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There is a link between work life balance culture and strategic competitive advantage

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Strategic competitive advantage and work life balance culture: Is there a link?

ABSTRACT: This paper suggests a linkage between work-life balance culture and competitive advantage through commitment and firm-specific human resources. The paper argues that a workplace culture supportive of employees balancing their work and non-work lives leads to their commitment to their organisation being higher. Higher commitment leads to a greater willingness to invest in the development of firm specific resources – such as developing certain intra-organisational competencies or idiosyncratic technical competencies. This greater level of firm specific resources then enables the firm to have a stronger competitive advantage. The paper argues theoretically for these relationships, reviewing the relevant empirical and theoretical literature and concludes with suggestions for practice and future research.

Linking Strategic Management and Work-life Balance Culture?

To date, work-life balance culture and competitive advantage have not been well linked, even though work-life balance has been shown to have positive organisational outcomes (Perry-Smith and Blum, 2000). In this paper, we will demonstrate the link between work-life balance culture and commitment and then demonstrate the positive effects commitment has on the development of firm-specific human resources. These firm-specific resources are seen as valuable resources underlying competitive advantage (see for example Wang and Barney, 2006).

Work-life balance culture is a particular aspect of the organisational culture that reflects the attitudes and values in the organisation surrounding the ability of individuals to balance their work and non-work lives (Thompson, Beauvais and Lyness, 1999). Certain work-life balance cultures may lead to higher commitment (Allen, 2001) and strategic management literature suggests that human resources are a very relevant source for competitive advantage realisation (Snell, Shadur and Wright, 2005 or Wang and Barney, 2006). Therefore, we suggest that work-life balance and strategic management do have a relevant linking pin in terms of the work culture.

The culture of a workplace is regarded as relevant for the well-being of the individual (Thompson, et al., 1999) but also seen as a relevant resource for an organisation to realise competitive advantage

(Itami, 1987). Pfeffer (2005) and Pfeffer and Veiga (1999), for example, suggest "communal-like" (close) relations between employers and employees can lead to a higher motivation of employees and increased organisational performance. Furthermore a close relationship correlates with a higher level of self-reported job and organisational commitment (Millward and Hopkins, 1998; Mc Elroy, 2001). Organisational commitment binds an employee to entities and behaviour and can result in lower turnover intentions, lower actual turnover and positive workplace behaviour (Meyer and Herscovitch, 2001; Meyer, Stanley, Herscovitch and Topnolsky, 2002; Porter, Steers, Mowday and Boulian, 1974). However, valuable employees are usually mobile, leading to insecurity for the employer to be able to sustain resulting advantages. Commitment of an employee in this context would therefore be of high strategic relevance. Thus, it seems to be very fruitful to look at the common grounds of work-life balance culture and competitive advantage realisation in terms of the creation of a work culture that is beneficial for the individual, thereby committing him or her to the firm, providing a valuable source of competitive advantage for the organisation.

The paper begins with a literature review linking work-life balance culture to commitment. It then reviews the literature linking specific human resources to competitive advantage, then outlines the resulting research gaps and demonstrates theoretically how commitment is related to the development of specific human resources. The result is a conceptual framework identifying the links from work-life balance culture to competitive advantage. The paper will conclude with pragmatic implications as well as avenues for future research.

Work-life balance culture and commitment

Organisational culture is defined as 'widely shared and strongly held values' (Chatman and Jehn, 1994: pg. 524). The work-life balance culture is a subset of the attitudes, relating directly to how supportive the organisation is in allowing employees the ability to balance their work and non-work lives. We believe this culture will then relate to organisational commitment, in particular its affective component, which is characterised by an emotional attachment to the organisation (Meyer and Allen, 1997). This relationship between work-life culture and affective commitment is assumed because if there is a set of values and beliefs in the organisation that are supportive of work-life balance, people are going to feel more positive toward their organisation.

There are many dimensions upon which culture is measured, but the aspect of interest in this paper, is work-life balance culture (Sahibzada, Hammer, Neal, and Kuang, 2005). Thompson, et al. (1999) define work-family culture as "the shared assumptions, beliefs, and values regarding the extent to which an organization supports and values the integration of employees' work and family lives" (pg. 394). This paper refers to the work-life balance culture of an organisation and uses this term to mean the values within the organisation around support for work-life balance, which includes the individuals' family lives and other non-work aspects of their lives. Work-life balance is often defined as a satisfactory level of involvement or "fit" between the multiple roles in one person's life and how well someone is able to manage these competing demands (see for example Tausig and Fenwick, 2001).

There is a growing body of empirical research that highlights that the organisational environment and its supportiveness of work-life balance policy use accounts for the gap that seems to be common between policy provision and utilisation (see for example Campbell, 2001; Sherer and Coakley, 1999; Soonhee, 2001; Wise and Bond, 2003). This evidence shows that the context within the organisation specifically related to work-life balance is important in determining what people do and how they feel in the organisation (Behson, 2002). The most commonly cited approach to this aspect of organisational culture is Thompson, et al.'s (1999) three dimensions of work-family balance culture. Allen (2001) argues one of Thompson et al's dimensions is really two dimensions, and McDonald, Brown and Bradley (2005) add two extra dimensions that also seem to be important. These six dimensions of culture will now be presented.

Thompson et al's (1999) first dimension of work family culture measures *time demands*, defined as the extent to which an organisation expected an employee to put work before their family responsibilities. It focuses on the amount of time needed for work, and the organisation's expectations around this. The second dimension measures the perceived negative *career consequences* of using work-family benefits or from prioritising family over work demands. It is believed that negative career consequences (such as fewer opportunities for promotion and a lesser likelihood of receiving other organisational rewards) may arise when a lack of physical presence in the workplace is thought to be associated with a lack of commitment to the organisation. Employees who utilised family-friendly policies were found to be

allocated fewer organisational rewards, including advancement opportunities and salary increases, than employees who did not use the policies (Allen and Russell, 1999). The third dimension measures *support from management* including sensitivity to employees' family demands. It has been argued that managers play an important role in the success of work-life balance programs because they are in a position to actively encourage or discourage employees' efforts to balance their work and non-work lives (Perlow, 1995; Thompson, Thomas and Maier, 1992). Bardoel (2003) showed that where supervisors enthusiastically supported the integration of paid work and other responsibilities, employees were better able to utilise available work-life balance options. Allen (2001) suggests that this dimension should be broken into two dimensions – direct *supervisor support* and broader *organisational support*.

Gender expectations is the first of the two extra dimensions proposed by McDonald et al. (2005). Although work-life policies are ostensibly gender-neutral, in practice they have revolved around facilitating the working conditions of women (Haas and Hwang, 1995; Strachan and Burgess, 1998). The gender expectations dimension examines the extent to which, in practice, the work environment is believed to support work-life balance for both men and women. The final dimension proposed as important in the conceptualisation of work-life balance culture is *co-worker support*. A study by Kirby and Krone (2002) found that structures impacted on the system of how work-family benefits were constructed. These structures included co-worker interactions, such as comparisons of expectations of business travel for employees with and without family responsibilities (Kirby and Krone). Women who utilised the policies felt resentment from co-workers and were cognisant of needing to balance "use" versus "abuse" so as not to be seen, and treated, as a less committed worker. Co-worker support is therefore the extent to which colleagues in the work environment – other than supervisors and managers – support staff in balancing their work and non-work lives.

Work-life balance has been found to have a number of positive outcomes (see for example Rothausen, 1994; Frone, Yardley and Markel, 1997; Lambert, 2000; Konrad and Mangel, 2000). There is evidence that work-life balance is related to higher levels of organisational commitment. An early definition of commitment defined it as "the relative strength of an individual's identification with and involvement in a particular organization" (Mowday, Steers and Porter, 1979, pg. 226). More recently,

Meyer and Herscovitch (2001) examine the many different definitions of commitment, and define commitment as "a force that binds an individual to a course of action of relevance to one or more targets" (pg. 301). The literature linking work-life balance and commitment will now be reviewed.

Scandura and Lankau (1997) surveyed 86 people in organisations with a flexible work program and 74 in organisations without and found that the commitment of employees from those organisations that did not have the programs in place was significantly lower than the commitment of employees from the other organisations. As well, Aryee, Luk, and Stone (1998) examine the relationship between flexibility, supervisor support and organisational commitment. They conducted a survey with 228 employed parents in a large service authority in Hong Kong and found a positive relationship between work-life benefits and commitment. Roehling, Roehling and Moen (2001) studied a sample of over 3000 American workers and found that work-life policies tended to be related to higher loyalty for most employees. When critically reflecting on the research linking work-family with commitment they identify some limitations, the first of which is relevant here. It identifies the lack of focus on the supportiveness of the organisational environment, a limitation that our approach will address

A study by Haar and Spell (2004) based on social exchange theory investigates beliefs and program knowledge around work-family practices and their relationship to organisational commitment. 203 employees from the New Zealand financial services sector completed surveys to provide the data. It was found that affective commitment was related to the knowledge employees had about the work-life programs in their organisation to a greater extent than the actual work-life practices. Finally, a study by Goldberg, Greenberger, Koch-Jones, O'Neil, and Hamill (1989) found that satisfaction with work-life benefits was related positively to commitment, but actual use of the policies was not.

While there are some limitations with the literature in this area, such as much cross-sectional, self-report survey data, these findings support our proposition that it is attitudes and beliefs around work-life benefits, rather than usage itself, which will relate to commitment. That is why we propose the work-life balance culture as the important element and will now review the literature that exists linking cultural elements to organisational commitment.

While little research has measured work-life balance culture directly with regard to its relationship to commitment (aside from Thompson, et al., 1999, and Allen, 2001), more research has been conducted

relating cultural elements – such as supervisor support – to organisational commitment. For example, Scholarios and Marks (2004) examined the effect of a number of factors, including organisational support, on organisational commitment. They examined two case studies in the computer software industry, and collected extensive background data, as well as questionnaire data from 245 employees, and found that greater organisational support for non-work aspects without negative career consequences was related to higher levels of affective commitment to the organisation. A similar relationship between supervisor support and commitment was found by Thompson, Jahn, Kopelman and Prottas (2004) and Wang and Walumba (2007).

The two main studies that directly measure the cultural dimensions mentioned above are Thompson et al. (1999) and Allen (2001). The work by Thompson et al. (1999) is the first to directly measure work-life balance culture, and conceptualises it along the three dimensions discussed previously. A survey was completed by 276 university alumni, and indicated that a supportive culture was positively related to affective commitment. Further, Allen (2001) utilised the same conception of culture as Thompson et al. (1999) and also conducted a survey in the United States with over 500 respondents from many different organisations. Their results also demonstrated that perceptions that the organisation was supportive of family friendly practices were related to higher levels of organisational commitment. In fact, these perceptions mediated the relationship between the provision of the policies and practices, and organisational commitment. These results together show that it is likely that the work-life balance culture in an organisation is directly related to individuals' feelings of commitment to the organisation.

Specific Human Resources and Competitive Advantage

Businesses usually want to gain competitive advantage in order to obtain above average profits relative to the business environment in which they compete. Competitive advantages are firm-specific advantages that cannot be imitated by other firms or can only be mimicked at a very high cost. Strategic management wants to provide explanations to account for managerial practices and their consequences thereby dealing with the performance of business enterprises. The fundamental question in the field is how do firms achieve and sustain competitive advantages (see for example Royer, 2005). Theories with economic roots conceptualise competitive advantage in terms of the resulting rents. In

the following paragraphs this conceptualisation is used to outline different kinds of competitive advantages before these are linked to specific human resources in the next step.

Strategic management in the 1980s was dominated by insights from industrial organisation (Porter, 1980; 1981; 1985). This perspective, still influential today, however, is partly integrated into other concepts that take firm-internal factors into focus such as the resource-based view (Wernerfelt, 1984; Barney, 1991; Grant, 1991; Peteraf, 1993) and the dynamic capabilities view (Eisenhardt and Martin, 2000; Kogut and Zander, 1992, Zander and Kogut, 1995, Leonard-Barton, 1992; Teece, Pisano and Shuen, 1997). Both approaches evolved because of the lack of convincing alternatives to the industrial organisation perspective that predominantly focused on structural conditions and competitor positioning and lacked an internal firm-related focus. The approaches have a different but compatible view of competitive advantage.

Porter (1980) proposed that firms can influence industry structures actively and passively by taking advantage of market imperfections. Business strategy in this sense is about changing industry structures and performance. The nature of generated rents is monopolistic, i.e., rents accrue from the exploitation of market imperfections by positioning of firms in an industry structure. The resource-based view of the firm (RBV) contributes in various ways to the explanation of long-term competitive advantage. The RBV literature (Barney, 1991; Collis and Montgomery, 1995 and 1997; Grant, 1991) suggest that resources that lead to competitive advantage have to be (1) valuable, i.e., improve firm effectiveness and efficiency, (2) scarce, i.e., different from the resources of other firms, (3) non-substitutable, i.e., other firms should not possess other resources that fulfil the same purpose, and (4) inimitable, i.e., competitors should not be able to copy them. Such imitation is difficult if resources are physically unique, path dependent, causally ambiguous, highly socially complex and/or asset specific. The resource-based view of the firm focuses on rents in terms of above-normal rates of return that the owner of scarce firm-specific resources can gain, i.e., firms with superior resources earn Ricardian rents (Peteraf, 1993, pg. 180). Further quasi-rents through firm-specific resources can occur.

From a dynamic capabilities perspective competitive advantage realisation refers to firm abilities to achieve new forms of competitive advantage by renewing competencies in order to create congruence with the changing business environment (Teece et al., 1997; Eisenhardt and Martin, 2000). The

perspective on competitive advantage realisation is dynamic in terms of acknowledging that firms continuously have to build, adapt and reconfigure internal as well as external competences. 'Competing on capabilities' rather than choosing a product market position or making traditional resource investments (Collis, 1994, pp. 143-4) is the underlying logic. Entrepreneurial or Schumpeterian rents are achieved by risk-taking and entrepreneurial insights in an uncertain or complex environment. Schumpeterian rents are self-destructive because of knowledge diffusion. The focal concern of the dynamic capabilities views is directed on asset accumulation, replicability and inimitability (Teece et al., 1997, pg. 527).

In summary, competitive advantages for this research are conceptualised to be firm-specific advantages that may lead to monopolistic, Ricardian, Schumpeterian and/or quasi rents. Since the performance of a firm is dependent on different input suppliers contributing different assets to create complex bundles of resources, such resource bundles form the basis of (sustainable) competitive advantage (Grant, 1991).

Literature suggests that firm-specific human capital is a central resource for the realisation of competitive advantage. It is often argued that valuable resources and capabilities do lie inside the firm (Barney, 1991; Grant, 1991; Peteraf, 1993, and Eisenhardt and Martin, 2000). In this context distinct human resources are regarded as very valuable (Cappelli and Crocker-Hefter, 1996, Snell et al., 2005, Wang and Barney, 2006). Human resources do meet the criteria of positive value and uniqueness and are hard to imitate and substitute. There is broad consensus in the strategic management literature that valuable human resources can lead to competitive advantage (Pfeffer, 1994; Bartlett and Ghoshal, 2002). Recently, empirical evidence for this relationship has been given (Camuffo and Comachio, 2005; Hayton, 2005; Lopez-Cabrales, Valle and Herrero, 2006). Usually senior managerial employees are regarded as critical resources (Godard and Delaney, 2000). However, it can be argued that this is a limited view as most employees remaining in a certain firm for a longer time period accumulate relevant firm-specific knowledge (Kullak, 1995; Royer, Waterhouse, Brown and Festing, 2008; Taylor, Beechler and Napier, 1996). On all levels people become accustomed to the organisational structure, know the formal but especially informal communication channels and may develop loyalty to their employer. In contrast to other authors, Wright, McMahan and McWilliams (1994) emphasise

the importance of the entire human resource capital pool. They further outline that (top) management is mobile and visible so that resulting rents are often rather appropriable by these employees themselves and not the employer. Employees on lower levels are directly involved in the production of the product or service and often have fewer options to change the workplace.

Firm-specific qualifications are less valuable on the external labour market than the firm-internal labour market. Employees therefore are willing to invest in only those skills and capabilities that would be rewarded, for example, in the form of job security (Child and Rodrigues, 2004). Less job security and increased career mobility leads to the situation that fewer employees are willing to invest in firm specific skills, preferring instead to concentrate on acquiring skills that ensure employability in the external labour market. Firms thus may lose one of their most valuable and distinguishing resources - firm-specific human capital. In summary, it becomes obvious that specific human resources are a relevant source of competitive advantage with the potential of achieving quasi and Ricardian rents.

Conceptual Framework: Linking work-life balance culture and competitive advantage

In the previous sections we outlined the relationships between work-life balance culture and commitment as well as between specific human resources and competitive advantage. Now a link between commitment and specific human resources has to be developed to conclude the examination of the important relationships underlying this paper. Little research has been conducted directly linking work-life balance culture with the competitive advantage of the firm. The one study of which we are aware is the work by Perry-Smith and Blum (2000). They examine the role of work-family 'bundles' ("a group of complementary, highly related, and in some cases, overlapping human resource policies that may help employees manage non-work roles", pg. 1107) and their relationship with measures of organisational performance. They argue that an organisation, by offering work-family policies, signals to employees that the organisation provides unexpected benefits, which then encourages the employee to reciprocate, possibly by working harder. Perry-Smith and Blum used data from 527 firms in the U.S. National Organizations Survey. Eight work-family policies were included, and firm level performance was measured in three ways – two were perceptual and one was profit and sales growth. Results showed that organisations that had a greater range of policies had higher levels

of performance. The authors state in their directions for future research that it is important to understand the effect of these policies and how they are ingrained in the culture, and how this may influence firm performance. For while these authors' theoretical underpinning relies on beliefs around these policies, they actually only measure the number of policies themselves, and assume these relate to attitudes and values.

We propose that it is the values themselves – the work-life balance culture – which is likely to be important to firm performance. This especially is the case as firms usually want sustainable competitive advantage. Relying on people to perform at a high level due to believing they are in a better situation relative to a previous or other organisational situations means that what employees are offered may need to be constantly increased to maintain the belief that they are getting more. Developing a culture where there are values and attitudes of reciprocity is more likely to result in ongoing or sustainable commitment. A work-life balance culture may enable competitive advantage for a longer time and may even gain in terms of inimitability by underlying path dependencies.

The aim of the framework (see Figure 1) is to show that supportive work-life balance culture will assist in the development of firm-specific resources, which lead to competitive advantage through developing organisational commitment. To do this we have demonstrated that the following propositions P1 and P2 can be supported from the literature.

-------------------------------------Please insert Figure 1 about here---

P1: Supportive work-life balance culture leads to the development to organisational commitment.

P2: Firm-specific human resources are relevant for competitive advantage.

The final link which needs to be supported is between organisational commitment and a higher willingness of employees to invest into firm-specific competencies resulting in a higher extent of firm-specific resources. With regard to the concept of firm-specific human resources we build on Nordhaug's (1998) work. Nordhaug combines dimensions of firm specificity with the dimension of task specificity and industry specificity leading to six competence categories of which the following two are of relevance for this research: (1) Intra-organisational competences, i.e., competences that show a low extent of task specificity combined with a high degree of firm specificity. Examples would be knowledge about co-workers or the organisational culture of the workplace as well as firm-internal

networks and the competitive and corporate strategy of the business. (2) Idiosyncratic technical competences, i.e., competences with a high degree of firm- as well as task-specificity that enable a person to solve one or very few tasks in a certain firm context. Examples would be knowledge about unique technologies, firm routines, firm specific software or IT systems (Nordhaug, 1998). The next step is to link the different types of commitment with the two kinds of competencies focused on here. A good starting point is the review by Meyer and Allen (1997) on the relationships between the three different types of commitment - an affective component, a normative component and a continuance component - and various outcomes. We will focus on the evidence where the outcomes can be seen as a direct component of firm-specific competencies (i.e., intra-organisational and idiosyncratic technical competences).

Meyer and Allen (1997) review evidence to show affective commitment linking to intra-organisational competences in terms of adhering to organisational policy as well as a high level of compliance with corporate level strategic decisions. Further, the review indicates a strong relationship between affective commitment and organisational citizenship behaviour. With regard to linking affective commitment to idiosyncratic technical competencies Meyer and Allen mention the control of operational costs as an outcome of commitment. From their review it becomes obvious that "… affectively committed employees direct their attention to aspects of their work performance they believe to be valued by and valuable to the organization" (Meyer and Allen, 1997, pg. 30).

Meyer and Allen (1997) further provide some evidence that normative and continuance commitment may also be related to some organisational outcomes, although not specifically intra-organisation or idiosyncratic technical competences. We believe therefore that continuance commitment is likely to have the least effect on the development of firm-specific resources. This is due to the fact that a belief employees have about what they lose if they leave the organisation is not likely to impact on their firm-specific behaviour and investments in the organisation, although there might be a weak effect. Normative commitment is likely to have a stronger effect as a sense of obligation to the organisation will likely lead to greater willingness to invest in firm-specific competencies, be they intra-organisational or idiosyncratic technical in nature. Finally, the strongest relationships are likely to be between affective commitment and investment in firm-specific competencies. When employees feel a

high level of emotional involvement with their organisation they are likely to engage in behaviour that is exclusive to their current employer. The final proposition is therefore:

P3: Organisational commitment will be associated with a higher willingness of employees to invest into firm-specific competencies resulting in a higher extent of firm-specific resources.

Figure 2 summarises the elements of the important concepts.

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Concluding remarks

This paper has suggested a linkage between work-life balance culture and competitive advantage through commitment and firm-specific human resources. It has been argued that a workplace culture supportive of employees balancing their work and non-work lives leads to a higher commitment to their organisation. The latter in turn leads to a greater willingness to invest in the development of firm-specific resources (such as valuable intra-organisational competencies or idiosyncratic technical competencies). This greater level of firm-specific resources then forms the basis for stronger competitive advantage. By reviewing the relevant empirical and theoretical literature the paper theoretically backs these relationships. The theoretical contribution of our paper lies in applying an economic perspective on work life balance culture by linking it to strategic competitive advantage. Even though one would assume a link between a beneficial work life balance culture and firm performance in terms of competitive advantage it is not clear how to theoretically conceptualise this link in a fashion that is open to empirical investigation. The established framework shows a possible connection between these two variables.

Building on the literature work life balance culture can be linked with commitment and specific human resources can be linked with competitive advantage. Theoretically a relationship between commitment and the development of specific human resources has been proposed in the developed framework. Thereby the complex relationship between work life balance culture and competitive advantage has been broken down to the linkage between commitment and specific human resources. This opens the avenue for the relevant empirical investigation of the phenomena. If this relationship could be established as true it would have positive impact for a number of stakeholders.

Empirical investigation of this framework necessitates the operationalisation of each of the concepts. There are existing quantitative measures of each of these which could be incorporated. Work would need to be done however, to ensure the concepts are each measured at the right level – individual or organisational, but the existing measures easily lend themselves to the appropriate adaptation. The study would need to include numerous organisations in order to get the firm level outcomes data with enough variation, as well as numerous employees within each organisation.

In conclusion it can be seen that there is supporting theoretical and empirical evidence for the relationships outlined in this paper. Together they demonstrate a likely path from a supportive work-life balance culture, through commitment, to firm-specific human resources to result in competitive advantage. Once it has been demonstrated that the positive outcomes from providing a supportive work-life balance culture are also for organisational performance there should be no reason for managers not to try to develop a supportive culture.

The practical outcomes of our paper go further. Only firms with the reputation of being fair employers in the long-run will have access to the most talented people and can convince employees (on all levels) to build firm-specific human competences (Cappelli, 1999; Child and Rodrigues, 2004). If employees invest in specific human resources they have to invest significant amounts of their human assets to one business. This limits their mobility on the external labour market (Osterman, 1999; Topel, 1991). It therefore becomes important to be perceived as being considerate of employee needs, both within and beyond the organisation. Becoming known for having a supportive work-life balance culture will enable the firm to best attract talented employees.

The complete framework proposed in this paper needs to be tested empirically. Previous research has examined single relationships within the framework but not the entity. This may also necessitate the use of multi-level research. In conclusion, this paper argues that to develop firm-specific competencies an organisation needs to focus on its human resources and take a long-term strategic perspective. Encouraging employees to be committed to the organisation assists in the development and maintenance of firm-specific knowledge and behaviour in the organisation. We argue that a way to develop this commitment is to provide a work-life balance culture which is supportive of the employees balancing their work and non-work lives.
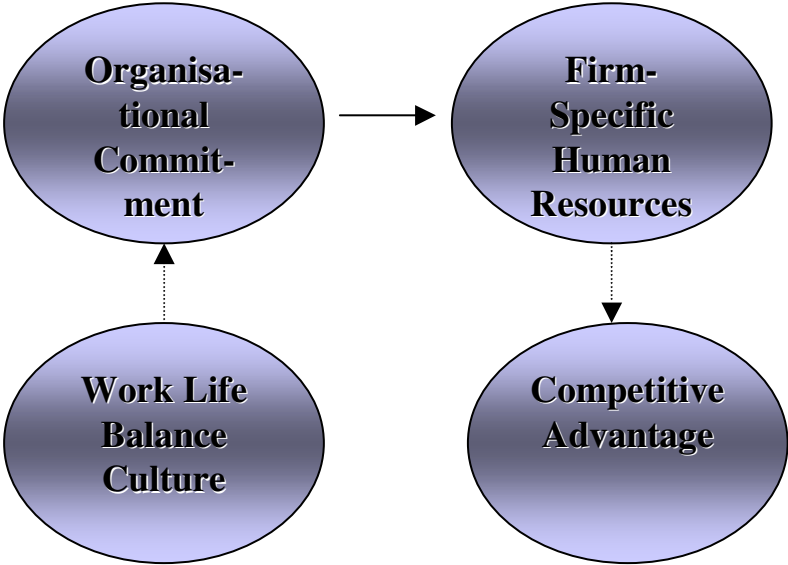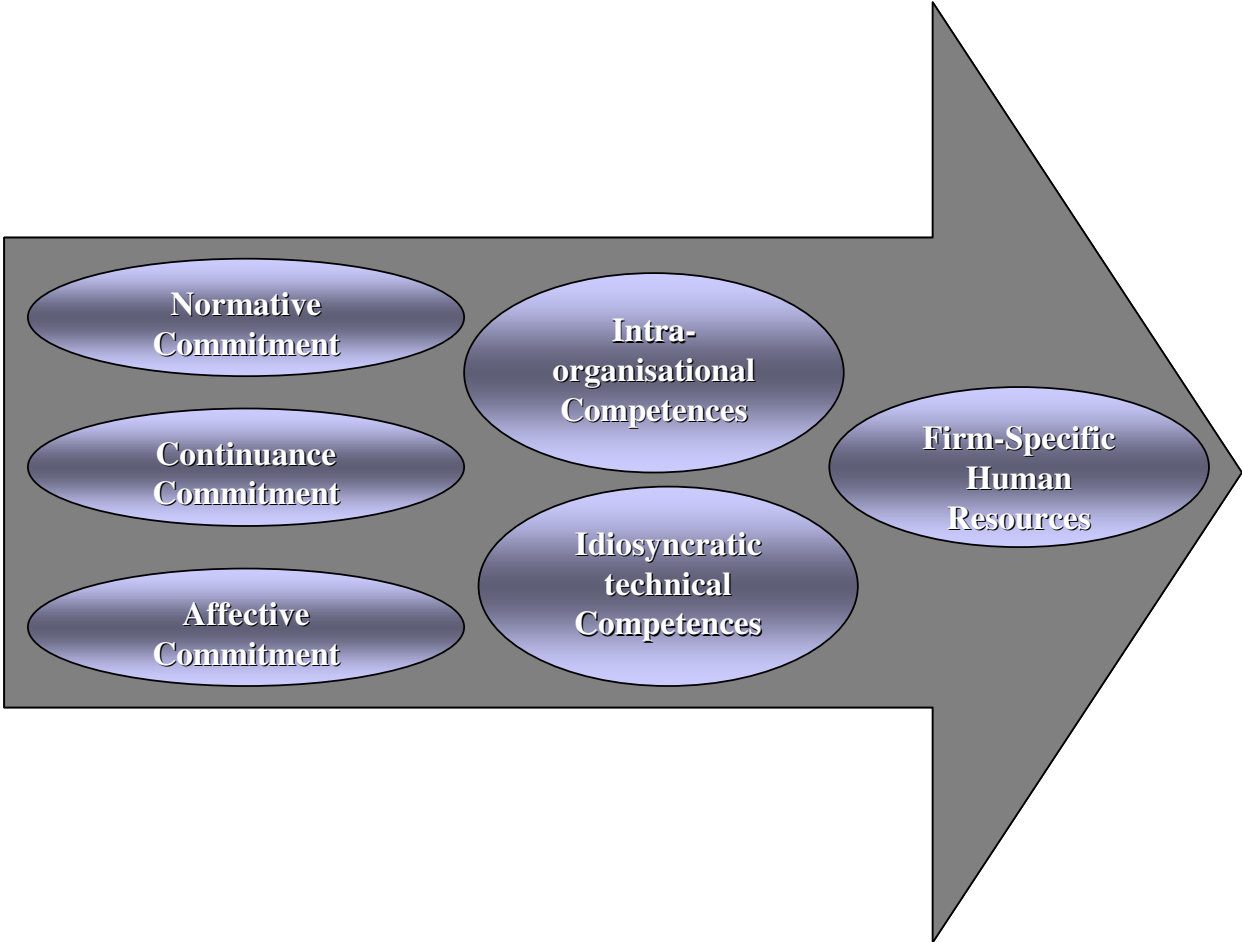
Figure 1: Conceptual Framework

Figure 2: The Arrow of Commitment and Firm-Specific Human Resources

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