

Flexible competitive advantage

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What is flexible working? The answer depends on who you talk to. Talk to an employment lawyer and you'll hear about the Employment Act, 2002. Talk to a management consultant and you'll hear about the difficulties of project managing change programmes. Talk to a top graduate and you'll hear about new expectations of work. Talk to a traditional telecoms company and you'll hear about the benefits of home-working. Talk to a mobile communications company and you'd expect to talk about mobile working. Well, not this communications company.

Flexible working is all about expectations: employee expectations, management expectations, shareholder expectations, environmental expectations, financial expectations and work-life expectations.

We at Vodafone passionately believe that these expectations can only be achieved once an organisation accepts that 'work is an activity not a place'. Once this is accepted and managers and employees focus on objectives, outputs and deliverables, then the expectations of flexible working can be achieved and measured. Once this is accepted, then the definition of flexible working becomes irrelevant because flexible working is then about results and the individual. Once this is accepted, you're not talking about a vague concept called flexible working but you're talking about **flexible competitive advantage**.

Changing employee expectations

So, let's explore these expectations. The key beneficiary, many managers feel, of flexible working are the employees themselves. Many managers view with suspicion the term 'work-life' balance. They think of it as another term for a lack of management control and consequentially fear work avoidance. Many managers, especially in today's challenging economic times, also think that the more time seen 'working' in the office the less likely they are to be made redundant should costs need to be cut. This attitude, whilst understandable, is outdated. The expectations of talented employees have changed inordinately. To illustrate this, let's look at some different fictitious employee profiles.

Joshua is an immensely talented graduate who has employment offers from many companies. Joshua is from Generation Y, those born after 1982. His expectations are very different to his father's generation of graduates. He lives in the Home Counties and has high expectations of his career. He expects to be well paid. He expects career progression. He doesn't expect a career for life. He expects to be challenged. He expects to be trusted. He expects to be given the tools he is used to in order to deliver results. He expects to add value and innovation to the company he chooses to work for. He expects to be given flexibility in the way he works. He expects to work hard and smart for his employer. He expects to be given the freedom to work in the office when it is most appropriate. He expects to be able to work on the move or at home when appropriate¹. Company A offers him the same salary and benefits as the other companies vying for his skills. In addition, they offer him a flexible working environment. He accepts their offer and goes on to be the company's CFO. Company A has just bought competitive edge.

Yasmin is a typical mother. She is generation X. She has had her first child in her mid thirties and is a successful salesperson. She knows everything about company B. She knows everybody in company B. Company B does not have a flexible working policy and now she has returned from maternity leave, her expectations have changed. Company B insists she works in the office, which causes her stress. She applies for a job with their competitor, company A. They offer her a position with flexible working terms. She joins company A. Company B loses her knowledge, her network and has to pay to recruit a successor who takes six months to get up to speed. Company B loses competitive edge. Company A acquires it.

These were fictitious characters but the reality is even more compelling. 70 per cent of highly qualified women do not return to their previous employer after maternity leave because their expectations of work have changed². A recent survey by the Association of Graduate Recruiters saw flexible working quoted as the biggest benefit a company could offer after high salaries. If highly talented employees give an organisation competitive edge, then flexible working sharpens that edge with vigour.

Employers' expectations

The key beneficiary of flexible working, we believe, is not the employee, but the employer. So let's explore the employer's expectations of flexible working. Throughout 2008, Vodafone, together with IDC, hosted a series of debates with senior business leaders around flexible and mobile working. The objective of these debates was to understand organisational expectations from flexible working. On the positive side of the expectations voiced, the benefits included: increased productivity, higher staff retention levels, better motivated employees, increased corporate agility and responsiveness, reduced property costs, better business continuity practices, reduced absenteeism, reduced days lost through sickness, increased legislative compliance, better corporate image, increased customer satisfaction, reduced travel costs and better 'green' credentials. On the downside, negative expectations included: increased lack of management controls, some staff abusing the policy, resistance to flexible working from more 'traditional' employees, and increased security concerns related to intellectual property and IT.

Productivity benefits

Nearly all attendees, and indeed all business cases supporting flexible working, list productivity efficiencies as the key Return on Investment metric to justify adoption. So how real are these expectations? One large FTSE 10 corporation claims productivity gains of between 15 and 31 per cent dependant on function and also claims a 20 per cent uplift in the volume of calls handled in their call centre. Lloyds TSB claims massive productivity gains amongst the 33 per cent of its workforce that works flexibly, as do Unilever, Marks and Spencer, Nationwide, the AA, RBS and the Inland Revenue. It's not just in the corporate world where these productivity gains are being seen: Farrelly, an SME construction company, attributes much of its fivefold growth over four years to flexible working. This is indeed **flexible competitive advantage** in action.

Staff retention

So what of increased staff retention and attracting talent? 80 per cent of flexible workers at Lloyds TSB said they are more likely to stay at the company because of flexible working. Marks and Spencer considers it a key enabler to 'broaden their recruitment pool'. Penguin says that it has a 99 per cent return rate for returning mothers compared to an average of 40 per cent. The Inland Revenue says flexible working underpins its aim of becoming an 'employer of choice'. Retaining talent not only adds to the top line in terms of additional revenue born of innovation and ability; it cuts serious bottom line costs such as recruitment and training. The Chartered Institute of Personnel and Development estimates the direct cost of recruitment to be £6,000 per

professional employee. In addition, it outlines extra hidden costs, such as productivity losses due to poor cover of the role, that amount to similar numbers. Keeping top talent is challenging. Losing them is costly. Flexible working helps retain talent.

Property optimisation

One key expectation of employers was better property optimisation and reduced facilities cost. Our own organisation, faced with a growing and increasingly mobile workforce, implemented a property optimisation project called Tardis. This allows our headquarters site to flex up to 6,000 people through the use of hot desks and flexible working. With the cost of city centre offices averaging £23,500 per employee per year³, property optimisation enabled by flexible working is as much about the balance sheet and competitive edge as it is about caring for your employees.

Better business continuity

Another, more recent, expectation of flexible working is better business continuity. Once again Vodafone has direct experience of this. 20 July 2007 saw massive storms and flooding. Unfortunately, that flooding covered Vodafone's headquarter campus in Newbury. The first 48 hours of any disaster determine a business's future. Luckily Vodafone operates a mobile flexible working policy where employees have laptops, mobile phones and data cards. All 6,000 HQ staff worked from home and the effect on customers was hardly noticed. If we transfer that ability through to today and the threat of pandemic flu, then the benefit in terms of competitive edge is both obvious and compelling.

Better motivated staff

Many organisations reported that flexible working had made them more agile. Ely Lilly reported that it allowed them to become much more responsive, as did RBS. Many organisations, including Unilever, feel they now have better motivated staff and this is reflected in their improved employee satisfaction surveys. Nearly all large organisations report reduced absenteeism. Penguin's absenteeism is down to 1.67 per cent. The London Borough of Camden experienced a 2.5 per cent reduction in the cost of sickness absence in the first year it introduced a work-life balance strategy. The Henley Management Centre's future work forum shows employee stress to be reduced with flexible working. Stress leave costs the UK over £12 billion pounds a year³.

In 2008, Pat McFadden, Minister for Employment Relations, announced the extension of the right to work flexibly to all parents of children up to the age of sixteen. In this background, legislative compliance is a key expectation for employers, but it should be seen more in terms of opportunity than compliance. Lloyds TSB says that adopting flexible working has given them the equivalent of £350,000 of free PR. The Department of Trade and Industry estimates that businesses can save between 10 and 30 per cent on their travel costs through implementing flexible working – with the added bonus of improving their green credentials.

And what of the negative expectations?

Employers' expectations and the reality attached to them make a highly compelling case for **flexible competitive advantage**, but what about their negative expectations? Lack of management control was cited as a key barrier to flexible working practices. Without wanting to be critical of those who express these views, this seems more of an issue of outdated management technique. If you treat people with a lack of trust you will get corresponding behaviours. If you focus on results and outputs, coach and train, and trust your employees to deliver, then in the majority of cases they do so. The minority who don't, probably wouldn't have done so in the office either.

Another expectation was staff abusing the policy. Some will. Most don't. Those that do have to be managed in the same way as they would have been in the office. The benefits accrued from the majority far outweigh the indiscretions of the few. Another related expectation was resistance to flexible working from more 'traditional' employees. Fine: if they want to stay working in the office permanently, let them. Flexible working is not a one-size-fits-all concept. Equally don't assume that employees won't want it. Most research indicates they do, and that is across the socio-demographic spectrum.

The one genuine negative expectation was that the benefits of mobile competitive edge could be outweighed by security concerns related to intellectual property and IT. Security experts say there are two weak points in an enterprise's security policies: mobile devices and portable memory devices. Time to say that Vodafone is a world leader in mobile security so there's no need to worry. As to portable memory devices, recent scandals around lost memory sticks and CDs have happened either in the office or in transit between offices. As to protecting intellectual property, if somebody wants to steal data it's as easy to do so in the office as it is at home. The downside to flexible working simply doesn't exist. So let's stop calling it flexible working. This has too many negative and dated connotations. Let's call it what it says it does on the tin. Let's call it **flexible competitive advantage**.

Further benefits

But what of the other set of expectations we mentioned earlier? What of shareholder expectations? Would they be happy with increased productivity, happier employees, increased customer satisfaction, lower costs and sharpened competitive edge? What of environmental lobbies? Would they be happy with cars being taken off the road? The RAC say 25 million UK workers commute every day, from a total workforce of around 29 million. More than 18 million use a car. Taking one employee off the road for just a day and a half a week can save around 1,200 miles per year in commuting and 365kg of CO₂. That's a lot of carbon off a company's footprint.

Conclusion

If we needed any further proof that empowering workers through flexible working adds competitive edge, then it can be found in research carried out by the Institute of Directors (IoD) from their own membership. One in two IoD members reported there has been a noticeable impact on the bottom-line from the use of flexible working. Recruitment, retention and supporting business needs emerged as the strongest drivers for the implementation of flexible working practices. All the measured impacts of flexible working (productivity, profitability, customer service, recruitment, retention, absenteeism, overhead costs, morale, team working and knowledge sharing) were deemed positive by the membership. The weakest recorded driver for the implementation of flexible working is legislative compliance. That is not because of a fear of bureaucracy but because business recognises competitive edge when it sees it.

If ever there was a win-win proposition then this is it. In the not too distant future, virtual organisations will start to proliferate, not on a cottage industry basis but with real scale. They will be born of Generation Y entrepreneurs schooled on the internet, used to technology and employing like-minded individuals. These virtual, property-less organisations will be agile and innovative. They won't understand the term flexible working but **flexible competitive advantage** will be in their DNA. Welcome to the twenty-first century.

To find out how you can manage your mobile technology more effectively, contact Vodafone on 0845 084 0157.

Sources

- 1 The Working Nation Study, 2008
- 2 Capability Jane Recruitment Study, 2008
- 3 Health & Safety Executive, 2007

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