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FLEXIBLE WORK ARRANGEMENTS AND ORGANIZATIONAL PERFORMANCE – THE DIFFERENCE BETWEEN EMPLOYEE AND EMPLOYER--DRIVEN PRACTICES

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Flexible work arrangements (FWAs) enable flexibility in the work design of employees and, consequently, can improve work-life balance and enhance organizational performance. Based on the disparate nature of previous findings and social exchange theory, we defined the two research questions with an aim to explore the impact of FWAs on organizational performance measured by both financial and non-financial indicators, while taking into account the employer versus employee-driven perspective of FWA application. The data on 12 different FWA practices was collected in 171 large-sized Croatian organizations by a questionnaire survey using CRANET methodology. Our findings suggest that organizational performance was higher in the employee-driven group of FWA practices. On the other hand, several employer-driven practices were found to be significantly, but negatively related to organizational performance. The main contribution of the paper is revealing the importance of work-life balance arrangements in achieving success and competitive advantage.

Keywords: flexible work arrangements, competitiveness, work-life balance, organizational performance, financial indicators, non--financial indicators

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INTRODUCTION

Human resource management (HRM) has been recognized as a potential source of competitive advantage for some time now (Becker & Gerhart, 1996) and is not losing in popularity due to the fact that its practices can stimulate firm performance (Amarakoon, Weerawardena, & Verreynne, 2016). This is particularly significant in increasingly hypercompetitive markets so, in order to respond to the unpredictable environment with better organizational flexibility, organizations employ HRM practices that promote more flexible work (Stavrou, 2005). Practices which can improve individual and/or organizational performance through alternative forms of work schedules are known as flexible work arrangements (FWAs; Baltes, Briggs, Huff, Wright, & Neuman, 1999; de Menezes & Kelliher, 2011). FWAs are useful for achieving the more efficient use of human resources (HR) because they provide an opportunity to allocate employees and their time depending on the nature of work that has to be done (Berkery, Morley, Tiernan, Purtill, & Parry, 2017).

FWAs have recently gained a considerable popularity mostly in the European Union (EU) and Organisation of Economic Co-operation and Development (OECD) countries (Kattenbach, Demerouti, & Nachreiner, 2010; Battisti & Vallanti, 2013). Large scale surveys such as the European Working Conditions Surveys (Eurofound, 2017), the Workplace Employment Relations Series and the Work Life Balance Study (de Menezes & Kelliher, 2011) and a recent comparative analysis by Gialis & Taylor (2016) confirm the rising popularity of FWAs in both highly developed (e.g. UK, Italy, Netherlands) and less developed EU countries (e.g. Greece, Romania, Portugal). Other studies have also confirmed increasing proportions of workforce using FWAs in many countries worldwide such as Japan, Australia, USA and Canada (International Labour Organization, 2011; OECD, 2012; Spreitzer, Cameron, & Garrett, 2017). The increasing popularity of FWAs is a consequence of both the organizations' desire to gain more flexibility and institutional recommendations from the EU, OECD and International Labour Organization (Kattenbach et al., 2010; Kottey & Sharma, 2016).

The first attempts of exploring the impact of FWAs date from the 1970s and were focused on their effect on individual worker performance (de Menezes & Kelliher, 2011). In the following years, the research of FWAs' impact on individual performance expanded to work-life issues, health outcomes and work engagement (Allen, Johnson, Kiburtz, & Shockley, 2013; Rudolph & Baltes, 2017). Recently, studies explored the impact of specific FWAs on firm performance in terms of productivity, profitability, turnover, absenteeism etc. (e.g. Dex &

Smith, 2002; Berkery et al., 2017), but de Menezes & Kelliher (2011) point out in a systematic literature review based on 148 publications that previous studies about the effects of FWAs on firm performance are inconclusive and should be additionally examined. Morever, literature is almost completely silent about different clusters of FWAs practices, especially with regard to their primary "beneficiaries". More precisely, FWAs can be explored through the lens of benefits they primarily belong to, either those of employers or employees, i.e. according to the goals set to be achieved by different types of FWAs (see, for example, Lewis, 2003; Kotey & Sharma, 2016). Therefore, the purpose of this paper is to explore the research gap present in the literature, namely, the lack of perspective that acknowledges the fact that certain FWAs are introduced to lower costs (employer-driven), while others are aimed at reducing work-life conflict (employee-driven), as well as to explore the different effects of these bundles of FWAs, i.e. their relationship with organizational performance.

In our study we answer this call by exploring the gap in the research of potential effects of various types of FWAs classified by their primary "beneficiary" (employer versus employee) on firm performance by using objective and subjective measures of performance. Drawing from the social exchange theory, it is expected that FWAs should have a positive association with firm performance. We have determined the statistical significance of differences between organizations that apply and do not apply specific FWAs on a total sample of 171 organizations.

The paper is organized as follows. First, we present the relevant literature and theoretical foundations and build research questions. Next, data collection and handling as well as research results on both financial and non-financial performance outcomes of FWAs are presented in the results section. Finally, a discussion of theoretical and practical implications is followed by study limitations and recommendations for future research.

OVERVIEW OF PREVIOUS FINDINGS AND DEVELOPMENT OF RESEARCH QUESTIONS

Flexible, non-standard or alternative work arrangements are options that allow work to be accomplished outside of the traditional boundaries of a standard organization of work in terms of different dimensions: amount, distribution of working time and place of work (Kattenbach et al., 2010; Shockley & Allen, 2007; Spreitzer et al., 2017). Based on the literature, relevant FWAs usually include: flexible working hours, part-time work, job sharing, shift, and weekend work, overtime, annual hours, flexi-time, temporary work, fixed-term contracts,

subcontracting, teleworking, paid parental leave, flexible leave arrangements, choice of rosters and shifts, variable year employment, annual hours contracts, compressed working weeks and working from home (e.g. Stavrou, 2005; Berkery et al., 2017).

Based on different perspectives of FWAs, as emphasized by Lewis (2003) as well as Kotey & Sharma (2016), there are two main types of FWAs: 1) the employee's, which enables employees to manage their work-life balance (e.g. paid parental leave, flexible leave arrangements, choice of rosters and shifts, variable year employment); and 2) the employer's, which allow organizations to adjust costs of employment in line with production volume or to secure a more competitive and motivated workforce. Several of *the employer-driven FWA* practices have been analyzed in this study: *weekend work* as a type of arrangement that enables employees to extend their work hours during the weekend while taking time off during the rest of the week (Stavrou, 2005); *shift work* which allows continuous production as workers are assigned to work in different time periods (shifts) during one day (Kerin & Aguirre, 2005); *overtime* as additional working hours that are above standard workweek hours (ILO, 2011); *annual hours contract* as an agreement between employer and employee which specifies how many work hours annually the employee is required to work (Stavrou, 2005); *temporary/casual work* is an agreement for employment for a limited short period of time (Thomas Wandera, 2011); and *fixed-term contracts* as short or long-term employment contracts with a specific duration (De Cuyper, De Witte, & Van Emmerik, 2011).

Employee-driven FWA practices included in the study are: *part-time work* where employees agree to work fewer hours weekly than a standard workweek (Zeytinoglu, Cooke, & Mann, 2009); *job-sharing* which is characterized by splitting work between two employees in a way that their joint weekly work hours are equal to the standard week working hours of one employee (Kotey & Sharma, 2016); *flexi-time*, which allows workers who work full-time to choose when to start and finish work (ILO, 2011); *telework* as a type of arrangement where employees work from remote locations using technology (Mamaghani, 2012); *home-based work* also known as telecommuting as an agreement that allows employees to work from home (Kotey & Sharma, 2016) and, finally, *compressed work week* or a working week which consists of less than the standard five days, but requires that employees work increased work hours during each workday (Baltes et al., 1999).

The focus of this paper is on outcomes of different FWAs at the organizational level, i.e. non-financial and financial firm performance. Our research stems from a long tradition of ex-

amining flexible working as a productivity or efficiency measure (e.g. Kleinknecht, Oostendorp, Pradhan, & Naastepad, 2006; Berkery et al., 2017) closely connected to strategic human resource management background (e.g. Huselid, 1995; Becker & Gerhart, 1996), but which increasingly also recognizes that these strategies have implications for work-personal life integration (Lewis, 2003). Given that there are arrangements whose primary "beneficiaries" are employees or employers, it is important to explore if there is a difference in firm performance between organizations that apply flexible arrangements aimed at different primary beneficiaries. Therefore, this leads to the following research questions:

RQ1: Do employee-driven FWAs have an effect on organizational performance, and if so, do they have a significant association with non-financial performance indicators and financial performance indicators?

RQ2: Do employer-driven FWAs have an effect on organizational performance, and if so, do they have a significant association with non-financial performance indicators and financial performance indicators?

This study is grounded in the social exchange theory which can be employed in every situation where exchange of social and material support occurs (Blau, 1964). The basic idea of this theory is that organizations can motivate employees by offering them incentives in return for their contribution (Caillier, 2016). As Berkery et al. (2017) point out, it is possible that employees will increase their efforts if flexible arrangements help them manage their work-life balance. Such a relationship where employers motivate their employees to work in accordance with the organizations' plans is a typical example of exchange described in the social exchange theory. If available, FWAs help employees manage their work-life balance and reduce levels of stress, exhaustion, burnout etc. (Kottey & Sharma, 2016; Kattenbach et al., 2010), and it is expected that they may want to return the favor to their employers (Caillier, 2016). This desire to return the favor combined with a higher perceived level of autonomy (due to the possibility of flexi-time) could lead to the increased productivity of workers (Berkery et al., 2017), and finally, increased productivity of workers should have an impact on increased firm performance.

FWAs can directly or indirectly influence a range of both organizational and individual (behavioral and work-related) beneficial outcomes (Kattenbach et al., 2010; de Menezes & Kelliher, 2011). Outcomes of FWAs on firm performance can be classified into non-financial performance and financial performance. Absenteeism, turnover and retention have been

the most frequently studied non-financial performance variables in the context of flexible arrangements. The idea is that without options for flexibility at the workplace, employees will try to improve their work-life balance by reducing the amount of work and/or reporting they are sick even when they are not (Battisti & Vallanti, 2013). Due to its negative consequences (e.g. Dalton & Mesch, 1990), absenteeism is perceived as negative by organizations and they are looking to reduce it as much as possible.

It is argued that absenteeism of employees should decrease under the influence of FWAs, because their stress levels will be lower (Baltes et al., 1999). Accordingly, in the meta-analysis of de Menezes & Kelliher (2011), it was confirmed that 61% of studies are reporting that FWAs are associated with lower levels of absenteeism. Baltes et al. (1999) and Kauffeld, Jonas, and Frey (2004) report positive effect of flexible work-time design on absenteeism. Similarly as in the case of absenteeism, employee turnover is perceived as negative from the employers' perspective. Stavrou (2005) and Berkery et al. (2017) suggest that organizations that use FWAs will benefit from both lower levels of absenteeism and turnover. Employees perceive employers who offer FWAs as attentive to their well-being, and in turn they gain motivation to be more committed to them, which could eventually lead to reduced levels of turnover, absenteeism and improved retention (Berkery et al., 2017). Accordingly, Stavrou (2005) and McNall, Masuda, and Nicklin (2010) confirm in their studies that the availability of FWAs decreases employee turnover.

Besides non-financial measures of organizational performance, there is also a significant number of financial measures studied in the context of FWAs such as profitability, productivity, profit, return on assets, return on equity and return on investment (Baltes et al., 1999; Stavrou, 2005; de Menezes & Kelliher, 2011). Berkery et al. (2017) highlight that HRM practices that increase workforce flexibility may boost productivity and innovativeness, and ultimately could lead to increased financial performance, which can manifest itself as increased profitability. Most of the studies on financial measures reported no association with FWAs. However, a positive relation was supported by 44% of them (de Menezes & Kelliher, 2011). Shepard III, Clifton, and Kruse (1996) argue that FWAs could have an impact on productivity due to increased effort, better cooperation and the ability to attract talented workers that prefer flexible work schedules, but due to more changes in the schedule it is also possible that the costs of supervisors will increase. Results of previous studies are in line with the idea that FWAs are positively related to productivity (Baltes et al., 1999; Shepard III et al., 1996), however, when compared to

standard fixed work schedules, flexi-time did not report significant differences in productivity (McGuire & Liro, 1986). Thus, previous research implies that firm conclusions about FWAs and productivity are not possible, and further research is needed.

In the context of different primary beneficiaries of FWA, previous research about the relationship between FWAs and various forms of organizational performance offers interesting findings. According to the two research questions in this paper, it is important to distinguish between employee-driven and employer-driven arrangements. It is expected that arrangements focused on employees' benefits motivate them to exert additional effort, which ultimately generates positive effects on organizational performance. This premise is reinforced by a study which reported that flexi-time increases profitability only when implemented within an employee-centered strategy (Lee & DeVoe, 2012). Positive effects of predominantly employee-driven arrangements can be seen in other studies. For instance, remote work from home is positively associated with profit and perceptions of organizational performance (Meyer, Mukerjee, & Sestero, 2001; Stavrou, 2005), while flexi-time is positively associated with profitability, employee retention, and negatively to turnover and absenteeism (Dalton & Mesch, 1990; Lee & DeVoe, 2012; Richman, Civian, Shannon, Hill, & Brennan, 2008; Stavrou & Kilaniotis, 2010). Home-based work and telework are also positively related to organizational performance, while they do not have a significant association with turnover (Stavrou, 2005). Interestingly, Berkery et al. (2017) did not find significantly different associations between any of the flexible work bundles and organizational profitability.

Employer-driven arrangements are expected to be found predominantly with positive effects on organizational performance in order to justify its purpose (increased productivity). However, previous findings are mixed, or suggests that their effects on organizational performance are predominantly negative. Weekend work, shift work and overtime have a positive relationship with turnover, while, interestingly, no significant association with organizational performance was found (Stavrou, 2005; Stavrou & Kilaniotis, 2010). Also, shift work is associated with increased absenteeism, and increased turnover of employees with higher tenure in organizations (Shen & Dicker, 2008). Therefore, previous findings indicate the need for research of employee-driven and employer-driven arrangements, as well as their effects on organizational performance in order to substantiate the fact that effects of FWAs vary depending on the primary beneficiary.

RESEARCH

The time-lag data on FWA practices in large-sized Croatian organizations was collected in 2014 by a questionnaire survey using CRANET methodology.[1] The CRANET questionnaire was constructed by an international team of academics conducting research on human resource management since the late 1980s. The questionnaire consists of 6 parts and measures numerous HRM indicators. More specifically, the following areas are covered in the CRANET questionnaire: general HR activities (e.g. number of people employed in HR department, list of outsourced HR activities), recruitment and selection, employee development, compensation and benefits, employee relations and internal communication, background data regarding organization (e.g. year of establishment, employees' profile, industry, integration processes). Additionally, background information about respondents (e.g. gender, education) are included at the end of the questionnaire. For the purpose of this research, one question about different FWAs as well as some background data on the company were used in the analysis (explained in more detail in the *Measures* section).

Survey questionnaires supplemented with a brief cover letter explaining the purpose and importance of the research were sent to HR managers by e-mail. A total of 171 organizations participated in the survey.

Measures

Flexible working arrangements. The CRANET survey asked respondents to identify whether 12 FWA practices exist on a formal basis in their workplaces for any of the groups of employees. Though originally composed as rank variables where respondents were asked to assess the percentage of employees covered by a particular type of FWAs, all practices in our analysis were recorded and measured as dichotomous variables with 1 for 'yes' (FWA exists in the company for any given group of employees and for any coverage) and 0 for 'no' (FWA does not exist in the company). Practices explored in our research were: weekend work, shift work, overtime, annual hours contract, part-time work, job-sharing, flexi-time, temporary/ casual work, fixed-term contracts, home-based work, telework, compressed work week.

The measures of *organizational performance* used in the study were selected in accordance with previous research (e.g. Huselid, 1995; Perry-Smith & Blum, 2000; Konrad & Mangel, 2000; Stavrou, 2005; de Menezes & Kelliher, 2011). We divided them into two subcategories, i.e. non-financial performance measured by labor turnover and absenteeism, and financial

performance – measured by both subjective and objective measures explained in the text below.

Non-financial performance. As mentioned earlier, non-financial performance is usually measured by turnover and absenteeism. Staff absenteeism is operationalized through the average number of days employees are absent from work in one year ($M = 9.36$, $SD = 0.923$), and staff turnover is operationalized through the year's percentage of staff leaving the organization ($M = 9.62$, $SD = 0.763$). Shapiro-Wilks test was conducted in order to analyze the shape of distribution and revealed non-normality in the data for both variables ($p = 0.000$).

Financial performance. The measures of financial performance were divided into two groups – global competitiveness and individual company performance. Global measures of competitiveness were obtained through CRANET research and consisted of managerial perceptions of company standing on service quality ($M = 4.09$, $SD = 0.059$), productivity ($M = 3.80$, $SD = 0.065$) and profitability ($M = 3.49$, $SD = 0.073$) relative to competitors. Those three variables were designed as continuous where 1 indicated that the company stands on the particular dimension well below competitors, while 5 indicated that the company is superior to competitors. Normality tests were performed for all three dimensions of global competitiveness and revealed non-normality in the distribution of data ($p = 0.000$). Individual company financial performance indicators were obtained through the Croatian database of financial reports (RGFI) and are considered independent and objective. More precisely, balance sheets as well as profit and loss accounts published for years 2012–2015 were obtained through desk-research and analyzed for the majority of for-profit companies in the sample. Individual company financial performance is measured by return on assets (ROA), return of equity (ROE), and logarithm of revenue per employee, all calculated by the authors.

RESEARCH RESULTS

Results of the empirical research are divided into two sections, as explained by research questions. In the first part we analyzed the distribution of FWAs with regard to non-financial indicators (Table 1), while in the second part we explored whether differences in company organizational performance measured by both subjective and objective financial indicators exist with regard to FWA application (Table 2). Generally speaking, the descriptive analysis revealed that out of 12 observed FWA practices, the top four in terms of incidence were mostly those employer-driven i.e., fixed-term contracts, shift work, overtime work and weekend work (present in approximately or more than 75% of the companies). On the other

TABLE 1
The relationship between flexible working arrangements incidence and non-financial indicators of organizational performance

hand, the bottom four FWA practices – annual hours count, telework, compressed work week and home-based work were found in less than 25% of the companies in the sample and are mostly employee-driven. Other practices had medium presence in Croatian companies.

			Non-financial indicators – objective measures	
	Type of FWA	Presence of FWA	Turnover	Absenteeism
Employer-driven practices	Weekend work	No	7.79	5.26
		Yes	9.79	7.45
		p-value	(0.227)	(0.560)
	Shift work	No	10.29	7.40
		Yes	8.74	9.29
		p-value	(0.982)	(0.590)
	Overtime work	No	10.29	6.60
		Yes	8.74	10.13
		p-value	(0.226)	(0.022)*
	Annual hours contract	No	9.67	8.60
		Yes	8.18	13.70
		p-value	(0.966)	(0.089)**
	Temporary/casual work	No	10.84	9.22
		Yes	6.44	9.32
		p-value	(0.012)*	(0.937)
	Fixed-term contracts	No	7.22	8.89
		Yes	9.64	8.87
		p-value	(0.343)	(0.409)
Employee-driven practices	Home-based work	No	9.61	9.54
		Yes	7.50	5.45
		p-value	(0.553)	(0.119)
	Telework	No	10.15	9.63
		Yes	5.42	6.94
		p-value	(0.031)*	(0.095)**
	Compressed work week	No	9.51	9.42
		Yes	8.66	7.02
		p-value	(0.475)	(0.169)
	Part-time work	No	8.94	8.37
		Yes	10.86	10.80
		p-value	(0.173)	(0.455)
	Flexi-time	No	10.50	8.67
		Yes	8.11	10.18
		p-value	(0.132)	(0.622)

+ p-values refer to the Mann-Whitney test; *$p < 0.05$; **$p < 0.10$

Even though average values of absenteeism and turnover differ between groups of companies that apply and do not apply FWAs, statistically significant differences were found in several instances only. More precisely, for companies applying an employee-driven practice of telework both *turnover*

rate ($p = 0.031$) and *absenteeism* ($p = 0.095$) were reported to be lower. Interestingly, turnover rate was found to be lower among companies that apply temporary or casual work ($p = 0.012$), which is the only employer-driven practice that was found to be positively related to a certain organizational outcome, while companies with overtime work and annual hours contracts reported higher levels of absenteeism ($p = 0.002$ and $p = 0.089$, respectively).

TABLE 2
The relationship between flexible working arrangements incidence and financial indicators of organizational performance

		Global competitiveness – subjective measures +			Individual company performance – objective measures ++				
					ROA trend (2014–2013)		ROE trend (2014–2013)		
Type of FWA	Presence of FWA	Quality of service	Productivity	Profitability	Downward	Upward	Downward	Upward	Revenue per employee +
Employer-driven practices									
Weekend work	No	4.12	3.81	3.34	0.568	0.432	0.595	0.405	(0.468)
	Yes	3.98	3.77	3.54	0.615	0.385	0.633	0.367	
	p-value	(0.299)	(0.818)	(0.273)	(0.613)		(0.667)		
Shift work	No	4.39	4.11	3.44	0.615	0.385	0.692	0.308	(0.049)*
	Yes	3.97	3.73	3.49	0.608	0.392	0.623	0.377	
	p-value	(0.021)*	(0.063)**	(0.932)	(0.957)		(0.622)		
Overtime work	No	4.09	3.97	3.66	0.594	0.406	0.594	0.406	(0.034)*
	Yes	4.00	3.72	3.43	0.613	0.387	0.651	0.349	
	p-value	(0.545)	(0.118)	(0.227)	(0.843)		(0.555)		
Annual hours contract	No	4.02	3.79	3.48	0.588	0.412	0.623	0.377	(0.661)
	Yes	4.08	3.83	3.52	0.667	0.333	0.619	0.381	
	p-value	(0.698)	(0.831)	(0.587)	(0.497)		(0.974)		
Temporary/ casual work	No	3.99	3.80	3.44	0.593	0.407	0.637	0.363	(0.440)
	Yes	4.11	3.81	3.58	0.622	0.378	0.600	0.400	
	p-value	(0.307)	(0.966)	(0.322)	(0.747)		(0.672)		
Fixed-term contracts	No	4.40	4.00	3.56	0.300	0.700	0.500	0.500	(0.920)
	Yes	3.98	3.74	3.47	0.638	0.362	0.646	0.354	
	p-value	(0.074)**	(0.316)	(0.945)	(0.035)*		(0.357)		
Employee-driven practices									
Home-based work	No	4.03	3.79	3.45	0.579	0.421	0.611	0.389	(0.566)
	Yes	4.22	4.00	4.00	0.778	0.222	0.778	0.222	
	p-value	(0.426)	(0.396)	(0.085)**	(0.242)		(0.319)		
Telework	No	4.02	3.79	3.43	0.584	0.416	0.611	0.389	(0.966)
	Yes	4.15	3.88	3.73	0.652	0.348	0.696	0.304	
	p-value	(0.389)	(0.505)	(0.146)	(0.544)		(0.443)		
Compressed work week	No	4.02	3.77	3.46	0.600	0.400	0.384	0.384	(0.167)
	Yes	4.27	4.27	3.90	0.600	0.400	0.200	0.200	
	p-value	(0.271)	(0.045)*	(0.150)	(1.000)		(0.246)		
Part-time work	No	4.00	3.71	3.39	0.575	0.425	0.609	0.391	(0.328)
	Yes	4.08	3.94	3.60	0.636	0.364	0.659	0.341	
	p-value	(0.518)	(0.106)	(0.243)	(0.497)		(0.577)		
Flexi-time	No	4.03	3.78	3.39	0.583	0.417	0.583	0.417	(0.410)
	Yes	4.04	3.82	3.59	0.615	0.385	0.677	0.323	
	p-value	(0.903)	(0.703)	(0.146)	(0.702)		(0.258)		

+ p-values refer to the Mann-Whitney test; *$p < 0.05$; **$p < 0.10$

++ p-values refer to the Chi-square test; *$p < 0.05$; **$p < 0.10$

We found several statistically significant differences in the analysis of global competitiveness measures, i.e. subjectively assessed quality of service, productivity and profitability. It was revealed that the quality of service was perceived as being superior to competitors in the companies where there was no shiftwork ($p = 0.021$) or fixed-contract work ($p = 0.074$), both employer-driven practices. Additionally, productivity was rated as being superior to competitors again where shift-work was not present ($p = 0.063$). On the other hand, both productivity and profitability were assessed as being superior to competitors where two employee-driven practices existed, i.e. compressed work week ($p = 0.045$) and home-based work ($p = 0.085$).

Interestingly enough, objective indicators of company performance generated fewer statistically significant differences than the formerly explained subjective measures, all related to employer-driven practices. More specifically, the change in return on assets (ROA) in 2014 relative to 2013 was statistically significantly different only in the case of fixed-term contracts, where it was revealed that companies that do not apply this type of employer-driven FWA had better financial performance ($p = 0.035$). With respect to log of revenues per employee, higher revenues per employee were found again in companies that apply neither shift-work ($p = 0.049$) nor over-time work ($p = 0.034$).

DISCUSSION

While analyzing the differences in FWAs' provision with respect to organizational performance, we came to several important conclusions. Other than the fact that companies which apply teleworking reported lower levels of turnover and absenteeism, other differences were discovered only with regard to absenteeism. The possible explanation for teleworking could be that it allows employees to minimize stress and cost of travel to work (Mamaghani, 2012) and although this internal FWA meets the employees' need for flexibility (Kotey & Sharma, 2016), it also benefits employers by reducing infrastructure cost (Andersen, 2011). Interestingly enough, lower levels of turnover were found in companies that apply more temporary work, which may happen because a larger share of fixed-term workers implies a lower dismissal probability for permanent workers (Battisti & Vallanti, 2013). Higher levels of absenteeism were found in companies where annual hours contract as well as overtime work were present. The notion that long working hours have detrimental effects on productivity (which was also confirmed by our study) and absenteeism is not new (e.g. Kodz et al., 2003). Quite the contrary, the trends are now set

to reduce working hours and especially unproductive time at work, fueled mostly by work-life balance movement.

As for the financial measures of organizational performance, we reported several statistically significant differences with respect to subjective measures, and a couple with respect to objective measures. In the context of employer-driven FWAs, it can be concluded that the managerial rating of quality of service as well as objective measure of profitability (ROA) was higher for companies that do not apply fixed-term contracts. The use of fixed-term contracts and precarious work in general is rising in the EU in general and in Croatia especially[2] (Eurostat, 2018), mostly with an aim to reduce costs and increase efficiency (e.g. De Cuyper et al., 2011; Ongera & Juma, 2015). While acknowledging the fact that this type of employment arrangement can generate benefits for the employer, fixed--term contracting almost certainly results in lower employee loyalty and, consequently, lower work performance (De Cuyper et al., 2011). Additionally, since turnover of these employees can be quite high, a lot of time and resources are spent on training new employees, which almost certainly raises costs and reduces competitiveness (e.g. Thomas Wandera, 2011).

As mentioned earlier, overtime work seems to be negatively related to sales per employee, therefore having detrimental effects on productivity apart from the already established negative effects on absenteeism. Additionally, a consistency was found between subjective (quality of service and productivity) and objective measures of productivity (revenue per employee) for companies applying shift-work – both groups of indictors were more favorable in companies that *do not apply* this type of FWA. It should be noted that many research studies to date have focused on the negative consequences of shift-work and its influence on various health--related problems (e.g. Chun et al., 1998), which could be indirectly related to our findings. Ways to overcome negative consequences of shiftwork might include, for example, on-the--job training to help employees cope better with the rigors of working nights, evenings, and early mornings, as demonstrated in the study of Kerin & Aguirre (2005).

With regard to FWAs that primarily benefit the employees, compressed work week was found to be related to subjectively assessed profitability even though research so far has mostly reported mixed effects (e.g. Baltes et al., 1999). This type of flexible arrangement, also known as the "4-day workweek", has been growing in popularity, especially among young women and mothers (Drexler, 2014), since it allows them to balance work and non-work demands and consequently reduces stress and develops positive attitudes towards job

itself (see Baltes et al., 1999). Finally, subjectively-rated profitability was found superior in the case of companies where home-based work existed, corroborating once again the importance of time and place flexibility (Meyer et al., 2001).

After applying employee versus employer-driven criteria in analyzing outcomes of certain FWA practices, the positive impact of FWAs appears to depend on employee preferences. Even though efficiency and competitiveness are two major factors that influence management's decision to use FWAs (Kotey & Sharma, 2016) our research reveals that FWA can even be detrimental, especially if not voluntary or freely chosen by employees (Lewis, 2003). More precisely, when employees are left with little choice over their working time and location, employees as a result may feel less committed to the organization and less compelled to give back to the organization (Berkery et al., 2017).

CONTRIBUTION

The contribution of this study is twofold; first, presenting evidence from a large sample, this study advances knowledge in the field by empirically testing the relationship between FWA practices and different organizational performance indicators while taking into account who those practices benefit the most – employees or employer. More precisely, work-life arrangements i.e. those that primarily benefit employees were found to be positively related to several organizational outcomes while employer-driven arrangements were almost exclusively negatively related to organizational performance. Second, organizational performance measures used in this study do not come from a single source and, additionally, both subjective and objective, as well as financial and non-financial measures were used. Interestingly enough, significant relationships were mostly related to absenteeism in the non-financial group of indicators, while quality of service and other subjective measures of performance were related to the presence of FWAs in a higher proportion than objective measures such as ROA, ROE and revenue per employee.

For management, the results of the empirical research reinforce the advantages of a specific group of FWAs – those employee-driven. As mentioned on several occasions, flexibility in place and time, especially arrangements that are designed to aid the work-life balance, can generate positive organizational outcomes. As the employees who opt for e.g. home-based working and teleworking are often well-motivated, self-sufficient, self-disciplined, well-organized and good communicators, they will tend to generate higher performance for those firms which can offer such flexibility as a means to cap-

ture and retain them (Huws, Korte & Robinson 1990, after Stavrou, 2005). In that sense, employers should find ways to implement these specific types of FWAs at increasing rates as, according to our research, they have lower incidence among Croatian companies, but generate positive organizational outcomes – lower absenteeism and turnover, as well as higher profitability.

Unlike the employee-driven FWAs, arrangements that primarily benefit the employer, especially traditional arrangements, such as shiftwork, weekend work, annual hours count and fixed-term contracts generated mostly negative relationships with both financial and non-financial organizational outcomes. Even though it should be emphasized that some of these practices are mostly inherent to manufacturing companies and hence non-avoidable – certain measures do aid in making those practices more efficient. As already mentioned, training for shiftwork but also making fixed-term contracts eventually convertible to permanent contracts after the probation period have been found helpful (see Battisti & Vallanti, 2013).

In general, to enhance organizational competitiveness, companies need to implement flexible staffing strategies that create a mix of employees able to contribute their maximum to the company's success (e.g. Scheibl & Dex, 1998; Perry-Smith & Blum, 2000). HR activities that offer employees the flexibility to better manage their non-work lives can be considered strategic and should be added to the list of the "best practices" of strategic human resource management (Perry-Smith & Blum, 2000). However, in doing so, it is important to tailor FWAs to match both employers' and employees' needs and thus improve employee quality of life and strengthen organizational competitiveness (Stavrou, 2005).

Research limitations and recommendations for future research

Several research limitations should be addressed in this paper. First, the study relies on self-report data in the sense that one manager provided data for the company he/she works in. It should be noted, though, that the use of numerous informants was not practical in this case given the size of the survey research. Certain steps were taken, however, in order to minimize the effects of single-method bias: respondents were guaranteed anonymity to increase the accuracy of the responses; criterion measures were placed in different sections of the questionnaire from predictor variables; the expertise of our respondents could be deemed unquestionable, as they were members of the corporate HR team (see Berkery et al., 2017).

Second, in a part of our research we used subjective indicators of a company's standing in the market relative to its

competitors. The use of a separate, archival source for the profitability and productivity variable minimizes problems associated with common method variance. Additionally, we found subjective assessments largely corresponding with objective indicators that were collected independently, so we believe this particular limitation was overcome in large part.

The fact that we do not find more statistically significant differences with regard to financial performance could possibly be explained by the fact that the data was collected during unfavorable economic conditions, which could have had significant impact on profitability. It should also be noted that a precise measurable indicator of profitability may have yielded more accurate results, although finding such a measure has proven difficult (Berkery et al., 2017). Finally, as this study does not take into account the length of time since the FWA programs were implemented, future research should take into consideration the time variable as well. Consequently, more longitudinal studies are needed in the field.

In conclusion, it seems that a clear link between specific forms of FWAs and organizational performance does exist but there is more room for contribution in the academic literature. Because they are popular with employees and do not represent a large cost to employers (de Menezes & Kelliher, 2011), there is no doubt that FWAs have merit and will continue to be a powerful motivational tool and a high-performing work practice of choice.

NOTES

[1] The CRANET stands for The Cranfield Network on International Human Resource Management. For more information on the CRANET research group please see the organization's official webpage (https://learn.som.cranfield.ac.uk/cranet).

[2] Of all EU countries, Croatia has one of the highest percentages of precarious employees (22.2%) in total workforce. Higher percentages were found only in Poland (27.5%), Spain (26.1%) and Portugal (22.3%).

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KLINDŽIĆ, M., MARIĆ, M.:
FLEXIBLE WORK...

Fleksibilni radni aranžmani i organizacijska uspješnost – razlika u primjeni praksi koje pretežno koriste poslodavcima odnosno zaposlenicima

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Fleksibilni radni aranžmani (FRA) omogućuju fleksibilnost u dizajnu posla zaposlenika te, posljedično, bolju ravnotežu između poslovnoga i privatnoga života za zaposlenike te poboljšanje uspješnosti organizacije. Istraživačka pitanja definirana su na temelju analize dosadašnjih istraživanja i teorije socijalne razmjene, uz primjenu nove perspektive bazirane na ključnoj interesnoj skupini koja ima koristi od pojedinih aranžmana. Na temelju toga, različito se promatraju prakse koje primarno koriste zaposlenicima odnosno poslodavcima. Podaci o 12 fleksibilnih aranžmana prikupljeni su na uzorku od 171 velikog poduzeća u Hrvatskoj uz pomoć CRANET metodologije. Rezultati istraživanja pokazuju da je organizacijska uspješnost veća za prakse koje primarno koriste zaposlenicima. S druge strane, prakse koje su primarno korisne poslodavcima značajno su, ali negativno, povezane s indikatorima organizacijske uspješnosti. Glavni doprinos rada očituje se u isticanju važnosti aranžmana povezanih s ravnotežom rada i života u postizanju uspjeha organizacije i konkurentske prednosti.

Ključne riječi: fleksibilni radni aranžmani, konkurentnost, ravnoteža rada i posla, organizacijska učinkovitost, financijski indikatori uspješnosti, nefinancijski indikatori uspješnosti