Business Impacts of Flexibility: An Imperative for Expansion

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**Flexibility Task Force Members***

- Accenture
- Allstate Insurance Company
- Baxter International
- Deloitte & Touche LLP
- Discovery Communications
- Eli Lilly Company
- Ernst & Young
- GlaxoSmithKline
- JPMorganChase
- KPMG
- Marriott International, Inc.
- Merck & Company, Inc
- The Phoenix Companies, Inc.
- Sodexo

* The original version of our 2005 report was guided by the companies on Corporate Voices’ Flexibility Task Force, composed of the companies listed above.
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**About Corporate Voices**

Corporate Voices for Working Families is the leading national business membership organization shaping conversations and collaborations on public and corporate policy issues involving working families. A nonprofit, nonpartisan organization, we create and advance innovative policy solutions that reflect a commonality of interests among the private sector both global and domestic, government and other stakeholders.

We are a unique voice, and we provide leading and best-practice employers a forum to improve the lives of working families, while strengthening our nation’s economy and enhancing the vitality of our communities.
Executive Summary

The business case to expand workplace flexibility remains substantial and compelling. In 2005, Corporate Voices published the original “Business Impacts of Flexibility: An Imperative for Expansion,” a groundbreaking report that compared internal business data from 29 companies and found that the business benefits of flexibility were real and only partially realized. With this updated, expanded version of our original report, we continue to document the benefits of workplace flexibility as well as its growing role as a strategic business imperative for domestic and global enterprises. Although there is a proven business case for flexibility, many workplaces still don’t offer flexible work options to all their employees. As demographic and economic trends heighten the need for effective work and family solutions, there is a clear need to expand flexibility within the business community.

Flexibility has, in the past, been positioned as simply a benefit or accommodation to employees. Based on the research and experience of many firms, however, this report provides continued evidence that employers can also gain tremendous benefit from providing flexibility in when and how work gets done. For organizations that want to improve business performance and shareholder value, get the best from employees, and compete successfully for talent, this report finds that flexibility is not only a powerful business tool, but a key component of successful management.

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 can be summarized under three headings:

Talent Management – Organizational research presents compelling evidence that flexibility positively affects 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 drives financial performance and productivity and correlates to increased revenue generation. It also has 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 enhanced financial performance are consistent across different industries. Moreover, the positive effects of workplace flexibility are documented in hourly, nonexempt environments as well as for salaried, exempt employees.

Organizational studies assembled in this report demonstrate that unless business organizations expand 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 has launched a national campaign to create a broader awareness of the positive business and employee benefits of workplace flexibility. Corporate Voices has also begun to identify and document the many ways in which businesses are using flexibility as a driver to enable working learners to have the latitude needed to both work and continue their postsecondary education. These Learn and Earn models of talent development help businesses retain talent while building and enhancing the skills of their workforce over time. By expanding and successfully implementing flexibility, businesses can engage a powerful means to improve financial and human capital results.
Context and Objective of This Study

If expansion of flexibility practices can be measured by an increase in the number of organizations offering flexible work arrangements, then flexibility in corporate America is indeed growing. In a 2000–2001 survey of 1,000 major U.S. employers, Hewitt Associates found that 73 percent offered flexible work arrangements, up from 67 percent 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 a new and effective way of achieving business results. A face-time culture, excessive workloads, manager skepticism, customer demands, and fear of negative career consequences often prevent employees from taking advantage of such policies—and keep companies from realizing the full benefits of flexibility.

Understanding the relationship of flexibility to business success is key to expanding the practice. 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 expanding flexibility as a core business practice. This study draws upon the experience of organizations that are actively engaged in making the business case and that have successfully increased their own flexibility. Implicit in the inquiry are the questions of how to effectively measure, demonstrate and communicate the impact of flexibility, and what kinds of measurements build momentum for increased workplace flexibility.

Methodology

Corporate Voices for Working Families, a nonprofit, nonpartisan business membership organization dedicated to shaping conversations and collaborations on public and corporate policy issues involving working families, 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 experienced in implementing flexibility and 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 had 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 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 member experience, the task force compiled a Statement of Principles on Workplace Flexibility.

In addition to the internal organizational research provided by Corporate Voices’ partner companies, analyses were conducted using the WFD Multi-Organizational Database. The database includes survey data, collected from 1996 to 2008, from 112,796 employees, who represent a total of 495,237 employees from 40 medium to large U.S. organizations. The Alfred P. Sloan Foundation provided support to WFD to develop an integrated company database that could be used to investigate workplace flexibility. (See “Community, Work & Family,” Vol. 11, No. 2, May 2008, a special issue devoted to empirical studies utilizing the WFD Multi-Organizational Database.) Three of the 40 companies in WFD’s Multi-Organizational Database also participated in the in-depth interviews for Corporate Voices’ Workplace Flexibility Project and contributed results from their company-specific surveys to the final report.

Findings from Corporate Voices’ and WFD’s 2009 study of flexibility for nonexempt and hourly workers in five major U.S. businesses supplement the task-force data on flexibility for this segment of the workforce. (See “Innovative Workplace Flexibility Options for Hourly Workers,” 2009, and the accompanying Guide for Implementing Flexibility with an Hourly and Nonexempt Workforce, 2010, with funding provided by the Alfred P. Sloan Foundation.)
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 the profile of 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 illustrate a new kind of workforce for which 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.” Since 2005, employees have been asked whether they “have the flexibility they need.” The change in wording reflects an assumption that everyone should have access to flexibility—therefore, what is important to measure is whether people are taking advantage of and are 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 allows 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 employee productivity, personal effectiveness, and performance, to measure 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 were the most important of all work-life issues to its employees; 92 percent 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 compare those who use flexibility with those who don’t, IBM can also learn how flexibility affects retention, stress level, and productivity for its sales force, top performers, parents of young children, software engineers, or female executives. Bristol-Myers Squibb has also used a work-life survey to examine 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 possible in these surveys sheds light on the patterns and implications of both formal and informal types of flexibility at different career and job levels. These surveys also examine in depth flexibility’s barriers and enablers, 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 such surveys focusing on flexibility practices, AstraZeneca and Deloitte have been able to describe thoroughly the effect of flexibility in their workplaces and to construct models of the practice’s financial impact as measured in corporate cost savings achieved through the influence of flexibility on stress, turnover and employee engagement and commitment.

Qualitative information also helps corporations measure flexibility’s effects. For example, one company found that “manager supportiveness and sensitivity” correlates with successfully implementing flexibility as well as with positive employee outcomes of discretionary effort and retention. The company used the survey data to pinpoint business units that scored high in flexibility implementation, and then conducted focus groups with unit managers 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 found that interviewing managers about individuals and groups successfully using flexibility is influential data; posting good “stories” on the intra-company website has effectively demonstrated 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 local-level program dealing with a site-specific business challenge. The downside of this approach is that information about pilots is sometimes difficult to generalize for a whole organization. However, the 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 and has resulted 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

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utilization of different flexible arrangements to determine the penetration of flexibility and to assess usage patterns among different demographic groups and job types. While most formal work arrangements can usually be identified, organizations acknowledge that utilization statistics probably underestimate flexibility’s true reach, as they cannot accurately determine the extent of informal 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 flexibility’s effects, but others fear more stringent tracking methods 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 workweek pilot. Marriott tracked flexibility’s impact on guest satisfaction. And First Tennessee Bank conducted a service profit chain study that traced the causal relationships of flexibility, customer retention, and shareholder value. More detail about these examples and others is discussed in the next section of the report.

The chart on the previous page 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.
Making the Business Case

Data collected by organizations makes three kinds of business cases: (1) the contribution of flexibility to talent management, (2) the impact of flexibility on positive human capital outcomes, and (3) the effect of flexibility on financial performance and operational and business outcomes. In the first two cases, measurements 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 evaluating financial performance, customer impact, or operational change. The three types of business cases are related but are 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 offshoring and downsizing, 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 oversupply. Rather than be at the mercy of external forces or competing companies, employers want 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 percent of Accenture employees said that their ability to successfully manage work and home life roles affects their career choices and their desire to stay at Accenture. The survey also found a strong correlation between work satisfaction and the ability to achieve balance in one’s work schedule. Of the employees who reported that it is easy to balance work, career and home life, approximately 75 percent said that 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 ranked in the top three, challenging the notion that compensation and advancement are employees’ primary motivators. The findings provided incentive 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; employees with higher work-life balance scores also scored higher 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 higher flexibility scores) reported significantly greater job satisfaction and were much more likely to agree with the statement “I would not leave IBM.”

In a follow-up to its 2001 survey—and after rolling out flexible work options, manager training and other supports for successful implementation of flexible arrangements—the Corporate Finance organization of IBM found that nearly all managers (94 percent) 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 percent said that a flexible work environment is “very important” or “extremely important” to them. However, although 83 percent of respondents would recommend Ernst & Young as a place to work as it relates to flexibility, 20 percent of employees (22 percent of women and 17 percent of men) said that they had considered or were considering leaving the firm because of unmet needs for flexibility.

Of respondents to AstraZeneca’s flexibility survey of the company’s Delaware-based headquarters and R&D employees, an astounding 96 percent said that flexibility influenced their decision to stay at the company; 73 percent said that flexibility was “very important” in that decision and an additional 23 percent said that it was “somewhat important.”

Deloitte has quantified flexibility’s cost savings by calculating the turnover expense for those professionals who said they would have left the firm had they not had a flexible arrangement. Based on this calculation, the firm determined 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 percent of AstraZeneca men said that flexibility was “very important” in their intention to stay at the company, 80 percent of women said so.

IBM found that, while work-life balance (including flexibility) was the second leading reason to consider leaving the company for mothers overall as well as for mothers in management, work-life balance was the No. 1 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.

Finally, research by Corporate Voices and others demonstrates that the lack of workplace flexibility is a significant barrier for “working learners”—those employees who are pursuing college or other educational goals while earning a living. If students do not have the flexibility they need to stay employed and enrolled in school, they are likely to quit one or the other, thereby adversely impacting retention and serving no one’s interests. Conversely, we know that flexible work arrangements can greatly assist employees juggling work hours with class schedules and other demands—contributing to higher rates of postsecondary success and completion for the individuals, and a better educated workforce for employers over time.1

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 has proved a surprisingly powerful element of the flexibility business case.

In Discovery Communications’ 2003 global employee survey, 95 percent of employees in the U.S. said 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 agreed or strongly agreed that the company’s flexible work options program influenced their decision. Again, the influence for women was even greater than for men: 30 percent of women compared to 12 percent of men said the flexible work options were a factor in their decision to join the company.

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

Flexibility as a talent strategy

Workplace flexibility has allowed Bright Horizons to recruit and retain qualified early childhood teachers—a profession with a limited labor pool. Low teacher turnover makes the centers more attractive to parents and also reduces costs associated with hiring and training new employees. Stability enhances the centers’ culture and builds long-term relationships with customers—the children and families. Parent satisfaction at the centers is high; teachers credit, in part, the flexibility given to the staff.

Flexibility is also a talent management strategy—one that exemplifies the kinds of “learn and earn” initiatives that companies can use to support the higher education goals of their associates. Bright Horizons works to build the next generation of child-care professionals by enabling college and graduate students to fit their work schedules around their academic schedules. As a result, several director-level staff have advanced from hourly teacher or assistant teacher positions to leadership roles.

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, a strong correlation exists between managing people well and a company’s financial performance.

Organizations with High Performance HR Practices Have Significantly Higher Financial Performance

One standard deviation increase in high performance management practices predicts significant increase in financial performance.


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 a beneficial effect on business performance.

Flexibility has demonstrated powerful effects on employees’ work experience and the attitudes that make employees 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—a flexible work place is associated with a 9 percent 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 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 higher on the flexibility index) were significantly more satisfied in a number of areas, including job satisfaction, rating of IBM, sense of accomplishment at
work, rating of the workplace as a healthy place to work and willingness to give extra effort.

- JPMorgan 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, was a key driver of overall employee satisfaction. Employees with access to flexibility were much more likely to report overall satisfaction than those who felt they did not have access to flexibility. The company concluded that, even though some employees were content with their work schedules (represented in the following figure in the “no interest” column), increasing access to flexibility—both formal and informal—could positively affect overall employee satisfaction scores and positively affect employee perceptions of the company.

- Eli Lilly discovered 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. Respondents to the survey fell into four categories: (1) those who had a regular work schedule, (2) those who had a flextime schedule allowing for daily variation of work time around core hours, (3) those on a flexweek in which they had an established schedule for performing full time in fewer than five days (four 10-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—those on a 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 types of schedules, leading the company to conclude that greater flexibility produces greater job satisfaction without a consequent trade-off in employee performance.

**Increased Employee Engagement/Commitment** - Closely related to employee satisfaction, 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.” Recent research by the Corporate Leadership Council concluded that every 10 percent improvement in commitment can increase an employee’s level of discretionary effort by 6 percent and performance by 2 percent; highly committed employees perform at a 20 percent higher level than noncommitted employees. Hewitt Associates’ research found that double-digit growth companies have 39 percent more highly engaged employees and 45 percent fewer highly disengaged employees than single-digit growth companies. In 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 the disengaged affects business results.

Validated survey instruments allow researchers to measure degrees of workforce commitment and engagement and to reflect the findings in scales and indices that have predictive power beyond mere self-report. The dramatic effect of flex-
ibility 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 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 percent higher in commitment than those who said they do not have access to flexibility.

- AstraZeneca’s survey findings showed commitment scores were 28 percent higher for employees who said they have the flexibility they need compared to employees who said they do not have the flexibility they need.

- JPMorgan Chase found that 95 percent of employees working in an environment where the manager is sensitive to work and personal life—including informal flexibility—felt motivated to exceed expectations, compared to 80 percent of employees in environments where the manager is not sensitive to such needs.

- At Bristol-Myers Squibb, commitment scores of users of flexible work arrangements were higher than those 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, health care and replacement costs. Chrysalis Performance Strategies finds that stress is responsible for 19 percent of absenteeism, 40 percent of turnover, 55 percent of EAP costs, 30 percent of short-term and long-term disability costs, 10 percent of coverage for psychotherapeutic drugs, 60 percent of total cost of workplace accidents and 100 percent 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 was exemplified by an ability to work longer hours without feeling work-life stress, and workers with flexibility could work up to an additional day per week without experiencing work-life conflict, compared to workers who lacked 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 percent lower in stress and burnout.

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

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

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

- At Bristol–Myers Squibb, 87 percent of nonexempt/hourly employees (versus 90 percent overall) use either formal or informal flexibility. A significantly smaller percentage use informal arrangements (22 percent versus 35 percent overall), suggesting that informal arrangements may not be as practical or appropriate for nonexempt/hourly positions. Their satisfaction with flexibility, the impact on
intention to stay and the importance to recruiting among nonexempt staff are virtually identical to the employee population overall.

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

In general, in all companies examined, nonexempt administrative employees tended to use part-time options more than exempt employees did but utilized other options less, especially telecommuting. The less frequent use of telecommuting often had to do with the nature of the job. Of the three business outcomes discussed below—retention, commitment and stress—analyses show that flexibility has a larger effect on nonexempt workers than on exempt workers in two areas—commitment and stress.

In terms of retention, the business case may not be as strong for nonexempt 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 nonexempt/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 it that you would leave the company?”, 43 percent of exempt employees said it was likely they would leave, while only 16 percent of nonexempt employees said the same.

Findings from the WFD Multi-Organizational Database also show that the availability of flexibility favorably affects retention of both exempt and nonexempt workers, but the positive effect is greater among exempt workers. For exempt male employees, there is a 13 percent difference in staying intention between those with and without flexibility, for exempt women with and without flexibility, there is a 12 percent difference in their intention to stay three or more years. Among the nonexempt population, flexibility has a positive impact on retention, but not to the same degree. Among nonexempt male and female employees, the availability of flexibility appears to generate only a 4 percent and 5 percent difference, respectively, in staying intention. Nonexempt and hourly employees may not have the same degree of freedom to leave the job.

Percentage Who Expect to Leave Their Employer Within 3 Years

<table>
<thead>
<tr>
<th></th>
<th>w/Flexibility</th>
<th>w/o Flexibility</th>
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<tbody>
<tr>
<td>NON-EXEMPT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>Women</td>
<td>9%</td>
<td>16%</td>
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<tr>
<td>EXEMPT</td>
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</tr>
<tr>
<td>Men</td>
<td>11%</td>
<td>24%</td>
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<tr>
<td>Women</td>
<td>12%</td>
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Access to flexibility has a significant impact on employee commitment as well as on health and well-being. Corporate Voices’ and WFD’s in-depth study of five companies that implemented flexibility for their hourly and nonexempt workers showed that employee commitment is 55 percent higher for employees who have the flexibility they need, compared to those who do not. The study also found that stress and burnout are 57 percent lower when employees have flexibility.\(^4\)

It is an important finding that the availability of flexibility appears to have a greater, positive incremental impact for the commitment and burnout of nonexempt employees than for exempt employees. As seen in the following figures, drawing on data across several companies in the WFD Multi-Organizational Database, in all cases, commitment is higher and burnout is lower for nonexempt and exempt employees who have access to flexibility, compared to those without flexibility. However, the incremental differences are greater for nonexempts, for both men and women. For example, there is a 50 percent increase in commitment for nonexempt women and a 47 percent increase for nonexempt men who have access to flexibility, compared to those without flexibility. The difference in commitment for exempt women and men with and without flexibility is 30 percent.

A very similar effect is seen in the stress and burnout scores of exempt and nonexempt men and women. There is a 51 percent decrease in stress and burnout for nonexempt women and a 50 percent decrease for nonexempt men who have access to flexibility, compared to those without flexibility. The difference in stress and burnout is 40 percent for exempt women and 46 percent for men with and 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 nonexempt and hourly employees as for exempt, salaried employees.

Supporting high levels of engagement and commitment is especially important for nonexempt employees as they are often in client-facing roles (as in retail and hospitality) where low engagement undermines client service and customer relations. Nonexempt 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 nonexempt 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.

There is sometimes an assumption that flexibility can’t work in nonexempt 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 nonexempt jobs), still flex time, compressed work and other options have proved successful. At Texas Instruments, over 60 percent of nonexempt employees are on compressed workweek 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 workweek or job sharing—it is important to note that informal, day-to-day, occasional flexibility also has been shown to strongly affect retention and human capital outcomes. Informal flexibility is, in fact, a powerful way to leverage the positive benefits of flexibility for more 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 on the next page (Individual Accommodations), 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 (New Ways of Working). 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 a results-driven rather than “face time” culture.
Implementing Flexibility: A Spectrum of Practice

The following examples 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 and commitments.

• At Bristol-Myers Squibb, 14 percent of employees have a formal flexible work arrangement. Of the remaining, 67 percent 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 was resounding: 71 percent said that it is “very important.” Again, women placed an even greater importance on informal flexibility; 78 percent of women said it is “very important” to their staying, compared to 65 percent of men. The retention effect is especially strong for women in management: 84 percent said 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 percent) reported 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 stronger intention to stay at the company than employees who did not take advantage of occasional, informal flexibility in when or where they worked.

Manager Assessments of the Impacts of Flexibility

Managers are often viewed as one of the major barriers to implementing workplace flexibility. Manager skepticism about flexibility is attributed to concerns about productivity, disruption of the flow of work, negative impacts on customer service and/or difficulty and complexity of managing flexibility equitably. As the results from Deloitte show, managers have favorable views of flexibility, especially when they have experience managing employees who use it.

When employees and managers are asked about the influence of flexibility on employees’ professional lives, the results from both groups are more similar than is generally assumed. Based on the WFD Multi-Organizational Database, analyses show that employees and managers report that flex-
ibility has a strong positive impact on a range of talent and human capital outcomes.\footnote{In some organizations, only managers with experience managing flexibility were asked to respond to questions about flexibility and its impact. Therefore, while manager responses analyzed in the following paragraphs include both those who have and have not managed workplace flexibility, the sample is unintentionally weighted toward those who have had such experience.}

The relationship between employee and manager is also a critical aspect of employees’ professional lives. Of employees who have flexibility, a sizeable majority (71 percent) characterized the impact of their flexibility on their relationship with their manager as positive. This demonstrates that employees’ closest relationship with company management and its concerns for productivity, efficiency and profitable business outcomes is positive when flexibility is made available.

Both employees and managers agree that flexibility positively influences the ability of employees to manage their multiple commitments, including personal and family responsibilities. In addition, they agree that the health and wellness of employees are positively affected. Flexibility is reported to be one tool that can be used to increase employee resilience to stress and burnout. Managers agree with employees that flexibility plays a positive role in the health of employees and the personal lives of employees who have access to it.

Managers were asked about the value of offering flexibility in recruiting new talent or attempting to reduce turnover. While the sample is weighted toward managers who have experience with workplace flexibility, it is striking that more than two-thirds of managers said flexibility has a positive influence. With regard to recruitment, two-fifths of managers reported that opportunities to work flexibly play a significant role in recruitment efforts. An additional one-third reported flexibility plays somewhat of a role. Only one-fourth of managers reported it plays little role in recruitment efforts. Thus, most managers see flexibility as valuable for obtaining the most talented workforce.

More than half of managers reported that their ability to retain talented employees is enhanced “a great deal” or “very much” by opportunities to work flexibly. Only 15 percent of managers reported that flexibility has little role in the retention of talent. Apparently, many managers recognize that an inflexible work environment is apt to stress their current talent pool and potentially push employees to seek employment elsewhere.

Some managers say they are unable to offer the type of flexible work environment they feel is most advantageous to their workforce due to company culture, policies and practices. About one-fourth of managers reported that the company culture has a negative effect on their ability to provide employees with flexibility.

Especially when they have experience with flexibility, managers are able to recognize both the personal and business benefits of the practice. Managers who supervise employees who work flexibly (i.e., managers who have actual experience with flexibility), tend to be flexibility advocates—a key success factor for flexibility. These findings suggest that equipping managers with the management skills, operational aspects and practical tools they need for implementing flexibility equitably and effectively may be most beneficial in expanding access and use of flexibility.
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 10-year period than comparison organizations or the S&P average.

- 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 percent 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 percent, which translated into $106 million profit increment in two years’ time.

- In an analysis of its employee survey results, Ernst and Young found that individuals’ perceptions of their own flexibility are highly predictive of commitment level, 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.

Ernst & Young Finds Higher Commitment Scores Are Linked to Higher Revenue Per Person

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 and level of client service.

- JPMorgan 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 percent rated their area’s productivity as good or very good, compared with 55 percent of employees who 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 been in line with the productivity of full-time sales representatives.

• The Consumer Health Care Division of 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.)

• 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 workweeks 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 traditional ways of working, the focus shifted away from work schedule and face time to efficiency and effectiveness. 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 throughout the pilots and found that more flexible approaches 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 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 reduced stress and turnover among Marriott hotel managers.

Team-based scheduling and innovative flexibility and time-off policies in call centers has improved Marriott’s ability to attract, engage, and retain multigenerational workers in competitive labor markets. The Omaha call center with annual turnover of only 15 percent has found that engagement is 43 percent higher for hourly associates with flexibility. This operations center was named the best place to work in Omaha for 2008 and 2009. Another call center has cut its annual turnover from 150 percent to 50 percent by offering flexible scheduling to hourly associates. Marriott is successful in attracting talent from new segments of the labor pool through a home-agent pilot program. The work-at-home pilot has brought in new associates who are visually impaired or disabled as well as associates who live long distances from the call centers and other employees who prefer a remote work arrangement.

• A seven-month compressed workweek 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 two days to one; completion of Exceptions for Bond Settlements was reduced 50 percent to 75 percent; 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 a half hours. Cycle time improvements were attributed to greater innovation, cross-training, and better use of staff that was catalyzed by the compressed workweek. In addition to process improvements, the flexibility pilot documented a drop in absenteeism from 60 days to nine, as measured by pre- and post-pilot records. The pilot was also credited with saving $112,750 in turnover expenses among the 19 pilot participants; the computation was based on a comparison of turnover rates of pilot participants and nonparticipants and the assumption that the cost of turnover is 41 percent of the annual salary of the nonexempt workforce.

• In another PNC example, a shared service group initiated a compressed workweek pilot among 200 exempt and nonexempt 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 demonstrated dramatic effects on productivity and effectiveness. Participants, including managers and supervisors, reported improvements in the way work was done, including more effective planning (37 percent), increased cross-training (26 percent), restructured work-flow processes (21 percent) and better use of meetings (9 percent).

Real estate savings and operational efficiency from telework

Procter & Gamble has saved on real estate and improved operations by implementing telework in its consumer relations. One P&G location went from needing two floors to needing half a floor. Telework has also allowed P&G to better handle unexpected events—everything from inclement weather to a suddenly high volume of calls and e-mails due to consumer concern about a particular product. With employees working from home, P&G can shift staff to manage changing work priorities. During a recent event prompting an exceptionally high call volume, representatives were “manning the phone lines from 8 a.m. until 9 p.m., seven days a week” from their homes.
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. In the survey, 89 percent of customers said they had not seen any disruption in service, 98 percent said their inquiries had been answered in a timely manner, and 87 percent said they would not have any issues with the program becoming a permanent work schedule.

- Though Deloitte’s surveys clearly showed that flexibility contributes to employee retention and engagement, the business case for flexibility would be undermined unless its impact 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 percent of managers thought clients were dissatisfied; 84 percent assessed clients as being satisfied or very satisfied. The firm went further and asked managers to assess flexible workers along Deloitte’s nine dimensions of service excellence. On all nine dimensions, 88 percent or more of managers said flexible workers met or exceeded the service quality of their peers not 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. Analyses of the WFD Multi-Organizational Database confirm flexibility’s positive impact on operational and financial outcomes, namely on employee productivity and customer satisfaction. (See related charts on page 21.)

**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 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 savings 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 average number of days lost to stress-related health issues, the company calculated the number of employee days saved by flexibility and then from there, calculated an overall corporate savings. Using this cost-modeling approach for analyzing absenteeism, presenteeism and disability costs, the company estimated a multimillion-dollar cost savings from flexibility’s impact on stress. Similar analyses were done to determine the financial impact of flexibility on retention and commitment/engagement as well as flexibility’s impact on financial performance. Taking even the most conservative estimates, this approach demonstrates the impressive, multimillion-dollar savings that flexibility practices can yield.
The Business Case for Global Flexibility

“We’ve gained good insights over the past several years as to what drives productive, happy and satisfied employees. For example, we know that flexibility leads to significant advantages across key aspects of an employee’s experience which, in turn, influence our ability to be an Employer of Choice in the CEEMEA region.”

Jamal Berradia
VP HR, Procter & Gamble,
Central and Eastern Europe, Middle East and Africa Region

One of the most recent trends in flexibility is its global expansion. Flexible work options, first introduced in the United States, have been implemented internationally by U.S.–based multinationals as part of their business strategies to compete for talent, maximize employee performance and increase operational agility and efficiency. Companies that have implemented flexibility globally have proved that the impacts on talent management, human capital outcomes, and financial and operational performance are comparable to what they have experienced in their U.S. businesses.

Global expansion of flexibility is more complex due to prevailing work cultures and local laws governing work hours and provision of parental and personal leaves. Companies have succeeded by establishing strategic flexibility objectives and guidelines at the global level coupled with actions and implementation at the local level, including specifics of flexibility offerings, communications and training.

The experiences from leading organizations demonstrate best practices in incorporating flexibility into business processes and work culture. In particular, the involvement of employee resource groups as stakeholders, advances in the use of on-line flexibility management systems, tracking of flexibility arrangements in HRIS, conducting global employee surveys and incorporating flexibility into performance management discussions and metrics have vastly improved the availability and accessibility of information about flexibility both to support global implementation as well as to provide invaluable data on the business impacts of flexibility.

**IBM**

Flexibility is a key component of IBM’s global work-life strategy to create a workplace where employees can thrive on and off the job in what is called the “New Normal” work environment. As part of this “New Normal” way of business, the enterprise never stops and results in global interdependencies at all levels. Flexibility allows IBM employees to adapt in when and where work gets done and to maintain sufficient time and energy to enjoy a satisfying personal life. It is also essential in enabling the company to attract, motivate and retain key talent.

IBM’s creation of a Workplace Indicator Code in its global HRIS system is evidence of the integration of flexibility as a business tool. Each employee is assigned one of six global work-location types: Customer/Alternate Location, Work at Home, Mobile, Traditional Non-Office, Traditional, or Extended Office. A Workplace Indicator Guide provides guidance for considering and effectively managing employees who work in IBM’s unique individual work environments. Thus basic information on the use of flexibility is as readily available as other talent management information for different geographies and business divisions.

IBM tracks the impact of flexibility through a comprehensive Global Work and Life Issues Survey (GWLS), administered every three years. The 2007 survey represents the viewpoints of approximately 24,000 IBM employees from 75 countries. Results demonstrate the impacts of increased flexibility on
business outcomes in many parts of the world. IBM’s work environment has become much more flexible since the 2001 GWLS both in terms of the utilization of flexibility and the supportiveness of the work culture. The Flexibility Index (comprising several measures of when and where work gets done) increased 30 percent during that time. In particular, 15 percent of IBM employees now work primarily from home, a 50 percent increase from 10 percent in 2004 and a 275 percent increase from 4 percent in 2001. Acceptability in the work group to work from home at least one day per week has steadily increased globally from 46 percent in 2001 to 64 percent in 2004 to 70 percent in 2007, a total increase of more than 50 percent. As more employees globally adopted flexible work options between 2001 and 2007, the GWLS documented even greater influence of flexibility on work-life integration, productivity, morale and motivation, job satisfaction, commitment, and intention to stay than in past years.

Recognizing that leaders and managers play an essential role in successful flexibility arrangements and work-life integration, IBM incorporates an item on support for such practices into its annual 13-item Manager Feedback Survey. The feedback program gives employees a voice in how well managers model IBM’s values, develop their people and drive company growth. The survey results factor into managers’ overall annual performance evaluation.

**Merk**

“If you give the flexibility, if you give the responsibility to the employee, if you say, ‘Here’s the work that needs to be done; the way you do it is irrelevant to me,’ it improved productivity. I actually see better productivity from employees who use flextime or activities like that, because they are dedicated to the company, they know they have that responsibility and they’re thankful for what the company did to be able to give them the flexibility of deciding when and how to do [their work]. The empowerment aspect of these programs is just fantastic.”

Dick Clark, Chairman and CEO, Merck

Families and Work Institute 2010 Work Life Legacy Award Winner’s statementCentral and Eastern Europe, Middle East and Africa Region

Merck’s 10 Global Constituency Groups (senior leadership teams that set the global diversity and inclusion strategy), formed in 2007–2008, played an important role in presenting a powerful case to the executive team and in promoting flexibility globally. At Merck, the constituency groups have both an internal and external focus; with executive sponsorship, the groups have strong influence. Although the Women’s Constituency Group drove the effort for global implementation, every group, including men, interfaith, generational and differently-abled recognized flexibility’s potential benefits for its constituents. This uniform support for flexibility across a global and diverse employee base helped compel the company to move flexibility forward.

Merck’s 2008 global flexibility baseline survey revealed some limitations in how flexibility was being utilized and also strengthened the business case for expanding flexibility by demonstrating that engagement is 30 percent higher for employees who have the flexibility they need, and turnover intention is about half the level for those with flexibility. Now, two years after the global rollout, semiannual culture and engagement surveys continue to document the impact of flexibility: As of March 2010, roughly 80 percent of employees globally feel they have the flexibility they need, and the engagement level has also gone up significantly.

Merck’s global flexibility website and tracking tool, available in 10 languages, is the hub for flexibility information and resources. The online tracking tool helps to analyze flexibility use by division, country and gender and to target promotion and training efforts accordingly. Examples of success stories from diverse geographies and job types have empowered employees to discuss their needs for flexibility with their managers and to build their own personal business cases.

Merck’s most recent step in promoting a flexible work culture is to incorporate a discussion of flexibility in the performance-management process.

**Procter & Gamble**

Procter & Gamble’s annual survey asks employees to rate the statement: “I have sufficient flexibility to manage my work and personal life.” Over the past two years, responses have fueled a concentrated global effort to create a true culture of flexibility.

Procter & Gamble’s internal research over the past five years has consistently validated that on a global basis, flexibility, energy and simplification of work demands drive work-life effectiveness and personal well-being, which in turn drive personal business performance and the company’s ability to remain an employer of choice.

The Central and Eastern Europe, Middle East and Africa (CEEMEA) region’s experience highlights how Procter & Gamble translates flexibility data into action in a large and complex international region with many variations among countries (the CEEMEA region represents 16,000 employ-
ees in more than 20 countries). The business case comes from the company’s internal survey data and ability to tie flexibility to energy and work simplicity as well as to retention and generational needs.

P&G’s annual Employer of Choice survey measures flexibility both qualitatively and quantitatively. Survey results are used in communications to employees so that they not only know what is available to them but also understand the broader implications of flexibility and work-life effectiveness and the linkages between flexibility and key business drivers, such as intent to leave and performance.

As a result of the 2009 implementation of flexible work options, 2,500-plus employees (57 percent of survey respondents) reported using some form of flexibility. The 2009 survey showed a 12-point improvement in favorable ratings on “I have sufficient flexibility to effectively manage my work and personal life” for the CEEMEA region compared to 2008. Employees participating in flexible work arrangements had higher work-life effectiveness scores (personal well-being and work simplification) as well as Employer of Choice survey scores.

Although Procter & Gamble had supported flexible work policies for many years, the global expansion of flexibility was facilitated by the 2007 introduction of the web-based Flex Management System, a powerful online infrastructure that has legitimized and leveraged the business value of flexible work in a proactive way. The Flex Management System is the central repository for all flexibility information specific to Procter and Gamble, housing flexible work policies, forms, philosophy, toolkits and success stories. Each region has its own section to post region-specific policies and practices. The system equips line managers, employees and human resource staff to apply flexibility specifically to their role. It also educates each stakeholder about the importance, implications and implementation of flexibility.

American Express

For American Express, competition for diverse top talent, retention of top talent and real estate factors drive the business need for flexibility. Current formalized flexibility policies and programs are being expanded across the company’s global network. American Express’ flexibility infrastructure consists of a three-pronged foundation supported by human resources, global real estate and global technology. The flexibility program combines work styles, work arrangements, workspace and workplace technology to offer such innovative options as reduced hours for up to three years, compressed workweek schedules, part-time roles, telework and home office setups.

Flexibility leaders understand the importance of valid, usable data as they continue to implement flexibility globally. Showing the return on investment and business value for flexibility is crucial for adoption. Through company enterprise resource planning systems, internal surveys and focus groups, American Express captures global, business-unit and location-specific data. It tracks the utilization of flexibility options globally and connects flexibility usage with employee engagement, productivity, collaboration, connectivity, decision making, and employee satisfaction and retention. Flexibility also offers corporate financial benefits by creating real-estate cost savings and reinvestment opportunities.

The global economic recession has helped spark a sense of urgency to promote flexibility within American Express and other companies. No longer simply “nice to have,” flexibility has become an organizational requirement as the need for employees to work more effectively and productively increases and as competition for the multigenerational and diverse workforce escalates.
Conclusion & Summary

The data presented in this report support a compelling business case for expanding workplace flexibility domestically and across the globe. The body of evidence is so weighty that it constitutes an action imperative for organizations that want to improve business results, stay competitive in the global economy and attract, retain and motivate key talent.

This report defines flexibility’s potential to transform 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 the business community has much to gain by implementing the practice 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 had a positive impact on key drivers of business success. In light of these findings, there can no longer be a question about whether a business case for flexibility exists. The only question is why a company would not 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 domestically and across the globe. Many organizations view their advances in flexibility as a critical component of competitive advantage. Increasingly, U.S.-based multinationals across a variety of sectors are implementing flexible work options and finding that such arrangements have a positive impact on employee recruitment, retention and productivity as well as on operational and financial performance.

- 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 collected—about flexibility’s workplace effects.

- Direct impact on business outcomes is documented. Evaluation of pilot and demonstration projects as well as firm-wide studies have 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 a consistently powerful and positive impact on retention, employee satisfaction, employee engagement and employee stress reduction. By implementing flexibility effectively, any employer can achieve these effects to at least some degree.

- Multiple positive results are possible. It is rare to find an approach that has the potential for as many positive impacts as workplace flexibility. These benefits include positive effects on business operations; advancing employees’ health and well-being; and supporting a range of talent development approaches, including learn-and-earn models that enable employees to pursue and complete postsecondary education.

- Widespread impact is confirmed. Few employer initiatives or approaches have similar impacts for all employees, but flexibility is an exception. Though patterns of utilization may differ, the positive effects of flexibility extend to both exempt and nonexempt 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 culture allows and supports occasional flexibility, the positive business impacts extend 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.
A Call to Action – Moving Flexibility Forward

In 2005, Corporate Voices published the original “Business Impacts of Flexibility: An Imperative for Expansion,” a groundbreaking report that compared internal business data from 29 companies and found that the business benefits of flexibility were real and only partially realized. With this updated, expanded version of our original report, we continue to document the benefits of workplace flexibility as well as its growing role as a strategic business imperative for domestic and global enterprises. Although there is a proven business case for flexibility, many workplaces still don’t offer flexible work options to all their employees. As demographic and economic trends heighten the need for effective work and family solutions, there is a clear need to expand flexibility within the business community.

As flexibility becomes more pervasive, it will extend beyond formal arrangements and become embedded in the way work is done. To incorporate flexibility into the culture of a workplace, managers must be comfortable with flexibility and understand how to manage it, to a greater degree than is true for most managers today.

Expanding flexibility means creating more options and variety in how flexibility occurs. Current research finds that 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 ebbs and flows in work and respond to employees’ personal pursuits.

Expanded flexibility means taking flexible approaches to career paths—including Learn and Earn strategies and flexible scheduling to facilitate employees’ college class schedules, whenever possible—ultimately enabling employers to retain and utilize people more effectively over a career life cycle.

Our 2005 report marked the end of a running debate about whether workplace flexibility made sense for business, and the beginning of a national conversation about effectively implementing workplace flexibility. With the publication of this updated report, we continue to document the widespread benefits of flexibility and the ways businesses can successfully implement it within their workplaces. Much still must be done, however, to expand the use of flexibility within the employer community. This updated report calls for three kinds of immediate action to make flexibility an integral part of the way work is done and the way people are managed.

Actively Communicate the Business Imperative

Continuing to articulate a clear business case is essential for creating a broader understanding and acceptance of new ways of expanding flexibility within the business community. Over the past decade, Corporate Voices has worked to communicate and document the business case for flexibility. This updated report reflects current data confirming our earlier findings and underscores the clear, multifaceted business case for adopting workplace flexibility. It also highlights opportunities to educate the business community about the benefits of flexibility and reaffirms the importance of positioning flexibility not as an accommodation to individual employees or a perk to others, but as a strategic business tool for success in the 21st century and beyond. A crucial next step is to increase the business community’s awareness of the existing body of evidence, the details of business research and the means for realizing the positive business impacts of flexibility.

Action:

In addition to releasing this updated report, Corporate Voices is leading a national campaign, “Workplace Flexibility: Ensuring Success for the 21st Century: A National Challenge for Business,” to create a broader awareness of the positive business and employee benefits of workplace flexibility. Corporate Voices launched this campaign in June 2010 after the White House Forum on Workplace Flexibility and is asking businesses to sign its Statement of Support for Expanding Workplace Flexibility, recognizing that flexibility enhances the business bottom line, empowers working families and improves America’s economic competitiveness. This campaign will run through 2011 and is creating the forward momentum needed to expand flexibility in the business community. Organizations that sign the statement will become “Business Champions” for workplace flexibility.

Through this campaign, which includes a series of National Dialogues on Workplace Flexibility across the country, focus-group research, micro success stories and a blog series, Corporate Voices is shaping and representing the many ways businesses use flexibility to help their employees better man-
Develop leadership for extending workplace flexibility

Creating flexible workplaces is a shift from traditional ways of organizing work and managing people.

In addition to training operational managers on why and how to effectively implement flexibility, establishing flexible workplaces will require senior 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.

Every day, operational managers confront the challenges of serving customers, building revenue, containing costs and inspiring quality and commitment. In many companies, these leaders have great latitude over workplace practices. Just as their effective management of their company’s supply chain or production facility determines their company’s success, their effective management of workplace flexibility practices will determine whether their company gains the comparative advantage flexibility practices can yield.

Therefore, line and business managers, as well as senior leadership, need to know about flexibility’s positive impacts, and they need to champion the expansion of flexibility in their workplaces.

Action:

Through its national workplace flexibility campaign and outreach, Corporate Voices is educating C-suite executives about flexibility’s positive business and employee impacts. Through peer-to-peer communication and a series of National Dialogues on Workplace Flexibility, Corporate Voices is informing business leaders of the business case for flexibility, raising awareness of the tools and resources available to implement flexibility effectively and enlisting business leaders as “champions” to expand flexibility within their own organizations as well as the wider business community.

Whether by driving financial performance, leveraging human capital or by driving Learn and Earn talent development models, workplace flexibility contributes powerfully to business success. But the positive benefits will not be fully realized until the practice, with more varied and effective implementation, is expanded to more workplaces. This updated report continues to articulate a clear business case for workplace flexibility. By communicating the potential of flexibility, showcasing best practices, creating knowledge that will support effective implementation and making the practice a key leadership imperative, we can develop a broader awareness of the imperative for flexibility as a strategic management tool for success in the 21st century.
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, were 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 (they often rate these as just 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 also widely understood, so quantification of the savings in turnover-related costs has been an influential business-case argument.

- It has also proved 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 strategies 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 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.

This research suggests a number of approaches that individuals and 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 (how many people want flexibility or how many employees use flexibility, for example) and to 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—customer service, cycle times, production norms, and cli-
ent service standards, for example. Ask, what is the impact of flexibility on these business metrics?

- Gather data on pilots, demonstration projects or business units, where data collection is easier and results are more visible.

- To avoid minimizing the impact of flexibility, capture information on informal flexibility and not just users of formal arrangements.

- Focus on flexibility’s stress reduction; given productivity loss and other costs of stress-related illness, this approach 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 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 is 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 approach is attractive and more practical than an experimental model. To this end, the service profit chain approach has great potential for demonstrating the importance of flexibility’s human capital impact on business metrics and value creation. A company, for example, 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, which 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, turnover expense and incremental value of engaged employees and then constructed models to estimate the cost savings 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 calculated the number of employee days saved by flexibility and then calculated an overall corporate savings. Using this cost-modeling approach for analyzing absenteeism, presenteeism and disability costs, the company estimated a multimillion-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 as well as on financial performance. Taking even the most conservative estimates, this approach demonstrates the impressive savings that flexibility practices can yield.
Selected Bibliography


About Corporate Voices for Working Families

Corporate Voices for Working Families is the leading national business membership organization shaping conversations and collaborations on public and corporate policy issues involving working families. A nonprofit, nonpartisan organization, we create and advance innovative policy solutions that reflect a commonality of interests among the private sector both global and domestic, government and other stakeholders.

We are a unique voice, and we provide leading and best-practice employers a forum to improve the lives of working families, while strengthening our nation’s economy and enhancing the vitality of our communities.

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