



Good practice guide to internal flexibility policies in companies

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Introduction

Over the last few years, the European Foundation for the Improvement of Living and Working Conditions (Eurofound) has started to gather a comprehensive collection of company case examples. This is as a result of numerous research studies and events aiming to study successful workplace developments and human resource management (HRM) policies. The Company Network Seminars project, within the framework of the European Monitoring Centre on Change (EMCC), has played a valuable role in developing this expertise and knowledge base. Furthermore, due to high stakeholder interest and demand, the collection of company case studies in the light of practical experience has become a key priority for Eurofound. Against this background, this guide of good practice on internal flexibility policies in companies aims to contribute further to enhancing the body of knowledge and research gathered by Eurofound over the years on the subject of flexibility and security.

The term flexibility implies an ability to react and adapt to changes. In current European Union policy discourse, flexibility is increasingly regarded as a desirable and essential element in achieving a higher degree of adaptability for workers and companies. This becomes particularly important in an ever-changing economic landscape, characterised by frequent business restructuring and the reallocation of human resources (HR) from one job and/or sector to another. The rise of the flexibility debate to the top of the EU employment and enterprise policy agenda in recent years means that growing attention is devoted to further understanding the impact of company-level flexibility arrangements on both workers and employers. As companies adapt to changes in labour market and economic business cycles by resorting to flexibility, workers can also adapt to changing life and professional cycles by availing of increased flexibility in their work patterns.

For the purpose of this guide, the internal dimension of flexibility in particular has been explored – that is, working time flexibility and organisational flexibility. The guide is based on evidence gathered from the Company Network Seminar on **Flexibility policies at the company level: a common interest?**,¹ held in October 2008, as well as an in-depth review of secondary literature sources, including previous research by Eurofound.

This report sets out to contribute to the present debate on the need for European companies and their workers to become more flexible and adaptable in the face of ongoing economic change and business restructuring. The guide should therefore provide useful and practical tips for company-level actors concerning the potential benefits of developing more flexible internal workplace policies. Equally, it has been developed to assist practitioners and social partners wishing to review and/or learn more about developing such initiatives.

Part 1 of this guide consists of an introductory analysis on the subject of flexibility. It covers the European flexicurity debate and explains the concept of flexibility at company level, particularly organisational flexibility and working time flexibility. Part 2 comprises a practice-oriented presentation of five company cases presented at the Company Network Seminar, in order to illustrate how European companies are implementing these policies.

¹ <http://www.eurofound.europa.eu/emcc/content/source/eu08010a.htm>

Part 1 – Internal flexibility: concepts and policy development

This part of the guide briefly presents the content of the European debate on flexicurity before examining the concept of internal flexibility as considered in scientific literature. Two types of internal labour flexibility are described separately: organisational flexibility and working time flexibility. For both types, the guide will address the available measures, the drivers for change at company level and the possible benefits or drawbacks. The end of this first part summarises developing flexibility policies at company level and the implementation process.

Flexibility in the context of the European flexicurity debate

The concept of ‘flexicurity’ – generally perceived as a balance between the flexibility and security needs of employers and employees – has moved centre stage in the current European debate on the modernisation of the labour market and employment policies. The novelty of the flexicurity model is to transcend the trade-off between flexibility and security through the adoption of measures that take into account these apparently conflicting objectives at the same time (Eurofound, 2008b). Flexicurity is thus an integrated strategy (European Commission, 2007a).

These two concepts of flexibility and security merit further consideration and explanation. In this context, flexibility is about successful ‘transitions’ during the life course between the realms of work, on one side, and school, unemployment, economic inactivity, job changes and retirement, on the other. It seeks to enhance the progress of employees into better jobs, as well as upward mobility and the optimal development of their talents. Flexibility is also about flexible work organisations that are able to meet new productive needs, adopt new business models and master new skills. Furthermore, it concerns the stronger involvement of employees in decision making and greater autonomy in relation to their jobs. Meanwhile, security is also about equipping employees with the skills to enable them to progress in their working lives and employment (‘employability’); however, it equally entails adequate employment benefits to facilitate transitions and the provision of training opportunities for all employees.

It is worth asking how flexicurity has moved centre stage. When formulating its aims for a **European Employment Strategy**,² Europe faced a challenging paradox: how to create more and better jobs in the face of global competition while maintaining social cohesion. Combining the aim of economic growth with the goal of maximum participation or social cohesion, flexicurity offered a possible solution (Eurofound, 2008a). Globalisation can be beneficial for growth and employment; nevertheless, the change that it brings requires rapid responses from companies and employees. According to the European Commission (2007a), a greater capacity for adaptation is required, resulting in a more flexible labour market combined with levels of security that simultaneously address the new needs of employers and employees. In this context, more and better jobs must be created to manage change and new social risks. This should help to reduce segmented labour markets and precarious jobs, and promote sustained integration and the accumulation of skills. In order to achieve the Lisbon objectives, individuals need employment security rather than job security, while companies need to be able to adapt their workforces to economic change and remain innovative and competitive.

However, Europe is not adjusting as well as it could to the changes that are imposed on its economy by globalisation and new market dynamics. These changes comprise European and international economic integration, ongoing technological development, demographic ageing, sustainability risks for social protection systems and segmented labour markets with employees at risk (European Commission, 2007a). Such factors put pressure on social and economic systems to adapt

² http://ec.europa.eu/employment_social/employment_strategy/index_en.htm

in a flexible manner. The EU overall employment policy response to the challenges and opportunities of globalisation is the renewed **Lisbon Strategy for growth and jobs**,³ which was relaunched in March 2005.

Against this background, the European Council called on the Member States to develop ‘comprehensive policy strategies’. Thus far, Member States have taken policy measures often designed and implemented in part only, aiming to increase either flexibility for companies or security for employees – instead of addressing labour market problems from a broader, integrated and ‘comprehensive’ perspective (European Commission, 2007a). As a result, measures often neutralise or contradict each other. Therefore, the European Commission, jointly with Member States and the social partners, was asked to develop a set of common principles of flexicurity to help in achieving more open and responsive labour markets and more productive workplaces.

The European Commission and the Member States have agreed that flexicurity policies can be designed across four policy components:

- flexible and reliable contractual arrangements;
- comprehensive lifelong learning strategies;
- effective active labour market policies;
- modern social security systems (European Commission, 2007a).

These components can be mutually supportive and improve employment and human capital. While flexicurity policies must reflect the different national situations, all EU Member States are facing the same challenges of globalisation and change. Therefore, to facilitate national debates within the common Lisbon objectives of the growth and jobs strategy, it is considered appropriate that the EU has reached consensus on common principles of flexicurity (Council of the European Union, December 2007). Flexicurity approaches should be tailored to unique Member State situations yet should also concern wide-ranging issues, including the labour market, and promote the equal importance of internal aspects within the company, such as high-quality workplaces, and external aspects like social protection. Moreover, flexicurity approaches should support gender equality and encourage a climate of trust and broad-based dialogue. In addition, they should require a cost-effective allocation of resources within set public budgets and a fair distribution of cost and benefits.

This approach could lead to a new policy dilemma. In offering the option for Member States to follow idiosyncratic routes in formulating specific, national pathways, the European Commission faces the risk of less coherence in the reference framework and little convergence in approaches, partly due to differences in culture, the interests of stakeholders and the structure of social security systems (Eurofound, 2008a). Therefore, to curb such risks, social dialogue can become a ‘common route’ to more firmly established flexicurity as it allows the alignment of differing interests and approaches. Indeed, such dialogue is crucial to the success of the approach because the responsibility for flexicurity should be shared among all partners involved and at all levels. Dialogue implies the willingness to reflect on the consequences for all parties involved and the capability to engage in empathic relationships. This requires mutual trust, and the ensuing benefit is that actors at all levels are prepared to take more entrepreneurial risk (Eurofound, 2007).

³ http://ec.europa.eu/growthandjobs/index_en.htm

Box 1: Flexicurity

Flexicurity is a policy strategy that aims to enhance the flexibility of labour markets, work organisation and employment relations, on the one hand, and employment and social security, on the other. In principle, it combines the flexibility and adaptability needs of employers with the desire for greater work–life balance, lifelong learning possibilities and the income security needs of employees. In introducing flexicurity policies, countries and companies can contribute to both economic growth and social cohesion.

While each country and company can follow its own historical pathway towards flexicurity, the guidelines and common principles of the European flexicurity strategy define shared values on how to go forward. One of these shared values is to encourage dialogue between all parties involved at all levels.

Concept of flexibility at company level

As part of the flexicurity debate, an increasing amount of attention is being devoted to the implementation of the concept at company level. Globalisation, new technologies and the changing world of work require rapid responses and a high degree of flexibility from both enterprises and employees. One of the main daily challenges within companies is how to combine the multiple needs of the organisation – such as productivity, short delivery times, customer satisfaction or innovation – with the multiple needs of their employees – including lifelong learning, a challenging job or a better work–life balance. At company level, too, differences in products or services, in the market environment or in the needs of the workforce lead to different routes towards flexicurity.

In a first instance, this guide describes the options that companies might avail of with a view to increasing their labour flexibility while, at the same time, fostering skills development and promoting work–life balance among employees. It focuses on internal labour flexibility, several forms of which are available to companies to respond to their short or long-term needs. A common distinction between different forms of flexible labour is found in the matrix outlined in Table 1 (see, for example, Goudswaard and de Nanteuil, 2000; Riedmann et al, 2006).

Table 1: *Flexible labour matrix*

	Quantitative flexibility	Qualitative flexibility
External flexibility	Flexibility through the use of different types of employment status or employment contract flexibility	Flexibility in the production system, such as outsourcing, subcontracting or the use of self-employed specialists or consultants
Internal flexibility	Working time flexibility	Flexibility in the design of the work organisation: organisational flexibility or functional flexibility

Source: *Goudswaard and de Nanteuil, 2000*

The matrix makes a distinction between internal and external flexibility, referring to the deployment of internal personnel (permanent staff) or external personnel (contractors or personnel of other companies). Another distinction is made between quantitative flexibility, which refers to the variation in the number of personnel at a certain moment in time, and qualitative flexibility, referring to the manner in which tasks are divided or performed.

A broad analysis of European data carried out by the Employment Analysis Unit of the Directorate-General of Employment, Social Affairs and Equal Opportunities shows the existence of two flexicurity regimes with favourable socioeconomic outcomes (European Commission, 2007b):

- high external flexibility, high rates of secondary education attainment, moderate intensity of vocational training and low spending in employment activation policies;
- high incidence of advanced forms of flexible work organisation and moderate levels of external flexibility, complemented by a large role for lifelong learning policies, vocational training and spending in research and development (R&D), as well as labour market policies within employment activation strategies.

Although the socioeconomic outcomes of both systems differ somewhat, no clear ideal model emerges. Whereas the second system is associated with better overall socioeconomic outcomes in the field of innovation and productivity and with better working conditions, the first system implies lower budgetary costs, higher labour mobility and low labour segmentation. The analysis also suggests that flexible work organisations that combine greater demands on employees – in terms of responsibilities and problem-solving activities – with increased autonomy at work are a key for learning and innovation (European Commission, 2007b).

At European level, the main focus initially was on flexibility and the ease of hiring and firing employees along with the use of flexible employment contracts; this implied purely external quantitative forms of flexible labour. However, awareness has increased of the need to move towards a combination of external and internal flexibility measures, as well as a combination of quantitative and qualitative flexibility measures (European Commission, 2007a and 2007b). High expectations particularly surround the field of organisational flexibility – that is, internal qualitative flexibility – which is felt to represent a ‘win-win’ solution in the field of innovation and learning abilities, reconciling both employer and employee interests, leading to enhanced company performance and better working conditions.

This guide considers the concept of internal labour flexibility in greater detail as it is important to enhance this form of flexibility. As the matrix in Table 1 shows, two types of internal flexibility variants arise: organisational flexibility and working time flexibility. Both types of flexibility have their own specific drivers, outcomes and challenges. Each type will be described separately, after which the report will examine the common grounds for both types of flexibility.

Organisational flexibility: creating adaptable workplaces

Organisational flexibility can be defined as the design of flexible work processes, work organisation and jobs, meaning the division of labour. In addition or alternatively, it can be described as the flexible deployment of personnel on tasks, that is, functional flexibility. The latter can be defined as the ability of companies to adapt the skills of employees – or the ability of employees to adapt – to customer demands, new work methods and new technologies. Alternatively, functional flexibility can be described as the ability to move between tasks by multi-skilling; this often correlates with a flexible work organisation design whereby small units are able to respond quickly to changing demands. Companies choose different pathways when implementing organisational flexibility, depending on the drivers for change that affect them most.

Drivers for change: seeking the high road

Organisational flexibility can be achieved in different ways. Policy documents and research literature make a distinction between the ‘high road’ and the ‘low road’ towards new forms of work organisation, where the high road in particular represents opportunities for learning and innovation (European Commission, 2007b; European Commission, 1997; Totterdill et al, 2002). The ‘low road’ approach to organisational change reflects the need for short-term adaptation to

competitive pressure and tighter budgets. Whereas the ‘low road’ is primarily cost-driven, the ‘high road’ stands for innovation-driven change. Cost reduction and productivity are important goals; however, they are not the only or most important drivers of change.

The ‘high road’ approach was promoted by researchers and (local) authorities in Europe in the last quarter of the 20th century because of its ability to improve the potential for innovation and therefore the ability to move into less price-sensitive markets.⁴ A second reason to promote the ‘high road’ is the ability to create a multi-skilled workforce and foster new competences such as problem solving and thus improve the quality of working life and employability of employees. In seeking the ‘high road’, companies are aware of the fact that the quality of working life and creativity of their personnel is a vital element for innovation. The knowledge of employees throughout the organisation is becoming a crucial resource in the innovation process, and employee involvement and participation are important elements for change.

Characteristics of organisational flexibility

As stated, organisational flexibility can be characterised by the design of work processes, work organisation and jobs, and by the flexible deployment of personnel on tasks. One manifestation of the redesign of work organisation can be found in the concept of teamwork. Totterdill et al (2002) distinguish three types of teamwork:

- team-based production, including measures such as multi-skilling and task rotation;
- extended teamworking, including the responsibility for scheduling, maintenance, supplier control and customer contact;
- partnership, including the responsibility for knowledge capture and distribution, developmental learning, market and business strategy, workplace innovation and product development.

These three types represent the rising importance of employee knowledge, the growing sense of partnership between management and employees, and the increasing empowerment of employees.

Another manifestation of organisational flexibility is functional flexibility. The latter can have many different faces. Totterdill et al (2002) distinguish between job enlargement and job enrichment. Job enlargement increases the variety of work by horizontally combining fragmented tasks through training employees to become multi-skilled without the monotony of specialised, short-cycle tasks or through job rotation. Job enrichment focuses on increasing the vertical control that employees have over their work by reclaiming some of the indirect tasks of supervisors and support staff; it provides increased opportunities for decision making, planning and monitoring of work.

While rethinking job content and the use of skills, companies seeking organisational flexibility can also redesign their payment schemes, introducing different types of flexible payment systems – such as pay for performance – in order to reward productivity, flexibility or innovation, and/or to encourage employees to be productive or flexible. The flexible payment can reward individual or group performance, and can be related to the difference in the use of skills and also to the performance of the working group of the company, depending on the goals that need to be achieved.

⁴ An overview of the history of new forms of work organisation and national stimulation programmes in different EU Member States can be found in Totterdill et al (2002).

The ‘high road’ of work organisation is distinguished from the ‘low road’ by the way in which it approaches the introduction of flexibility measures, the amount of autonomy that employees have over their work and the use of skills; the distinction is not according to the actual use of the flexibility measures. For example, measures such as teamwork and job rotation may imply the movement of team members between different simple tasks at the behest of a team leader; this strategy would be ‘low road’. Alternatively, the ‘high road’ provision of autonomy allows teams to organise their own work and fosters job enrichment and skills development for all team members (Totterdill et al, 2002; Kyzlinková et al, 2007).

Within the ‘high road’ approach towards new work organisation, skills development and job autonomy are central characteristics of organisational flexibility. Day-to-day flexibility and innovation are achieved by providing greater autonomy for employees individually or as a group. This enables companies to develop multi-skilled employees capable of responding quickly to changes in work content or quantity. Such flexibility leads to the continuous improvement of work processes and products, in addition to greater creativity for innovation. This strategy requires increased investment in education and training, as well as skills in problem solving and decision making. Hierarchical and authoritarian steering are not suited to these new roles; therefore, new corporate cultures and the redesign of managerial roles are required.

As stated, researchers have been studying these types of flexible work organisation in order to understand what characterises them and how they can be implemented in order to enhance company performance and improve working conditions (for example, Balantine, 1999; Totterdill et al, 2002; Kyzlinková et al, 2007). Based on this research, it is possible to conclude that no single way of organising a flexible and innovative organisation exists: each company chooses its own typical mix of measures that matches its own unique historical route, based on the specific economic sector or the national context, for instance. However, some distinct features are apparent in both the organisational structure and organisational behaviour that characterise organisational flexibility according to the ‘high road’ approach. Most of these characteristics have already been mentioned above. An important addition is the fact that the change process towards greater flexibility is just as important, if not more so, than the measures resulting from it.

A study of a large number of European case studies in different sectors shows that the ‘high road’ is distinct from other approaches in its open dialogue in the process (Totterdill et al, 2002). In the case of companies, the involvement of all parties is central to creating a win–win solution for the needs of the enterprise and of the employees. This involvement can take different forms, such as partnership agreements with trade unions, the cooperation of works councils and the direct participation of employees in the design of their own jobs. An open dialogue implies an open and stimulating communication instead of a hierarchical and judgemental approach. In order to reach a win-win solution, parties need not only to formulate their own interests but also to understand the interests of the counterparties. Managers need to be aware of the requirements of their employees, and workers need to comprehend the requirements of the company as a whole. In the end, such empathy will lead to more flexible behaviour from all parties.

Table 2 is based on the different sources cited above and can be considered as a building block in relation to organisational flexibility.

Table 2: *Different characteristics of organisational flexibility*

Flexibility measures	
Organisational flexibility	<ul style="list-style-type: none"> • Flexible work processes and design of work organisations and job content • Multi-skilled personnel, job rotation, job enlargement and job enrichment • Decentralisation of responsibilities towards the work floor • Job autonomy • Teamwork, project groups with high autonomy
Flexible payment schemes	<ul style="list-style-type: none"> • Performance bonus for individual employees • Performance bonus for a team • Profit sharing
Change process	
Organisational behaviour	<ul style="list-style-type: none"> • Open dialogue based on participation and empathy • Searching for a win–win solution in the change process • Redesign of managerial and employee roles

Source: *Balantine, 1999; Totterdill et al, 2002; Kyzlinková et al, 2007*

Benefits of organisational flexibility policies

The concept of organisational flexibility depends to a large extent on the context of the respective economic sector or national culture. Therefore, the outcomes will vary according to the way that flexibility measures are implemented. However, researchers have identified a broad range of benefits, based on data analysis and case studies within individual enterprises (Dhondt et al, 2001; Totterdill et al, 2002; European Commission, 2007b; Kyzlinková et al, 2007). The case studies provide convincing evidence of the contribution that new work organisations make to both economic growth and social cohesion. Companies report that measures such as job enlargement and job enrichment have a positive impact on productivity, with higher job satisfaction levels and more skills – giving employees greater employability options. Suggested benefits include the following:

- improved workplace performance, the reduction of costs, higher productivity and better quality of services or products – in other words, greater customer satisfaction;
- a faster response to changes in the business environment;
- increased potential for innovation both in work processes and products or services;
- enhanced employability for employees through multi-skilling and job enrichment. They experience higher job quality and are able to perform more tasks within a company. This leaves the workers less vulnerable to changes within the company and gives them a stronger position in the labour market;
- fewer health problems among employees, due to greater job autonomy.

However, reports also show that continuous change and reorganisation are related to more insecurity and higher stress at work (Organisation for Economic Co-operation and Development (OECD), 2001, cited in Totterdill et al, 2002; see also Dhondt, 1997; Dhondt et al, 2001; Paoli and Merllié, 2001; Oeij and Wiezer, 2002; Oeij et al, 2006). Increasing job control can be seen as an important means of coping with higher job demands. On the other hand, employees also need to acquire the right skills in problem solving, decision making and communication in order to cope adequately with the demands of more job control.

Working time flexibility: balancing interests

Another form of internal labour flexibility is working time flexibility. This form of flexibility can mean flexibility in the time of work, that is, work around the clock through shift work or at specific moments of the day, week or year. Alternatively, it may mean flexibility in the duration of the working week, such as part-time employment contracts compared with full-time contracts. Flexibility in working time can also be created during the entire working life through leave schemes. A recent study on working time at company level makes a distinction between working time arrangements driven by organisational needs and working time arrangements driven by employee needs (Chung et al, 2007). Company-oriented flexibility can in principle be linked to economic growth through increased company performance, while employee-oriented flexibility can be linked to social cohesion through enhancing work–life balance at different phases in life. The following section describes the different forms of working time flexibility in practice.

Drivers for change: towards more employee-oriented working time flexibility

Traditional reasons to introduce working time flexibility in companies are often related to the nature of the enterprise and the pattern of demand. In many economic sectors – for instance, in healthcare, hotels and restaurants, or retail – opening hours exceed the working hours of individual employees, which means that the scheduling has to match the total demand for products or services with the availability of labour. Work needs to be carried out during weekends and at night due to the 24-hour services provided. In other sectors, such as in industry, companies want to make optimal use of expensive technology and extend their production time into the evening, night and/or weekend. In other situations, it simply may be that production processes cannot be stopped, as in the chemical industry.

Furthermore, during lunch-hour periods at service counters, early evenings in call centres or early mornings in supermarket suppliers, for example, flexible working times with more staffing can enable such peaks to be better managed. Ultimately, the company needs and the sector of activity will dictate the most appropriate form of working time arrangement.

Employers also combine the needs of the organisation with the needs of specific groups of employees – for instance, in the use of part-time employment contracts to meet morning or midday peaks in work, or to fulfil physically demanding tasks which cannot be carried out beyond a certain amount of time.

More recent forms of working time flexibility are related to the changing needs of employees. As working time is one of the main aspects in balancing work and family life, working time flexibility has become a tool for individuals at different stages of their life course. Organisations are confronted with a more diverse workforce, with different demands in respect of day-to-day working hours or working time arrangements over the life cycle. An example of a working time arrangement that increases the day-to-day autonomy of employees is allowing workers to decide the start or end time of their working day (Chung et al, 2007). Examples of working time arrangements that aim to manage the individual life cycle are different leave systems for care, education or other purposes (Riedmann et al, 2006).

For companies that want to make optimal use of the available workforce, being an attractive employer means offering tailor-made employment contracts, with working time flexibility as a key incentive. Such companies offer a diversity of working time arrangements. Consequently, these arrangements may differ between individuals, companies, sectors and also countries.

Characteristics of working time flexibility

A recent study classifies the different possible working time arrangements as being either more worker-oriented, more company-oriented or more neutral in principle, depending on the objective of the arrangement (Chung et al, 2007; see Table 3).

Table 3: Classification of working time arrangements, by company or worker orientation

		Worker-oriented flexibility	
		Yes	No
Company-oriented flexibility	Yes	Variation in working time: <ul style="list-style-type: none"> • part-time work • flexible working time/schedule Retirement schemes: <ul style="list-style-type: none"> • phased retirement Location flexibility: <ul style="list-style-type: none"> • teleworking, working at home 	Variation in working time: <ul style="list-style-type: none"> • unusual working hours (nights, Saturdays, Sundays, shift work) • overtime
	No	Leave schemes: <ul style="list-style-type: none"> • parental leave • long-term leave for care, education 	*

Note: * Since the assumption is that all working time arrangements are introduced as a response to the needs of the company, the worker or both, the fourth cell in the table remains empty.

Source: Chung et al, 2007

Table 3 shows several working time arrangements, as well as location flexibility. The latter can be seen as a separate form of internal flexibility, where employees can determine when or where they work. An example of location flexibility is working at home or teleworking. Teleworking means that employees are able to work from home occasionally or for a regular part of their working time, or are able to work at any place away from the office. For companies, teleworking or working at home might mean that they need less office space, thus saving on real estate and energy costs.

Although the table categorises different arrangements that aim to fulfil the goals of only one party, most arrangements can be introduced in practice in a manner that seeks to develop joint solutions. A win-win situation all round can be generated when employees are party to the arrangements. Workplace dialogue and the influence of employees as a group are an important aspect of how work schedules are organised and implemented. Research has shown that, where employees have a say in their schedules, this can act as a moderating factor on their health (Goudswaard, 2003; Nachreiner et al, 2005; Goudswaard and Kwantes, 2006). Furthermore, employees are more satisfied with their schedules and motivated in their work when they have a participative role. A solution that has the commitment of all parties is easier to achieve (see, for instance, Oeij et al, 2005).

Parallel to the ‘high road’ approach towards organisational flexibility, described in the previous section, working time flexibility can be implemented in companies in a way that follows the principles of flexicurity. This may be termed negotiated working time flexibility. Different levels of negotiation are possible in this regard. In the first place, labour law and collective agreements at national level or at sectoral level play an important role in setting the boundaries for working time arrangements. Secondly, works councils and trade unions play a role at company level in the creation of new working time arrangements or in the evaluation of existing ones. Thirdly, individual employees or teams of employees can play an important role in defining their daily working hours. A new practice in this field is the rise of self-scheduling, used as a tool for staff empowerment and increasing work–life balance (see, for example, Thorntwaite and Sheldon, 2004). Self-scheduling enables employees individually or as a group to decide their own needs for working hours or grants the authority to arrange their own work patterns according to, predominantly, the needs of the company.

Benefits of working time flexibility

The possible costs and benefits of working time flexibility are as diverse as the possible working time arrangements. A long tradition of scientific research has investigated the largely negative impact of company-oriented working time

flexibility for employees, ranging from working at unusual hours or for long hours to occupational safety and health risks (see, for instance, Caruso et al, 2004; Wedderburn, 1996 and 2000; Goudswaard et al, 2008; Kümmerling and Lehndorf, 2007; Meijman et al, 1988). Although most research analyses the health impacts for employees, some of the studies also examine negative impacts for the employer due to accidents at work or lost productivity (Dinges, 1995; Folkard and Monk, 1979; Krueger, 1989).

On the other hand, in practice, employees can also benefit from working time flexibility policies because they can enable the workers to balance personal and professional obligations during critical phases in life (Jansen et al, 2004). Another well-noted benefit of working irregular hours is the financial bonus that is often linked to working at unusual hours or working overtime. This bonus can make working such hours attractive to certain groups of employees.

Two recent studies in the transport sector summarise different indicators for healthy work schedules on the basis of scientific literature applicable to all branches of industry (Goudswaard et al, 2006 and 2008; see Table 4).

Table 4: *Indicators for healthy working hours*

Working time	<ul style="list-style-type: none"> • Length of shift • Length of working week • Rest periods during shift • Duration and quality of sleep before the shift • Starting time of shift • Time of day/night working • Regularity and predictability of work schedule • Number of shifts in a row • Work schedule system (forward rotating)
Other work characteristics	<ul style="list-style-type: none"> • Monotonous tasks • Psychosocial demands • Physical demands • Assistance of colleagues • (In)sufficient staffing • Environmental factors: light, climate, noise • Communication with management
Autonomy of working time	<ul style="list-style-type: none"> • Involvement in the development of work schedule • Individual autonomy over working time • Ability to take a break when needed • Autonomy over work pace
Characteristics of employee	<ul style="list-style-type: none"> • Personality, individual differences • Genetic differences • Age • Gender • Lifestyle • Work–life balance

Source: *Goudswaard et al, 2008*

Four types of indicators are mentioned in the table. The first set of indicators is related to the characteristics of the working time schedule itself. The second set is related to other work characteristics, since unhealthy working hours combined with demanding jobs can have cumulative negative health effects. Thirdly, autonomy of working time is important since this can have moderating health effects. Finally, the characteristics of the employee are considered. A work situation that is good for one person is not necessarily good for another, since individuals differ in their personal coping styles and capacities.

In taking into account these four indicators, working time arrangements can be created that are healthier and that ensure higher motivation and a better work–life balance for employees. At the same time, the working time arrangements can boost productivity and reduce the risk of accidents or loss of quality for the company. The trick is to find a good fit among these indicators.

In a recent study on working time arrangements at company level, different types of organisation are related to varying outcomes. The various organisations include enterprises that are highly flexible, either in terms of being employee oriented or company oriented, and companies that mainly focus on life-course measures, day-to-day working time measures or overtime (Chung et al, 2007). The following conclusions are derived from the study.

- High-flexibility organisations that focus more on employees' needs perform better than those that are company oriented.
- The worker-oriented high-flexibility organisations and the life-course oriented companies make it easier for employees to reconcile work and private life.
- Social and economic problems seem to arise more often in high-flexibility organisations that focus more on company needs and in enterprises that focus on day-to-day flexibility and overtime.

However, the significant differences are small. The researchers suggest that it may not be the extent of flexibility that makes the difference but the way it is implemented.

Developing flexibility policies at company level

As outlined, internal flexibility can be created through organisational flexibility and/or through working time flexibility. Each company will need to find its own optimal mix of flexibility measures, depending on its own particular situation, its need for flexibility and the specific dialogue within the organisation.

Drivers for internal flexibility

As previously explained, several external drivers for change exist, most importantly in terms of the economy, technology and the labour market. The drivers can differ from country to country, between economic sectors, or even from company to company, as well as according to the institutional context. From the study of case studies, it becomes clear that internal drivers for change also exist, such as changes in the management strategy or in the organisational structure. In fact, most drivers are not simply internal or external in nature but are a composite.

For instance, wanting to keep a satisfied and motivated workforce that is productive can be seen as an internal driver for change, whereas responding to labour market shortages by being an attractive employer can be viewed as an external driver. As another example, responding to new available technologies can be considered as an external driver whereas changing outdated equipment can be understood as an internal driver. More generally speaking, the drivers can be distinguished in changes in the economy, market demands, the labour market, technology, the institutional or legal context and company policy or structure.

Table 5 is based on the different sources described above and represents a building block in understanding the drivers for internal labour flexibility.

Table 5: *Drivers for internal labour flexibility*

Market	<ul style="list-style-type: none"> • Changes in global economy • New patterns of competition and competitiveness • Need to renew work processes and products • Fluctuations in client demands • Fluctuations in available labour • ‘24/7’ economy – that is, 24 hours a day, 7 days a week
Labour market	<ul style="list-style-type: none"> • New patterns of employment • Increased diversity in labour market • De-standardisation of life courses • Labour market shortages
Technological changes	<ul style="list-style-type: none"> • Response to technological changes • Optimal adoption and integration of new technologies
Institutional context	<ul style="list-style-type: none"> • Historical pathways • Differences in industrial relations systems • Legal context
Internal company policy or structure	<ul style="list-style-type: none"> • Discontinuity in company policy • Changes in management • Changes in internal structure • Reorganisations, mergers

Source: *Goudswaard et al, 2008*

The flexibility measures introduced by companies in order to manage these drivers are usually multiple and change over time. Thus, very often a combination of more than one measure is necessary in order to cope with the complex requirement of the companies’ surroundings or internal structure. Since both the external and internal drivers change over time, the measures taken will likewise evolve. As already discussed, it is not just the measures themselves that are a condition for success; it is also – and sometimes even more importantly – the way in which these measures are developed and implemented.

Benefits of internal flexibility

Both in the ‘high road’ approach to organisational flexibility and in negotiated working time flexibility, the involvement and participation of all parties within the company are essential for creating a win–win solution for both the company and its employees. This confirms the importance of social dialogue in the workplace. The possible benefits of internal flexibility can be linked with the specific European goal to combine economic growth with social cohesion. At company level, economic growth can be created by simultaneously increasing productivity, flexibility and innovation. Social cohesion can be fostered by simultaneously enhancing employability, work–life balance and good health.

Table 6 summarises the possible benefits of internal flexibility for companies and employees; it also shows some possible drawbacks (de Leede et al, 2002; Goudswaard et al, 2000). As an addition to the abovementioned impacts, the table adds one more possible benefit for the company, namely being an attractive employer. It might be beneficial for an

employer to invest in worker-oriented flexible working time arrangements, as this provides the opportunity to attract and retain highly motivated and qualified employees. Indirectly, this strategy might lead to higher productivity and innovation.

Table 6: *Impact of internal labour flexibility*

	Impact on companies	Impact on employees
Organisational flexibility		
<ul style="list-style-type: none"> • Flexible work processes and job design • Multi-skilled personnel, job rotation • Decentralisation of responsibilities towards the work floor • Job autonomy • Teamwork, project groups with high autonomy 	<p>Productivity: reduction of costs, higher productivity, better quality of services or products, customer satisfaction</p> <p>Flexibility: faster response to changes in business environment</p> <p>Innovation: increased potential for innovation in work processes and services</p>	<p>Employability: through multi-skilling and job enrichment, enhanced perspectives on internal and external labour market</p> <p>Health: higher job quality, fewer health problems due to more job autonomy</p> <p>Possible drawback: insecurity and higher stress levels</p>
Flexible payment schemes		
<ul style="list-style-type: none"> • Performance bonus for individual employees • Performance bonus for a team • Profit sharing 	<p>Increased productivity, flexibility and innovation, depending on type of payment scheme</p> <p>Possible drawbacks: in cases of purely productivity or individual rewards, possible decrease in innovation or teamwork</p>	<p>Depending on type of payment scheme or aspects that are rewarded, higher payment and motivation – or more stress</p>
Working time flexibility		
<p>Variation in working time (company and employee oriented):</p> <ul style="list-style-type: none"> • part-time work • flexible working time/schedule 	<p>Flexibility: possibility to match fluctuation in demand</p> <p>Productivity: potential for extended opening hours</p> <p>Attractive employer: possibility to attract qualified and motivated employees</p> <p>Possible drawback: mismatch with market demands</p>	<p>Depending on the way it is implemented, possibility to reconcile work and family life</p> <p>Possible drawbacks of part-time work: lower salary, fewer career opportunities</p>
<p>Variation in working time (company oriented):</p> <ul style="list-style-type: none"> • unusual working hours (nights, Saturdays, Sundays, shift work) • overtime 	<p>Flexibility: ability to respond to fluctuation in demand for labour, ability to respond to client demands</p> <p>Productivity: optimal use of equipment, shorter delivery times</p>	<p>Work–life balance: financial benefits fitting with individual life phase</p> <p>Employability: career opportunities when willing to work overtime</p> <p>Possible drawbacks: problems with work–life balance or health problems</p>
<p>Retirement schemes:</p> <ul style="list-style-type: none"> • phased retirement <p>Leave schemes:</p> <ul style="list-style-type: none"> • parental leave • long-term leave for care, education 	<p>Attractive employer: possibility to retain qualified and motivated employees</p> <p>Possible drawback: mismatch with market demands</p>	<p>Employability: possibility to manage own career</p> <p>Work–life balance: possibility to combine care or study with working life</p>
Location flexibility		
<ul style="list-style-type: none"> • Teleworking, working from home 	<p>Productivity: reduction of travel time, reduction of costs for office space</p> <p>Attractive employer: able to attract and retain greater diversity of employees</p>	<p>Work–life balance: ability to combine work with other activities, possibility to manage own day-to-day work rhythm, less time commuting</p> <p>Possible drawbacks: lack of social interaction with other employees</p>

Source: *de Leede et al, 2002; Goudswaard et al, 2000*

New employment relations

Creating internal flexibility based on open dialogue and the participation of all parties demands an employment relationship approach that abandons the hierarchically based authority prevalent in the 1960s and 1970s in the context of mass production processes and standardised products. The move is thus towards an environment in which today's better educated and more assertive employees are encouraged to take greater responsibility. They are expected to be more proactive, client focused and enterprising, in return for which they can gain the autonomy and employability that can empower them.

In such settings, it is crucial that the employment relationship evolves from an agreement that trades working capacity for remuneration towards a mature relationship in which the employer and employee have mutual respect for each other's interests. Therefore, the notion of the 'psychological contract' takes on greater significance, with trust playing a vital role. Trust is described as 'a psychological state that manifests itself in the behaviours towards others, [...] based on the expectations made upon behaviours of these others and on the perceived motives and intentions in situations entailing risk for the relationship with those others' (Costa, 2000).

Issues that merit particular attention include:

- dialogue – a transparent two-way communication;
- empathy – the ability to place oneself in the situation of others;
- no rhetoric but sincere empowerment and genuine employability;
- avoidance of defensive mechanisms, ambiguity and mixed messages;
- cooperation, realising that actors need each other in order to reach goals that they cannot achieve by themselves.

Box 2: Benefits and elements of internal flexibility

Internal flexibility – both organisational flexibility and working time flexibility – can improve company performance in terms of enhancing adaptability, innovation and productivity. At the same time, it can contribute to better employee work–life balance, health and employability prospects.

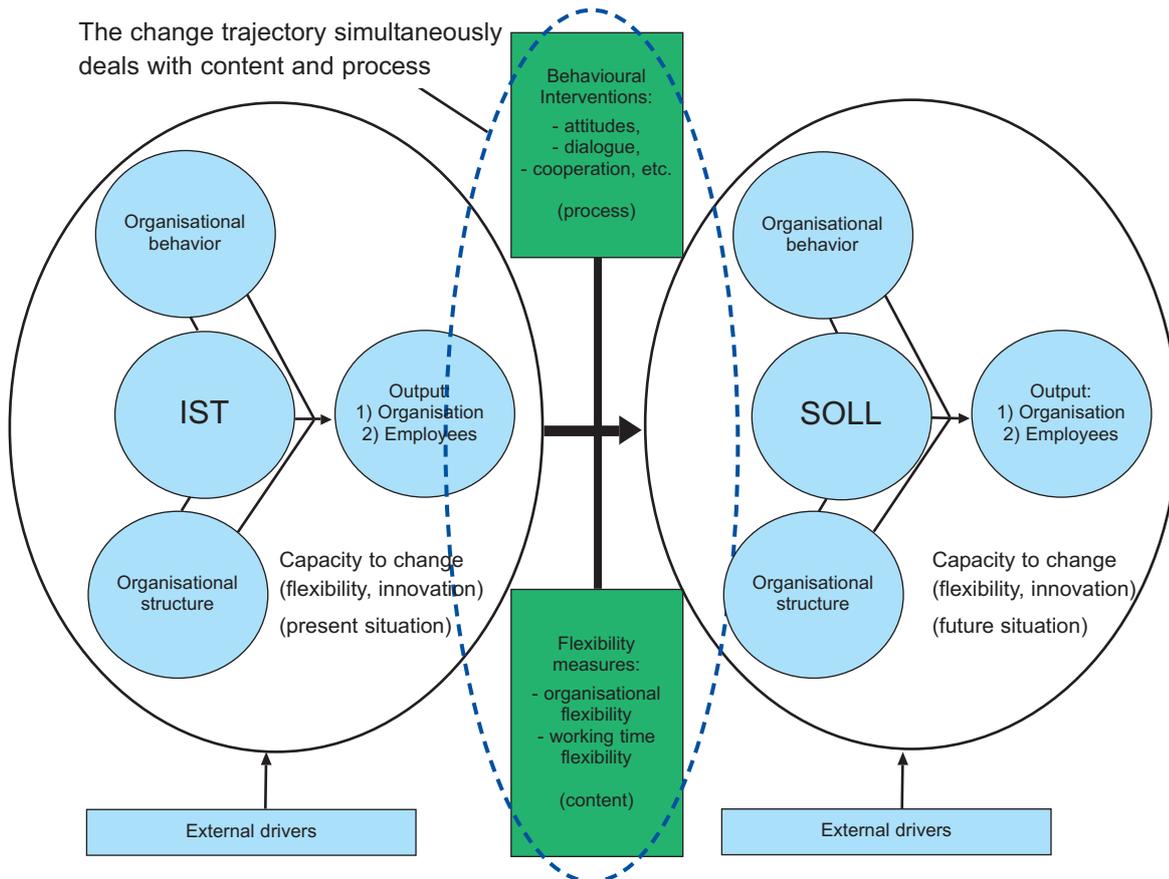
For this to be achieved, internal flexibility needs to be created in a balanced, holistic and participative way:

- balancing short-term market demands, such as productivity and cost reduction, with the long-term demand for innovation;
- balancing the interests of different parties within the company and searching for a mutually beneficial solution;
- balancing between potentially conflicting goals, such as flexibility, innovation and productivity for the company and work–life balance, health and employability for the employees;
- taking into account the possible negative impact and taking appropriate action;
- creating a corporate culture of open dialogue and the participation of all parties in the change process.

Achieving flexibility through change management

As already mentioned, the change process associated with the development of flexibility policies at company level is a complex one and differs for each enterprise. However, some general remarks can be made according to each change process aiming to develop greater levels of internal flexibility (Figure 1).

Figure 1: *Change trajectory*



Note: In German, an '*IST-SOLL Vergleich*' means an analysis of the present situation and of the future situation or target objectives; in other words, how it is and how it should be.

Figure 1 depicts the change trajectory from one state – the 'IST' situation (how it is) – to another state – the 'SOLL' situation (how it should be). In German, an '*IST-SOLL Vergleich*' means an analysis of the present situation and of the future situation or target objectives. Both situations indicate that an organisation has an objective, namely the desired output for both the company and its employees. Output for the company refers to organisation performance goals, such as economic performance, competitiveness and delivering goods and services in time, of the right quality and at commercially profitable prices, as well as being able to innovate in order to keep ahead of competitors. Output for the employees refers to goals like challenging jobs with fair pay and healthy working conditions, as well as reconciling work with family life and lifelong learning. To reach such objectives, companies need internal flexibility to enable the organisation to cope with the external and internal demands. In order to meet these demands, companies can modify the organisational behaviour of both employees and management, and influence the organisational structure – by implementing organisational flexibility and working time flexibility measures.

The 'IST' situation can be interpreted as a diagnosis of the current problem, while the 'SOLL' situation is regarded as the solution to this problem. Thus, the 'IST' situation may be characterised by poor performance output that jeopardises a company's future – for example, too many faults in production quality and clients turning to competitors. The 'SOLL' situation depicts the future and gives an answer to the question of how to reach the desired output performance through interventions that improve employees' role and performance and/or the organisational flexibility performance.

The management of this change trajectory considers interventions from both a content and process perspective.

- The content perspective is mainly a cognitive operation – diagnosing the problem and selecting a solution that then needs to be implemented.
- The process perspective is the complex part. Its main focus is on how the actors involved can be motivated to change and to function well in the future state and what is necessary to actually motivate them. This is a matter of cognition and emotion.

The change process itself is at least as difficult as the content of the change. Peter Senge and his colleagues (1990, 1999) have identified 10 distinct forces that oppose significant organisational change. These forces are often sufficient to prevent change and renewal from occurring, sometimes even before it starts. The first four challenges of Senge come into play when early success has been achieved and problems of sustaining momentum arise (Senge et al, 1999).

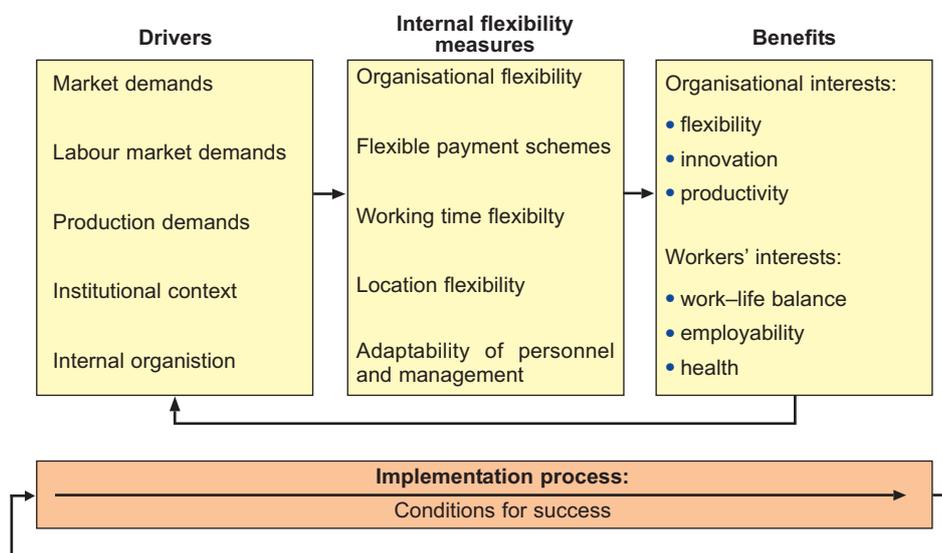
1. Not enough time: 'We don't have time for this stuff!' – This is the challenge of control over one's time. This dilemma represents a valuable opportunity for reframing the way that workplaces are organised, to provide flexibility and time for reflection and innovation.
2. No help: 'We're like the blind leading the blind!' – Some managers believe that asking for help is a sign of incompetence; others are unaware of the coaching and support that they need. Meeting this challenge means developing the capabilities for finding the right help and for mentoring each other to innovate successfully.
3. Not relevant: 'Why are we doing this stuff?' – A top priority for pilot groups is a clear, compelling case for learning and change. If people are not sufficiently committed to an initiative's goals, a 'commitment gap' develops and they will not take part wholeheartedly. Establishing its relevance depends on candid conversations about the reasons for change and the commitments that people can make.
4. Leadership values: 'Walking the talk' – This element can be questioned when a mismatch arises between what the boss says and his or her actual behaviour. People do not expect perfection, but they recognise when leaders are not sincere or candid. If executive and line managers do not provide an atmosphere of trust and authenticity, then genuine change cannot move forward.

The next part of the guide will show that these challenges become apparent in practical terms as companies seek to enhance internal flexibility.

Part 2 – Internal flexibility: company policies and practices

This part of the guide presents five practical cases of internal flexibility, which were developed in as many different companies: a bank in Belgium, an automotive spare parts producer in the United Kingdom (UK), an express delivery service provider in Spain, a machine manufacturer in Austria and a radar system manufacturer in Sweden. These companies were selected to present their policies at the Eurofound Company Network Seminar in 2008. The information included in the following cases is derived from the company presentations, a questionnaire regarding the impact of the measures taken and some additional interviews with company representatives by telephone. Each case study discusses the company context and drivers for flexibility, the measures taken by these companies, the main levers in the implementation process, the role of company-level dialogue in shaping change and the results of the measures. The model below is used to describe each case systematically (Figure 2). Finally, this part ends with a summary of the most salient points and findings from each company case.

Figure 2: *General descriptive model*



Teleworking and flexible workplaces at Dexia Bank Belgium

Dexia Group, which originated in 1996 from the alliance of Crédit Communal de Belgique and Crédit Local de France, focuses on retail banking in Europe – primarily Belgium, Luxembourg, Slovakia and Turkey – as well as local public sector financial services and project finance, in which it is world leader. Dexia operates in 38 countries and employs over 35,000 people. The case presented here is that of Dexia Bank Belgium, which employs 35% of all employees in the Group. This specific case study describes the introduction of teleworking in Dexia Bank Belgium.

Context and drivers

The main driving force behind the introduction of teleworking practices at Dexia was the bank's policy on HR and corporate social responsibility. This strategy, which focuses on work-life balance and environmental issues, prompted a collective agreement with the trade unions concerning teleworking in May 2004. By making teleworking available to all employees, Dexia Bank Belgium aims to be an attractive employer, offering a good work-life balance, while at the same time contributing to the alleviation of traffic jams and carbon dioxide (CO₂) emissions resulting from its employees' commute to work. Not only does this arrangement provide mutual benefits for employer and employee alike, it also has the added advantage of promoting the company as an employer of choice.

However, at the beginning of 2008, teleworking had still not been widely implemented in the company, as some of the managers appeared to be reluctant to allow it. It was clear that a concept was needed that addressed not only the needs of employees but also the goals of the managers. The concept of teleworking was therefore linked to desk sharing and activity-based workplaces, allowing a reduction and more productive use of the office space. Teleworking is expected to reduce office costs and loss of productivity by significantly cutting travelling time and commuting. Furthermore, employees have more options in combining work with private tasks. Although investments are needed in telecommunications equipment to facilitate mobile working and working at home, the net savings are expected to be about 16%. Besides teleworking and desk sharing, activity-based workplaces will become the hallmark of the new offices, with space (re)designed to contain lounges with sofas, workplaces that allow concentration and attractive meeting rooms with flat electronic display screens.

Since 2004, when the collective agreement concerning teleworking was signed, internal studies have been undertaken into the company's flexibility policies and practices, and a special taskforce eventually formulated a common vision on remote working in 2008. A variety of flexibility practices flourished within the broader Dexia Corporation and, as a consequence, managers held different views on the desirability of teleworking. It was decided to start a pilot project with the new flexible workplaces in the Facility Management Department of Dexia Bank Belgium. A pilot programme rather than a major change seemed to be the correct move at the time, since several managers were not convinced of the benefits of teleworking.

Flexibility measures

In order to encourage teleworking, the pilot project in the Facility Management Department will not simply implement teleworking but rather an integrated 'concept of flexible workplaces'. The aim of this pilot programme is to promote a combination of:

- teleworking, four types of which were included in the original collective agreement:
 - mobile working – comprising no office at all and mainly meant for sales persons
 - structural working at home – at least one day a week at home for a predefined period of time
 - ad hoc working at home – occasional work at home, with managerial approval
 - satellite working – working partly in an office of Dexia closer to the employee's own home;
- desk sharing – since 75% of staff are in the office at the same time, a proportional ratio of 80% in matching work stations and personnel is planned for the facility management department. The aim is to reduce office space by 16%;
- activity-based workplaces, including lounges, sofas, concentration workplaces and meeting rooms with flat screens;
- training of managers in new management skills that are needed for managing at a distance, that is, more output-oriented strategies.

Implementation process

Senior management are backing the initiative taken by Dexia Bank Belgium and the trade unions. The pilot project began in late 2008, which means that it is too early to evaluate its impact and identify success factors and areas for improvement. Two challenges that were encountered in the preparatory phase were putting in place the necessary telecommunications technology and the sceptical attitude of managers towards teleworking. The technological hurdles – ensuring sufficient desktops with non-standard software, system security, the availability of devices and operating options – have been overcome; however, the managerial attitude remains the most problematic aspect. The reluctance of some of the managers can be explained by their fear of losing control over employees and their doubts as to whether

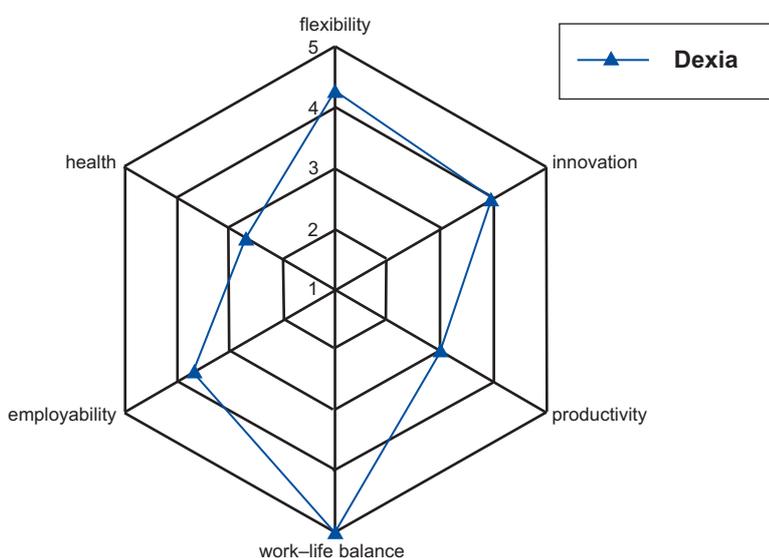
employees are fully productive when working at home. Dexia Bank has decided to coach the managers in new leadership styles, related to competence management and output management. It is expected that positive feedback through cost savings will convince managers to embrace the new flexible workplaces.

The change process involved all persons concerned at corporate and at workforce level. Participants in the dialogue at corporate level included the top management of Dexia Corporate, the management of Dexia Bank Belgium, the trade unions as well as working and evaluation committees. The trade unions support the pilot project and employee involvement is voluntary; this is considered a potential additional success factor. Thus, the pilot programme has been implemented with participation from management and trade unions, as well as the developers of flexible workplaces and the users of these workplaces in the department where the test project is taking place.

Expected benefits and results of flexibility initiatives

For Dexia, being an employer of choice provides an important competitive advantage. With the introduction of teleworking and the flexible office concept, the company can provide flexibility to its employees; at the same time, it can achieve considerable savings in office space and create a more stimulating work environment with the introduction of activity-based workplaces. Figure 3 shows the self-assessment of Dexia Bank Belgium with regard to the impact of the measures taken. The main benefits are expected in the field of work–life balance. This is not surprising, since measures such as teleworking, desk sharing and activity-based workplaces aim to improve the employees’ work–life balance, as well as enhancing the work environment. A side effect of these measures is expected to be an increase in productivity, greater company spirit or employee satisfaction and a lower rate of absenteeism. Apart from the advantages in respect of work–life balance, the company expects benefits in flexibility, in particular regarding the labour market. Dexia Bank offers flexible work arrangements to employees in order to be and remain an employer of choice.

Figure 3: *Impact of flexibility measures: Dexia Bank Belgium self-assessment*



Source: *Company self-assessment based on the responses to a questionnaire compiled for this study*

The evaluation results of the pilot project will reveal the real impact on productivity. With regard to the impact on health, the company states that this will depend on the type of measure: remote working is not a tool to reduce workload. However, part-time work does reduce workload in terms of working hours. The company representatives hope that the flexibility measures will allow employees to better organise their private life demands and their work, resulting in a genuine work–life balance. Furthermore, the measures should lead to an increase in productivity and motivation, with a

decrease in overtime hours and absenteeism, resulting in a better team spirit. Dexia believes that this combination of flexibility measures – ‘the integrated concept of workplaces’ – will have a better outcome for the company and its employees than a single teleworking measure. A simulation study has been carried out in order to calculate the expected impact for the company and the environment; this has found a reduction in overall costs, a saving on office space of about 16% and a 20% reduction in CO₂ emissions. Activity-based workplaces are also known to increase productivity.

Shaping a flexible mindset at GKN AutoStructures

GKN is an automotive and aerospace manufacturing company with a total of 40,000 employees, operating in 35 countries. The case described here refers to GKN AutoStructures in the UK – the largest GKN site in the country, with 1,000 employees. The internal demographics show an ageing organisation, with an average age of 40–50 years and an average tenure of 20 years. GKN AutoStructures produces components for cars. The company is community based, with the largest proportion of employees having been recruited locally.

Context and drivers

For years, GKN AutoStructures was confronted with the need to respond to a dynamic and unpredictable market in the automotive industry. It required more flexibility in terms of both product volume and mix in order to shorten the time to get a product from conception to marketplace (time to market), while maintaining quality standards. At organisational level, the production line lacked efficiency and flexibility due to a mismatch between the competences that were available and those required for operational tasks. At employee level, workers performed single tasks while earning wages compatible with multi-skilled work. No incentive was offered to broaden the employability profile, so employees stayed in their ‘comfort zone’. The rigid, traditional and conservative management style was not known for being very motivational or for enabling flexible work practices to flourish.

As in the rest of the automotive industry, the economic downturn challenged the order portfolio of the company to adapt to customer demand and develop a more flexible attitude and therefore a change in corporate culture. The new managing director and HR director were key figures since they challenged the traditional labour relations within the organisation. To achieve a real change towards more flexibility, the gap between employer and employee had to be narrowed. At the time of writing, efforts to introduce a policy change have been ongoing for two years.

Flexibility measures

The HR director of GKN wanted to break away from the traditional labour relations that were characterised as being antagonistic and rather rigid. By contrast, he wanted to encourage and achieve a ‘more flexible state of mind’ for all parties in the company. In order to create more internal flexibility, GKN AutoStructures took the measures outlined below.

- ‘Lean’⁵ production and self-management through the introduction of mini-business units resulting from a structural reorganisation – each of these mini units was to be responsible and accountable for its own performance. This measure was not taken at once; however, the company started with the implementation of one quickly established mini-business as an example. It took over three months to review the outcome and the implementation process. The lessons learnt provided valuable information for the implementation of the other three units.
- Worker appraisal and self-assessment, in combination with variable pay – methods of self-assessment were introduced in order to create a better link between tasks, job profiles and skill matrices. Variable pay was introduced to encourage the use and development of skills.

⁵ Lean production or management refers to the elimination of waste, ensuring maximum efficiency in the process.

- Shaping a flexible mindset – the organisational measures mentioned could not be taken without a change in the corporate culture from traditional labour relations towards a more ‘flexible state of mind’. In order to make the implementation of organisational flexibility possible, the strategy emphasised the ‘people factor’ rather than a ‘(re)structuring job’. This appeared to be a long and difficult road: both management and employees needed the right mindset to make the transition. Therefore, over 110 managers in total were consulted individually to gain the support of the middle and higher management in the implementation of internal flexibility measures. Commitment to the change and the new road ahead was essential, as adopting a ‘flexible mindset’ implies the willingness to do more than strictly expected – in what is termed as ‘extra role behaviour’. Through the creation and completion of competence matrices, the available and necessary skills became apparent.

Implementation process

Crucial for the success of the change was the behaviour of the managing director: by being explicit and open, he created a positive atmosphere. Many ‘soft’ activities were directed towards facilitating a change in the state of mind of both managers and employees, and a change in labour relations. In this context, the main challenge for GKN AutoStructures was the rigidity in management style and employee behaviour. The initiative came from top management and the new HR director, but participation was necessary from all staff involved.

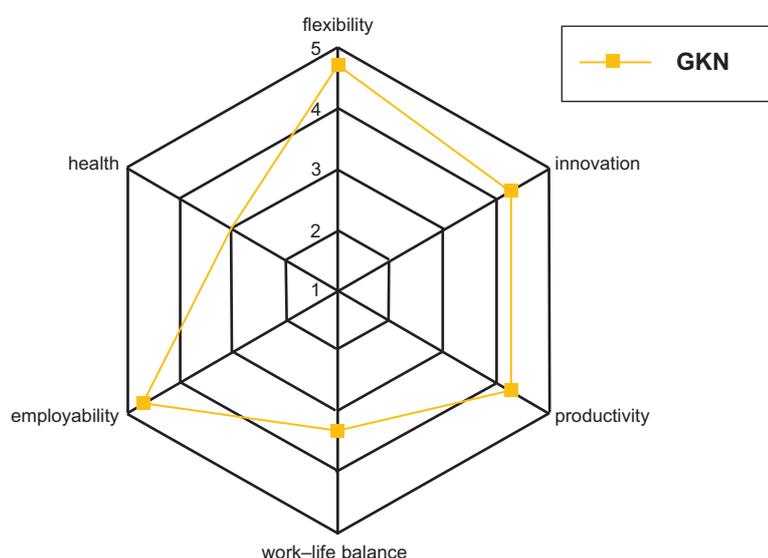
Success is dependent on creating an atmosphere of trust and open communication, based on strong leadership, with management giving a clear and unequivocal message throughout the entire organisation. GKN put considerable effort into frank and open dialogue, with the aim of generating trust and dispelling the fear of hidden agendas. A future challenge will be to continue this transparent form of dialogue and for managers to give employees the additional freedom that a recent employee survey suggests is lacking.

An important first step – ‘an act of faith’ – in restoring trust among the employees was the abolition of an absence penalty system that had very negative consequences for workers. Dialogue with the workforce was sought through meetings with the employees. Divided into groups of 50 people, a series of sessions were organised over two days. The nightshift workers were grouped together in separate meetings. Subjects addressed during these meetings included the existing situation, new work projects, general information and the message of creating an environment of trust. Although there is still a long way to go, the implication of improved labour relations and the imminence of cultural change were highlighted by an employee satisfaction survey conducted for the first time in years.

Expected benefits and results of flexibility initiatives

Figure 4 shows the results of the self-assessment of GKN AutoStructures and the impact of the flexibility measures taken. For GKN, the main benefit of greater organisational flexibility is an ability to adapt to changing markets and technologies. While it is too early to claim that the implementation of flexibility policies has broken through the rigidity of the corporate culture, ‘pockets of excellence’ have emerged, with the introduction of the first mini-business unit already having led to fewer mistakes being made. The company strongly believes that organisational flexibility and change in the corporate culture are necessary to survive the extreme uncertainty in the automotive industry market due to the current global economic crisis. The ensuing dismissal of all external flexible employees underlines how vital internal flexibility has become. While uncertainty exists about the future, GKN is certain about the need for flexibility. In respect of productivity, flexibility is just a means, not a goal; nevertheless, it is a fundamental means towards the company objectives. In particular, boosting the motivation of the workforce will help to overcome the problems confronting GKN.

Figure 4: *Impact of flexibility measures: GKN self-assessment*



Source: *Company self-assessment based on the responses to a questionnaire compiled for this study*

The impact of organisational flexibility on employability is expected to be positive, although the company still has a long road ahead. Not all employees desire job enrichment, as they may fear change. The impact on health is expected to be mixed. No change is anticipated in workload or irregular working hours, and the impact on overtime is expected to be negative because workers value the financial benefits of overtime.

GKN AutoStructures believes that it is benefiting from the change approach: the company has become more open to constructive dialogue between employee and employer. The result is scope to create more functional flexibility and enhance the broader employability of the mainly blue-collar, production personnel. Lower production costs and higher market flexibility have already been achieved. At the same time, most employees have gained more opportunities and a better job outlook because of broader employability and skills development.

Work-life balance through flexibility at MRW

MRW, founded in 1977, is the first express delivery service provider to operate in Spain. It operates through a franchise system and currently the company accounts for 800 established franchises in Spain, with a further 567 franchises covering Andorra, Gibraltar and Portugal; 70%–80% of these are family owned. Overall, MRW employs just over 14,000 employees through its network of offices. The head office in Barcelona employs 500 people, all of them on permanent employment contracts. More than 1% of MRW's turnover is invested in social activities, through special family-oriented services.

Context and drivers

A poor economic climate coupled with strong international competition in 1993 forced MRW to reorganise, with the redundancy of 400 employees appearing imminent. The chief executive officer (CEO) did not want to accept this situation and sought an alternative, which was found through the introduction of franchising. This combination of entrepreneurship and family-friendly business aligns commercial company goals with social private objectives. However, franchising requires a considerable degree of flexibility. The CEO offered the employees the opportunity of self-employment and assistance to run the franchises, responding to the implicit entrepreneurship that he knew existed among his employees and which he valued highly.

The company's vision of flexibility is thus based, in part, on the commitment of management to a strong sense of corporate social responsibility. Furthermore, being a family-friendly company enhances the motivation and productivity of its employees and makes MRW an employer of choice. MRW was the first company in Spain to receive a certificate for family friendliness (*Empresa Familiarmente Responabel*, EFR) in 2005.

Flexibility measures

The flexibility of MRW can be characterised in two ways: on the basis of the organisational structure of franchises and on the basis of the corporate culture and work–life balance policies.

The concept of franchising makes it easy to adapt in size and location, and to respond to market needs quickly and flexibly. The strength of the franchise system is the cooperation among different departments – such as technology, finance, HR and commercial – in a total logistics approach and the integration of work processes, that is, picking up, distributing and delivering goods. Franchises that are located in close proximity to one another can also exchange workload. Since the franchises are independent companies, the MRW head office cannot impose flexibility measures; nevertheless, it can influence independent companies by developing flexibility measures and encouraging the individual franchises to apply these measures by offering support in this regard.

At the core of MRW's corporate culture is the organisation's flexibility to adjust to the needs of its employees or entrepreneurs. Work–life balance is a fundamental MRW value. As the family is the cornerstone of the franchise business, family care plays an important role. The company strongly believes that employees can only function properly when their work and family life are in balance. Key to this strategy is a HR policy that regards employees as individuals and not as resources, listens to personal needs and understands what motivates people. Examples of this policy, besides franchising, are a zero staff turnover strategy, allowing flexible working hours and teleworking, family support measures such as childcare vouchers, the abolition of the siesta – which meant a break of several hours in the middle of the day followed by late working hours – and not scheduling meetings after 16.00.

Implementation process

The central success factor is the management's genuine interest in addressing family issues that hinder productivity. By solving family issues first, people can fully concentrate on their work. Flexibility for workers through measures that balance work and family life demands a different business strategy. The franchise concept is attractive for franchisees because it gives them considerable control over their work and private lives. The company as a whole is not just a business network but also a social network: people help each other. The head office and the CEO help and support their employees at head office, as well as the franchisees by granting them trust and autonomy and by valuing their entrepreneurship.

In return, the franchisees feel that they are part of a family with certain obligations, which boosts their productivity and strengthens their loyalty to the company. Special trainers help the small enterprises during the start-up phase and MRW provides them with a web-based communication structure. In the 30 years of its existence, MRW has never enforced its policies on the franchisees, always preferring a more positive and open-minded approach.

Social dialogue and conversation regularly take place within MRW. Currently, a working group is meeting each month to make new proposals for the company's social policy. Each year, a satisfaction survey is held among employees, and the franchisees are asked for their opinion on how the company policies are applicable to their own enterprise. Regarding franchise participation, a special board consisting of six members from the franchise businesses and the chair of the central board holds meetings periodically. The trade unions are also part of the social body, in which they share reflections and opinions.

Regulation in MRW is based on trust rather than written policies and rules. The view of the company is that good leadership breeds trust. This means visionary leadership, on the one hand, and the patience to let 'bottom-up' progression

happen, on the other. In the words of a company representative, ‘good leadership is being able to think not only about your own interests, but also the interests of others’. Reciprocity is a logical consequence.

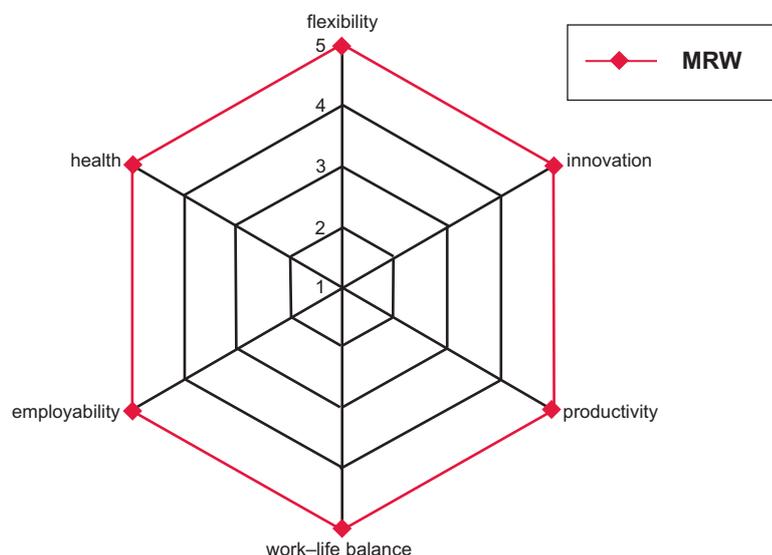
Benefits and results of flexibility initiatives

Figure 5 shows the impact of the flexibility measures taken. Since they are closely linked to the overall company strategy, the assessment is very encouraging for all aspects. MRW is highly positive about the benefits of the measures on the flexibility, innovation and productivity of the company. Moreover, the flexibility measures are also considered to have a positive impact on the work–life balance, health and employability of the workers.

This broadly positive evaluation is due to the fact that management supports one clear view on flexibility and disseminates this to all of the franchises; in this view, company performance is closely aligned with employee satisfaction. In MRW, flexibility primarily means that the company is flexible towards the needs of the employee. This is not a common feature in Spanish companies. However, the benefits for the workers are especially important for MRW: according to the company representative, the human-oriented flexibility measures allow all workers to be ‘happy at work by creating a good ambience and work–life balance and providing workers with responsibility’.

Consequently, MRW is perceived as an attractive employer and is able to recruit and select the best workers to contribute to the overall success of the company. The MRW head office promotes a recruitment strategy to the franchisees. The franchise concept enables MRW to stay flexible and to exchange the workload between individual franchises. Continual improvement of current practices should ensure that MRW will remain successful in the future.

Figure 5: *Impact of flexibility measures: MRW self-assessment*



Source: *Company self-assessment based on the responses to a questionnaire compiled for this study*

Negotiated flexibility at Palfinger

Palfinger is a manufacturer of hydraulic lifting, loading and handling systems, operating in a global market with headquarters in Austria. Originally, the company was a family business. Palfinger has production and assembly sites in Europe, North and South America as well as in Asia. It currently has a total of 4,500 employees on the payroll, including about 980 workers in Austria. The case presented here refers to a production site in Austria, with two product lines: crane technology and hydraulic systems. Palfinger’s primary market was the construction sector; however, the company has achieved product diversification towards a broader range of industries in order to be less dependent on one single market.

Context and drivers

The main driver for change in this Palfinger production site was increasing international market pressure. Palfinger faced serious threats from its competitors, had to reduce costs and needed to respond more quickly to customers demanding greater variety in products and shorter delivery times. At the same time, considerable pressure was mounting to move manufacturing outside Austria to reduce personnel costs. In 2002, Palfinger transferred part of its production from the municipality of Lengau in the northwestern state of Upper Austria to the village of Tenevo in southeastern Bulgaria.

After this move, the company needed to modernise production in Austria; it therefore switched to a more customer-oriented production system with fixed delivery times, more quality and a focus on higher productivity and lower costs. Fixed delivery times required more internal flexibility in terms of both machines and employees. Flexibility from the workforce was also needed to reduce costs through lower in-stock production levels, which implies a rapid response to customer demand rather than pre-planned work schedules. A solution was found by providing the workforce with a high level of autonomy in their work and schedule.

Flexibility measures

In 2005 and 2006, Palfinger implemented three closely connected flexibility measures in its production department: self-organised teams, flexible working time and a variable benefit system.

Self-organised teams were formed in order to achieve more flexibility in the work organisation. The company has set fixed delivery times for its clients, which are clear for the teams. Based on long-term forecasts, a basic production plan can be made. According to the short-term forecasts, actual production time can vary by 20%. This requires flexibility from the teams to produce 20% more or less on any given day. All output measures – productivity, quality and delivery performance – are closely monitored and transparent, including agreements between the teams. Within this context, the teams are responsible for their part of the process and organise their own capacity over the work stations and over the shifts. The self-organised teams are therefore self-steering: on the basis of the production planning they organise their own work, monitor their own performance and are accountable for their own output.

The second flexibility measure is a flexible scheduling model, which provides employees with more flexibility in their working hours and reduces both costs and overtime for the company. This model has several special features. The length of the working week has been reduced from 38.5 hours to 37.3 hours a week for those working in a three-shift roster and has been reduced to 35 hours a week for those working night shifts. In the new model, overtime is understood to be any work that exceeds nine hours a day or 45 hours a week. The rest of the extra hours (up to 45 hours a week) is considered as flexitime and is saved in a working time account.

The third measure is the benefit model, a bonus system strongly related to self-organisation. Employees are paid a basic contractual salary negotiated with the trade unions at the start of the implementation of the flexibility measures, which is above the minimum industry level. The additional bonus system then rewards productivity, quality and delivery performance.

Implementation process

Palfinger was under considerable pressure to make organisational changes; the sense of urgency among management and trade unions was high. Everyone realised that the change process was a necessary fast track to greater internal flexibility. The competitive market was the background for negotiations that sought to achieve a win-win outcome that would entail both parties accepting necessary compromises. Management negotiated a company-level agreement with the trade unions based on trading greater employee flexibility and lower overtime payments for a fixed minimum salary above market rates. Night shifts were also reduced since these tend to make people more inflexible.

The sense of urgency and the requirement to arrive at fixed delivery times prompted the package deal of self-organising teams, flexible working time and the benefit payment system. It is crucial for the success of the self-organising teams that management provides them with the right information: clear production forecasts, transparent targets and clear agreements between teams. Another success factor is self-responsibility. Employees are responsible for their own performance and that of their team members, as well as their schedule. In order to further guarantee success, team leaders have been coached in leading a self-organised team.

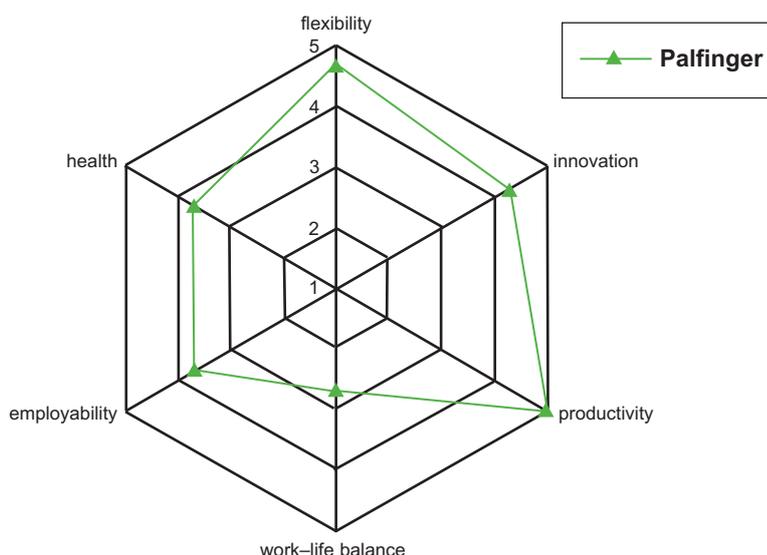
All stakeholders were involved in the development of the flexibility measures; however, the market environment largely determined the shape and scope of the change. Management and trade unions negotiated on the model of flexible scheduling, self-organising teams and the variable benefit system. They also bargained on exchanging flexibility for higher employee salaries. The key actors involved during the transition were the HR department, the managing director, team leaders, employees and the works council, as well as a trade union representative as an external advisor and a mediator.

Benefits and results of flexibility initiatives

Figure 6 shows that the main benefits of the flexibility measures for Palfinger lie in productivity and flexibility; these were the main reasons for implementing self-organising teams. By closely monitoring the output of all of the teams, the benefits can be continuously assessed. The organisation is constantly aware of the fact that results are central to the need for adaptation and business process improvement. Palfinger is also continually trying to reduce overtime and associated costs. The higher labour costs in Austria compared with other locations are counterbalanced by higher employee flexibility.

Employees enjoy greater self-responsibility, along with job and scheduling autonomy. However, the impact that this has on either work–life balance or workload is not monitored since the company has an explicit non-intervention policy in these respects and such indicators are not observed as closely as the performance indicators.

Figure 6: *Impact of flexibility measures: Palfinger self-assessment*



Source: *Company self-assessment based on the responses to a questionnaire compiled for this study*

Flexibility as a result of restructuring at Saab Microwave Systems

Saab Microwave Systems is one of the 16 business units in the Saab Group and is a leading provider of radar systems, encompassing advanced airborne, ground-based and naval systems, as well as an extensive range of services. Some 1,296 employees work for Saab Microwave Systems in Sweden and Norway. About 90% of the workforce are white-collar employees, mainly with an academic degree, and 10% are blue-collar workers. Saab Microwave Systems used to be known as Ericsson Microwave Systems. Over the years, more than 3,000 systems have been delivered worldwide.

Context and drivers

The main driver for change within Saab Microwave Systems was changing market demands. A decline in the company's traditional long-term, highly innovative projects and long production cycles for the national defence industry forced a shift to the international, civilian market. Saab Microwave Systems needed to become more market oriented, with a shorter production cycle, and to seek new customers. This demanded new competences from the highly skilled and specialised employees.

The business unit's challenge was to reduce personnel while, at the same time, retain relevant competences and develop new skills and a commercial attitude among the remaining staff. As a response to this situation, the company decided to redesign the organisation and workers' skills on the basis of internal dialogue and trust. The main force behind this idea was the vice-president of HR, who was able to convince the other board members that this 'high road' to flexibility would ultimately be the most rewarding for all parties.

Flexibility measures

Saab Microwave Systems has undergone a long and intensive process of organisational redesign to make it more flexible – that is, leaner, smaller, more effective and goal oriented, with a shorter time to market. This required change in the organisational structure, management structure and leadership style, as well as in individual skills and competences. The change process started within Ericsson Microwave Systems in 2003, continued with the transition to Saab in 2006 and was still ongoing in 2008.

The new organisational structure contains fewer management layers and a greater capacity for adapting to new market circumstances. All employees were involved in the strategic discussion about the most appropriate organisational structure and future strategy.

Apart from a new organisational structure and strategy, both managers and their staff needed to become more market oriented and acquire new skills. They had to develop the flexibility to adapt to the new market circumstances, from the technical skills related to new markets and the use of new technologies to new social and commercial skills. Managers had to take on a greater coaching role for their staff and be trained in a comprehensive package of competences: HR skills, quality management and operational excellence.

Saab Microwave Systems thus realised that a shift in skills was necessary to adapt to the new markets. Furthermore, it felt responsible for deploying each employee and manager in the right place, a strategy that required creative HR measures. One of the first steps taken was a skills exchange programme, a method which management preferred to announcing lay-offs. This process took a year to get 'the right person and the right skills in the right place at the right time'. The skills exchange programme included both recruitment of new personnel and the termination of existing employment contracts. All employees were involved in the entire process. After the initial analysis of resources and skills, managers and their staff had interviews about their future inside or outside the company. Trust was created through coaching employees to make a deliberate decision on their career. Each employee had several talks with a manager to assess and evaluate their job. All personnel and trade union representatives received training. Those whose future lay

inside the company were trained to become more customer oriented and to contribute to the overall goals and new strategy of Saab Microwave Systems. For those whose future lay outside the company, the programme provided redundancy payments and new job guidance programmes.

Implementation process

Developing trust within the whole organisation – among management, trade unions and employees – is the core condition for success in the transition in Saab Microwave Systems. The active involvement of all actors in the change process, coupled with open and transparent communication, meant that everybody was well informed about the future of the company, the change process and their own situation.

The main driver for achieving internal flexibility within Saab Microwave Systems was the charismatic leadership role of the vice-president of HR, who realised that change required strengthening the new employment relationship through dialogue on the basis of a new psychological contract. One of the challenges was to convince the board to take an innovative approach instead of a traditional one. The trade unions supported the vice-president in this regard. Both employees and trade unions were quickly involved. No written agreement was drafted; management and trade unions worked together on the basis of trust. To overcome the trust barriers with the unions, frequent formal and informal meetings were organised with the trade union representatives and confidential business information was made available to them.

To overcome obstacles to trust with employees or managers, considerable effort was put into dialogue and training; the implementation process was characterised by genuine dialogue. Transparency and authenticity, combined with honesty, justice and avoiding mixed messages, made it possible to bring about real change. The overall development and implementation of internal flexibility policies is geared towards shaping change through conversation, which fits in neatly with the Scandinavian tradition of ‘democratic dialogue’ – implying a participatory approach with works councils and trade unions.

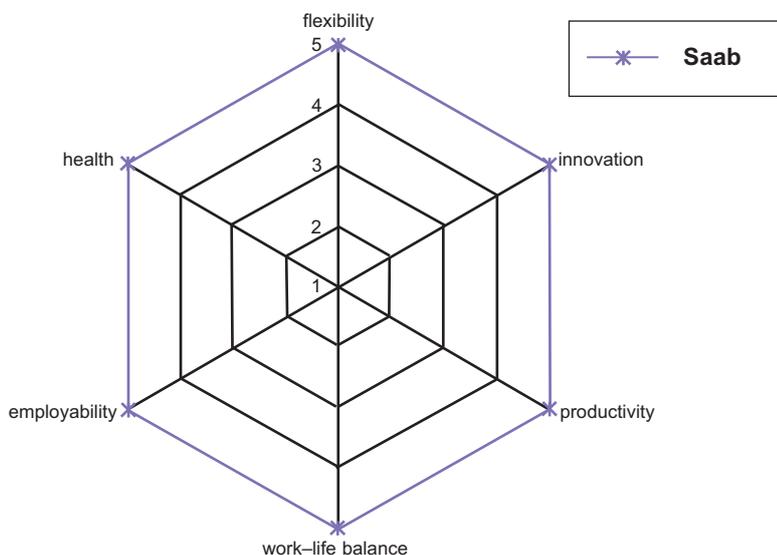
For the strategic discussion, an interactive technique was used as a form of dialogue. Thus, 12 ‘high potential’ managers were trained to interview 200 employees each and these high potential managers shared their results and opinions with each other in a so-called ‘fish bowl’: this means that senior management can listen to the debate but cannot interfere. This method enables quick and productive dialogue to begin in the organisation.

Once new employment relations were started, there was ‘no turning back’, according to a company representative. As part of individual performance management activities, a structural dialogue was set up between employees and their managers, with employees having four development talks each year followed by a review with their manager in which, for instance, the salary level is discussed. Their evaluation is based on both ‘hard’ performance indicators, such as quality and results, and ‘soft’ behavioural aspects, such as knowledge and understanding. People received variable pay in the form of differential bonuses – for example, tickets to the cinema or a financial incentive.

Expected benefits and results of flexibility initiatives

The self-assessment regarding the impact of the flexibility measures reveals that Saab Microwave Systems is very positive about the results (Figure 7). The company is particularly satisfied in relation to flexibility and innovation, which are the core aims of the flexibility policy. According to the company’s own reports, the goals have been reached. Productivity and efficiency have also increased, due to highly motivated people. These aspects are measured at both organisational and individual level, and are discussed during the talks between employees and managers.

Figure 7: Impact of flexibility measures: Saab Microwave Systems self-assessment



Source: Company self-assessment based on the responses to a questionnaire compiled for this study

The skills exchange programme enabled Saab to retain the right types of skills, while also carrying out the right amount of redundancies. The strategic discussion was an effective way of involving all stakeholders concerned in the process and a means of motivating staff.

Overall, the integral HR policy within Saab Microwave Systems has benefited employees. The positive impact on employability can be regarded as a direct result of the change process, in which each individual is asked to think about their future and is supported in terms of self-development. The emphasis on work-life balance is not specific to Saab but is a national trait: for the last 10 years, Sweden has kept a focus on balancing professional and private life. Within Saab, good leadership is interpreted as achieving results while protecting this balance for both employees and managers. People respect this policy and are given the freedom to make their own choices.

Case study analysis

Internal flexibility measures

Part 1 of this guide distinguished several forms of internal flexibility (see Tables 2 and 3). Table 7 provides an overview of all flexibility measures taken by the five case study companies. The table makes a distinction between organisational flexibility, flexible payment schemes, working time flexibility – by day, week, year and lifetime – and location flexibility. Added to these provisions is one additional flexibility measure: the adaptability of management and staff. From the literature and case studies, it became apparent that for both organisational flexibility and working time flexibility to be successful, the adaptability of all personnel – management and employees – is crucial.

All measures taken within each company are marked with an X. In each of the five case presentations, only the most distinctive features were highlighted.

Table 7: Flexibility measures taken by the companies

	Dexia	GKN	MRW	Palfinger	Saab
Organisational flexibility	X	X	X	X	X
• Flexible work processes and job design	x	-	x*	x	x**
• Multi-skilled personnel, job rotation	-	x	-	x	-
• Decentralisation of responsibilities	-	-	x	x	-
• Job autonomy	-	x	x	x	x
• Teamwork, project groups with high autonomy, mini-business units	-	x	-	x	-
Flexible payment schemes		X		X	X
• Performance bonus for individual workers		x		x	x
• Performance bonus for a team		-		x	-
• Profit sharing		-		-	-
Working time flexibility (day/week/year)	X		X	X	
• Part-time work	x		x	x	
• Flexible working time schedules, working time accounts	x		x	x	
• Unusual working hours (night/Saturday/Sunday shifts, shift work)	x		x	x	
• Overtime	x		x	x	
Working time flexibility (over life cycle)	#	#	#	#	#
Retirement schemes:					
• phased retirement					
Leave schemes:					
• parental leave					
• long-term leave for care, education					
Location flexibility	X		X	X	
• Teleworking, working at home	x		x	-	
• Activity-based workplaces, desk sharing	x			x	
Adaptability of management and staff	X	X	X		X
• Open dialogue based on participation and empathy	-	-	x		x
• Searching for a win-win solution in the change process	x	x	x		x
• Redesign of managerial and employee roles	x	x	x		x

Notes: * Franchise concept (MRW). ** Restructuring towards a more market-oriented organisation (Saab Microwave Systems). # The companies have not mentioned working time arrangements over the life cycle as part of their main flexibility strategy. This does not mean, however, that these schemes are not present.

Source: Authors' summary, based on company responses to questionnaire

Table 7 shows that the companies combine different flexibility measures at the same time. Some measures are closely connected and are expected to be mutually enhancing, while others are taken simultaneously for separate reasons. For instance, Palfinger has adopted a closely connected system of organisational flexibility, scheduling flexibility and a flexible payment scheme, where teams of employees are given the autonomy of self-organising their work and working hours. GKN AutoStructures has also introduced a closely connected system of organisational flexibility, flexible payment schemes and a change towards greater adaptability of personnel and management.

Meanwhile, within Dexia Bank Belgium, the flexibility measures focus mainly on location flexibility and encouraging remote working. Apart from this, Dexia Bank had already introduced flexible scheduling schemes in different company entities. Both types of flexibility have been adopted from a corporate HR and corporate social responsibility view; nevertheless, the implementation of the flexibility measures is not connected. Within MRW, the franchise concept was introduced as a form of organisational flexibility; flexible scheduling and location flexibility are also present in the company. However, the most important measure – according to MRW – is the adaptability of the company in terms of the employees. Therefore, all types of provisions that support work–life balance can be found in the Spanish enterprise. For Saab Microwave Systems, the main flexibility measure is the redesign in organisational structure and required skills following the ‘high road’ to flexibility.

The cases also show that each company has a different perception and understanding of the concept of flexibility itself. For MRW, flexibility implies the organisation adapting to the needs of the employees, whereas at Palfinger flexibility means both the company and employees adapting to market demands. For GKN AutoStructures, the key to flexibility is a ‘flexible state of mind’ among employees and managers alike, while at Saab Microwave Systems flexibility is mainly about a process of redesign that takes place in the form of an intensive dialogue. For Dexia, flexibility means the implementation of a measure agreed on with the trade unions, as well as being an attractive employer and a socially responsible organisation.

These examples show the multi-dimensional concept of flexibility as it is found in the literature and company practices. They endorse the importance of clear communication within the company about the specific use of the term and the objectives that are pursued whenever a change process is initiated.

Company drivers for flexibility

The different internal and external drivers for change – as described in Part 1 of this guide (see Table 5) – will usually be complex and change over time, which means that flexibility measures are in constant need of adjustment. Table 8 shows the main drivers for change in the case study companies. Indeed, many different drivers can lead to the introduction of internal flexibility; some are common to all of the enterprises while others are more company specific. Each case study was found to have specific drivers that led to a direct need for change or a more long-term change process.

Table 8: *Main drivers for change*

	Dexia	GKN	MRW	Palfinger	Saab
Market demands		X	X	X	X
• Changing market demands		x	x	x	x
• More unpredictable market		x	x	x	x
• Strong international competition		x	x	x	x
• Variety in product volume and mix		-	x	x	x
• Shorter delivery times needed		x	x	x	-
• More innovation required		-	x	-	x
Production demands	X	X		X	X
• New technologies	-	-		-	x
• Production/services at different locations	-	-		x	-
• Increased employee productivity required	-	x		x	-
• Reduction of costs (travel, office space, energy)	x	x		x	-
• Mismatch between requisite and available competences	-	x		-	x
Labour market demands	X	X	X		X
• Attractive employer	x	-	x		x
• Preferences of employees and trade unions (work–life balance)	x	-	x		-
• Low employee turnover	-	x	x		-
Institutional context	X	X			
• Collective agreement on teleworking	x	-			
• Breakthrough in rigid labour relations	-	x			
Internal organisation	X	X	X		X
• Changes in top management, HR management, board	-	x	-		x
• Changes in structure (reorganisations, mergers)	-	-	-		x
• Management view on corporate social responsibility	x	-	x		-

Source: *Authors' summary, based on company responses to questionnaire*

The five companies analysed for this report were found to combine several flexibility measures to be better equipped and able to adapt to an increasingly unpredictable market. This certainly applies to the three manufacturing companies: GKN AutoStructures, Palfinger and Saab Microwave Systems. Whereas Saab Microwave Systems had the 'luxury' of taking more time for the transition, Palfinger's transition process was more urgent. GKN AutoStructures and Palfinger can both be characterised by the need for a more flexible production process, higher productivity and a flexible deployment of personnel for different tasks. Palfinger introduced internal flexibility in order to boost productivity, quality and delivery performance. GKN AutoStructures focuses on the development of multi-skilled personnel and a payment system that supports this. For Saab Microwave Systems, the acquisition of new skills was most important, in addition to the suitable deployment of employees to particular functions.

For one of the service providers, MRW, the market situation was the driving force behind the introduction of the franchise concept, a business model that provides maximum autonomy and flexibility to the small enterprises. However, both service companies – Dexia Bank and MRW – introduced flexibility measures in order to create an organisation that can better adapt to the flexibility needs of its employees. Within Dexia, teleworking was promoted in order to create a better work–life balance. In MRW, a good work–life balance is central to its flexibility strategy, which is translated as

the management of diversity. The concept of franchising makes MRW competitive in the express delivery market but, at the same time, a family-friendly enterprise.

A significant internal driver for change that was observed within at least MRW, GKN AutoStructures and Saab Microwave Systems is the presence of a senior manager with an integrated view on flexibility and human relations. Charismatic leadership is both a driver and a lever for change implementation.

Benefits of internal flexibility

Part 1 of this guide introduced the many possible benefits of internal flexibility (see Table 6). These were summarised in a short questionnaire that was filled out by a representative of each of the case study companies as part of this research project. In completing the questionnaire, the five companies performed a self-assessment of the benefits of internal flexibility. As shown earlier, the case descriptions were illustrated with spiderweb diagrams of these self-assessments. Table 9 gives an overview of the scores for the five cases, providing the average scores for each indicator and the actual scores for each item.

The case studies differ in their assessment of the main benefits, partly due to the aim of the measures taken: the more specific the aim, the more specific the benefit. The differing assessment is also partly due to the manner in which the flexibility strategy is linked to the overall HR strategy: the more integrated the strategy, the more integrated the benefits. MRW and Saab Microwave Systems are highly positive in this self-assessment in terms of the benefits of their own flexibility measures on all scores. For Dexia, the introduction of location flexibility is mainly expected to be beneficial for work–life balance, which is the focus of their measures. Palfinger considers that the combined measures of organisational, working time and payment flexibility are most beneficial for its corporate goals of productivity and flexibility, as they fit in well with the economic sense of urgency addressed by the measures. GKN AutoStructures seems to experience a balance between flexibility for the company and employability for its workers.

Table 9: *Benefits of flexibility measures*

	Dexia	GKN	MRW	Palfinger	Saab
Flexibility	4.3	4.7	5.0	4.7	5.0
• The measures enable us to better respond to recent changes in market demands	5	5	5	5	5
• The measures enhance our position as an attractive employer	4	4	5	4	5
• The measures help us to better utilise our present technology (equipment or machines and tools)	4	5	5	5	5
Innovation	4.0	4.3	5.0	4.3	5.0
• The measures enable us to prepare adequately for coming changes in market demands	4	4	5	3	5
• The measures improve our future position as an attractive employer	4	4	5	5	5
• The measures help us to better utilise our present technology (equipment or machines and tools) in the future	4	5	5	5	5
Productivity	3.0	4.3	5.0	5.0	5.0
• The measures contribute to the improved performance of our company	3	5	5	5	5
• The measures contribute to better financial results or cost savings	3	4	5	5	5
• The measures contribute to effectiveness of the work processes	3	4	5	5	5

Table 9: *Benefits of flexibility measures (cont'd)*

	Dexia	GKN	MRW	Palfinger	Saab
Work–life balance	5.0	3.3	5.0	2.7	5.0
• The measures contribute to a better fit between work and private life for employees	5	3	5	2	5
• The measures contribute to adjusting working time and spare time for employees	5	3	5	3	5
• The measures give employees more flexibility for themselves	5	4	5	3	5
Employability	3.7	4.7	5.0	3.7	5.0
• The measures enhance the employability of employees	4	5	5	5	5
• The measures enhance labour market opportunities for employees	4	5	5	3	5
• The measures enlarge job enrichment for employees	3	4	5	3	5
Health	2.7	3.0	5.0	3.7	5.0
• The measures reduce the workload for employees	3	3	5	2	5
• The measures reduce irregular working times for employees	3	2	5	4	5
• The measures reduce overtime for employees	2	4	5	5	5

Note: 1 is the lowest score (strong disagreement) and 5 is the highest score (strong agreement).

Source: Company responses to questionnaire

Leveraging the implementation process

Part 1 of this guide explained that the success of internal flexibility cannot be found in the flexibility measures alone, but also – and even more importantly – in the change process itself and the involvement of all parties in this process. In the ‘high road’ approach towards organisational flexibility and in negotiated working time flexibility, creating a corporate culture of open dialogue and the participation of all parties in the change process are essential for reaching a win–win solution for both the company and its employees. This means open communication, building trust, new employment relations and new leadership styles. The case studies help to understand the main levers for change in the different companies. They also show that each company involves its employees and managers in the change process in its own way, depending on the specific context, the urgency of the change and the existing labour relations. This involvement takes shape at different levels of the organisation. It can be more collective or more individual by nature, and can be formal or more informal; the process may involve different actors.

The main lever for change at Dexia Bank Belgium was the agreement reached between senior management and the trade unions, together with the company’s intention to combine corporate social responsibility with HR policy. One of the challenges that Dexia encountered was the reluctance of some of the managers to introduce teleworking. A number of managers feared losing control over their employees and did not see benefits for themselves in this measure. This is a typical example of a problem in the initiation phase of a change process, specifically the so-called ‘not relevant – why are we doing this stuff’ challenge (Senge’s third challenge, see Part 1). This commitment gap becomes apparent when people are not sufficiently committed to the goals or the route to achieving these objectives; they will not take part wholeheartedly. Dexia chose to respond to this challenge by calculating the relevance for the organisation in terms of costs and by coaching the managers in new competences and output-based leadership styles. It is expected that, by experiencing the positive results of a pilot project derived as a result of savings, managers will be convinced to embrace the new flexible workplaces, including teleworking. Employees were initially involved formally and collectively in the formulation of the agreement. In preparation for the pilot project, individual employees were involved as users of the new flexible workplaces.

Crucial to the success of change at GKN AutoStructures was the ‘walking the talk’ approach of the HR director, implying no mismatch between what the boss says and his or her actual behaviour; this corresponds to Senge’s fourth challenge on leadership values. Sincerity and openness are important in creating an atmosphere of trust and authenticity, which is fundamental for genuine change. While mini-business units were introduced ‘top-down’ – it was referred to as a ‘big bang method’ – changing the mindset of personnel was achieved through intensive sessions with employees and management. This method involved both employees and managers in shaping their future workplace, the content of their skills development and employment relations. Openness about sensitive information is also important in order to prevent mistrust and fear of hidden agendas. The atmosphere at GKN has improved significantly; a future challenge will be to continue ‘walking the talk’.

The introduction of internal flexibility measures at MRW depended largely on top management’s genuine interest in family issues and how these may affect employees while working. In addition, franchises received considerable support from the head office with regard to various facilities and HR measures. MRW gave franchisees time to develop their entrepreneurship. A success factor, therefore, is control over one’s time, which addresses Senge’s first challenge: ‘not enough time – we don’t have time for this stuff’. This challenge represents an opportunity for reframing the way that work is organised in accordance with time for reflection and making things fit, with genuine help from others. Furthermore, helping each other – without believing that asking for help is a sign of weakness – means developing the capabilities for finding the right help and for mentoring; this corresponds to Senge’s second challenge, ‘no help – we’re like the blind leading the blind’. The company supports its franchisees, for example helping the start-up enterprise and providing a web-based communication structure. Within MRW, the involvement of both employees and franchisees in the company strategy is based on the philosophy of mutual understanding and trust.

The situation at Palfinger was completely different. The main lever was the sense of urgency that followed the critical economic situation and the threat of job losses. Another lever was the fact that the employees performed well in their new role as self-responsible workers, gaining greater autonomy in exchange for flexibility. Although many stakeholders were involved in the development of the flexibility measures, there was little scope for dialogue about change options and a conversation to jointly shape change outcomes. External circumstances largely determined the agenda for negotiations. Within this context, management and trade unions negotiated on a three-part model of flexible scheduling, self-organising teams and a variable benefit system, bargaining on the trade-off between flexibility and salary or flexibility and job security. The design of the flexibility measures took place collectively, through negotiations. In daily practice, all employees have gained a high level of autonomy over their work and their working time.

At Saab Microwave Systems, the introduction of flexibility measures was mainly brought about by the charismatic leadership of the vice-president of HR and developing a psychological contract based on dialogue and conversation. The company’s ability to become more flexible was strong because Saab Microwave Systems succeeded in meeting four challenges to initiate the change:

- taking the time to reframe the reorganisation and reflecting on it;
- helping and coaching each other at all levels and showing a willingness to learn;
- establishing the relevance of the new business case by ensuring commitment and wholehearted participation through conversations;
- ‘walking the talk’ with authentic and trusting leadership.

The company was thus able to address Senge’s first, second, third and fourth challenges. Management and trade unions worked on the basis of trust, so no written agreements were required. A good example of the rather transparent and trust-based dialogue was the use of the ‘fish bowl’ technique as an interactive dialogue to shape the restructuring and the new

strategy. High-potential managers took the lead, with senior management listening to their discussions. This is an example of employment relationships based on the psychological contract of trust. Considerable time and effort have been put into internal communication and the involvement of all employees, managers and staff in the change process.

Conclusions

The cases show that each company has found its own unique way towards greater flexibility in accordance with its own needs and specificities. A common principle shared by all cases is the fact that the organisations seek a win-win solution and organise some form of dialogue with the employees. However, all of the companies do so in their own way, interpreting differently the concept of internal flexibility, as well as how to achieve their main objectives and the way that dialogue takes place. Thus, a unique mix of measures and benefits emerges. The text boxes outline a diagnosis of the flexibility improvement in each case.

Box 3: Dexia Bank Belgium

Dexia Bank Belgium chose to promote teleworking based on an internal driver to be an attractive employer, with telework providing the employees with more flexibility in their working and private life. Although this measure was taken in relation to the HR strategy, the company believed in the mutual benefits of teleworking for both employees and the company. However, teleworking alone failed to reach these mutual benefits. Therefore, the teleworking strategy was broadened with the concept of flexible workplaces. This enabled the pursuit of multiple goals and was a more convincing argument. At the start of the process, dialogue was conducted centrally, between top management and trade unions. During the process, it became clear that success also depended on the local managers and employees being open to change, and so they were involved.

Box 4: GKN AutoStructures, UK

GKN AutoStructures responded to both external and internal drivers. The company felt strong pressure from the market to be more flexible but was not able to respond quickly. It required an organisational structure that supports flexibility – mini-business units – as well as needing employees with the right skills and attitude to respond flexibly. An internal driver was a new senior manager to break through the rigid labour relations and start searching for a win-win solution, where the organisation could become more flexible and the employees could make better use of their skills and become more employable. Much of the focus aimed to develop greater trust among all of the actors, a time-consuming process that requires both clear-cut action from management and dialogue with employees.

Box 5: MRW, Spain

MRW also responded to a combination of internal and external drivers. However, the internal drivers can be seen as decisive in the actual measures that were taken. The management of MRW strongly believes that meeting the needs of the employees is paramount in being a successful organisation. Employee entrepreneurship was rewarded with the introduction of the franchise concept and, at the same time, MRW found its own formula for being a competitive organisation. The family-friendly organisation principle meets the needs and wishes of the employees and the entrepreneurs, and thus the company succeeds in having highly motivated, flexible and productive employees. The company seeks a win-win solution on all fronts and combines diverse measures to foster this. Flexibility measures are only part of the total company policy; dialogue within MRW takes place in all day-to-day interaction and is based on empathic leadership.

Box 6: Palfinger, Austria

At Palfinger, the initial driver for change was external and all parties – management and employees – were aware of the need to prioritise company-oriented flexibility. Dialogue took place in the form of collective negotiations about the implementation of a mix of flexibility measures that could guarantee the survival of the organisation. The win-win situation in this case is the combination of greater flexibility and productivity for the company and job security for the employees. Employees have been made responsible as a team for their own work and schedules; however, the boundaries of their autonomy are limited by the demands of the company and the market – in the form of fixed delivery times. It is therefore not clear whether more autonomy in itself leads to an enhanced work-life balance.

Box 7: Saab Microwave Systems, Sweden

The flexibility strategy of Saab Microwave Systems can be characterised by a balanced combination of internal and external drivers. The company is aware of the fact that the right skills among its employees are essential to its survival in an open market and that investment in this aspect is necessary. Saab Microwave Systems has been able to make this transition over a longer period of time due to the specific market in which it operates. The enterprise also feels intrinsically responsible for the employability of its workers and tries to place each employee appropriately inside or outside the company. This is done in a way that fits in with Swedish employment relations and is based on trust and intensive dialogue, involving everyone individually. The Saab case shows a win-win solution on all fronts, due to the fact that the flexibility strategy is an integral part of the company's combined strategy on operational excellence, innovation and HR.

Lessons learnt

At least three lessons can be learnt from all of the cases, namely the need for:

- charismatic leadership – a thorough change process towards higher flexibility requires visionary leadership and courage;
- human relations – most of the energy is directed towards communication and developing new employment relations;
- managing paradoxes – management should be able to cope with paradoxes, such as combining quick action with endurance or combining an integral strategy with single measures.

The case studies reveal how companies try to create a balance between different demands and vested interests. They also underline that a process requires stamina and commitment; moreover, the continuity of a strategy should be combined with the willingness to adapt this strategy in the light of new insight or circumstances. A vital factor that was evident in cases such as Saab Microwave Systems, GKN AutoStructures and MRW is visionary leadership – that is, the presence of senior managers with a strong view of flexibility and the way in which this should assert itself in an open change process. This charismatic leadership style must also be maintained over a long period and transferred to the other managers if it is to be credible to employees and to have impact.

Almost every case shows the importance of open communication as a crucial factor in strengthening the flexibility of the organisation. However, this can be difficult to achieve in practice. It revolves around new employment relations and leadership styles, as well as new roles for managers and staff – in short, a culture that puts people in centre place in healthy and meaningful professional and human relationships. The case studies presented in this guide also demonstrate the importance of managerial conviction and persuasion as a fundamental factor for convincing employees of the benefits and for eventual success.

Perseverance in practice is a real challenge: the process towards flexibility is never complete, circumstances change constantly and it is impossible to deal with everything at the same time. This often conflicts with environmental changes and can exert pressure on the time required for cultural change to be effected within the organisation. However, the Palfinger example reveals that a real sense of urgency can be a success factor for the introduction of flexibility measures. Given that it is not feasible to deal with everything at once at organisational level, a specific focus on a single measure may be necessary to achieve success; sometimes, flexibility policy can gain shape through integration with a more general company and HR policy.

In companies facing change, conflicting interests among actors always arise. Overcoming these dilemmas and turning them into apparent paradoxes demands charismatic leadership. Since today's knowledge-intensive economies require aptitude in convincing people through communication rather than commanding people through hierarchy – as was the norm in mass production organisations – leaders must pay attention to the human side of the enterprise. Two-way communication – through dialogue, concern for personal aspects and decentralised employment relations – are at the heart of achieving change, especially since the frequent paradoxes need careful fine-tuning among the actors involved. Paradoxes need to be transformed into win–win solutions, not an easy task since a paradox by definition is not according to plan, rational or logical. Flexicurity is a good example of how to achieve the twin goals of gaining flexibility and providing security at the same time: in other words, turning a paradox into a win–win situation.

Flexicurity through a variety of policies and practices

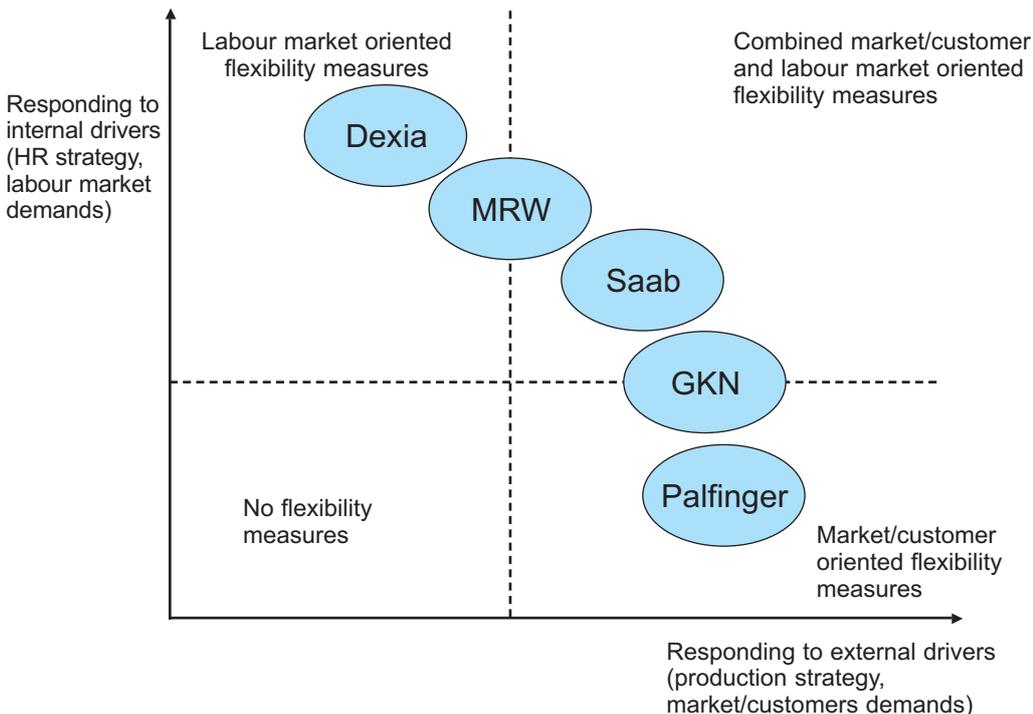
The European Employment Strategy aims to create more and better jobs, and thus foster both economic growth and social cohesion. Each country and each company must seek its own unique route to flexicurity and, where possible, do so by promoting social dialogue: at national, sectoral and/or company level. One of the underlying reasons for producing this guide is the wish to make clear how the European flexicurity policy can be implemented at the level of the organisation. For companies, the concept of flexicurity refers to the ability to meet new production demands, adopt new business models and master new skills while, at the same time, remaining competitive and guaranteeing future business and employment. Such a task should ideally include the close involvement of employees in decision making and greater autonomy in relation to their jobs to meet productivity goals. For employees, flexicurity relates to successful transitions during their life course between periods of employment and unemployment, economic inactivity, job changes and retirement. Therefore, employees need to be enabled to acquire the skills that can help them to progress in their working lives; as part of this process, adequate employment benefits are necessary to facilitate transitions, as well as the provision of training opportunities and/or fair quality of work.

The key question may be whether the case study companies are succeeding in achieving flexicurity for both the enterprise and the employees alike. If one thing is evident from these cases, it is that the distinction between what is good for the company and what is good for the employee is not an easy one to make. A more flexible organisation focused exclusively on market demands or the interests of shareholders may conflict with employee-oriented flexibility. However, as the Palfinger case shows, when all those involved work together for the sustainability of the company's future, win-win situations arise which in the end can prove beneficial to all. Palfinger actually succeeded in combining the common purpose, namely maximum flexibility for the customer, with considerable autonomy for employees.

Employees who are taken seriously by their company and are given the scope to determine the nature of their work will deliver more in productivity, flexibility and innovation. Investment by the company in its workers in terms of skills development or work–life balance allows staff more options in shaping their own careers and weighing up professional and personal considerations. This is the situation in the MRW, Saab Microwave Systems and GKN AutoStructures case studies. At MRW and Saab Microwave Systems, communication with employees extends to all aspects of the company's operations, which enables obvious gains to be made in many areas. At GKN AutoStructures, this strategy primarily focuses on strengthening the organisation flexibility and skills development, which produces a win–win situation mainly in this respect.

Flexicurity, therefore, can be achieved in various ways. The measures implemented by the companies are essentially a response to internal or external drivers, to labour market demands or customer demands. Figure 8 maps the relation between the flexibility measures taken and these internal and external drivers. Internal drivers refer to corporate identities, which are shaped by companies' HR policies or mission statements. External drivers are aspects of the environment in which companies operate and thus factors often beyond their direct control.

Figure 8: Flexibility measures related to main drivers for change



Companies such as Dexia and MRW value corporate social responsibility and family values highly, and aim to provide more flexibility for their employees. These companies take flexibility measures primarily in response to the demands of the labour market rather than the demands of the customer. It does not necessarily imply that the measures completely balance the interests of employees and the company; nevertheless, a conscious effort is made to optimise the mutual benefits for both sides. For Dexia, the costs that can be saved with the introduction of flexible workplaces is important from an economic perspective. For MRW, employee flexibility pays back in terms of motivated and productive personnel, leading to greater competitiveness.

In the cases of Palfinger and GKN AutoStructures, the flexibility measures adopted primarily aim to meet customer demand. These two companies selected market-oriented flexibility measures because survival dictated that increased competitiveness was the top priority. While more flexibility is demanded of employees, this does not mean that these companies do not also seek to balance the benefits for management and workers. The comprehensive set of flexibility measures in Saab Microwave Systems covers both employee and customer flexibility needs, with external and internal drivers being equally important.

This guide shows that not all organisations accomplish the same levels of flexicurity for the company and employees. However, on the basis of the findings, it is fair to say that all of the companies studied place great importance in achieving a win–win solution through dialogue with their employees. The report does not intend to express judgement on what would be the ‘right’ choice to make; instead, it shows that – given the dominant relevance of either internal or external drivers that a company needs to address – several options exist for the ‘most suitable’ choice to be made. The guide also underlines that the benefits of internal flexibility measures relate to the objectives that have been set and the manner in which these measures are taken. It reveals that no ‘one best way’ exists of developing and implementing internal flexicurity policies at company level. In fact, multiple, unique pathways are available, each linked to the specificities of each organisation.

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