

# Relationship between availability of WLB practices and financial results

WLB practices  
and financial  
results

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## Abstract

**Purpose** – The purpose of this paper is to investigate the effect of work-life balance (WLB) practices on the financial results of Spanish accounting audit SMEs.

**Design/methodology/approach** – Using survey data from 148 Spanish accounting audit SMEs, a regression analysis was developed to estimate the direct effects of WLB practices on firms' financial results (return on capital employed and return on assets). Firm age and size are considered as control variables.

**Findings** – Senior managers should foster some WLB practices (time-reduction and flexible-work practices) so as to enhance SME audit firms' financial results. Work-leave practices should be analyzed so as to promote some positive outcomes for firms, through internal reorganization or by reorienting employees to resorting to the most beneficial practices.

**Practical implications** – Not all WLB practices have positive effects on the business results of SMEs. Therefore, managers may try to reduce these negative effects or redirect employees to WLB practices that have more positive effects on their firms' financial results. Strategic information is also provided to employees and public institutions about fostering WLB in SMEs.

**Social implications** – The availability of WLB practices has been deemed fundamental not only for policy makers and society, but also for the organizational culture and for human resource management practices.

**Originality/value** – This study is the first to investigate the association between the availability of WLB initiatives in SMEs and firms' financial results.

**Keywords** Financial results, Work-life balance, Spain, Accounting audit firms, Work-life balance practices

**Paper type** Research paper

## Introduction

Nowadays, holding down a demanding professional job and also living a busy private life can generate inter-role conflict for workers. Establishing work-life balance (WLB) could be a solution. Employees with high levels of inter-role conflict are generally more susceptible to exhibiting dysfunctional forms of stress (Siegel *et al.*, 2005). They might reduce their work effort, which may lead to lower levels of job performance, satisfaction and organizational commitment (Kossek and Ozeki, 1998). Consequently, their productivity decreases and their absenteeism and turnover rates increase (Wayne *et al.*, 2004). These all affect organizational outcomes and financial results.

The employees' inter-role conflict might be intensified in certain sectors, such as in accounting audit, because the characteristics of this activity go counter to achieving successful WLB (Johnson *et al.*, 2008). In particular, this occupation's long working hours and its diverse clients, whose production and administrative facilities are often located in far-flung corners of the country, often mean employees must travel and work outside the office, which complicates their WLB. An auditor's job in an SME might involve working on many different projects simultaneously. Distinct professional teams are created for each audit project, which means working with different people and establishing different

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deadlines, procedures and work schedules. Hence, for these professional employees, no two working days are the same and that uncertainty and variability can exacerbate work-life conflict. Accordingly, employees increasingly demand WLB solutions to cover their personal, family and professional needs.

Senior managers might be interested in offering WLB practices, mainly if they perceive positive outcomes for their organizations (Adame-Sánchez and Miquel-Romero, 2012). In (people-intensive) professional services, such as accounting audits, where high intellectual capital is required and employees' concentration and alertness are crucial, WLB may play a key role. To date, the literature has focused on the availability and perceived accessibility of these practices (Budd and Mumford, 2006). The availability of WLB practices is considered one of the best tools for attracting valuable employees (Meyer *et al.*, 2001), reducing turnover intentions and stress (Lindfelt *et al.*, 2018; Thompson *et al.*, 1999) and increasing job satisfaction and productivity (Haar *et al.*, 2014; Meyer *et al.*, 2001).

Some senior managers remain unconvinced that WLB practices have a positive effect on business results (Macinnes, 2005). Research that analyses the relationship between WLB practices and SMEs' financial performance is scarce (Huselid, 2003; Wise and Bond, 2003). Furthermore, much of the literature on WLB has been conducted in an Anglo-Saxon context (Chang *et al.*, 2010) and not at a time of crisis, when organizations that face urgent problems must make drastic changes to ensure their survival. During the crisis, the majority of Spanish companies reduced their business and even many of them disappeared, generating an unemployment rate which reached the devastating figure of 26 percent (55 percent for under 25 s) at the end of 2012 (INE, 2013). Furthermore, the family annual income was reduced more than 10 percent (Ioakimidis *et al.*, 2014), the average purchasing power was deteriorated to lower levels than in 2001 (Ioakimidis *et al.*, 2014), and the social benefits (unemployment benefits, WLB practices or revaluation of pensions, among others) were reduced (FOESSA, 2013), increasing drastically the inequality (Eurostat, 2013). Consequently, for companies that are undergoing massive layoffs and expenditure cuts, WLB becomes less relevant than attending to other pressing issues (Been *et al.*, 2016; Pasamar and Valle, 2013). Moreover, during a crisis, deteriorating labor market conditions reduce employees' influence on organizations, thereby affecting human resources management (HRM). Nonetheless, some studies note that the accessibility of WLB practices in firms could produce positive outcomes for both workers (e.g. reducing inter-role conflict, greater employee commitment, etc.) and organizational outcome (Cegarra-Leiva *et al.*, 2012; Ngo *et al.*, 2009).

This paper aims to extend the findings of the previous literature by investigating the influence of the availability of WLB practices on the financial results of Spanish accounting audit SMEs. In doing so, this research could make contributions in several ways. First, it focuses on SMEs, overcoming the previous literature's greater emphasis on analyzing WLB practices in large organizations. Second, by focusing on the consultancy sector, this investigation might provide new insights into a highly competitive professional sector where employees have difficulties achieving good levels of WLB. Third, it aims to overcome a gap in the literature by examining the linkage between the availability of WLB initiatives and the financial results of firms undertaking these initiatives; this is a subtopic that has not undergone much analysis. Finally, we contribute to the literature by providing more information to managers and institutions regarding the financial effects of WLB practices, hence, providing new information that could enhance their decision making in HRM and organizational aspects. For example, this information might be helpful to managers of SMEs because they could offer employees WLB practices that contribute to positive business results, while avoiding or managing differently WLB practices with potentially negative effects on organizational performance.

Moreover, senior managers could redirect staff to WLB practices that have more clear positive effects on financial results. Likewise, senior managers could establish some conditions for the use of WLB practices that are either ambiguous or that do not clearly point to positive results for their firm. Finally, public institutions could manage information about the effects of each type of WLB practice in SMEs, giving more emphasis to those that could be most interesting for companies or society at the legislative level and in collective labor agreements.

## Literature review

### *Theoretical foundations*

WLB is defined as “the desire of all individuals – not just those with family responsibilities – to attain a balance between their paid work and their life outside of work, from child-care and housework to leisure and self-development” (Khallash and Kruse, 2012, p. 682).

The literature on WLB mainly focuses on two discernible decision-making agents: employees and employers. This turns the topic of WLB into two different discourses and scientific approaches (Zeytinoglu *et al.*, 2010). On the one hand, emphasis is placed on the role individuals play in searching for balance and all of the decisions they make pertaining to time control as it affects them and/or their families. On the other hand, the discourse in the literature focuses on the organizational side of WLB, by examining the decisions managers make about the availability of WLB initiatives in their firms or the supports offered to employees to assist them in their professional and personal lives. This research adopts the latter view, by centering its attention on the employer’s point of view. For the theoretical background of this paper, we provide a discussion of the different approaches the literature takes on this topic.

First, some WLB researchers explain the decisions firms make in terms of the availability of WLB measures according to the social exchange theory (Blau, 1964) and the norm of reciprocity (Sahlins, 1974). These studies note that employees have positive perceptions of the support their organizations offer through WLB measures; this higher satisfaction translates into a higher commitment to organizational goals and higher productivity. Hence, according to these theories, managers might offer WLB initiatives in attempts to develop a committed workforce and earn positive organizational outcomes.

From the institutional theory, the organizations adjust to their context in order to increase their legitimacy and enhance their resources and capabilities in the long term (Di Maggio and Powell, 1983; Scott, 2001). Particularly, the institutional theory has been used to justify the availability of WLB initiatives in organizations as being due to managers’ perceptions of the pressure coming from the both inside and outside of the organization (i.e. social demands, employees’ requirements and the existence of organizations already offering these initiatives) (Pasamar and Valle, 2011). However, this theory fails to explain why some firms do not offer life-friendly practices whereas other similar companies are doing so (Been *et al.*, 2016). This has led to the neo-institutional theory, a new approach that implies the incorporation of the free-choice element in managers’ decision-making processes. This new approach includes the strategic choice perspective (Galbraith, 1977), which is highlighted by different experts in WLB (Been *et al.*, 2016; Zeytinoglu *et al.*, 2010). Business case argumentation is a theory that emerges the neo-institutional approach (Been *et al.*, 2016; Den Dulk, 2001). Under this theory, actors’ decision making pertaining to WLB initiatives is affected by both institutional pressures and managers’ internal analyses of the potential positive and negative effects of WLB initiatives on their organizations. Hence, this theory takes a cost-benefit viewpoint.

The above-mentioned theories incorporate in managers’ decision-making processes an implicit or explicit analysis of the potential costs and benefits of providing WLB initiatives. It seems clear that, in their decision making, managers consider both the pros and the cons

of offering WLB supports to their workforce. In the following sections, we explain the measures available for balancing life and work and the positive and negative organizational affects that are highlighted in the scientific literature.

#### *Work-life balance practices*

Organizations and public institutions promote WLB practices that are defined as “any employer-sponsored benefit or working condition that helps an employee to balance work and non-work demands” (Cascio, 2000, p. 166). De Cieri *et al.* (2005) affirm that there are approximately 100 different WLB practices. Table I provides a compendium of the most important WLB practices in Spain.

Despite the existence of a number of well-known WLB practices, there is no clear approach to classifying these approaches (Poelmans and Beham, 2008). According to the classification of Darcy *et al.* (2012), some WLB practices can be categorized as follows:

- (1) Time-reduction practices: these practices allow employees to voluntarily reduce their number of work hours by working part-time or job sharing, which decreases their workload and salary. Darcy *et al.* (2012) call these practices temporal arrangements.
- (2) Flexible-work-arrangement practices: these include all employer policies that permit employees some level of control over when (flextime) and where (flexplace) they work, outside of the standard workday, without reducing their salary (Lambert *et al.*, 2008; Lapiere and Allen, 2006). Flextime refers to agreements reached between

Practices	Definition
Flexitime	An employee may vary his/her starting and leaving times within a range (designated a “flexband”) set by the employer, while he/she works the contracted number of hours in a specified time period (e.g. a day)
Compressed work week	Employees work the standard number of weekly hours in less than five days, changing from the conventional 5-day/40 h week to some form of compressed week (e.g. 4-day/40 week or 4-day/34 + 1 day/6)
Continuous working days (annual hours)	The number of hours that an employee has to work is calculated over a full year (e.g. instead of 40 per week, employees are hired to work 1,900 per year). Then, the employee is given some flexibility to organize his/her working schedule
Some teleworking hours	The use of information and communication technologies enables employees to access their labor activities certain hours, certain days, from remote locations, saving costs and time
Part-time work with salary reduction	The employee voluntary works fewer hours than the established normal hours of work in a country and receive lower compensation accordingly
Shared work	Voluntary work arrangement in which two people hold responsibility for what was formerly one full-time position, dividing the hours, responsibilities and compensations
Maternity/paternity leave over legal entitlement	When it exceeds the minimum legal requirement related to the birth or adoption of a child
Flexible holidays	When the company offers employees the possibility to choose their holidays in a year to better adjust to their personal circumstances
Extra holidays without pay	The employee can use working days for holiday’s purposes reducing the salary accordingly
Work leave	The employee takes temporary leave from the firm (for children care, a sabbatical year, agreed study or training) to facilitate his/her return to work after cause-related leave
Leave of absence	The employee provides care or support for a member of his/her immediate family because of a personal illness, injury or unexpected emergency

**Table I.**  
Frequent WLB  
practices offered by  
companies in Spain

**Source:** Adapted from De Luis *et al.* (2002)

employers and employees where workers are on the premises for the core hours of the working day, but they can decide when the rest of the work is done (Shepard *et al.*, 1996). Other flexible-work-arrangement practices include flexibility in the number of continuous working days, a compressed work week and flexible holiday programs. Flexplace involves locational flexibility in completing work and often refers to work being conducted at home (also known as teleworking) (Allen *et al.*, 2008). Thus, teleworking is defined as working an agreed amount of time, from employees' homes (Frank and Lowe, 2003). Allen *et al.* (2008), Lambert *et al.* (2008), De Menezes and Kelliher (2011), Darcy *et al.* (2012) and Masuda *et al.* (2012) call this category flexible-work arrangements.

Den Dulk *et al.* (2013) present a new group of WLB practices, which should be included:

- (3) Work-leave practices: these allow an employee to leave work under specific circumstances and, then, return after the employee has fulfilled their personal situation/purpose (e.g. parental leave, leave to take care of a sick or disabled child/dependent, extra holidays, work leave, etc.).

#### *WLB in SMEs in Spain*

As countries differ in the way they regulate matters pertaining to labor, such as working hours and conditions; the availability of WLB practices for employees also vastly differs from one country to another (Stier *et al.*, 2012). For instance, the effective use of flexible time schedules significantly varies between European countries. For example, in Spain, 15.0 percent of the female and 15.5 percent of the male labor force use flextime, whereas in Denmark, the figures are 61.3 and 62.7 percent, respectively (Goñi-Legaz and Ollo-López, 2015). Spain is characterized by delaying the introduction of WLB practices (Adame-Sánchez and Miquel-Romero, 2012), and the effective use of some WLB practices is not as extensive as it is in other countries (Goñi-Legaz and Ollo-López, 2015). Moreover, in Spain, the working hours are long (Pasamar and Valle, 2013). Consequently, Spanish employees suffer high levels of work-life conflict (Adame-Sánchez and Miquel-Romero, 2012; Pasamar, 2015; Stier *et al.*, 2012). Nevertheless, the use of WLB practices has increased in this country (Adame-Sánchez and Miquel-Romero, 2012), due to the Organic Law 3/2007 of March 22 for Effective Equality between Women and Men, which empowers workers and makes WLB available to both men and women so they can balance their work-life roles and create a more equal society (Pons-Peregrin *et al.*, 2013).

The most common WLB practices among Spanish firms are voluntary part-time work, taking time-off for personal reasons and flexible working hours (Adame-Sánchez and Miquel-Romero, 2012). Goñi-Legaz and Ollo-López (2015) found that family responsibilities or being part of a two-career couple affect the use of WLB practices in Spain, with women being the main users. The importance of the family in Spanish social structure (Pérez-Díaz *et al.*, 2010) and the robustness of traditional gender roles, where the mother is still mainly responsible for child-care (Goñi-Legaz and Ollo-López, 2015), justify the high use of WLB practices among women.

Another factor in WLB practices is company size. The literature reports that SMEs manage HR practices on more informal bases than large organizations (De Kok and Uhlaner, 2001), thus, there are fewer written WLB policies. Dex and Scheibl (2001) support this finding when they assert that WLB initiatives are formalized in large organizations, whereas their formalization is lacking in small firms, where administrators negotiate WLB practices with individual workers (Dex and Scheibl, 2001; Pasamar, 2015). Hence, according to the theoretical foundations used in this paper, the senior managers of SMEs in Spain take

into account the associated extra (economic, organizational or opportunity) costs and benefits when implementing WLB measures or accepting employees' proposals for WLB practices. Finally, women are the main targets of WLB measures because they are also more highly represented in SMEs than in larger companies (Dex and Scheibl, 2002).

In the next section, we provide a review of the literature on the results of different types of WLB initiatives in different countries and sectors of economic activity. Following this, we explain the development of our research and how it might provide new data and add to the current debate about the results of the above-mentioned WLB initiatives among SMEs.

### *WLB practices and organizational performance*

Since the 1980s, researchers on HRM have been paying increasing attention to the impact of HR practices on employees' results in terms of productivity, job satisfaction and commitment, among others. Today, the increasing attention being paid to issues of WLB, the rising pressure to implement relevant policies and practices (Beauregard and Henry, 2009; Lewis *et al.*, 2017), the new role models in the workplace (millennials[1]), and the enactment of the Spanish Organic Law for the Effective Equality between Women and Men, all call for an analysis that links WLB systems and business results. In particular, the expected results of their implementation are key to senior managers of SMEs tasked with making decisions on offering these systems. The existing research focuses on how WLB practices are associated with certain individual outcomes in order to reduce work-life conflict and stress (Adame-Sánchez and Miquel-Romero, 2012; Ashraf *et al.*, 2011), and anxiety and depression (Haar *et al.*, 2014). These practices improve physical and mental well-being (Beauregard and Henry, 2009), increase levels of job satisfaction (Haar *et al.*, 2014; Saltzstein *et al.*, 2001), life satisfaction (Haar *et al.*, 2014) and employee commitment (Ashraf *et al.*, 2011). Furthermore, WLB practices also promote better organizational behavioral results, such as superior results from employee recruitment (Beauregard and Henry, 2009; Jenkins *et al.*, 2014; Lewis *et al.*, 2017), fewer turnover intentions (Kim and Wiggins, 2011), better organizational citizenship behavior (Lambert, 2000), higher customer satisfaction (Lewis *et al.*, 2017) and greater work productivity (Giardini and Kabst, 2008). WLB practices are also tied to internal marketing and corporate social responsibility (Hartline *et al.*, 2000; Maignan and Ferrell, 2004), and favor the attraction and retention of talented employees (De Cieri *et al.*, 2005). Some research has found that WLB practices may improve organizational performance (Lee and Hong, 2011; Perry-Smith and Blum, 2000) and corporate image (Jenkins *et al.*, 2014), and contribute to an organization's positive reputation (Saeidi *et al.*, 2015).

Despite the above findings, not all WLB initiatives have a positive relationship with business outcomes. For example, SMEs are more dependent on other firms' working schedules and are less organizationally capable of attending to clients (Cegarra-Leiva *et al.*, 2012). Consequently, using WLB measures might create some coordination problems by, for example, increasing the workload of the co-workers who do not use these measures (Carrasquer and Martín, 2005; Poelmans and Beham, 2008). Moreover, some WLB practices might be costly to implement, such as workplace day care centers (Adame-Sánchez and Miquel-Romero, 2012; Konrad and Mangel, 2000) or long-term career breaks. As different groups of practices might have distinct consequences, we provide a review of previous studies that analyze these latter aspects of WLB.

In terms of the variables used, many researchers considered the availability instead of the use of WLB measures. This is because availability is a more stable organizational variable than usage. Having the availability of WLB measures is a strong forecaster of their actual usage (Avgar *et al.*, 2011), as proposed and supported in previous empirical research (Budd and Mumford, 2006; McNall *et al.*, 2010; Sánchez-Vidal *et al.*, 2011). Another factor in their use is the personal circumstances workers face (birth of children, divorce, caring for a dependent, etc.), which change over time. For this reason, the literature affirms that only the

accessibility of WLB practices is indicative of the general treatment employees receive from their employers (Beauregard and Henry, 2009), even if they do not use them. The availability of WLB measures is an important sign of the organization's concern for the well-being of their employees, which is sufficient to trigger reciprocal worker responses in terms of their organizational behavior (Scandura and Lankau, 1997). As previously explained, according to the social exchange theory (Blau, 1964) and the norm of reciprocity (Sahlins, 1974), when employees perceive that their organization takes care of them through, for instance, the availability and provision of WLB measures, in exchange, they will feel satisfied and express a more positive attitude toward their workplace (Lee and Hong, 2011). Hence, workers will consider the provision of WLB measures as something positive, even if they do not plan to use them (Beauregard and Henry, 2009; Prottas *et al.*, 2007). Following this approach, in this research, we consider availability rather than usage.

Studies that support the availability of time-reduction practices (e.g. voluntary part-time or shared work) would permit employees to focus on their tasks, work fewer hours and avoid some cognitive difficulties, such as stress, sleep disorders, lack of concentration and being less alert (MacEwen and Barling, 1994). When time-reduction practices are available, workers might adjust their personal situations through the actual use of these practices, if they need to. For instance, an employee could work part-time instead of full-time if they need this support for personal purposes. Thus, it could be expected that employees will be less stressed, more rested and happier, which could improve their welfare (Kallis *et al.*, 2013). These benefits should enhance job satisfaction, loyalty and organizational commitment (Williams *et al.*, 2000). Consequently, workers could generate higher productivity and higher organizational outcomes in production and earnings (Kassinis and Stavrou, 2013). Worker absenteeism and turnover rates might also be reduced through the recruitment of good candidates who might be attracted to the organization's voluntary part-time work arrangements. Further, as the Spanish labor market provides few opportunities for this type of work (De Luis *et al.*, 2002) and this employment option is most appealing for people with high work-life conflict or who are students, Spanish employees laud the availability of such practices (especially women who voluntarily choose part-time jobs due to family responsibilities (Zeytinoglu *et al.*, 2010). Nonetheless, the discourse in the literature is not so straight forward or homogeneous. Other academics affirm that organizations are less likely to offer part-time workers support for child-care or eldercare (Zeytinoglu *et al.*, 2010). Hence, accommodating employees' higher inter-role conflict might come with some negative consequences, such as part-time workers losing out on the supports their full-time counterparts enjoy. Likewise, these practices could reduce WLB if established work schedules turn out to be less compatible with children's timetables, thereby desynchronizing family routines, or become more rigid (where each minute on task is counted), thereby putting an end to the amicable arrangements that might have developed between employers and employees. Considering the positive and negative effects found in the literature review, we could suppose that the positive effects of WLB activities could be higher for organizations and, hence, we express our first hypothesis positively:

*H1.* The availability of time-reduction practices will be positively associated with an organization's financial results.

The availability of flexible-work arrangements allows employees to select and have control over when and where they work (De Menezes and Kelliher, 2011) without incurring salary reductions. Specially, we include the practices that involve personnel who work far from the workplace (teleworking), or at times that differ from the standard working hours (e.g. flextime, flexible holidays, compressed working week or day). Flextime and/or flexplace contribute to reducing work-life conflict; their combination also allows companies to benefit from employees with even greater work capacities (Hill *et al.*, 2010).

Academics have found heterogeneous results on the effects of the availability and practice of flexible-work arrangements on both individual and organizational performance (De Menezes and Kelliher, 2011). The most important individual performance is associated with employees' reduced psychological pressure (Ezra and Deckman, 1996; Goñi-Legaz and Ollo-López, 2015; Jones and McKenna, 2002), stress (Richman *et al.*, 2008) and work-family conflict (Masuda *et al.*, 2012; McNall *et al.*, 2010; Shockley and Allen, 2012). These practices also improve staff morale (De Menezes and Kelliher, 2011; Glass and Finley, 2002), self-efficacy, motivation, performance (Pederson and Jeppesen, 2012; Sweet *et al.*, 2014) and individual productivity (De Menezes and Kelliher, 2011; Shockley and Allen, 2012). Consequently, employees enjoy both higher job satisfaction (De Menezes and Kelliher, 2011; Glass and Finley, 2002; Masuda *et al.*, 2012; McNall *et al.*, 2010; Shockley and Allen, 2012) and higher family satisfaction. If attitudinal outcomes are considered, these practices increase employees' organizational commitment and personal well-being (De Menezes and Kelliher, 2011). At the individual level, however, these initiatives have negative effects on employees' career progression: the presenteeism culture makes them perceived as being less productive (Frank and Lowe, 2003; Friedman *et al.*, 1998), and they are not considered for promotions, more-challenging job responsibilities or special projects (Frank and Lowe, 2003).

At the organizational level, flexible-work-arrangement practices translate into positive outcomes. For example, they reduce absenteeism (Baltes *et al.*, 1999; Golembiewski and Proehl, 1978) and turnover intentions (Geurts *et al.*, 2009; Masuda *et al.*, 2012; McNall *et al.*, 2010), and increase retention (Dex and Scheibl, 1999; Glass and Finley, 2002; Schmidt and Duenas, 2002) and productivity (De Menezes and Kelliher, 2011; Konrad and Mangel, 2000). Flexible-work arrangements are also a means to recruit and retain employees (Budd and Mumford, 2006). Employees' perceptions that their organizations care for them make them feel more appreciated and justify their higher work and organization appreciation (McNall *et al.*, 2010). This is reflected in the wide list of positive outcomes organizations incur from making available flexible-work arrangements. Moreover, Whitehouse *et al.* (2007) and Beaugard and Henry (2009) found a positive association between the availability of such practices and perceived financial performance. These practices also favor the flexible organizational structures that respond to changes in their environments (Hall and Parker, 1993).

The effect of the availability of flexible-work-arrangement practices on profits differ, depending on the type of arrangement, firm and sector being considered. For example, Martínez-Sánchez *et al.* (2007a, b) found that using flexplace (teleworking) and flextime relate positively to firms' performance in Spain. In this sense, McNall *et al.* (2010) obtained similar results for employees who compress their work week because their companies tend to experience positive results.

Despite the outcomes mentioned in these studies, more positive outcomes have generally been found. Therefore, we formulate our second hypothesis as follows:

*H2.* The availability of flexible-work-arrangement practices is positively associated with an organization's financial results.

The availability of work-leave practices may also be linked to positive results for businesses. These practices involve permitting workers to temporarily leave their job positions, under specified situations, returning to work after the cause that is related to their leave has ceased. Most employees use leave programs for short time periods, such as taking leave for caregiving or health or taking an extended holiday. Long leave programs are not so common. In sectors that require highly qualified employees, the employees who leave their jobs for long periods of time (i.e. parental and work leave) will not be using their key knowledge and experience during the time of their career break or absence, thereby generating high opportunity costs for their employers. Also, despite there being no direct costs associated with an employee during their leave, the company could suffer negative



financial results. These could be lower returns, less productivity and lower work quality due to the inexperience of the new workers who are temporarily replacing the absent employee, or negative perceptions related to the absence of skilled employees could hurt the company's reputation. Nevertheless, this negative situation can be offset by hiring young capable professionals who are productive and highly committed.

Regarding the benefits of WLB practices, when employees use work leave, they avoid dysfunctional forms of stress (Siegel *et al.*, 2005) and the consequent lack of concentration on their work-related responsibilities. As a result, they improve their quality of life and their satisfaction with and commitment to their company (Carrasquer and Martin, 2005; Hughes and Bozionelos, 2007). Further, employees' turnover intentions are reduced (Baughman *et al.*, 2003), which means companies retain their most talented employees and their employees even develop behaviors where they take on extra roles. These personal and organizational effects should positively reflect on company performance. This, in turn, could enhance the organization's financial results. Cegarra-Leiva *et al.* (2012) confirm that the availability of work-leave practices positively affects organizational outcomes (e.g. quality of products, services and programs; retention of essential employees, etc.), which may be related to better business results.

Therefore, considering the results found in all of the above studies, our next hypothesis is as follows:

*H3.* The availability of work-leave practices is positively associated with an organization's financial results.

In summary, after reviewing the literature, and except for the more ambiguous outcomes of some WLB initiatives, there is a general positive association between the availability of WLB practices and an organization's financial results (Scandura and Lankau, 1997).

The literature uses different measures of financial results. Two in particular are: return on capital employed (ROCE) and return on assets (ROA). ROCE measures a company's earnings before interest and taxes per capital employed. Capital employed is defined as total assets minus current liabilities or total equity of shareholders plus debt liabilities. This ratio indicates the profitability of a company's capital investments by reflecting how efficiently the company is using the long-term funds of lenders and owners; or how much earnings before interest and tax generate each euro of capital employed. A high ROCE shows a company's efficient use of the capital. Recent research uses this measure for SMEs (Widarni, 2015), service companies (Ogbonna and Appah, 2014) and previous WLB studies (Bloom *et al.*, 2011). ROA provides an estimation of the firm's efficiency in using its assets to generate earnings and is a reliable indicator of profitability (Ting and Lean, 2009). A high ROA indicates that a company is able to effectively manage the resources it owns (assets) to increase its profitability, showing that is functioning well and making significant returns from current assets. Recent research uses this measure for firms in the service sector (Pietrantonio and Iazzolino, 2014) and for SMEs (Triguero-Sánchez *et al.*, 2013).

ROCE is more sensitive than ROA to increases in employees' productivity and performance (debts are not included in this measure). However, ROA includes a company's total assets and indicates how effective it is in deploying its assets (the profits earned on the employment of assets), thereby providing a better vision of their future results and competitive situation.

In using the above two variables to measure financial results (ROCE and ROA), we devise the following sub-hypotheses:

*H1a and H1b.* The availability of time-reduction practices will be positively associated with ROCE (a) and ROA (b).

*H2a and H2b.* The availability of flexible-work-arrangement practices will be positively associated with ROCE (a) and ROA (b).

*H3a and H3b.* The availability of work-leave practices will be positively associated with ROCE (a) and ROA (b).

Figure 1 illustrates the model that combines all of these sub-hypotheses.

**Methodology**

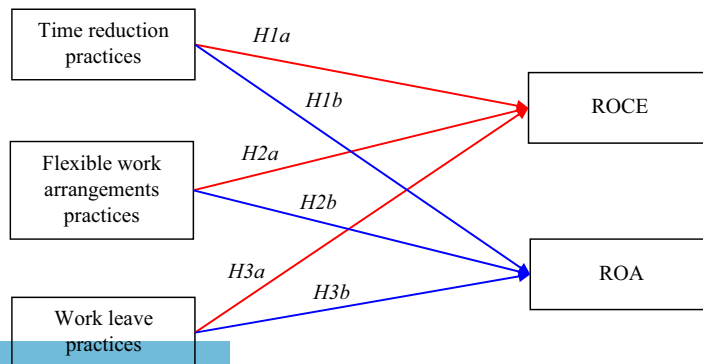
*Participants*

We chose Spanish accounting audit SMEs because auditors experience high work-life conflict and the introduction of WLB practices could be a win-win solution. Those working in this profession suffer peak periods of high workloads (legal deadlines) and often travel extensively to their clients' facilities (for a few days or even several weeks). SME audit firms offer traditional professional services (audits and accounting work) in conjunction with non-traditional services (management and information technology consulting). They also have close relationships with their clients (Suddaby *et al.*, 2009), which intensifies their visits and work outside of the audit firm's facilities.

This sector was also chosen because its members are professionals and their scarcity and organizational benefits justify the adoption of extensive WLB programs. Also, SMEs are considered in this research because previous studies assert that the level of availability of WLB practices is more homogeneous among SMEs (Cegarra-Leiva *et al.*, 2012).

A group of 535 Spanish SME accounting audit firms was identified from the Sistema de Análisis de Balances Ibéricos (SABI) database[2]. A survey questionnaire was sent out by telephone or e-mail to 148 auditors (professionals) of different firms: 57 percent were micro-enterprises, 38 percent were small-sized and 5 percent were medium-sized companies. The response rate was 27.7 percent. The average age of respondents was 32.5 years, where 70 percent of the sample was age 35 years or under at the time of the survey. Females comprised 63.9 percent of the sample. Their average tenure was 6.5 years at the time of the survey, and their level of education was predominantly university degree attainment (76.8 percent). Participants worked at various hierarchical levels: 24.8 percent were senior auditors (with decision-making power over work teams), 21.1 percent were junior auditors (no management power), and 54.1 percent were assistants (secretaries and administrative job positions that support auditors' work).

A comparison was made between the firms that completed the survey and those that showed no interest in it. No significant differences were found for the value of total assets, turnover or number of employees, meaning that there were no problems associated with non-response bias (Armstrong and Overton, 1977).



**Figure 1.**  
Research model  
and hypotheses

*Measures*

*Organizational availability of WLB practices.* This study uses the measures of De Cieri *et al.* (2005) and Cegarra-Leiva *et al.* (2012). These authors provide scores on the availability of 11 WLB initiatives (where 1 = no-one, 7 = all workers). These are combined into each category specified in the literature review: work-leave practices, such as unpaid leave to care for sick family members or dependents, absence/leave for child- and dependent-care, maternity/paternity leave over the legal entitlement and extra holidays without pay; flexible-work-arrangement practices, such as flextime, a compressed work week, continuous working days, some teleworking hours and flexible holidays; and time-reduction practices, such as voluntary part-time work with a salary reduction and shared work (job sharing). The Cronbach's  $\alpha$  in the current sample was between 0.764 and 0.861 (Table II).

*Financial results.* As indicated at the literature review, the ROCE and ROA for the year 2010 were used to measure the financial results. ROCE (earnings before interest and tax/capital employed) shows how efficiently a company's available capital is utilized, which is sensitive to the increase of employees' productivity and performance because it does not include debts (capital employed is calculated as total assets minus current liabilities). ROA (net income/total assets) considers all the company's assets, independently if they are paid by equity or debt liabilities, which indicates how much revenue per monetary unit is generated in relation to the company's assets or how effective the company is deploying its assets (efficient management). The data were obtained from the SABI database. The excessive amount of missing data, in the database, meant that other variables, such as sales, sales per employee or profit per employee, had to be ruled out.

*Control variables.* In previous research, the firm's age (years since its foundation) and company size (modeling the number of employees, as a categorical variable, into three groups: micro-enterprises, small-sized enterprises and medium-sized enterprises) are considered as determinants of the implementation of WLB practices and the organizational results (Laforet, 2013; Pasamar and Valle, 2013).

**Procedure and results**

Table II reports the means, standard deviations and bivariate correlations. Likewise, the reliability of each measure of WLB practice is analyzed to confirm their internal consistency.

Although this research relies on data from a single survey, it also uses secondary data (performance variables) to reduce any possible problems associated with common method bias (Hofer *et al.*, 2012). Likewise, we attempted to minimize this problem in three ways (Podsakoff *et al.*, 2003): by sending a cover letter to the respondents, along with the questionnaire, to explain that they should respond as honestly as possible as their data

	Mean	SD	Reliability	1	2	3	4	5	6	7
1. Work-leave practices	3.82	1.44	0.861	1						
2. Flexible-work arrangements practices	3.58	1.46	0.764	0.621***	1					
3. Time-reduction practices	3.41	1.45	0.850	0.341***	0.443***	1				
4. ROCE	15.73	35.10	-	-0.049	-0.226**	0.074	1			
5. ROA	-4.35	23.64	-	0.173*	0.236*	-0.134*	0.064	1		
6. Firm age	17.87	5.52	-	0.002	0.094	0.059	-0.071	-0.059	1	
7. Firm size	1.5	0.64	-	0.007	0.132	0.022	0.134	0.029	-0.023	1

**Notes:**  $n = 148$ . \* $p < 0.100$ ; \*\* $p < 0.050$ ; \*\*\* $p < 0.001$  (bilateral)

**Table II.**  
Mean values, standard deviations and bivariate correlations

would be used globally and kept confidential; by including clearly delineated sections in the questionnaire; and by undertaking a *post hoc* analysis through an exploratory factor analysis that shows that no single factor had emerged, nor had one general factor accounted for most of the variance (the strongest factor accounted for only 26.16 percent) (Podsakoff and Organ, 1986). This suggests that, on the one hand, the impact of the common method bias would be minimal (Podsakoff and Organ, 1986). In any case, Harman's single factor test was calculated, obtaining 30.96 percent of total variance explained for the first component which is acceptable (< 50 percent of all the variables in the model). This result confirms that although some common methods bias might be at the data, their effects are minimal and they are not going to affect the final results (Lindell and Whitney, 2001).

On the other hand, however, multicollinearity did not seem to be present because the regressions had variance inflation factors below 1.7, which points to their acceptability (Table III) (Tabachnick and Fidell, 2001).

A linear least squares regression analysis was used to test the hypotheses because this technique is useful to predict if the changes in the independent variables (the availability of WLB practices) are related to the changes in each dependent variable considered (ROCE and ROA). It is therefore an appropriate statistical method to examine the significance, strength and direction of the dependence relationships between two or more variables, not proving causality (Hair *et al.*, 2009) as established at the hypotheses. In Model 1, the different types of WLB practices were included to examine the main effect on the financial results. In Model 2, control variables (firm age and size) were entered to discover whether there was any influence on the financial results.

From the results, *H1b*, *H2a* and *H2b* were supported, while *H1a*, *H3a* and *H3b* were rejected. *H3b* has a negative effect on ROA, which is contrary to our expectations and also contrary to some of the results found in the literature. Moreover, the control variables had no effect on the financial results. These results are discussed in the following section, together with an explanation of the implications for senior managers and institutions when making decisions on policies related to WLB.

## Discussion

This research aimed to bridge a gap in the literature by examining the linkage between the availability of WLB initiatives and the financial results of Spanish accounting audit SMEs. Each result had to be analyzed separately so as to examine their positive and negative relationships to SMEs' profitability and their implications.

	ROCE		ROA	
	Standardized coefficient Model 1	Standardized coefficient Model 2	Standardized coefficient Model 1	Standardized coefficient Model 2
<i>WLB practices</i>				
Time-reduction practices ( <i>H1</i> )	-0.086	-0.089	0.289***	0.288***
Flexible-work practices ( <i>H2</i> )	0.180***	0.198***	0.101	0.124*
Work-leave practices ( <i>H3</i> )	-0.008	-0.007	-0.179*	-0.171*
<i>Control variables</i>				
Firm age		-0.102		-0.091
Firm size		0.116		0.006
FIV max.	1.643	1.672	1.125	1.456
$R^2$	0.201	0.223	0.207	0.245
Adjusted $R^2$	0.181	0.189	0.182	0.204
$F$ -value	5.074***	7.337***	3.812***	3.995***

**Table III.**  
Regression results  
for financial results

Notes:  $n = 148$ . \* $p < 0.10$ ; \*\* $p < 0.05$ ; \*\*\* $p < 0.01$

First, the availability of time-reduction practices (job sharing and voluntary part-time work with a reduction in salary) was positively associated with ROA (*H1b*), which means these practices provide for more effective use of total assets in terms of creating net profits, showing the company is functioning well. The availability of these types of WLB practices could favor employees who use them. That is, it might mean they focus better on their tasks, and optimize their cognitive abilities, technical skills and concentration (MacEwen and Barling, 1994). At the same time, they could reduce stress and improve their welfare (Kallis *et al.*, 2013), job satisfaction and commitment to the employer (Williams *et al.*, 2000). Consequently, employees could be more productive (Kassinis and Stavrou, 2013; Williams *et al.*, 2000), and organizations could incur higher organizational outcomes (Kassinis and Stavrou, 2013) and improved long-term profitability (Williams *et al.*, 2000). A more efficient management also means better financial outcomes (ROA). Likewise, the availability of these practices becomes very attractive for some people, especially women. And even if they are not currently using these WLB measures (Goñi-Legaz and Ollo-López, 2015), facilitating WLB helps HR recruit good candidates (Beauregard and Henry, 2009), which would positively affect the profits earned on the employment of all of a company's assets. Therefore, total corporate assets improve due to WLB practices, ROA being particularly sensitive to these improvements, as firms earn more money on their investments. Conversely, time-reduction practices are not found to be significantly associated with ROCE (*H1a*), perhaps because some trained employees' skills and experience would be less optimized through these practices, which would negatively affect the profitability of the firm's invested capital as they would not be making efficient use of the capital employed in the company.

Second, the availability of flexible-work-arrangement practices (flextime, continuous working days, compressed work week, flexible holidays or some teleworking hours) was positively associated with ROCE (*H2a*) and ROA (*H2b*), due to this arrangement's impact on efficient management. These practices may confer autonomy to employees, allowing them to organize their workday (De Menezes and Kelliher, 2011) or to reduce, or even eliminate their work-life conflict (Masuda *et al.*, 2012; McNall *et al.*, 2010; Shockley and Allen, 2012). Accordingly, flexible-work-arrangement practices favor greater employee work capacities (Hill *et al.*, 2010) and better attitudes toward work (Roehling *et al.*, 2001; Rogier and Padgett, 2004). These practices may also lead to improved individual performance through enhanced job satisfaction (De Menezes and Kelliher, 2011; Glass and Finley, 2002; Masuda *et al.*, 2012; McNall *et al.*, 2010; Shockley and Allen, 2012), productivity (De Menezes and Kelliher, 2011; Shockley and Allen, 2012), organizational commitment and well-being (De Menezes and Kelliher, 2011). All of these benefits improve organizational performance. At the organizational level, these practices generate less absenteeism (Baltes *et al.*, 1999; Golembiewski and Proehl, 1978) and turnover intentions (Geurts *et al.*, 2009; Masuda *et al.*, 2012; McNall *et al.*, 2010) and higher retention (Dex and Scheibl, 1999; Glass and Finley, 2002; Schmidt and Duenas, 2002) and productivity (De Menezes and Kelliher, 2011; Konrad and Mangel, 2000). In spite of the possible existence of negative effects (disruption and coordination costs, less socialization and professional opportunities, among others), employees' perceptions that their organization cares for them are also highly valued (McNall *et al.*, 2010) and are reflected in better perceived financial performance (Whitehouse *et al.*, 2007; Beauregard and Henry, 2009). Therefore, flexible-work-arrangement practices positively recover the capital invested in these firms (ROCE) and increase the company's profits, using the same amount of assets (ROA).

Third, the availability of work-leave practices (unpaid leave to care for sick family members or dependents, maternity/paternity leave over the legal entitlement, absence/leave for child and dependent-care, and to take extra days of holiday without pay) is not significantly associated with ROCE (*H3a*); once again, perhaps the loss of employees who are experts in their fields and have high competencies poses high opportunity and

economic costs. However, the availability of work-leave practices is negatively associated with ROA (*H3b*), which means that these firms are not properly utilizing their assets and may have invested a high amount of capital in their production while simultaneously earning little income from these investments. Consequently, a low efficiency of the asset in creating net profit exits, indicating the companies are not being run well. Several factors might explain these results. First, the availability of some short-term work-leave initiatives (e.g. for caregiving and health reasons) are generalized in Spanish companies and are slightly reduced by massive layoffs and labor market deterioration, during times of crisis (Jacob, 2012). However, sometimes it is difficult to predict when employees require WLB accommodations and sometimes providing these WLB needs is irrefutable, such as the need for employees to attend to important matters in their personal lives. Their availability and use may generate some positive effects, such as less stress (Siegel *et al.*, 2005), fewer turnover intentions (Baughman *et al.*, 2003) and less work-life conflict. Likewise, work-leave practices might improve employees' concentration on the job, job satisfaction, quality of life and their commitment to the company (Carrasquer and Martin, 2005; Hughes and Bozionelos, 2007), thereby helping the company retain its most talented employees. Nevertheless, these practices can seemingly counteract the positive effects of WLB practices, due to reduced business performance. Here, employees' productivity and work quality could be reduced by the associated disruptions, such as the extra coordination required to carry out activities, and the need to temporarily fill an absent colleague's position. These changes can affect customers' perceptions of a company's reputation and, consequently, its income level. The availability and use of long-term work leave could also produce negative effects on commercial relations with clients because they may prefer to work with the same professionals (i.e. those with key knowledge and skills), which would affect corporate reputation and result in lower returns. Second, auditors do not usually demand long-term work leave because dual career couples who need WLB may find independent care centers, professional babysitters/caregivers and/or housekeepers at acceptable prices. If one member of a dual-income couple decides to give up their career, then this partner could be responsible for child- and dependent-care, so the working partner would not need to consider accessing WLB practices. Third, for employees who are in the labor market during a crisis, their perceived job insecurity (by the high unemployment rate) would increase their need to be continuously present in the workplace so as to demonstrate their commitment to their employer (Hyman *et al.*, 2003), which, in turn, reduces their work-leave demand.

Likewise, the availability of work-leave practices is negatively associated with financial results, thus canceling out the win-win solution for employees' WLB and the firms they work for. This situation is intensified when taking into account a company's ROA (*H3b*) due to the associated potential high opportunity and economic costs and customers' negative perceptions of the company's reputation. The organizational outcomes that are derived from the availability of these practices (Cegarra-Leiva *et al.*, 2012) and from the lower wages paid (by incurring savings in the number of regular employees and new hires) (Baughman *et al.*, 2003) are seemingly not sufficient to enable companies to cope with the disadvantages of its availability. Consequently, the outcome of providing work-leave practices negatively affects a firm's efficiency in using its assets to generate earnings (ROA).

Finally, regarding the control variables, firms' size is not significantly associated with either ROCE or ROA, perhaps because despite the fact that the companies in the study are not all similar in size (small and medium size), they suffered the same effects of the economic crisis (less customers, less clients' turnover, paying more attention to the audit work to maintain quality, the same level of organizational expenses and less customers' fees), producing similar financial results. Also, firms' age as a significant control variable shows that both older and younger firms face the same financial situation. The results for the accounting audit sector were seriously

affected by the crisis and, in the opinion of accounting audit managers, keeping old customers and attracting new ones involves reducing professional fees, but, at the same time, maintaining the usual high quality and number of hours required to develop audit reports. This control variable's negative coefficient may reflect how older firms are more pressed, by fixed costs, to maintain their clients, quality and reputation.

### Implications for human resource management in SMEs and public institutions

This paper's contribution to the literature is that it investigates the impact of WLB activities and the financial implications for the firms that offer them, providing significant information for managers (specially HR managers), politicians and society. In this study, we take into account that senior managers might offer WLB practices to their workforce, while, at the same time, keeping in mind the costs and benefits associated with them. In particular, we provide a deeper understanding of the effects of WLB initiatives on accounting audit SMEs in Spain. Hence, our findings might help to enhance decision-making in these particular types of (people-intensive) firms, among managers and policy makers.

The findings in this research show that there is an association between the availability of WLB practices and firms' financial results, but also that the effects vary according to the type of WLB practice. On the one hand, time-reduction practices (job sharing and voluntary part-time work) have a positive impact on ROA. Flexible-work-arrangement practices (flextime, flexplace, compressed work week, continuous working days and flexible holidays) are linked to positive financial effects (ROA and ROCE). As a consequence, senior managers (those who are aware of these results) will voluntarily increase the availability of time-reduction practices and flexible-work arrangements, since these practices are expected to generate positive outcomes for their firms. However, on the other hand, work-leave practices have negative effects on ROA and, as a consequence, senior managers of audit firms would be not so willing to offer them.

These findings also provide key information to public institutions and policy makers who might wish to foster the availability of WLB in SMEs, establishing suitable organizational and management conditions for their adequate use. For example, when the perceptions of some WLB practices are that they are negative for business (e.g. work-leave practices), senior managers will not make HR decisions that support them. With the greater emphasis having been placed on policies aimed at family support, over the past few years, public institutions should regulate these practices, using laws as statutory requirements that compel firms to make these opportunities available to their employees (Been *et al.*, 2016). This has been proved to be effective in a number of countries, such as the Netherlands (Been *et al.*, 2016) and Spain (Adame-Sánchez and Miquel-Romero, 2012). In today's world, this type of policy is key as it could also have a direct impact on gender equality in society due the differences in the length of parental leave for fathers and mothers. Furthermore, this study will enable employees to understand the importance of their choice of WLB practice, mainly those who provide professional services that are essential to their firms' organizational and financial results. Introducing WLB initiatives may be one way to achieve better service and results. Likewise, in (people-intensive) professional services, managers may focus on some critical areas, such as HR and the production of services, improving efficiency and designing business strategies that attempt to increase ROA and make significant ROCEs, while, at the same time, ensuring that essential employees achieve reasonable WLB.

### Limitations and future research paths

The results of this paper should be interpreted with caution because they represent the first step in the study of the relationship between WLB practices and firms' financial results.

Initially, we suggest that it would be important to evaluate the results in a second independent sample, in order to provide some cross validation and to possibly generalize the results to other sectors and countries. Another limitation is related to the questionnaire respondents as they were accounting auditors (professionals) of audit companies. Further, the study does not include empirical evidence about WLB practices adopted by companies and senior managers' attitudes toward the analyzed variables. Additionally, there is a high representation of women in the sample and, although we consider WLB practices availability rather than WLB usage, this might affect the results obtained. Finally, there is evidence that the availability of WLB initiatives is associated with firms' financial results, but other possible mediating or moderating variables were not analyzed, such as good management practices, organizational results (e.g. employees' productivity, job satisfaction, engagement), or even the culture that supports WLB.

### Notes

1. They are paying more attention on WLB than previous age groups (Weber, 2017).
2. SABI (Analysis of Iberian Balances System) is an online database with financial information on more than 1,080,000 Spanish and 320,000 Portuguese companies.

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