programs and benefits.* To be released December 2005.

Struggling to Make Ends Meet: Low-Wage Work in America. *Report on results of nationwide public polling.* 16 pgs, September 2004.

Struggling to Make Ends Meet Executive Summary. *Summary of report on results of nationwide public polling.* 2 pgs, September 2004.

Model Programs and Policies for Hourly and Lower Wage Employees. *By Corporate Voices and the Boston College Center for Work & Family.* 92 pgs, December 2003.

Model Programs and Policies for Hourly and Lower Wage Employees Executive Summary. 6 pgs, December 2003.

The Economic Security of Low-Wage Workers: An Analysis of Public Opinion Data. *Meta-analysis of public polling by Ethel Klein & EDK Associates.* 16 pgs, September 2003.

Model Workplace Supports for Lower-Wage Employees. *A toolkit of best practices for lower-wage employees.* To be released November, 2005.

## Flexibility

Business Impacts of Flexibility: An Imperative for Expansion. *Research by WFD Consulting.* 32pgs, to be released Nov. 8, 2005.

Statement of Support on Flexibility. *Joint statement on flexibility signed by senior business leaders.* 1 pg, to be released Nov. 8, 2005.

## Mature Workforce

Eldercare Practice Survey of Corporate Voices Partner Companies. *Report summarizing survey of current corporate practices on eldercare.* 10 pgs, October 2004.

## Other

2002 Annual Report. 4 pgs, 2003.

2003 Annual Report. 4 pgs, 2004.

2004 Annual Report. 4 pgs, 2005.

Corporate Voices Factsheet. 4 pgs, 2005.

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