Explaining Organizational Responsiveness to Work-Life Balance Issues: The Role of Business Strategy and High Performance Work System

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ABSTRACT

Using linked data for Canadian workplaces and employees, we find that product leadership business strategy is positively related to the likelihood of adopting work-life balance programs. Cost leadership business strategy is negatively related to the adoption of these programs. Moreover, high performance work system mediates the relationship.

INTRODUCTION

The issue of work-life balance has received extensive publicity during the past two decades. The increasing participation of women with children in the workforce and the increasing need of workers to care for aging relatives has increased the demand for organizations to adopt work-life balance programs (WLBPs) (Burke, 2006). However, there is a great deal of variation in the way employers have responded to this increasing demand. Some employers have adopted WLBPs and others have not. Even among those who do adopt WLBPs, there is a great deal of variation as to the type of programs adopted.

This paper re-examines the issue of WLBPs and improves on prior empirical research in several ways. (1) It is the first study to examine how the type of business strategy an organization follows will influence the likelihood of its adopting of WLBPs and how this relationship is mediated by high performance work system. This paper provides a new insight on how organizational characteristics can affect employers' responsiveness to work-life balance issues. (2) It uses longitudinal rather than cross-sectional data to provide more confidence in any causal relationships observed than was provided by previous cross-sectional studies. (3) It uses a linked employer and employee survey and gets dependent and independent variables from different sources. This helps to address the problem of common methods variance. And finally, the large, national representative dataset used in this paper allows for appropriate controls in data analysis and alleviates the selection bias found in previous research.

THEORETICAL CONCEPTS AND HYPOTHESES

Business Strategy

Business strategy is an all-encompassing and long-term organizational objective. It is linked to all the value chains in an organization (Porter, 1985; Schuler & Jackson, 1987) and will affect the policy decisions of the entire organization, including finance, R & D, human resources management, and marketing (Porter, 1985). A key factor linking business strategies and management practice is the search for competitive advantages. All management practices should be in line with the business strategy in order to help the company gain a competitive advantage. Porter (1985) first advanced the concept of competitive advantage and described it in terms of factors which allow an organization to compete successfully in the market. Work-life balance practices are amongst these important factors. Previous research has found that work-

life balance practices are positively related to both organizational and individual outcomes such as an organization's financial performance, labor productivity (Perry-Smith & Blum 2000; Konard & Mangel 2000), employee organizational commitment and attachment (Wang & Walumbwa 2007; Grover & Crooker 1995) and organizational citizenship behaviors (Lambert 2000). WLBPs help to develop committed and dedicated employees who provide a competitive advantage for organizations that is not easily replicated (Huselid, Jackson, & Schuler, 1997).

Although work-life balance practices can help a company gain competitive advantages by developing committed employees and contributing to company success, some work-life balance practices such as on-site day care and compensation for eldercare are costly. Companies pursuing a cost leadership strategy are not likely to adopt these expensive practices. But, companies that follow a product leadership business strategy need to invest in their employees in order to attract and retain the best employees (Porter 1985). Experiencing high turnover rates after investing heavily in employee development can be disastrous for these companies (Eby et al., 2005). Studies have shown that the best way for these companies to attract and retain quality employees is to adopt work-life balance practices (Grover & Crooker 1995; Wang & Walumbwa, 2007; Allen, 2001). Based on the above, the following hypothesis can be offered:

Hypothesis 1a: Product leadership business strategy will be positively related to the adoption of work-life balance practices.

Hypothesis 1b: Cost leadership business strategy will be negatively related to the adoption of WLBPs.

Mediating Effect of High Performance Work System (HPWS)

HPWS, is a system of human resources management practices that gives employees the skills, knowledge and motivation to improve productivity in order to help an organization gain a competitive advantage. Though experts disagree on what practices fall under the HPWS rubric (Becker & Gerhart, 1996), there is growing empirical evidence suggesting that characteristics of an organization, and in particular its business strategy affects the type of HPWS that it adopts (Arthur, 1992; Schuler & Jackson. 1987). This paper hypothesizes that an organization's HPWS has a mediating effect on the relationship between its business strategy and the type of work-life balance practices it adopts. This is based on the notion that an organization's business strategy determines its HPWS, and its HPWS in turn is related to its work-life balance practices because a HPWS needs committed employees to function well (Osterman, 1995).

The way employees behave and the roles they take on fundamentally affect the implementation of an organization's business strategy. Different business strategies require employees with different sets of attitudes and behaviors for optimal results (Porter, 1980). For example, a cost leadership strategy focuses on tight controls, overhead minimization, and the pursuit of economies of scale. It needs relatively repetitive and predictable behaviors, modest concern for quality, and a high concern for quantity of output (Schuler & Jackson 1987). Accordingly, the human resources practices fulfill these requirements by emphasizing a short-term focus with narrowly designed jobs and career paths, results-oriented performance appraisals, limited participation, close supervision, minimum levels of training, and close monitoring of market pay (Schuler & Jackson 1987; Arthur, 1992; Porter, 1980).

But this does not hold true for organizations competing on product leadership business strategy. Companies with product leadership strategy need to change production and organizational processes quickly in order to meet changing market and customer preferences. This uncertainty requires a greater depth and breadth of skills, a high concern for quality, and a

commitment to the goals of the organization. Human resource practices fulfill these requirements by emphasizing a long-term focus with high levels of employee participation, a combination of individual and group criteria for performance appraisal, and extensive and continuous training and development (Schuler & Jackson 1987).

But being aligned with an organization's business strategy is not enough to make a HPWS successful. To truly succeed, a HPWS must be related to the interests of employee too. Some researchers argue that HPWS must depend on the initiatives and ideas that arise out of a highly committed workforce in order to succeed (Osterman, 1995, page 685). Employee involvement provides an example of one type of HPWS that must be aligned to both the interests of the corporation and the interests of its employees. Companies that want to implement employee involvement programs to improve efficiency and productivity must find ways to encourage employee loyalty and commitment, and work-life balance benefits can help achieve this goal (Osterman, 1995).

Thus, we expect that the relationship between business strategy and WLBPs will be an indirect one that results from the necessity for HPWS to be aligned with a company's business strategy and induce employee commitment through WLBPs. The following hypothesis can be offered based on the previous discussion.

> Hypothesis 2: Companies that have implemented HPWS are more likely to adopt work-life balance programs, and HPWS mediates the business strategy--- adoption of WLBPs relationship.

METHODS AND DATA

The data used in this study are drawn from the Workplace and Employee Survey (WES), which is developed and administered by Statistics Canada. WES is a nationally representative survey of workplaces and their employees. It is a longitudinal survey which followed sample organizations from 1999 to 2005 and followed responses from individual employees within the chosen organizations for two consecutive years. Separate questionnaires were given to management and to employees within each organization and the responses by both groups complement each other to provide comprehensive business unit information on diverse aspects of human resources and industrial relations from both employer and employee perspectives. The data used in this paper is a 2003 workplace survey and 2004 employee survey. The final sample size is 3943 workplaces. Hierarchal multiple regressions were used to test hypotheses.

RESULTS AND DISCUSSION

This study examines the relationship between adoption of WLBPs and an organization's business strategy. The model was developed by first defining business strategy dimensions in terms of cost leadership and product leadership, then by conceptually and empirically connecting these strategies to HPWS and the adoption of WLBPs. Our results show that there is a positive relationship between product leadership strategy and the adoption of some WLBPs such as fitness and recreation programs and employee assistance programs. Cost leadership strategy is negatively related to adoption of these programs. But childcare and eldercare service, two very important WLBPs used to help employees deal with dependent care obligations, do not appear to be related to business strategies in our data. These results may be due to the fact that very few employers provide such programs, no matter what business strategy they follow. In our sample, only 183 out of 3943 employers provided daycare service, and only 123 out of 3943 employers provided eldercare service.

This paper provides initial evidence that HPWS mediates the relationship between business strategies and the adoption of WLBPs. It is noteworthy that HPWS explained such a large proportion of the effects of business strategies on adoption of WLBPs. The addition of HPWS explained approximately 42 to 61% of the relationship between business strategy and adoption of WLBPs. A company's overall objectives define its business strategy which in turn guides its conduct in a number of spheres including the adoption of HPWS and WLBPs. The business strategy can be thought of as the way an organization implements its objectives at the policy level. Introducing HPWS is a specific policy a business can adopt to implement its business strategy. And once HPWS is implemented, a company is more likely to adopt specific practices such as WLBPs that are consistent with its overall business objectives.

It is important to note that though HPWS may explain much of the relationship between business strategy and WLBPs, it does not fully explain the relationship. Our results show that business strategies, mediated through HPWS, lead to the implementation of WLBPs. But business strategies also influence the adoption of WLBPs directly. It is also possible that business strategies affect other unobserved practices of the organization which, in turn, influence the adoption of WLBPs. These alternative paths to the adoption of WLBPs were not explored in this paper because more detailed measures of organizational practices were not available. Job discretion is one example of an alternative path that could influence the adoption of WLBPs. Budd and Mumford (2006) find that workers who have discretion over their tasks are more likely to be given paid leave. Therefore, future research should explore the effects of business strategy on other drivers of WLBPs adoption in order to obtain a better picture of how business strategy influences the availability of WLBPs. Other organizational characteristics not examined here such as the difficulty in filling vacancies may affect an organization's responsiveness.

Despite these limitations, this study has a number of strengths. First, because the independent, mediating and dependent data were collected from different sources, the paper avoided the common method variance that results from collecting data from a single source. The findings are further strengthened by the use of longitudinal data on factors that explain adoption of work-life balance policies. Using data from different years provides greater confidence that there is a causal relationship between an employer's chosen business strategy and the adoption of certain work-life balance practices. Not only does this study establish the existence of this relationship, it also reveals that the relationship is mediated through high performance work systems.

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