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ECONOMICS AND
MANAGEMENT

**The role of working from home within the context of
family-friendly work policies and its relationship to firm
performance: Implications for managers**

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Abstract

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Five key words: Working from home, Family-friendly work policies, Firm performance, Management practices, Identity

Purpose: The purpose of this study is to investigate the role of working from home within family friendly work policies (FFWPs) and its relationship to firm performance, and whether this is affected by the choice of management practices within an organization.

Methodology: A cross-sectional dataset from 2004, including data from 732 firms and four countries, accessed through World Management Survey was used in this explorative study. To run the tests of the hypotheses, multivariate regressions were made.

Theoretical perspectives: This study focuses on three theories, agency theory, management control and identity, with the objective of finding new ways of intertwining them together. In line with agency theory, managers need to control employees through either monitoring or trust. In relation to this, the type of management control used could be either strict or soft where the first type is closely related to monitoring while the second one is associated with trusting the employees. The choice management practices should build upon the best fit in each case depending on the industry or tasks. In addition, through personnel control employees' identities can both affect or be affected by the work environment.

Empirical foundations: Working from home is shown to imply greater increases in firm performance while combined with other policies within FFWPs, in this case job switching. In this sense, viewing FFWPs as a package is found to improve the performance of firms. Also, the use of coercive control and monitoring appears to be the most effective way to control the employees in the sample of manufacturing firms regarding the adoption of FFWPs leading to an increase in firm performance. Still, there are some limitations with this study, where mainly some contextual factors imply that the findings of this research will only be applicable for medium-sized manufacturing firms.

Conclusions: Working from home has, based on the result, best effects on firm performance while included in FFWPs, together with other policies, seen as a package. Also, the use of a stricter control and monitoring seems to incur greatest increases in firm performance while adopting FFWPs, at least in the context of manufacturing firms. Also, firms with higher levels of managers experience greater increases in firm performance while adopting FFWPs. Lastly, the results also indicate that firms are benefiting from focusing more on work-life balance compared to their competitors, leading to an increase in firm performance. Acknowledging the limitations of this study and that it might bring different results if data were gathered specifically for the purpose of this study, it is of utmost importance to continue studying this topic.

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1. Introduction

In this section, a background defining and explaining the topic to be researched will be presented. Further, the challenges concerning this subject will be addressed, both theoretical as well as practical. Lastly, the research purpose and questions will be introduced, before ending off with the outline of the paper.

1.1 Background

Working from home could be defined as giving employees the freedom to perform their work tasks at home (Shamir & Salomon, 1985). Also, it is a frequently discussed topic due to the ongoing COVID-19 pandemic, which has affected the whole world both economically and socially. It has not only affected people on an individual level through peoples' work life, but is also influencing the organization where they are employed. Due to constraints from the World Health Organization to reduce the spread of the virus, people are expected to work from home to the greatest extent possible (World Health Organization, 2021). The constraints put pressure on managers to provide employees with an opportunity to work from home.

When managers make the decision to offer employees the option to work from home they are often faced with several issues. First, organizations in society must revise previous routines to adapt to the adjustments of working from home, to sufficiently minimize negative effects on employees' well-being, which further might affect the performance of the firm (Waizenegger, McKenna, Cai & Bendz, 2020). Secondly, Shamir and Salmon (1985) discuss that managers' decision is affected by the type of task performed by employees within an organization, leading to whether the task must be performed at the workplace or if it can be done from home. Lastly, managers must also consider negative effects that working from home might have on employees' social relations with coworkers and managers (Shamir & Salomon, 1985).

Denying employees the ability to work from home might also be associated with challenges. Brummelhuis, Hoeven, de Jong and Peper (2012) suggests that when employees work at the office, and experience less quality time at home, it could lead to more health complaints by the employees along with a lower level of motivation. However, the working from home concept is not only important in terms of COVID-19, since research shows that the desire of working from

home will continue even after the pandemic (Barrero, Bloom & Davis, 2020; Bloom, Liang, Roberts & Ying, 2015). More specifically, Barrero, Bloom and Davis (2020) find that about 20 percent of the American employees participating in their survey will continue to request full workdays from home in the post-pandemic working environment. Their findings suggest that higher educated and well-paid employees will be the ones working from home to a greater extent. In addition, Bloom et al. (2015) have conducted an experiment where most employees were reluctant to work from home prior to the experiment, but afterwards, when understanding the benefits, about 22% of the employees changed their mind and actively chose to work from home when the experiment was over.

Furthermore, working from home is one of the segments in family-friendly work policies (FFWP), which has been researched extensively (Bloom, Kretschmer & van Reenen, 2011; Budd & Mumford, 2006; Clifton & Shepard, 2004; Lee & Kim, 2010; Liu & Wang, 2011; Ngo, Foley & Loi, 2009). FFWPs gives organizations the opportunity to offer its employees greater flexibility and freedom while performing their job tasks. FFWP is defined as enhancing the employees' autonomy in two ways. The first way is by increasing the variety of employees' ability to relate spheres of work and non-work, for example part-time work and job-sharing (Felstead, Jewson, Phizacklea & Walters, 2002). Secondly, FFWPs could facilitate change and variation, for instance by providing the ability for parental leave and holidays. In addition, a few theoretical frameworks have been developed to describe the FFWP concept, where one of them specifies the mechanisms (see Appendix 1), linking work and family together in the form of casual relationships (Edwards & Rothbard, 2000). In summary, the FFWPs increase employees' flexibility and autonomy regarding negotiation, attention and presence at the workplace (Felstead et al. 2002).

Also, FFWPs could be viewed as management strategies when adopted to increase productivity or firm performance, where flexibility of working from home and firms offering other FFWPs is related to a softer management practice (Clear & Dickson, 2005). A stricter way of controlling employees might, however, fit better for specific tasks or in specific industries where managers choose the best fitting control type for their firm (Haustein, Luther & Schuster, 2014). For example, in the manufacturing industry, Tell (2012) finds that managers tend to focus almost all their time on operational activities rather than strategic ones and that they are often reluctant to change their behavior and managerial design. This could be associated with a stricter type of control since the mere focus is to increase operational profits while strategic activities, such as

hiring and retaining skilled employees, is not of equal importance. In relation to this, monitoring and trust are two different ways for a manager to control employees in a firm and are seen to motivate employees in various manners (Falk & Kosfeld, 2006). The concept of management control is often seen as a package approach where it is not only one control affecting the outcomes of a firm. Various controls are included in the package and are a part of organizational outcomes, such as increased performance (Malmi & Brown, 2008). However, the way each individual perceives the type of control can be related to their identity and earlier experiences (Akerlof & Kranton, 2000). Therefore, a well-developed work environment might ease possible upcoming concerns regarding individuals' feeling of belonging to a group or a workplace to increase employees well-being (Berson, Oreg, & Dvir, 2008).

Concerning the regulation of FFWPs in European countries, many families struggle to balance their professional and domestic responsibilities to an extent where more than a third, of those participating in a survey by European Union (2018), express difficulties combining work with care responsibilities. More than half of the respondents express that their working arrangements are set by the firm, without any possibilities for changes or flexibility. These numbers represent most of the European countries, including France, Germany and the United Kingdom. Regarding caring responsibilities, women still bear the heaviest burden whereas policies enabling a better work-life balance can lead to an increase in female labour force participation, hence improving equality (European Union, 2018). However, previous research by Golyner (2015) suggests that the purpose of improving equality by FFWP initiatives seems hard to enforce and is still an ongoing issue impacting many countries.

Most legal provisions for FFWPs are inconsistent across countries, even between members within the European Union, increasing the demand for non-legislative initiatives, for instance childcare support and mobile working (European Union, 2018). Another example of an initiative aims at changing the current view of FFWPs by shifting focus from, for example, reducing parental stress to enhance family well-being (Unicef, 2019). It is important to continuously evolve the FFWP concept along with the reasons for adopting it. According to Lyonette and Baldauf (2019) there seems to be three main reasons for adopting FFWPs: pressures, organizational-specific factors and improving organizational goals. The first reason includes, for instance, support from top management, institutional pressures, and proportion along with influence of women in the workplace. The second reason comprises organisational characteristics, such as size, sector and

industry, job type, and work culture. Finally, the third reason covers attracting highly-skilled employees, improving firm productivity and performance, as well as staff commitment, and reducing work-family conflict and turnover intentions.

In summary, the possibilities with having employees working from home leads managers to facing challenges regarding controlling employees and their performance. As working from home is a segment in FFWPs, wider aspects might affect the organization and its outcome. This is further discussed in the next section regarding the problematization.

1.2 Problematization

FFWPs have been found to be prone by complexity due to the many factors and components affecting them (Eby, Casper, Lockwood, Bordeaux & Brinley, 2005). More importantly there is no uniformity regarding the policies it includes since most of them are developed by initiatives rather than legislations (European Union, 2018), implying that they are dependent upon the cultures in the countries adopting them.

As one of the more frequently included components within FFWPs, working from home also has its challenges. Since more employees are working from home, due to the COVID-19 pandemic, management practices are required to be updated to handle upcoming challenges with remote working, but also due to changes in the level of visibility of employees, leading to threatening firm performance (Felstead, Jewson & Walters, 2003). In addition, working from home gives employees more freedom, but it also raises the expectation that each individual will show a greater level of self-control (Felstead et al. 2002). In this sense, working from home is not always beneficial for employees, not the least since the line between being an employee and having free time is fading. This might lead to feelings of work-related stress since it can be hard to work between specific hours, and it might further encroach on the personal sphere. The sense of identity might differ between individuals (Palumbo, 2020). While some individuals have a hard time separating their identities. Some individuals might have a stronger sense of self, which can help them to shift between work and home identities, and others might feel successful managing both work and home duties more efficiently (Tietze & Musson, 2010). All the three outcomes might affect the motivation of an individual, but also further the performance of a firm. In summary, these new ways of working require a management practice that handles the needs of remote working (Palumbo, 2020).

Some of the problems described above have been attempted to be answered by previous research, still the managerial angle of the approach has been researched to a smaller extent. Previous studies show different implications on firm performance, productivity, employees' health and motivation, among others. But within which context does working from home entail beneficial implications for firm performance? This study will attempt to fill this gap by studying the role of working from home within the context of FFWPs and its relationship to firm performance.

1.3 Purpose and research question

Depending on the challenges with both FFWPs and working from home along with the identified research gap explained above. The purpose of this study is to investigate the role of working from home within FFWPs and its relationship to firm performance, and whether this is affected by the design of management practices within an organization. The purpose will be reached by answering the following research questions:

- *Does working from home bring beneficial implications on firm performance on its own or is it dependent on other policies within FFWPs?*
- *Does the design of management practices impact the adoption of FFWPs along with possibilities to work from home and the effect on firm performance?*
- *Does the identity of employees within an organization affect the adoption of FFWPs and firm performance?*

1.4 Outline of the paper

The outline of the paper is composed as follows. First, the methodology is introduced with the research design, data description and sampling, variable description, and statistical estimation method, ending with reliability and validity of the data. Afterwards, a theoretical framework will be presented to develop a theoretical model to use in this study by connecting the perspectives of agency theory, management control and identity. Further follows the hypotheses and model development. Next, the results of the research are presented including descriptive statistics and OLS regressions. Then, the results are discussed, continued with limitations, implications and suggestions for future research. Lastly, the conclusions of the paper are presented.

2. Methodology

This section will start by introducing the research methods used along with a description of the data and sampling frame. Then, a variable description and a presentation of the statistical estimation method will follow. Lastly, finishing off with a discussion about reliability and validity of the data, including a presentation of including a presentation of some limitations of using an existing dataset.

2.1 Research design

In previous research, dealing with the FFWP topic, the use of a quantitative analysis method is most common (Bloom, Kretschmer & van Reenen, 2011; Budd & Mumford, 2006; Clifton & Shepard, 2004; Kotey & Koomson, 2021; Ngo, Foley & Loi, 2009; Perry-Smith & Blum, 2000). The FFWP topic is rather complex since it is affected by various factors, for example the size of the firm and the gender of the employees (Eby et al. 2005). FFWP is regarded as a multiple-indicator measure, reflecting the fact that the FFWP concept includes different aspects and components (Bell, Bryman & Harley, 2019). This complexity, and the need for researching different factors along with multiple measures, requires the use of larger datasets. Therefore, a publicly accessible dataset previously used by Bloom and van Reenen (2007) along with Bloom, Kretschmer and van Reenen (2011) is used in this study.

Using existing data is a sufficient way to access a large dataset since gathering data from different countries and many respondents was not possible due to the time constraint of this study. Further, the choice of using publicly accessible data also enhances the ability of comparability and a more interesting and nuanced analysis. Since this data has already been used and published in a four starred management journal it implies that the data contains good measurement qualities which is an important factor while dealing with multiple-indicator measures like FFWPs.

The main limitation of using existing data is that it was gathered for a different purpose compared to the one of this study. To account for this limitation, this study is based on an exploratory research design which is preferable when sufficient information is inaccessible about a phenomenon. Exploratory studies have been conducted within this topic before, for example by Yu (2018). Further, the objective of an exploratory research is to gain background information and

clarify research problems to initiate research priorities and gain new insights into a phenomenon (Olajide & Oloyede, 2020).

Depending upon the arguments above, this study was conducted with a quantitative research strategy, including a deductive approach, testing theories through six hypotheses based on empirical research along with a stepwise regression to investigate relations between, and importance of, different factors affecting the topic of FFWPs. In addition, a quantitative approach includes assumptions about objectivist ontology, implying that social phenomena exist whether others are aware of them or not, and epistemology, describing the scientific approach including the formulation of hypotheses, in this case positivism (Bell, Bryman & Harley, 2019). There are some benefits of using a quantitative research strategy since it provided the interviewers, Bloom and van Reenen (2007), with the ability of standardization while asking and recording questions (Bell, Bryman & Harley, 2019). Also, this minimizes errors originating from interviewer variability, which could otherwise possibly impair the validity of the research. Further, the standardization makes data processing easier and manageable along with only allowing for differentiation in the answers due to true variation since the questions are closed ended and fixed choice in nature which limits the choice of possible answers. Lastly, to answer the research questions, a quantitative approach was appropriate since it enabled us to understand the relationship between FFWP and firm performance along with the ability to measure differences and variations, while controlling for an extensive set of factors.

2.2 Data description and sampling

To answer the research questions, a dataset was accessed from the World Management Survey website (World Management Survey, n.d) with a total of 732 observations for the complete set of the cross-sectional survey data collected in 2004. However, while computing the variable “FFWP score”, developed by Bloom, Kretschmer and van Reenen (2011), only 483 observations of the total 732 could be included due to missing values. To enable comparability, only those 483 observations were used for the other variables as well. Further, using cross-sectional data, one must acknowledge that it is inferior to panel data since the ability to compare results over time is not possible. Still, within this field, the access to panel data is strictly limited and most of previous studies have used cross-sectional data (Bloom, Kretschmer & van Reenen, 2011; Budd &

Mumford, 2006; Clifton & Shepard, 2004; Kotey & Koomson, 2021; Ngo, Foley & Loi, 2009; Perry-Smith & Blum, 2000).

The data was gathered according to the survey methodology of the World Management Survey, where the purpose was to measure management practices by investigating and explaining differences in management practices across different firms, countries, as well as sectors (Bloom & van Reenen, 2007; World Management Survey, n.d). The survey questions used for gathering the data could be found at the website of the World Management Survey (World Management Survey, 2010). The managers targeted for the interviews were mostly senior managers, who were chosen since they often had an overview of management practices and were still sufficiently involved in the day-to-day operations of the enterprise. In addition, the dataset consists of data gathered through telephone interviews with human resource personnel and managers (see Appendix 2). The purpose was to research if FFWPs are positively correlated with firm performance, and which firms are likely to adopt FFWP, in the study done by Bloom, Kretschmer and van Reenen (2011). Finally, the data accessed by Bloom and van Reenen (2007) regarding the firm's accounting figures, for example sales and employment, comes from the Amadeus dataset (for the European countries and the United Kingdom) and from the Compustat dataset (for the United States of America).

The sampling frame for the data was based on a convenience sample since only medium-sized firms, where the researchers Bloom and van Reenen (2007) had access to publicly available accounting data, were included. This is because smaller firms rarely officially publicate their data, and data from larger firms might be difficult to present from a representative view. Other restrictions for the sampling frame was to only choose firms whose main industry was in manufacturing and who employed, on average between the years 2000 and 2003, no less than 50 employees and no more than 10 000 employees (Bloom & van Reenen, 2007). In this sense, the sampling frame is reasonably representative of medium-sized manufacturing firms. In addition, the researchers Bloom and van Reenen (2007) also removed any clients of the consultancy firm who they had worked with from the sampling frame, leaving 1 320 observations that were contacted. The issue with non-responses is that it could be considered a sampling error, which can be overcome by asking enough participants, so that there is room for a certain amount of non-responses (Bell, Bryman & Harley, 2019). However, since the researchers, Bloom and van Reenen (2007), contacted various participants, and due to the voluntary nature of participation, a response rate of around 54% yielding over 700 participants could be regarded as sufficient. In this sense, all

respondents could be considered randomly spread around the sampling frame. Still, a possible drawback with using convenience sampling is that one should be cautious while generalizing the results (Bell, Bryman & Harley, 2019). In this case, it is important to acknowledge that the variables and the sampling frame are only proxies for the whole population implying limitations in regards to industry, size of the firm, countries and the time frame to which extent the findings could be generalized.

2.3 Variable description

The variables within the dataset include measures on a corporate level since the variables are computed based on the managers that participated in the interviews, and their answers of how they perceive the managerial design at the firm they worked at. Most of the variables are categorical variables since they are based on qualitative information gathered from the interviews, that later was quantified by a scoring system. The variables were divided into following categories: FFWP variables, performance variables, firm characteristics, employee characteristics and managerial design (see Appendix 3 and 4). The data was also divided between four different countries, France, Germany, United Kingdom and the United states of America, and some variables were split into data concerning managers and non-managers, for example the variables training and female.

2.3.1 *Dependent variable*

The dependent variable used in this study was “ROCE” as a proxy for firm performance. Return on capital employed (ROCE) is a ratio calculated by dividing the earnings of a company, pre interest expenses and tax, by the total capital employed (Andersson, Haslam & Lee, 2006). It describes the financial activity of a business while at the same time providing relevant information to users. Using firm performance as a dependent variable is common within the topic of FFWP and working from home (Bloom et al. 2015; Eby et al. 2005). It has previously been measured in a number of different ways (Bloom, Kretschmer & van Reenen, 2011; Perry-Smith & Blum, 2000), for example by sales per employee, number of employees and return on capital employed. Within this dataset there are three performance variables included, “log of sales”, “log of sales per employee” and “ROCE”, that could be used as a proxy for firm performance. We have chosen to use ROCE as a measure for firm performance since using sales would reflect the size of the firms rather than their performance. Still, one could also use sales per employee. However, this has

previously been more associated with productivity rather than only performance (Bloom, Kretschmer & van Reenen, 2011).

2.3.2 Independent variables

The independent variables used are “FFWP score” including holidays per year, hours worked a week, childcare flexibility, childcare subsidy, job switching, and job sharing along with the variable working from home. In this sense, the variable “FFWP score” includes the three dimensions: resources, flexibilities and perceptions, that other similar studies also have incorporated, making it an adequate proxy for firms adoption and usage of FFWPs (Clifton & Shepard, 2004). In addition, the variable “FFWP score” could be explained as the degree to which managers score their adoption of voluntary FFWPs lower or higher compared to others within the same industry.

Furthermore, the independent variable, “WFH”, describes the employees’ entitlement to work from home during normal working hours. It is also split into the ability to work from home for managers, respectively non-managerial employees. Still, compared to other studies researching working from home, their variables could be explained as more detailed (Bloom et al. 2015; Brummelhuis et al. 2012; Hill, Ferris & Mårtinson, 2003). However, due to limitations with the data and since the purpose of this study is to investigate the role of working from home within FFWPs, this variable is regarded to be sufficient within this context. In addition, we have categorized the working from home variable into three new categorical variables with the purpose of providing more detailed information regarding working from home and its relation to other policies, where the focus was on job switching. The first new categorical variable, “WFHjobsw”, shows how many employees have the ability to both work from home and also switch from full-time to part-time jobs. The second one, “WFHnotjobsw”, describes how many have the ability to work from home but lack the ability to switch from full-time to part-time jobs. Lastly, “JobswnotWFH” explains how many have the ability to switch from full-time to part-time jobs but lack the ability to work from home.

Other independent variables were used to explain characteristics of managers. First, the share of managers in the workforce, and second, the academic degrees of the employees where the degrees are assumed to be higher for managers.

Furthermore, the independent variables used as proxies for the type of control used by managers in the firms will now be presented. They will later be organized with the purpose of fitting the theoretical frameworks to be presented, see section 4.2. Firstly, “time horizon”, describes if the firm focuses on short or long-term goals. Secondly, the variable “self assessment” describes to what extent self-assessment is used throughout the organization. Lastly, one more variable regarding type of control and managerial design are used, being “decision” which explains if managers or all employees make organizational decisions for the firms where they work.

Table 1: Summarize of the independent variables

Independent variables	Type of variable	Definitions
<i>FFWP</i>		
FFWP score	Continuous	Including three dimensions: resources, flexibilities and perceptions.
<i>WFH</i>		
WFH total employees	Binary	Describes the employees’ entitlement to work from home during normal working hours.
WFHjobsw	Binary	How many employees have the ability to both work from home and also switch from full-time to part-time jobs.
WFHnotjobsw	Binary	How many employees have the ability to work from home but lack the ability to switch from full-time to part-time jobs.
JobswnotWFH	Binary	How many employees have the ability to switch from full-time to part-time jobs but lack the ability to work from home.
<i>Characteristics of managers</i>		
Share managers	Continuous	The share of managers in % of the workforce.
Degree	Continuous	The academic degrees of the employees.
<i>Type of control</i>		
Time horizon	Categorical	Describing if the firm focuses on short or long-term goals.
Self assessment	Categorical	Describing to what extent self-assessment is used throughout the organization.
Decision	Categorical	Explaining if managers or all employees make organizational decisions for the firms where they work.
<i>Identity</i>		
WLB focus	Categorical	Describing the firms’ focus on work-life balance issues for the employees compared to its competitors within the same industry.
Note: For even more detailed descriptions of the variables see Appendix 3 and 4.		

Finally, the last independent variable used is “WLB focus”, describing the firms’ focus on work-life balance issues for the employees compared to its competitors within the same industry. Since the definition of this variable is closely related to the definition of FFWPs it is important to

distinguish them by recognizing work-life balance as the broader perspective, while one way of focusing on work-life balance is through the adoption of FFWPs. For a summary of the independent variables used and their descriptions see table 1, and for a motivation of choosing the independent variables used in different models see section 4.2.

2.3.3 Control variables

The control variables included in the regressions regarding FFWPs is “firm age”, “firm size”, “public”, “female”, and “competition”, which all have been found to have an effect on the relationship between FFWPs and firm performance in previous studies researching this topic (Bloom, Kretschmer & van Reenen, 2011; Eby et al. 2005; Heywood & Jirjahn, 2009; Kotey & Koomson, 2021; Lewis, 2003; Perry-Smith & Blum, 2000). The effect, most common, is that older, larger, public firms, that involves more female employees in their workforce, and are subject for greater competition, are more likely to experience an increase in firm performance when adopting FFWPs (Bloom, Kretschmer & van Reenen, 2011; Eby et al., 2005; Heywood & Jirjahn, 2009; Kotey & Koomson, 2021; Lewis, 2003; Perry-Smith & Blum, 2000).

Regarding the control variable “firm size”, it is computed using the natural logarithm of sales split into smaller, medium, and larger firms where smaller firms are those in the first quartile, medium-sized firms represent the second and third quartile, while larger firms are those in the fourth quartile. Since the spread of the variable “firm size” is large it is further classified into those three dimensions. Also, some firms are publicly listed which could be another indicator that some of the firms are larger than others.

For the regressions, where working from home is in focus, other control variables will be used that have previously been found to affect the relationship between working from home and firm performance (Bloom, Liang, Roberts & Ying, 2015; Brummelhuis et al. 2012; Hill, Ferris & Mårtinson, 2003; Rupiotta & Beckmann, 2016). These control variables explain how many working hours the employees have during normal working weeks, “Hours”, holidays taken a year, “Holidays”, flexibility in case of child care emergencies, “Childcare flexibility”, presence of subsidy for childcare, “Childcare subsidy”, as well as entitlement for switching from full-time to part-time, “Job switching”, along with job sharing schemes, “Job sharing”.

2.4 Statistical estimation method

When choosing which statistical estimation method to use, two distinct approaches were considered applicable in regard to the purpose and study design specified for this study. The first one is the stepwise regression, which is of common use, when conducting exploratory research. This is a sufficient way of selecting a subset of variables from a sample of predictors for use in both present and future research (Thompson, 1995). Also, stepwise methods investigate data dynamics implying that the variables selected seem to be more important for the fit of the model than those not selected. This would all be interesting indications to investigate in exploratory studies and therefore one is chosen for the current study presented in the results below. Still, this method is subject to a lot of criticism, where for example stepwise methods are not replicable in the future since it is based on sampling errors which are unique to the given sample (Thompson, 1995). Also, stepwise methods build upon data mining, where the analysis of data is unmotivated by theory and rather aiming towards finding trends, correlations and patterns in data (Smith, 2018). This is discussed as problematic since it implies assuming that data is sufficient at explaining itself and does not need theories as support.

The other approach is to establish hypotheses where the regression will be dependent on the theories tested rather than simply adding and removing variables dependent upon which ones explains the data better, compared to using stepwise regressions. Even though stepwise regressions have their limitations, one must not forget their benefits mentioned above. Therefore, the statistical estimation method for this study focuses on hypothesis testing with stepwise regressions as a complement. Depending upon the purpose of this study along with the discussion provided above regarding cross-sectional data (see section 2.2), the ordinary least square (OLS) model will be used for hypothesis testing. More specifically, the multivariate OLS is used, since it enables controlling for other variables that would otherwise have been left in the error term increasing the risk for endogeneity and bias. Another reason for its usage is since it allows us to quantify the relationship between two or more variables and foremost to assess whether the relationship is a result of chance or causality (Bailey, 2019).

When studying relationships between variables, different significance levels are possible (Bailey, 2019), where a lower percentage level implies lower probability of making wrong decisions, when the null hypothesis is true. The most highly significant level is at 1%, while 5% is seen as a sufficient level. However, regarding a 10% significance level, it is seen to be a weak

or only a tendency to a statistically significant relation. Since this is an explorative study, it is considered relevant to mention even the weaker relationships as these might have effect in future researches depending on topic and variables used. Also, when using OLS models it is important to acknowledge that different multiple linear regression (MLR) assumptions are made, for example regarding homoscedasticity. Concerning the MLR assumptions, others (Bloom, Kretschmer & van Reenen, 2011; Bloom & van Reenen, 2007) have used this dataset and their studies have been published in highly ranked journals which is why the dataset is assumed to sufficiently be in line with those assumptions.

Also, others researching the FFWP concept have used similar methods (Bloom, Kretschmer & van Reenen, 2011; Clifton & Shepard, 2004; Russell, O'Connell & McGinnity, 2009). Another advantage of using OLS as a statistical estimation method is that it allows robust tests which deal with heterogeneity along with outliers. In other words, the robust quantities are not affected by the presence of extreme values (Dhanoa, Sanderson, López & France, 2016). Therefore, the regressions were run using robustness, in the statistical program STATA, but also without robust tests since it enables comparison between the results. The multivariate OLS model can be illustrated as follows:

$$y = \beta_0i + \beta_1xi + \beta_2xi \dots + \epsilon_i$$

For the development of the models used in the regressions, see section 4.2. When developing a model it is important to illustrate that the variables and data used are only proxies for the population studied, which is captured by the i included after each variable, since it indicates that it is a particular observation in a sample (Bailey, 2019). Also, it is impossible to include all variables that could imply an effect on the relationship between the dependent and independent variables. Therefore, all variables not included will instead be accounted for by the error term ϵ_i . Still, failing to account for variables could lead to a bias called omitted variable bias (Bailey, 2019).

2.5 Reliability and validity

This section will cover aspects regarding reliability and validity of the research and the dataset.

2.5.1 Reliability

As mentioned above, secondary data has been used in this research. Since the data and the variables have been used by others, for example Bloom and van Reenen (2007) and Bloom, Kretschmer and

van Reenen (2011), published in highly ranked journals, it has been proven reliable. However, the original purpose of the data was distinct from the one in this study, and therefore the questionnaire could have been designed differently to capture data regarding the control types studied in this research.

The use of structured interviews by Bloom and van Reenen (2007), where the respondents are asked the same questions, makes it easy to compare the answers. By using interviews, the respondents are more likely to provide the interviewer with information of greater depth. However, structured interviews can be challenging, while considering restrictions to specific questions, which might lead the respondent to a certain direction or to miss out on important aspects. A “Reliability” measure was established in connection to the interviews while collecting the data, and aimed to measure whether the manager had enough expertise to be trustable (see Appendix 3). The respondents willingness to take part in interviews and tell the truth is another important factor while considering the reliability of the data. In this sense, the interviewers Bloom and van Reenan (2007), dependent upon the interviewee’s answers, scored the firm's managerial capabilities. However, the scoring could possibly vary if done by different interviewers. Another possible issue with structured interviews is the social desirability bias, which refers to the possibility of interviewees answering in accordance with what is socially acceptable and desirable (Bell, Bryman & Harley, 2019). In this case, interviewing managers might imply that their answers build upon the desire of wanting to uphold the legitimacy of the firm and their own reputation, which could lead them to embellish the truth. For this specific reason, the scoring system might decrease the risk of social desirability bias. This in turn enabled the scoring to be based on the interviewers’ evaluation of actual firm practices, instead of the firms’ aspirations, managers’ perceptions, or the interviewers’ impressions.

The questions asked also need to be well designed and suitable for the purpose of the research, since the interviewer otherwise might get responses that they cannot make use of (Bell, Bryman & Harley, 2019). Also, to measure the reliability of the data, Cronbach's alpha, α , (Cronbach, 1951) is normally used. However, while the sampling for this dataset was made, the reliability issues were handled in other ways. Interviews were for instance repeated with different managers within some of the firms in order to control for measurement errors. In this case, the questionnaire for the interviews was designed to measure management practices by exploring differences across firms, countries, and sectors. The interviewers did not have access to the

performance of each firm where the managers were working, and the managers did not know that their answers were scored, to prevent systematic bias in the data (Bloom & van Reenen, 2007). While comparing the purpose of the sample to the interview guide (see Appendix 2), the number of questions seems relevant, where some of the questions were directory, while others were open. Some of the questions also made it possible to collect background information about the respondents. Overall, the questions are considered well adapted to the original purpose, and the questions were designed in an unambiguous way. By grouping questions within the same area, the interview guide is easier to follow and makes greater sense for the respondent.

The level of replicability is seen from how well the procedures in the study are explained, so others could repeat the study and get the same results. Also, by using publicly accessible data, it enables replicability since other researchers have the same opportunities to use this specific data (Bell, Bryman & Harley, 2019). The design of the models to test the hypotheses is further explained in section 4.2.

2.5.2 Validity

This section regarding validity covers three segments: construct validity, internal validity and external validity.

The construct validity aims to describe what is intended to be researched through the variables used, and it is also presupposed that the measurements are reliable (Bell, Bryman & Harley, 2019). Regarding this study, the aim was to connect the data with the theories to be presented in section 3. Due to constraints with publicly accessed data, specific variables have been selected from the dataset to measure and test the hypotheses related to the purpose of this study. However, since the original purpose of the sampling of the data is distinct from the purpose of this paper, some measures have been interpreted to fit. For example, no specific variables existed to directly measure whether the control of the managers could be regarded as strict or soft. This is further discussed in section 4.2. If collecting a sample of observations for the specific purpose of this paper regarding the types of control, variables as levels of supervision, could be used to measure a stricter type of control, while variables according to which extent employees can plan their own work could be used to measure a softer type of control.

The internal validity, or the causality, aims to describe if a causal relationship between two or more variables holds. In other words, it aims to describe whether independent variables are

responsible for the variation in the dependent variable, firm performance, or if there is something else affecting the relation (Bell, Bryman & Harley, 2019). The relationship between firm performance and FFWPs can be seen conversely from the expectations, whether which one is affecting the other. As suggested in the following hypotheses, adopting FFWPs will increase firm performance since satisfied employees might work harder to reach the profitability goals of an organization. However, a large organization with greater firm performance might have an advantageous ability to offer its employees the benefits of FFWPs compared to smaller firms with lower performance. Therefore, the causality might differ among firms. Even though others have studied this relationship, for example Bloom and van Reenen (2007), an awareness of the common issue to detect the real causality between the variables still needs to be brought forward (Bailey, 2019). A use of cross-sectional data limits the possible explanation of the causality between the variables, where an experiment or a use of panel data would be preferred.

The external validity intends to describe if the result of the study is able to be generalized beyond its specific purpose, and to achieve this, a large representative sample is required (Bell, Bryman & Harley, 2019). Using a relatively large sample of 483 observations from four different countries gives us an advantage due to time constraints in collecting our own data. However, as the dataset is cross-sectional including comparisons between subgroups with observations from different countries, instead of panel data that compares observations over time, a generalization of the results might be inconvenient due to distinct national legislations. Since the dataset only consists of medium sized manufacturing firms, it is hard to do generalizations to other sizes of firms and industries. Also, even though technology has developed extensively since the data, used in this research, was collected in 2004, the aim of this study is to investigate the relationship between FFWPs and firm performance, including management practices, rather than focusing on technological parts. Therefore, the age of the data is not seen as a major problem.

3. Theoretical framework

The following section will describe and connect the theoretical perspectives, agency theory, management control and design principles, and the identity concept. Even though the use of agency theory along with management control frameworks might not be the conventional combination when establishing a theoretical framework, it still exists (Ellingsen & Johannesson, 2007; Ellingsen, 2008), and is expected to bring a nuanced perspective for this study. Firstly, the use of agency theory is well established within this topic (Dex & Scheibl, 2001; Falk & Kosfeld, 2006) and is required to properly understand the relationship between the different actors within the organization (Jensen & Meckling, 1976). Still, due to limitations with the data, complementing with management control frameworks enables us to measure and answer the research questions of this study. The reasoning behind both theories and how it explains the relationship between FFWPs and firm performance is similar. Essentially, there are two possible approaches from the perspective of agency theory to handle the information asymmetry between different actors. The principles could either monitor or trust the agents, where trust is seen as a signal, which enables reciprocity, where the ultimate objective is united interests and goals (Falk & Kosfeld, 2006). Similar to this, within management control frameworks the controlling of the employees could either be done by a coercive or an enabling approach. These approaches are similar since monitoring is part of a stricter coercive control, while trusting the employees and providing them with autonomy is part of an enabling approach (Adler & Borys, 1996). Finally, enabling control further invites autonomy and the benefits from including a spread of different identities within the organization among both managers and other employees.

3.1 Agency theory

Agency theory describes the relationship between the principal and the agent, where the agent is engaged in a contract to perform a service, involving delegating decision-making authority, on the behalf of the principal (Jensen & Meckling, 1976). One common relationship explained by agency theory is between the owners and the CEO, where the owner is the principal and the CEO is the agent. Then in turn, in the relationship between the CEO and the managers, the CEO would be the principal hiring the manager, the agent, by engaging in a contract. Another relationship that could be described by the agency theory is between the firm, represented by the manager and the

employees, where the managers would be the principal and the employees the agents. Combined with the assumption that both parties are utility maximizers, there would be reason to believe that the agent will not always act in the principal's best interest (Jensen & Meckling, 1976). In this sense, principal-agent relations are generally characterized by a conflict of interest and therefore, principals often use control and incentive devices to eliminate the agents' desire for opportunistic actions (Falk & Kosfeld, 2006). This could be done by the principal establishing appropriate incentives for the agent, or the principal could focus on monitoring the agents to ensure they are acting in the best interest of the principal. Still, incentivizing or monitoring the agent would both incur costs, which are called agency costs, defined as monitoring and bonding expenditures along with the residual loss (Jensen & Meckling, 1976). However, it is most likely impossible for the principal to ensure that the agent will make optimal actions without incurring any costs for the principal.

Agency theory involves two major concepts: price effect and signaling. The latter could be used to describe the behavior of two parties during information asymmetry (Jensen & Meckling, 1976). Often, the sender communicates information, and the receiver chooses how to interpret the signal. For example, some commonly used signals are quality, reputation (Connelly, Certo, Ireland & Reutzel, 2011) and trust (Falk & Kosfeld, 2006). For a signal to be efficient it should be both observable, the receiver's should be able to notice the signal, and costly, which makes cheating or false signaling difficult to mimic (Connelly et al. 2011). Another notion often associated with agency theory is reciprocity, implying that humans are reciprocal if they reward kind actions and at the same time punish unkind ones. More importantly, humans evaluate others' kindness of actions by its consequences, as well as its underlying intentions (Falk & Fischbacher, 2006).

Moreover, Cullen, Johnson and Sakano (2000) along with Ellingsen and Johannesson (2007) discuss the behavioral side of agency theory focusing on the soft side of management, in the form of relationship capital and respect. Relationship capital highlights the importance of having alliance partners and investing time and effort towards building positive feelings along with interactions within relationships, both internally and externally (Cullen, Johnson & Sakano, 2000). Also, the relationships should preferably be built by commitment and trust, which is closely related to agency theory focusing on signaling and reciprocity. In this sense, within the relationship between managers and employees, the managers should send signals of commitment and trust, where in turn the employees would reciprocate and respond with similar behavior leading to higher

effort and, therefore, also increased productivity and firm performance. Considering and investing in relationship capital is essential for reaching the firms' full strategic potential, and failing to do so would decrease the economic payoff (Cullen, Johnson & Sakano, 2000).

Trust could be rooted in two distinct bases, either emotional or rational, described as the confidence that the other party has the intent and ability to meet their obligations and finalise their promised contributions within the relationship. In this study, the rational base of trust could be applied to the FFWP topic in the sense of whether the firm adopts FFWPs only to seem legitimate or if they are actually developed for the employees well-being, hence fulfilling its promised purpose. Still, signaling trust might not always be rewarded since reducing monitoring could induce some workers to shirk (Ellingsen & Johannesson, 2007). However, this would not be the case if the benefits of trust outweighs the costs.

In addition, an example of managers manifesting commitment could be if they show intentions towards continuing their relationship with the employees. For example, if the employees make a mistake, a manager manifesting commitment would respond by offering a second chance, for instance, by providing the ability for the employees to attend different training programs instead of simply firing them. Committed parties dedicate resources as well as effort to make their relationship functioning properly. In this sense, it might also be possible that employees reciprocate by responding with attitudinal commitment which is described as additional effort and a willingness to go beyond mere contractual obligations (Cullen, Johnson & Sakano, 2000). In summary, the literature on human relationships, part of the behavioral agency theory, suggests that high levels of trust, friendship and respect is associated with better performance if combined with organizational skills (Ellingsen & Johannesson, 2007).

3.2 Management control and design principles

As mentioned above, pursuant to agency theory by Jensen and Meckling (1976), managers can either monitor or trust employees within an organization. In relation to that, there are different management control types, where some would fit better with trusting employees and others with monitoring them. While discussing organizations, the often complex social roles within it, including a wide range of actors, needed to be identified to further develop the management practices (Burchell, Clubb, Hopwood, Hughes, & Nahapiet, 1980). Management control could be described as the tools, systems, and practices used by managers to formally and informally

influence employees' behaviour to an extent, where their behaviour is consistent with the firm's objectives and strategy (Malmi & Brown, 2008). However, these tools and systems could be explained from a number of theoretical perspectives where Haustein, Luther, and Schuster (2014) mentions one, with eleven contingency factors regarding both external and organizational factors (see Appendix 5) that explains the effects and suitability of different control types. Here, the type of control needs to be considered for each firm, since the needs might differ among organizations facing different circumstances. Two of the many control types are the design principles, coercive control and enabling control.

3.2.1 Coercive control

According to Adler and Borys (1996) along with Ahrens and Chapman (2004), coercive control focuses on rules, leaving limited options for employees to take their own actions, hence aiming at producing a foolproof system. However, striving for expected profits might not always encourage a greater social behavior within a firm. The research, conducted by James and Soref (1981), shows that managers failing to reach the expected earnings are fired, and, therefore, cannot be anticipated to promote social responsibility over profitability. In this sense, a manager with stronger preferences for stability and predictability will most certainly use a stricter and more formal control, which predicts greater firm efficiency but lower employee satisfaction (Berson, Oreg & Dvir, 2008).

Further, regarding coercive control and monitoring, being observed might affect employees' and firms' performance. It is shown that the presence of others might have a beneficial effect in the case of simple tasks but at the same time a detrimental effect in the case of more complex tasks, since the presence of others increases the employees awareness of the gap between attained and ideal performance. This creates an unpleasant feeling which the employees try to reduce by exerting additional effort (Ellingsen & Johannesson, 2008), and for more complex tasks, it is likely that employees perceive the presence as a signal of distrust (Falk & Kosfeld, 2006). Related to flexibility and working from home, coercive control of employees that are working from home might be problematic since it often includes two work locations, and the oversight from managers gets lost. This leads instead to the focus of commitment as affective and continuative, where the organization needs to encourage an attractive firm environment (Clear & Dickson, 2005). In this sense, it is rather the organization that needs to readjust their procedures to keep the

possibilities of working effective even when working from home by for instance showing trust to employees working from home. The attitude of managers plays a major role in whether they supported the adoption of working from home or not (Clear & Dickson, 2005).

3.2.2 Enabling control

Enabling control, in contrast to coercive control, designs formal systems supporting its users, hence leaving space for autonomy and enabling employees to make use of their creative ideas (Adler & Borys, 1996). In this sense enabling control could be illustrated by its different characteristics, such as repair, transparency and flexibility, which all explain its design (Ahrens & Chapman, 2004). First, repair describes that when repairing organizational processes, the employees should be actively encouraged to participate and discuss practical problems regarding rules, standards and other guidelines. Second, transparency could be categorized into internal and global transparency, where internal transparency is the visibility of internal processes by providing layered access to information, for example, by integrating budgeting processes with operational planning activities. Global transparency concerns the overall context of the firm, where, for example, making department budgets available for all managers instead of only for the specific department, could be an action towards increased transparency. Finally, flexibility provides the choice of building different systems and processes supporting differentiated tasks along with tailored advice and specialization, hence acknowledging changing circumstances.

Also, regarding enabling control, non-monetary incentives along with symbolic rewards are of common use (Ellingsen & Johannesson, 2008). Some examples of non-monetary incentives are appreciation, recognition and attention. Further, this could take the form of employee participation making them feel appreciated. Also, training and FFWPs could fulfill the above mentioned needs for non-monetary incentives, which in turn could make them motivated, which makes them exert more effort. In summary, the above mentioned characteristics of enabling control allows employees, as well as managers to pursue the objectives of both efficiency and flexibility simultaneously (Ahrens & Chapman, 2004). Also, employees might have a stronger feeling of impact on their work due to a decentralized decision-making process, where the autonomy of employees can be high (Clear & Dickson, 2005).

3.3 Identity

Akerlof and Kranton (2008) also discuss the identity through a managerial perspective depending on how employees picture themselves in relation to the organization, which also will be affected by the monitoring used by managers. An enabling environment will invite actions with the own thinking of employees, where the interaction of employees is seen as advantageous for an organization. Hence, for managers applying enabling control it is more beneficial to employ individuals with stronger identities since it might foster independence, creativity and motivation, while for managers exercising coercive control employees with stronger identities might be seen as a threat to the foolproof system (Akerlof & Kranton, 2008). Too strict monitoring, during coercive control, including job rotation, work group composition, and layout of the work space, might affect the identity of employees, where they might get a feeling of being held back. This could also affect intrinsic incentives and motivation of each employee negatively (Frey, 1997), leading to a desire for revenge which might harm the organization. This might imply a problem since interactions of the work group can be important both for managers and the work productivity. Managers might see a change in productivity, but cannot always notice the actions behind it if no one is reporting setbacks (Akerlof & Kranton, 2008).

In addition, personnel control, which is part of enabling control, involves using selection and training procedures to ensure that people who have been participating in appropriate training and socialization processes are employed (Abernethy & Brownell, 1997). Also, personnel control might be beneficial during high uncertainty, when skilled employees with great knowledge will be able to cherish internal processes within an organization. These employees will be able to control both themselves but also their coworkers in guiding them towards organizational goals leading to rewards or sanctions (Haustein, Luther & Schuster, 2014). Related to personnel and cultural control, it includes managers guiding employees by trust leading to greater intrinsic motivation since more flexibility can be offered (Frey, 1997). However, Berson, Oreg and Dvir (2008) found that a supportive organizational culture had a negative relation with sales growth, which might indicate that there is a balance between focus of the employees well-being and focus of other organizational goals. Overall, employees' well-being seems to be related to whether they can identify themselves with the firm and take part in its success and, therefore, also feel a greater sense of job satisfaction (Berson, Oreg, & Dvir, 2008). Lastly, letting employees work from home requires some level of organisational flexibility. Organisations that lack flexibility can be signified

with unwanted attitudes and behaviors of both managers and other employees (Clear & Dickson, 2005), which is not desirable.

Tasks and job descriptions might be prepared differently depending on gender to not decrease productivity within an organization according to Akerlof and Kranton (2000), where social attitudes need to be changed leading to a shift in the patterns of employees. Still, even in modern society, a woman is more associated with domestic work than men, which leads to a lower labor force attachment. However, most male and female professions require the same level of education and training (Akerlof & Kranton, 2000). Akerlof and Kranton (2000) also suggest that the movement of more women in the labour market leads to changes, such as removing gender associations from tasks, both at home and in the workplace. The change could lead to that the women's labor force attachment would increase, but it also requires that more men are willing to volunteer to perform tasks with low promotability (Babcock, Recalde, Vesterlund & Weingart, 2017). Further, Akerlof and Kranton (2000) mention that moving gender associations from tasks led to more men starting to work with female associated tasks and vice versa. Also, while considering gender as a part of a person's identity it might affect the feeling of belonging to a group or a profession, for example in a profession mostly represented by men it might imply that the women start acting more masculine at work (Akerlof & Kranton, 2000).

Different identities of employees within an organization might influence their behavior, which further can affect organizational outcomes. The identity of a person is often related to gender and might also affect their commitment (Cramer, 2000). However, nowadays this stereotype is changing since a developed environment allows for gender reassignment. With gender comes expectations and ideas of how each individual is supposed to act in certain areas (Akerlof & Kranton, 2000), where self-monitoring and openness to experience are seen as variations (Cramer, 2000). Activities that might satisfy some employees, might also cause discomfort and anxiety for others. When an organization hires individuals to perform a task, the reason is to increase the overall advantage of the firm rather than to specifically employ an individual based on gender (Akerlof & Kranton, 2000).

4. Hypotheses and model development

Depending upon the aforementioned theory and previous research described below, four categories of hypotheses will be derived. These categories follow the same logic as the previous sections of the paper. Starting off with a narrow perspective on the relationship between FFWP and firm performance, respectively working from home and firm performance. This relationship will later be expanded to include different factors and theoretical perspectives. The second hypotheses explore the relationship between FFWPs and firm performance from an agency perspective by viewing an opportunity to work from home as an act of trust, together with management practices examining the effects of enabling versus coercive control. Further, the third hypothesis is based on a managerial perspective investigating the effects of different management characteristics. Finally, the fourth hypothesis is grounded in the identity concept, investigating the effects of including variables such as work-life balance and gender.

Before continuing, it is important to acknowledge and remember the previously mentioned limitations occurring since this study is based on publicly accessed data, designed and gathered for a different preliminary purpose than the one of this paper. Therefore, the development of hypotheses are limited to the availability of variables included in the empirical data, implying that the hypotheses could otherwise have been evolved in a different manner, which is further discussed in section 4.2.

4.1 Hypotheses development

The relationship between FFWP and firm performance have previously been found to be positive, implying that adopting FFWPs would lead to increased performance of a firm (Bloom, Kretschmer & van Reenen, 2011; Clifton & Shepard, 2004; Perry-Smith & Blum, 2000). A deeper understanding of this relationship could be explained by agency theory, predicting that employees gaining additional benefits from the FFWPs will reciprocate by contributing with additional effort along with developing a united goal of organizational success, which both together could improve firm performance. Also, the relationship could be explained in terms of institutional theory since adopting FFWPs could lead to competitive advantages, which would be invaluable since it is hard to imitate due to possible complexities of adoption (Perry-Smith & Blum, 2000). This discussion steers towards the following hypothesis:

H 1a: There is a positive relation between more FFWP and firm performance.

Another factor seeming to affect firm performance is working from home, one of the components of FFWP. According to Bloom et al. (2015), who conducted an experiment, the performance of home workers went up substantially. This improvement came mainly from increases in the number of minutes worked due to reductions in breaks, time off, and sick days taken by the home workers. This is due to the employees experiencing greater convenience and peacefulness of being at home. In addition, Hill, Ferris and Mårtinson (2003) finds that working from home offers the potential for enabling employees to better balance work and family life, as well as enhancing firm performance. Similar arguments as for the first hypothesis along with the ones most recently discussed leads to the following hypothesis:

H 1b: There is a positive relation between working from home and firm performance.

Founded within agency theory, managers could either control employees by increased monitoring or they could signal trust hoping that the employees will reciprocate with additional effort (Falk & Kosfeld, 2006). In that sense, they also find that the explicit incentives could possibly backfire, hence the performance could decrease if the managers control the employees compared to if they would show trustworthiness towards the employees. This would make firm performance increase since the employees would reciprocate with additional effort, increasing productivity and therefore performance. Also, by trusting the employees in doing their job, it also stressed their self-management skills and their level of productivity (Felstead, Jewson & Walters, 2003). Furthermore, the signal of trust could be presented as different efforts, such as providing the employees with freedom of choice. For example, the manager could provide the employees with the ability to work from home, since it could be viewed as a gesture of trust, because the manager is aware of the limited visibility and difficulties of monitoring it entails (Felstead, Jewson & Walters, 2003). This leads to the following hypothesis:

H 2a: The relationship between FFWP and firm performance will be stronger for firms incorporating more working from home for the employees than those who do not.

Similar to the reasoning above, the choice to trust or monitor employees could be further explained from which type of control managers decide to use. Here, the implementation of FFWPs can lead to a positive climate within the organization, which is a part of a softer management style of controlling employees (Ngo, Foley & Loi, 2009). Additionally, Clifton and Shepard (2004) discuss how monitoring and supervision might have an effect on management efficiency, where the need

for supervision can be reduced due to an improved horizontal monitoring. The efficiency of the management can be improved if more experienced managers are allowed by the work and family friendly programs. In this sense, Hardré and Reeve (2009) suggest that training the managers to adopt a more autonomous style could lead to involving the employees in the way a task should be performed, but also to listen to their suggestions. An implementation of FFWP, seen as a part of a more autonomous management, can be related to the performance of the organization in the way of employee turnover, employee productivity, and employee-management relations (Hardré & Reeve, 2009), leading to the following hypothesis:

H 2b: The relationship between FFWP and firm performance will be stronger for firms using enabling control than coercive control.

Furthermore, while considering FFWP, managers might bargain to benefit for their own well-being, where both female managers and more skilled managers are found to offer FFWP to a greater extent, as it can be more beneficial while avoiding losing key employees who might be valuable for the organization (Bloom, Kretschmer & van Reenen, 2011). Also, workplaces that permit non-managerial employees to work from home usually have characteristics as higher proportion of employees in managerial or professional grades, higher proportion of employees with high skill levels, providing continuous improvement groups, allowing self-assessment, and also provide the ability for increased autonomy deciding their work tasks and work pace. In addition, evidence was found that workplaces allowing employees to work from home are more reliant on performance management, setting individual targets, greater emphasis on feedback and self-control (Felstead et al. 2002). Further, the support of top management has a positive effect on the level of FFWP in the organization (Ngo, Foley & Loi, 2009), leading to the following hypothesis:

H 3: The relationship between FFWP and firm performance will be stronger for managers than non-managerial employees.

In relation to management practices, the identity of the individuals controlled has an effect on outcomes such as firm performance. This can affect the success of managing the efficiency of both duties and responsibilities at work and at home to maintain a work-life balance, where separating the identities can be crucial (Tietze & Musson, 2010). While discussing the work-life balance, Haar, Russo, Suñe and Ollier-Malaterre (2014) indicated that it might be affected by individualism, collectivism or gender, depending on the national culture in the country where the individual lives.

A higher level of work-life balance was found more positively related to job and life satisfaction for individuals in individualistic cultures, and for individuals living in a country with higher gender egalitarian culture, where both women and men have equal opportunities to reach their personal and work related goals (Haar et al. 2014). An increasing work-life balance may increase firm performance through advantage in recruitment and reduced employee turnover, but also through positive work attitudes and work effort (Beauregard & Henry, 2009). This discussion leads to the following hypothesis:

H 4: The relationship between FFWP and firm performance will be stronger for firms who focus more on WLB compared to its competitors.

4.2 Model development

Building on the reasoning above, models describing which variables will be used in the upcoming regressions will be presented. As mentioned in section 3, multivariate OLS models are used in the regressions to examine the reaction of adding control variables and their effect on the relationship between the dependent and independent variables. Starting with the first hypothesis, 1a, the following model has been developed to investigate the relationship between FFWP and firm performance:

$$ROCE_i = \beta_0 + \beta_1 FFWP_{score_i} + \beta_2 firm_{age_i} + \beta_3 firm_{size_i} + \beta_4 public_i + \beta_5 female_i + \beta_6 competition_i + \epsilon_i$$

Here, the following control variables, “firm age”, “firm size”, “public”, “female” and “competition” were included. The reason for excluding the countries as control variables is due to multicollinearity, for further explanation see section 5.1. The control variables related to it will continue to be included in all upcoming regressions exploring the relationship between FFWP and firm performance since they have been found to have an effect on the relationship between FFWP and firm performance in previous studies (Bloom, Kretschmer & van Reenen, 2011; Eby et al., 2005; Heywood & Jirjahn, 2009; Kotey & Koomson, 2021; Lewis, 2003; Perry-Smith & Blum, 2000).

For hypothesis 1b, the following model is developed to study the relationship between working from home and firm performance:

$$ROCE_i = \beta_0 + \beta_1 WFH_i + \beta_2 firmsize_i + \beta_3 female_i + \beta_4 hours_i + \beta_5 holidays_i + \beta_6 childcareflexibility_i + \beta_7 childcare subsidy_i + \beta_8 jobsharing_i + \beta_9 jobswitching_i + \beta_{10} sharemanagers_i + \beta_{11} decision_i + \epsilon_i$$

The control variables included are chosen since previous studies have shown that they have an effect on the relationship between working from home and firm performance (Bloom, Liang, Roberts & Ying, 2015; Brummelhuis et al. 2012; Hill, Ferris & Mårtinson, 2003; Kotey & Koomson, 2021; Rupiatta & Beckmann, 2016).

Furthermore, for hypothesis 2a the following model is used to explore the role of working from home within the relationship between FFWP and firm performance:

$$ROCE_i = \beta_0 + \beta_1 FFWPscore_i + \beta_2 firmage_i + \beta_3 firmsize_i + \beta_4 public_i + \beta_5 female_i + \beta_6 competition_i + \beta_7 WFH_i + \epsilon_i$$

In addition, we decided to run an additional model to investigate the role of working from home in regard to the other policies included in FFWPs. The strategy of doing this started with using the model for hypothesis 1b as a main model. Dependent upon that model, we made sensitivity analyses to see which combination of policies resulted in a significant relation. These sensitivity analyses resulted in the following model:

$$ROCE_i = \beta_0 + \beta_1 WFHandjobswi + \beta_2 WFHnotjobswi + \beta_3 JobswnotWFHi + \beta_4 hours_i + \beta_5 holidays_i + \beta_6 firmsize_i + \beta_7 female_i + \beta_8 sharemanagers_i + \beta_9 decision_i + \epsilon_i$$

Here, similar control variables as in the model above for hypothesis 1b were used, but excluding childcare flexibility, childcare subsidy and job sharing since the focus, dependent upon the sensitivity analyses, lay on working from home and job switching. However, the main focus is on the three independent variables explaining different combinations of policies regarding working

from home and job switching. As mentioned above, these variables were chosen since they were the only combination of policies found to have a significant relationship.

For hypothesis 2b, the following model is used:

$$ROCE_i = \beta_0 + \beta_1 IFFWP_{score_i} + \beta_2 firm_{age_i} + \beta_3 firm_{size_i} + \beta_4 public_i \\ + \beta_5 female_i + \beta_6 competition_i + \beta_7 time_{horizon_i} \\ + \beta_8 high_{performance_{culture}_i} + \beta_9 self_{assessment_i} + \beta_{10} decision_i + \epsilon_i$$

The additional independent variables included in this model are chosen since they are assumed to have an association to whether firms incorporate coercive or enabling control. Also, we have considered multicollinearity existing between the different independent variables by excluding those highly correlated with each other. Starting with the variables “high-performance culture” and “time horizon”, they are assumed to be associated with coercive control. The focus of rewarding performance could imply putting focus on targets and rewards, which could hinder intrinsic motivation encouraged within enabling control. Limited time performing the tasks is often a part of a stricter control which leaves limited options for employees to take their own actions while longer time horizons are more associated with enabling control (Ahrens & Chapman, 2004). Regarding enabling control, “self assessment” and “decision” are assumed to be proxies. Self-assessment enables the employees to assess their own performance, which could be a way of providing employees with autonomy (Adler & Borys, 1996; Ahrens & Chapman, 2004). Also, allowing employees to be involved in decision making processes increases their autonomy. In summary, both variables associated with enabling control are assumed to enhance the influence and autonomy of employees, increasing their creativity along with motivation.

Moving to the third hypothesis, the following model is used for exploring hypothesis 3:

$$ROCE_i = \beta_0 + \beta_1 IFFWP_{score_i} + \beta_2 firm_{age_i} + \beta_3 firm_{size_i} + \beta_4 public_i \\ + \beta_5 female_i + \beta_6 competition_i + \beta_7 degree_i + \beta_8 share_{managers_i} + \epsilon_i$$

Here, the independent variables added have been chosen due to its associations with characteristics of managers. For example, for the variable “degree” it is assumed that employees with higher

degrees are managers. Further, “share managers” describes how many of the employees are managers compared to the whole workforce and is therefore relevant to include.

Lastly, for the fourth hypothesis, the following model is used:

$$ROCE_i = \beta_0 + \beta_1 FFWP_{score_i} + \beta_2 firm_{age_i} + \beta_3 firm_{size_i} + \beta_4 public_i + \beta_5 female_i \\ + \beta_6 competition_i + \beta_7 WLB_{focus_i} + \beta_8 degree_i + \beta_9 WFH_i + \epsilon_i$$

For this model, the supplementary variables are added to include the identity perspective and how it affects the relationship between FFWP and firm performance. For example, the variable “WLB focus” is included since firms focusing more on work-life balance enables their employees to more easily separate their identities. Also, by adding the variable “degree” it is assumed that those with higher degrees have a stronger work identity since they more often are passionate about their work, and, therefore, are more likely to work with intrinsically motivated tasks.

5. Result

In this section, the result of the research will be presented. First, the descriptive statistics along with a correlation matrix will be introduced. Thereafter, the results of a stepwise regression will be presented. Lastly, the results of the regressions along with a summary of the hypotheses tested follows, illustrating whether there has been evidence indicating that the hypotheses will be accepted or rejected.

5.1 Descriptive statistics

To introduce the data, descriptive statistics will be presented for relevant variables related to the hypotheses developed. Variables not interpreted below are found and interpreted in Appendix 6.

Starting with the summary statistics for the dependent variable firm performance, measured as ROCE, it has a mean of 18.44, a minimum of -21.55 and a maximum of 50 (see Table 2), which indicates that some firms in the sample are generating profits from its capital and that some firms are not as successful. However, the mean suggests that most of the firms included in this sample have a positive return on their capital employed.

The summary statistics for the independent variables along with the control variables will now be presented. The “FFWP score”, including hours worked per week, holidays taken, childcare flexibility, working from home, job switching, job sharing, and childcare subsidy, has a mean of -0.02 implying that the adoption of voluntary FFWP by managers scored slightly lower compared to other managers in the same industry. Additionally, it also indicates that the managers offer less flexible solutions regarding work-life balance, including the seven aforementioned aspects composing the FFWP score, compared to other managers in the same industry.

Additionally, three variables regarding working from home are included, covering the entitlement of working from home during normal working hours “WFH”, the number of managers working from home “WFH managers” and the number of non-managers working from home “WFH non-managers”, where all three variables are categorical variables. The proportions displayed in table 2 regarding the employees ability to work from home can be related to, and explained by, the fact that the data is sampled from manufacturing firms since managers to a greater extent are able to work from home than the other manufacturing workers.

Table 2: Descriptive statistics

Variables	Observations	Mean	Std. Dev.	Min	Max	Proportion
ROCE	468	18.44	12.61	-21.55	50	
FFWP score	483	-0.02	1	-2.61	3.55	
Hours	483	40.68	4.54	30	55	
Holidays	483	22.60	10.04	5	50	
Childcare flexibility	483	2.82	0.39	1	3	
Childcare subsidy	483	0.16	0.37	0	1	16%
Job switching	483	0.47	0.47	0	1	47%
Job sharing	483	0.10	0.28	0	1	10%
WFH	483	0.31	0.41	0	1	31%
WFH managers	483	0.36	0.48	0	1	36%
WFH non-managers	483	0.15	0.36	0	1	15%
WFHjobsw	483	0.06	0.23	0	1	6%
WFHnotjobsw	483	0.02	0.14	0	1	2%
JobsnotWFH	483	0.22	0.42	0	1	22%
Firmage	483	53.16	52.45	4	689	
Firmsize	483	0.99	0.68	0	2	
Public	483	0.58	0.49	0	1	58%
Female	475	27.96	19.77	0	87.5	
France	483	0.19	0.39	0	1	19%
Germany	483	0.23	0.42	0	1	23%
UK	483	0.17	0.38	0	1	17%
US	483	0.41	0.49	0	1	41%
Competition	483	2.46	0.54	0	3	
WLB focus	477	3.22	0.89	1	5	
Decision	479	2.30	0.98	1	5	
Self assessment	480	2.30	1.10	1	5	
Degree	483	21.05	18.22	1.82	95	21%
Share managers	483	0.19	0.16	0.02	0.90	19%
High performance culture	481	2.79	1.06	1	5	
Time horizon	483	3.29	1.17	1	5	

Note: The majority of the observations for the complete dataset is 483. However, due to uncompleted responses and merged datasets, the number of observations is lower for some of the variables, for further reasoning see section 2.2.

From the proportions displayed in table 2 regarding the different combinations of “WFH” and “job switching”, the conclusion that it is more common to combine working from home with job switching than only providing the ability to work from home can be drawn. Still, it is most common to allow for job switching but not working from home compared to the previous combinations.

The work-life balance focus indicates that the firms in the sample, on average, focus as much as their competitors on work-life balance for their employees. The mean of 2.30 regarding “decision” indicates that decision making is done by managers, but also partially by other employees, and the mean of 2.30 regarding “self assessment” shows that it is slightly used throughout the firms. Regarding education of the employees, only 21% of the employees have a

degree. The share of managers in the workforce is on average 19%. As categorical variables, the mean of 2.79 for “high-performance culture” indicates that the average of the firms uses evaluation systems for the awarding of performance related rewards, and the mean of 3.29 regarding “time horizon” indicates that the average of the firms is focusing on both long-term and short-term goals.

Additionally, a correlation matrix has been constructed to show how two variables are moving together, either positive or negative (Bailey, 2019). In the correlation matrix (see Appendix 7), all variables that could have a possible effect on the relationship between firm performance and FFWP respectively working from home is included. However, a lot of the independent variables are highly correlated, known as multicollinearity, implying that they to some extent measure the same aspect. To deal with this, we have excluded those variables highly correlated with another independent variable, hence keeping the ones we feel is most relevant to the relationships studied, when running the hypotheses testing. The independent variables that are considered to be most relevant are “degree”, “share managers”, “time horizon”, “high performance culture”, “self assessment”, “decision” and “WLB focus” (for a deeper reasoning why these were chosen please see section 4.2). Therefore, the following variables will be excluded: “MBA”, “performance tracking”, “performance review”, “performance dialogue”, “pace of work” and “targets”.

The highest correlation regarding the dependent variable was observed between firm performance, measured through ROCE, and “share of managers” ($r = 0.2024$), but is, however, not seen to be very high. The lowest correlation with the dependent variable appears to be with “WFH managers” ($r = -0.0016$). One surprisingly low correlation appears between “WFH” and firm performance, ROCE, ($r = -0.0215$), which was not expected but can be explained through a lower effect on firm performance while considered alone rather than together with other FFWPs (Council of Economic Advisers, 2015). Another surprisingly low correlation appears between “decision” and firm performance, ROCE, ($r = 0.0238$) indicating that higher firm performance might not be affected by the composition of who is involved in decision making. Both the variables “France” and “US” are highly correlated with the main independent variable ($r = 0.5509$ and $r = -0.6192$). Due to these quite high correlations, none of the country variables “France”, “Germany”, “UK” or “US” will be included in the regressions. Further discussions regarding the variables are provided in the next section about OLS regressions.

5.2 OLS Regressions

This section will start with presenting OLS stepwise regression and thereafter the OLS regressions for the six hypotheses will be presented and discussed. The variables used to measure each hypothesis are found in section 4.2. The coefficients shown to be significant will be presented below. All the results discussed are under the prerequisites that every other variable included in the same model is held constant.

5.2.1 Stepwise regression for explorative study

Running a stepwise regression fits well with the purposes of an exploratory research approach. The process of doing the stepwise regression for this dataset, started with us adding the “FFWP score” to the dependent variable “ROCE”. While including only the independent and the dependent variable, the adjusted R square value is only 3.9% (see model 1 in Table 3). The negative coefficient for FFWP score with a value of -2.506 is highly statistically significant on a 1% level, and implies a decrease with 2.51 percentage units of ROCE if a higher score of FFWPs is adopted in a firm.

Afterwards, based on the correlation matrix and considering multicollinearity, all relevant control variables were added (see model 2 in Table 3), and the adjusted R square value increased to 10.5%. Both “firm size” and “female” are statistically significant at 1% and 10% levels. For “firm size”, the coefficient implies that medium and large sized firms experience an increase of 4.51 percentage units in ROCE, compared to smaller firms. Firms with more females in their workforce experience an increase in ROCE with almost 0.06 percentage units compared to firms with less females in their workforce, included in this sample.

When adding the variables regarding countries, “France”, “Germany”, and “UK”, to the rest of the control variables, they are all shown to be highly statistically significant on a 1% level, with the adjusted R value increasing to 17.2% (see model 3 in Table 3). However, due to multicollinearity and the aforementioned choice of not including these controls, they were excluded in the regression models.

Thereafter, all relevant independent variables, after excluding those highly correlated with each other, as explained above, were added to the model (see model 4 in Table 3) and the adjusted R square value decreased to 14.4% compared to model 3. However, compared to model 1 and 2, the adjusted R value has increased. In this model, the independent variables that are statistically

significant are “self assessment” and “WLB focus”, with a statistical significance of 10% and 1%, and a negative coefficient of -1.081 and a positive coefficient of 1.796. The two coefficients implies that a greater level of self-assessment will imply a decrease in ROCE with 1.08 percentage units, while a greater adoption of work-life balance focus, compared to competitors within the same industry, might lead to an increase in ROCE with almost 1.80 percentage units.

Table 3: Stepwise regression

	(1)	(2)	(3)	(4)	(5)
Model	OLS	OLS	OLS	OLS	OLS
VARIABLES	ROCE	ROCE	ROCE	ROCE	ROCE
FFWP score	-2.506*** (0.575)	-1.954*** (0.659)	-0.151 (0.795)	-2.378*** (0.777)	-0.055 (1.001)
Firmage		-0.002 (0.011)	0.017 (0.011)	0.001 (0.011)	0.015 (0.011)
Firmsize		4.510*** (0.881)	4.300*** (0.891)	4.020*** (0.925)	4.126*** (0.936)
Public		0.356 (1.402)	-3.902** (1.617)	-0.573 (1.497)	-4.023** (1.663)
Female		0.056* (0.029)	0.017 (0.029)	0.046 (0.030)	0.017 (0.030)
Competition		0.197 (1.069)	-0.238 (1.040)	-0.441 (1.087)	-0.776 (1.065)
France			-8.856*** (2.623)		-10.285*** (3.079)
Germany			-12.056*** (2.027)		-11.980*** (2.346)
UK			-6.685*** (2.103)		-7.122*** (2.234)
WFH				0.486 (1.562)	-0.894 (1.634)
Share managers				6.608 (4.029)	2.547 (4.015)
Decision				-0.419 (0.631)	-0.833 (0.635)
Degree				-0.010 (0.037)	-0.036 (0.037)
Time horizon				-0.111 (0.545)	-0.025 (0.531)
High performance culture				0.782 (0.614)	0.425 (0.603)
Self assessment				-1.081* (0.579)	-0.674 (0.574)
WLB focus				1.796*** (0.675)	1.223* (0.668)
Constant	18.384*** (0.572)	11.809*** (2.941)	21.297*** (3.578)	9.030** (3.941)	22.228*** (4.975)
Observations	468	460	460	446	446
R-squared	0.039	0.105	0.172	0.144	0.194

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Also, the same regression as in model 4 were run but including the variables “France”, “Germany” and “UK” for countries as control variables (see model 5 in Table 3). Here the adjusted R square value, 19.4, is slightly higher compared to in model 4, 14.4. However, since this change is not that significant but that the model still explains the data in a sufficient way, we have chosen to prioritize the problem with multicollinearity and therefore, the country variables have been excluded from our regression models that have been run for testing the hypothesis.

In summary, the results from the stepwise regressions showed that including a lot of relevant variables together had an effect on the adjusted R square value but not on their own.

5.2.2 The relationship between FFWP and WFH with firm performance

The models regarding hypothesis 1a, are found as model 1 and 2 in Table 4 and embrace 460 observations. For hypothesis 1a, the regression shows a negative coefficient, -1.954, for “FFWP score” indicating that firms incorporating an additional amount of FFWPs, enough to score one point higher compared to others within the same industry, will experience a decrease in ROCE of 1.95 percentage units which is highly statistically significant at a 1% level. Looking at the control variables, “firm size” and “female” are found to be statistically significant at 1% and 5% levels. The coefficient for “firm size” could be interpreted as for larger and medium-sized firms, ROCE increases by 4.51 percentage units compared to smaller firms. Regarding females in the workforce, higher shares of females leads to an increase in ROCE by 0.06 percentage units.

When running robust OLS neither the sign nor the magnitude changes for any variable. Dependent upon the findings, no evidence was found in support of hypothesis 1a and therefore it should be rejected.

The models regarding hypothesis 1b are found as model 3 and 4 in Table 4 and embrace 456 observations. Regarding hypothesis 1b, the coefficient for “WFH” concerning all employees is not statistically significant, not even at a 10 % level. Further, regarding the control variables, the coefficients for “firm size”, “holidays” and “childcare subsidy” are statistically significant at 1% and 10% levels, and are interpreted as follows. Medium-sized and larger firms have, on average, almost 3.85 percentage units higher ROCE compared to smaller firms. In addition, firms allowing their employees to have one additional day of holidays, experiences a decrease in ROCE of almost 0.26 percentage units. Lastly, firms that to a greater extent allows for childcare subsidy experiences an increase in ROCE of 2.84 percentage units.

Table 4: Regressions for the first hypotheses

Model	(1)	(2)	(3)	(4)
	OLS	OLS Robust	OLS	OLS Robust
Hypotheses	HP1a	HP1a	HP1b	HP1b
Variables	ROCE	ROCE	ROCE	ROCE
FFWP score	-1.954*** (0.659)	-1.954*** (0.660)		
WFH			-1.044 (1.376)	-1.044 (1.426)
Firmage	-0.002 (0.011)	-0.002 (0.009)		
Firmsize	4.510*** (0.881)	4.510*** (0.871)	3.847*** (0.860)	3.847*** (0.856)
Public	0.356 (1.402)	0.356 (1.464)		
Female	0.056* (0.029)	0.056** (0.027)	0.035 (0.029)	0.035 (0.027)
Competition	0.197 (1.069)	0.197 (1.042)		
Hours			0.257 (0.161)	0.257* (0.153)
Holidays			-0.257*** (0.076)	-0.257*** (0.077)
Childcare flexibility			1.307 (1.482)	1.307 (1.437)
Childcare subsidy			2.840* (1.610)	2.840* (1.640)
Job sharing			-2.171 (2.115)	-2.171 (2.198)
Job switching			0.711 (1.320)	0.711 (1.349)
Share managers			5.555 (3.701)	5.555 (3.692)
Decision			-0.850 (0.597)	-0.850 (0.629)
Constant	11.809*** (2.941)	11.809*** (2.868)	5.905 (8.373)	5.905 (8.003)
Observations	460	460	456	456
R-squared	0.105	0.105	0.159	0.159

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

5.2.3 The role of WFH dependent upon managerial practices within FFWPs and its relation to firm performance

The models regarding hypothesis 2a are found as model 1 to 4 in Table 5, including 460 respectively 505 observations. When including working from home within the context of FFWPs (see model 1 and 2 in Table 5) the coefficient of “FFWP score” is still negative, at a significance of 1%, with a decrease in ROCE of 2.06 percentage units, which is a higher decrease than above

in hypothesis 1a. Regarding the coefficient for “WFH”, it is not statistically significant, not even at a 10% level. Concerning the control variables, there are no major changes compared to the reasoning above for hypothesis 1a and there are no significant differences between the OLS model and OLS robust model in regard to sign or magnitude.

To investigate the role of working from home within the context of FFWPs even further, we decided to run an additional regression to study the effects of working from home on its own compared to together with other policies included in FFWP (see model 3 and 4 in Table 5). We created categorical variables for different combinations of policies included in FFWPs. However, the only significant relation was found when studying working from home and job switching. The control variables included here are similar to the control variables in the model for hypothesis 1b, except for not including the other policies, childcare flexibility, childcare subsidy and job sharing, since the focus is on working from home and job switching in the context of FFWPs. The control variables that are statistically significant, “firm size” and “holidays” are interpreted as previously, where the magnitude and sign is similar to the reasoning above. Also, the variables “hours” and “decision” are now found to have a tendency to be statistically significant, which they have not been before. “Hours” is interpreted as for firms where their employees are working one additional hour, the ROCE will increase by 0.26 percentage units. Also, firms allowing all employees to take part in the decision-making process, compared to those only allowing managers to take part of the decision-making process, experiences a decrease in ROCE of 1.15 percentage units.

The important finding is that firms offering the ability to work from home and switch from full-time to part-time jobs experience an increase in ROCE of 4.51 percentage units with a statistical significance of 10%. However, offering entitlement to work from home but not the ability to switch from full-time to part-time results in a decrease in ROCE of 6.28 percentage units with a tendency to be statistically significant. In this sense, firms only experience an increase in firm performance, ROCE, when offering both the ability to work from home and the entitlement to switch from full-time to part-time. Also, it suggests that working from home is not beneficial in terms of increasing firm performance, ROCE, on its own but only when combined with job switching. The findings presented suggest that there is evidence supporting hypothesis 2a, hence it should not be rejected.

Table 5: Regressions for the second hypotheses

	(1)	(2)	(3)	(4)	(5)	(6)
Model	OLS	OLS Robust	OLS	OLS Robust	OLS	OLS Robust
Hypotheses	HP2a	HP2a	HP2a	HP2a	HP2b	HP2b
Variables	ROCE	ROCE	ROCE	ROCE	ROCE	ROCE
FFWP score	-2.064*** (0.727)	-2.064*** (0.734)			-1.981*** (0.674)	-1.981*** (0.687)
Firmage	-0.002 (0.011)	-0.002 (0.009)			-0.001 (0.011)	-0.001 (0.009)
Firmsize	4.486*** (0.884)	4.486*** (0.864)	3.718*** (0.813)	3.718*** (0.803)	4.279*** (0.914)	4.279*** (0.907)
Public	0.260 (1.428)	0.260 (1.509)			-0.160 (1.428)	-0.160 (1.517)
Female	0.054* (0.029)	0.054** (0.027)	0.022 (0.027)	0.022 (0.025)	0.051* (0.029)	0.051* (0.027)
Competition	0.189 (1.071)	0.189 (1.040)			-0.192 (1.081)	-0.192 (1.046)
WFH	0.550 (1.513)	0.550 (1.624)				
WFHjobsw			4.503* (2.344)	4.503* (2.322)		
WFHnotjobsw			-6.282* (3.792)	-6.282 (5.199)		
jobswnotWFH			0.631 (1.429)	0.631 (1.443)		
Hours			0.258* (0.147)	0.258* (0.146)		
Holidays			-0.268*** (0.071)	-0.268*** (0.071)		
Share managers			5.314 (3.544)	5.314 (3.471)		
Decision			-1.148** (0.557)	-1.148* (0.587)	-0.294 (0.615)	-0.294 (0.641)
Time horizon					-0.261 (0.541)	-0.261 (0.540)
High performance culture					1.132* (0.597)	1.132* (0.645)
Self assessment					-1.078* (0.563)	-1.078* (0.564)
Constant	11.759*** (2.947)	11.759*** (2.880)	10.542 (7.043)	10.542 (7.113)	14.153*** (3.596)	14.153*** (3.683)
Observations	460	460	505	505	452	452
R-squared	0.105	0.105	0.162	0.162	0.121	0.121

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

The models regarding hypothesis 2b, are found as model 5 and 6 in Table 5. These regression models embrace 452 observations. The FFWP score keeps the same reasoning as mentioned in the previous hypotheses. Also, the control variables “firm size” and “female” used in all multivariate regressions, as mentioned above in hypothesis 2a, do not change significantly.

The coefficient of the variable “high performance culture” implies that when firms focus more on rewarding performance, the ROCE increases with 1.13 percentage units, which is statistically significant at a 10% level. Also, the coefficient for “self assessment” shows that when more employees assess their own work, the ROCE of the firm where they work, decreases with 1.08 percentage units with a tendency to be statistically significant. These results suggest that firms where managers use coercive control while adopting FFWPs will experience higher firm performance, by increases in ROCE, than those using enabling control.

Except for the variables “high performance culture” and “self assessment”, none of the other independent variables used as proxies for the type of control is found to be statistically significant. The results presented above indicate that there is no support for hypothesis 2b, which points out that it should be rejected.

5.2.4 The relationship between FFWPs and firm performance dependent upon management characteristics

The third hypothesis covers reflections about managers characteristics in relation to FFWP and firm performance. The models regarding hypothesis 3, are found as model 1 and 2 in Table 6. This regression model embraces 460 observations.

Testing the “FFWP score”, it shows a negative coefficient of -1.76, with a highly statistical significance on a 1% level. This indicates that the same reasoning as discussed in previous hypotheses, including FFWP score is valid here as well, with an decrease in ROCE of 1.76 percentage units. Another independent variable found to be statistically significant at a 5% level is “share managers”, showing that for larger shares of managers in the workforce while adopting FFWPs, the firm will experience an increase in ROCE of 9.01 percentage units. The control variables found to be statistically significant, as mentioned above in hypothesis 1a, do not change significantly. However, the noted change is that the variable controlling for “firm size” now implies an increase in ROCE of 4.23 percentage units, statistically significant at a 1% level. Regarding the results for the variable “female”, firms incorporating more females in their workforce experiences an increase in ROCE of 0.052 percentage units, which is statistically significant at 5%.

Table 6: Regressions for the third hypothesis

	(1)	(2)
Model	OLS	OLS Robust
Hypotheses	HP3	HP3
Variables	ROCE	ROCE
FFWP score	-1.755*** (0.662)	-1.755*** (0.662)
Firmage	0.001 (0.011)	0.001 (0.009)
Firmsize	4.227*** (0.885)	4.227*** (0.880)
Public	-0.023 (1.447)	-0.023 (1.525)
Female	0.052* (0.029)	0.052** (0.026)
Competition	0.177 (1.067)	0.177 (1.047)
Degree	-0.003 (0.036)	-0.003 (0.046)
Share managers	9.011** (3.881)	9.011** (3.837)
Constant	10.609*** (3.021)	10.609*** (2.956)
Observations	460	460
R-squared	0.117	0.117

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

5.2.5 The relationship between FFWPs and firm performance dependent upon the identities of employees

The fourth hypothesis covers concerns about work-life balance and the relation to FFWP and firm performance. The models regarding hypothesis 4, are found as model 1 and 2 in Table 7. This regression model embraces 454 observations. The control variables, as mentioned above in hypothesis 2a, do overall not change significantly. The variable “firm size” implies an increase in ROCE with 4.33 percentage units. Also, concerning the variable “female”, firms having larger shares of females in their workforce experiences an increase in ROCE of 0.05 percentage units, with a tendency to be statistically significant. The FFWP score follows the same reasoning as in previous hypotheses, with a decrease in ROCE by 2.55 percentage units. Regarding the other

independent variables, the “WLB focus” implies that the ROCE increases with 1.96 percentage units when the firm focuses more on work-life balance compared to its competitors, and it is highly statistically significant on a 1% level. These results indicate that there is not enough evidence to reject hypothesis 4 and it will, therefore, be accepted.

Table 7: Regressions for the fourth hypothesis

	(1)	(2)
Model	OLS	OLS Robust
Hypotheses	HP4	HP4
Variables	ROCE	ROCE
FFWP score	-2.547*** (0.751)	-2.547*** (0.740)
Firmage	-0.001 (0.011)	-0.001 (0.009)
Firmsize	4.331*** (0.890)	4.331*** (0.878)
Public	-0.134 (1.479)	-0.134 (1.588)
Female	0.050* (0.030)	0.050* (0.027)
Competition	-0.043 (1.076)	-0.043 (1.054)
WLB focus	1.962*** (0.665)	1.962*** (0.728)
Degree	0.010 (0.034)	0.010 (0.045)
WFH	0.606 (1.530)	0.606 (1.633)
Constant	6.198* (3.475)	6.198* (3.485)
Observations	454	454
R-squared	0.125	0.125

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

5.2.6 Summary of hypotheses testing

A presentation of the results of the hypothesis testing is provided in Table 8 below. As illustrated and discussed above, the regression results regarding hypothesis 2a support the idea that firms providing their workforce of managers with the ability to work from home experiences an increase in firm performance. However, it is important to note that this only applies when working from home is combined with the ability to switch between full-time and part-time jobs. In addition, the fourth hypothesis, predicting that firms focusing to a great extent on work-life balance in relation to adopting FFWPs will experience greater firm performance, is also supported.

Table 8: Summary of hypotheses testing

Hypotheses testing	Result
H 1a: There is a positive relation between more FFWP and firm performance.	Reject
H 1b: There is a positive relation between working from home and firm performance.	Reject
H 2a: The relationship between FFWP and firm performance will be stronger for firms incorporating more working from home for the employees than those who do not.	Accept
H 2b: The relationship between FFWP and firm performance will be stronger for firms using enabling control than coercive control.	Reject
H 3: The relationship between FFWP and firm performance will be stronger for managers than non-managerial employees.	Accept
H 4: The relationship between FFWP and firm performance will be stronger for firms who focus more on WLB compared to its competitors.	Accept

6. Discussion

In this section, the results from the hypothesis testing will be discussed, followed by limitations, implications and future research.

6.1 Analysis of hypothesis testing

The result in our study contradicts previous studies (Bloom et al., 2011; Clifton & Shepard, 2004; Perry-Smith & Blum, 2000), which showed an increase in firm performance while adopting FFWPs. This could be due to the additional cost that adopting and implementing FFWPs entails and that the benefits of adopting it does not outweigh the cost. For example, Budd and Mumford (2006) finds that the individuals working within the firm that adopts the FFWPs must expect that they will benefit from them, and only then it could lead to organizational benefits in terms of reduced employee turnover and increased productivity. To clarify, if the employees do not trust the management implementing FFWPs they might not believe that they are adopted for their best interest but merely for legitimacy reasons, implying that employees will not reciprocate with additional effort, hence not increasing productivity and firm performance. Also, Liu and Wang (2011) find that if the FFWPs are newly adopted it might not increase firm performance if the benefits are not widely understood by the employees. In this sense, it might take a few years before the employees understand the benefits and how to make use of the policies implemented, therefore, if studying a different sample composed of several years, the results might be different and show an increase in firm performance. This could be assumed since an organization offering its employees FFWPs and the entitlement to work from home can enhance the work environment (Clear & Dickson, 2005), leading to recruitment of qualified individuals who might contribute to an increase in firm performance in the long term. If excluding FFWPs, organizations might be inhibited in their recruitment, leading to stagnant long-term development of the firm. With a management team focusing on the future, an attractive work environment can lead to increased firm performance in the long term. This might also lead to it being easier for an organization to retain key employees with special skills and knowledge.

Still, the control variables used to explain FFWPs in this study show similar effects on the relationship between FFWPs and firm performance as previous studies (Kotey & Koomson, 2021; Lewis, 2003; Perry-Smith & Blum, 2000), implying a positive effect on firm performance for

larger firms. Also, an effect is found on the relationship between the dependent and independent variable for firms having more females in their workforce, in line with previous research, where, however, firms facing more competitors than others in the same industry differs from the findings of previous studies (Bloom, Kretschmer & van Reenen, 2011; Eby et al., 2005; Heywood & Jirjahn, 2009; Perry-Smith & Blum, 2000). In this sense, our study only supports previous research regarding positive effects on firm performance for larger firms and firms having larger shares of females in their workforce adopting FFWPs.

Concerning working from home and its relation to firm performance, no significant results were found while studying it in isolation to other policies. Therefore, no results regarding prerequisites of working from home within this sample, only consisting of manufacturing firms, were found. However, it could be assumed that the non-managerial employees included in this sample have worse prerequisites of working from home since they are manufacturing workers. This implies that working from home would most likely decrease production in the factories implying decreased firm performance. In this sense, the work task performed would affect the prerequisites of working from home and the effect it insinuates on firm performance, which has been suggested by Shamir and Salomon (1985). However, as explained above these assumptions cannot be supported by the results in this study.

Concerning working from home and its role in relation to other policies included in FFWPs, our results suggest evidence that employees having the ability to work from home but not switch between full-time and part-time jobs leads to a decrease in firm performance. On the contrary, combining the entitlement to both work from home and job switching results in an increase in firm performance. This is not surprising since the prerequisite of switching from full-time to part-time is better than the ones for working from home in the context of manufacturing firms. A possible explanation for this is that offering employees the ability of working from home might not be seen as flexible enough. Another explanation is that the employees do not understand the benefits of it until it is combined with other policies, in this case job switching which can be seen as an extended flexibility. The finding, that when working from home is combined with other policies within FFWPs, is found to have a positive effect on firm performance. That is also discussed by the Council of Economic Advisers (2015), who concludes that workplace flexibility should be considered as a complement to leave policies, allowing workers to cope with emergencies. This

implies that working from home needs the support of other policies to affect firm performance positively in medium-sized manufacturing firms.

As previously mentioned, publicly available data was used in this research, which led to using existing variables to measure the different types of managerial controls, enabling control and coercive control. Therefore, the variable “high performance culture” was assumed to be a part of the coercive control. The result indicates that firms which are increasing their focus on rewarding performance will experience higher firm performance in terms of ROCE. Also, the findings regarding “self assessment”, used as a proxy for enabling control, show that when more employees assess their own work, the firm where they are employed will experience a decrease in ROCE, firm performance. However, these findings do not support the hypothesis regarding this. Instead, it suggests that firms where managers use coercive control will lead to increases in firm performance. This is contradictory to what Clear and Dickson (2005) found evidence of in their study, where they conclude that only workers with some level of autonomy attached to their roles, for example managers and mobile workers, will likely adopt or be allowed to adopt the concept of working from home. A possible explanation for the result is that the effect of implementing FFWPs in a firm using coercive control might be higher than in a firm already using a softer type of control, enabling control, since the employees might notice a greater change and a higher feeling of trust from the managers. However, the study by Tell (2012) mentions that managers in manufacturing firms tend to struggle with changing their behaviour, but also to change the design of their management approach. This could be an obstacle in the change to implementing FFWPs, and employees can get feelings of distrust. This could also be referred back to the findings of Budd and Mumford (2006), that employees, referred to as the agents based on the agency theory, must expect that they will be able to use the FFWPs. This could be seen as a signal of trust, hence that the intention of implementing them is in the best interest of the employees, leading to organizational benefits in terms of reduced employee turnover and increased productivity. By letting the stricter monitored employees in organizations with coercive control experience greater change to a more trustworthy type of control, the implementation of FFWPs might be seen as more effectful. This might also lead to higher levels of intrinsic motivation and happiness of employees, but also to improve their willingness to strive for a greater performance of the firm.

Furthermore, the expectations of increased firm performance for firms with higher levels of managers did fulfill while for higher education it did not fulfill. This result support the previous

study by Bloom, Kretschmer & van Reenen (2011) who founds that managers might bargain to benefit for their own well-being, where both female managers and more skilled managers are found to offer FFWPs to a greater extent, as it can be more beneficial while avoiding losing key employees who might be valuable for the organization (Bloom, Kretschmer & van Reenen, 2011). The results in our study could also be explained by previous findings by Ngo, Foley & Loi (2009) who concludes that the support of top management has a positive effect on the level of FFWPs in the organization. Therefore, firms with larger shares of managers in their workforce could experience increases in ROCE, firm performance. Also, by using high-involvement work practice, managers have a chance to increase their dependence on employees' specialized knowledge, which can make them unique and hard to replace (Guthrie, 2001).

The result from the regression regarding "WLB focus" indicates that the average of the firms in this research are benefiting from focusing more on work-life balance compared to their competitors, leading to an increase in firm performance. This result was expected and is aligned with the discussion of Beauregard and Henry (2009), who explains the positive relation between firm performance and work-life balance. Since firms within the sample indicate a high work-life balance, individuals within the firms can be seen as strong minded and to have easier to switch between work duties and home demands. Also, Frey (1997) discussed the disadvantages with stricter controls and their negative effect on holding employees back. That is not seen as a problem here, since firm performance is increasing with a balance between the workplace and home. Further, the expectation of a higher proportion of employees with a degree to support the result is shown to be rejected. In this case, a higher degree would be an indicator of stronger identity, where the person shows more interest in doing a good job with higher intrinsic motivation as an effect. Also, skilled employees are seen to be able to lead both themselves and their co-workers, but with stricter control from managers, as indicated in this case, they might be held back and are not free to influence their work. An additional finding is that gender is affecting the results in this research. This finding is aligned with previous research since others have found gender differences and role issues when researching FFWPs (Eby et al. 2005). But a change in attitudes towards different tasks depending on gender, might lead to different results. The reasoning of the European Union (2018) of a better work-life balance by an increase in higher level of female participation in the labour force is supported here. Since the dataset used in this study was conducted for another purpose,

questions about the individual's identity could have been designed differently for a deeper understanding of the effects of individuals identity on firm performance.

Summing up, the most important findings of this study focusing on medium-sized manufacturing firms is, firstly, that when working from home is combined with other policies within FFWPs, in this case job switching, the firms offering it will experience an increase in firm performance. The increase in firm performance would be higher in that regard than if those policies would have been adopted on their own. In this sense, FFWPs might be best considered as a package, providing extended flexibility when more than one policy is adopted. Secondly, our results suggest that firms adopting FFWPs and exercising coercive control, through use of greater focus on rewarding performance and fewer possibilities of self-assessment, will experience an increase in firm performance. This might be explained by the employees noticing a greater change and a higher feeling of trust from managers compared to employees managed by enabling control. The effects of increased flexibility that the FFWPs entails will be better recognized by employees that are used to a stricter type of management, and employees are not seen to be held back due to this since an increase in firm performance was noticed. Still, it is important to acknowledge the limitations of this study, to be presented in the next section, and that it might bring different results if data were gathered specifically for the purpose of this study.

6.2 Limitations

Using publicly accessible data has, beyond the benefits, some limitations. As mentioned in previous sections, the original purpose of the dataset is distinct from this study. That entails limitations in interpreting and defining the variables included in this research, since the underlying questions could have been designed differently to further support the purpose of this paper. The dataset includes variables on an organizational level, for example firm performance measured through ROCE. If data would have been gathered for the purpose of this study directly it would probably have been done by including different measurement instruments, such as self-rated performance and more variables on individual level where the gap between an individual's motivation and the performance of the firm could have been reduced.

Also, a dataset from 2004 can be discussed as old and out of date regarding the topic of working from home since technology, for instance, has developed considerably since the data was collected. However, since this study focuses on the managerial side of working from home, and

not the technological, it is considered to be of minor importance. This argument is supported by the study of Clear and Dickson (2005), who discuss that it is rather the attitudes towards working from home and the management styles that affects the adoption of working from home in small and medium-sized firms, than the availability of information and communication technology.

Additionally, the contextual factors of the dataset, such as only including mid-sized manufacturing firms, implies that the results are not generalizable to other contexts than the specific one described within this particular sample.

As discussed above regarding validity, the direction of causality is not certain. It could be that firms having superior firm performance enables adopting FFWPs, as well as adopting FFWPs could increase firm performance. Lastly, the use of cross-sectional data, limits the generalizability of the results found in this study since no comparisons were able to be made over time due to unavailability of panel data.

6.3 Theoretical contribution and practical implications

The theoretical contribution of this paper involves the interweaving of the theoretical theories, agency theory and management control principles, that rarely are discussed together. As mentioned in section 2, clear connections have been made where monitoring and trust is closely related to coercive and enabling control, where also an individual's identity is involved with its connections to for example personnel control. However, as the interweaving of the theoretical theories just have been observed in this study, it needs to be further researched to be able to consolidate this observation.

The practical implications of this paper includes suggestions that providing employees, within manufacturing firms, with the entitlement to work from home is only beneficial for the performance of the firm when combined with other policies, for example job switching, as evidence of this study supports. This finding has implications for the regulation of FFWPs since the current lack of regulation leads to countries generating, and firms adopting, a lot of initiatives dependent upon their experiences and firm cultures. However, instead of implementing a number of initiatives that may not support each other, it should be considered to regulate the adoption of a bundle of policies, such as FFWPs seen as a package supplementing one another, to entail the best effects for firms and their employees when adopting them. This is an important implication to consider today, when the interest of working from home is increasing due to the pandemic. It is

also important to remember that other policies are important as well to avoid possible negative effects that working from home on its own could have on firm performance.

6.4 Future research

As part of the purpose when conducting an exploratory study is to investigate phenomena and their use in both present and future research, this section is important for this paper and its theoretical contribution. Therefore, a first suggestion for future research is to expand on the combination of theories attempted in this study. Where similarities between foremost agency and management control theory, and to some extent the identity concept, have been found. However, this needs to be further researched, more thoroughly and within different contexts, for example within other topics or different industries.

Based on the discussion in the limitation section, a second suggestion for future research would be to design a new questionnaire with specific and pertinent questions tailored for the purpose of researching the role of working from home within FFWPs. This would also entail better variation in the specific measures used for this study, such as “high performance culture” or “decision”. Another suggestion could be to execute an experiment to handle causality hassles, where some firms let their employees work from home to see the effects of firm performance. These effects can be compared with the results if other FFWP policies would have been adopted in addition to the ability to work from home. Referring to our research, a questionnaire with more focus on the types of managerial controls would have been beneficial. Also, another experiment could be performed regarding the recruitment and retention of employees to investigate whether the time of implementation of FFWP has an effect on firm performance. If the implementation of FFWP is made before the recruitment process starts, the individual knows what they can expect if getting employed. Otherwise, if the implementation is done after the individual is getting employed it might take some time before he or she understands how it can be beneficial for them.

In addition, our study finds that monitoring and the use of coercive controls through greater focus on rewarding performance might have an immediate effect on firm performance when adopting FFWPs. However, no support was found for enabling control leading to increased firm performance while adopting FFWPs. Still, this could be researched further since there might be a possibility that enabling control will not lead to increases in firm performance directly but in the long run. That would be an interesting matter to research with panel data to see if the performance

of the firm might increase after a few years. The use of panel data would also have implications for the causality of future studies where it would be easier to establish the direction of causality.

The results in this research indicated that working from home had a greater impact on firm performance when it was combined with other policies within FFWPs. Due to the data from 2004, this might have changed both with the new digitalization era and with the world changing COVID-19 pandemic. Therefore, it would have been interesting to research the possibility of working from home being beneficial to firm performance on its own during the restrictions of the pandemic since the alternative may be that firms otherwise have to close due to employees being sick. To extend future research even further, another suggestion is to study the impact of developed technology and its influence on the ability to provide employees with the opportunity to work from home.

7. Conclusion

The results of this study indicate that working from home has the best effects on firm performance, in manufacturing firms, while included in FFWPs together with other policies as a package. In this sense, working from home should be viewed as a complement to other policies included in FFWPs. This is an important aspect to acknowledge today, when the interest of working from home is increasing due to COVID-19. However, the effects of having employees working from home might differ with a comparison over years, across firms and countries, but also with a sample not only consisting of manufacturing firms.

Moreover, managers exercising coercive control through monitoring employees, along with focusing more on rewarding employees by their performance, seems beneficial for increasing firm performance in the firms included in this sample. However, studying another sample than manufacturing firms, a use of enabling control might lead to advantage in the future when employees acknowledge the benefits of a softer control, inviting them to be involved in decision-making and further to feel more involved in reaching the organizational goals. Also, firms with higher levels of managers experience greater increases in firm performance while adopting FFWPs.

Lastly, the results regarding identities of the employees, measured through increased focus on work-life balance, indicates that firms are benefiting from focusing more on work-life balance compared to their competitors, leading to an increase in firm performance. With an inviting working environment, organizations can take advantage in recruiting and retaining important and skilled employees.

It is important to acknowledge the limitations of this study, previously presented, and that it might bring different results if data were gathered specifically for the purpose of this study. Therefore, it is of utmost importance to continue exploring this topic, potentially by some of the suggestions for future research presented above.

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Appendices

Appendix 1: Definitions and sign of relationships between mechanisms by Edwards and Rothbard, 2000

Mechanisms	Definition	Relationship between work and family construct		
		Positive	Null	Negative
<i>Spillover</i>	Spillover refers to the effects of work and family on one another that make them two similar.	+		
<i>Compensation</i>	Compensation occurs when dissatisfaction in one domain causes a person to increase involvement or seek rewards in the other.			-
<i>Segmentation</i>	Segmentation is defined by the active separation of work and family so that the two domains do not influence one another.		x	
<i>Resource drain</i>	Resource drain describes the fact that resources such as time, attention, and energy are finite, and those expended in one domain are therefore unavailable for other domains.			-
<i>Congruence</i>	Congruence indicates that work and family constructs are similar, for example similarity of behaviors exhibited in work and family domains may arise from general behavioral styles.	+		
<i>Work-family conflicts</i>	Work- family conflicts could be divided into three subcategories, time-based conflict, behavior-based conflict and strain-based conflict			-
Time- based				-
Strain-baded				-
Behavior-based		+		

Reference: Edwards & Rothbard, 2000

Appendix 2: Interview guide performed by Bloom and van Reenen (2007)

Workforce characteristics — Data field	Breakdown
Total number of employees (cross-check against accounts)	(all employees)
Percentage with university degree	(all employees)
Percentage with MBA	(all employees)
Average age of employees	(all employees)
Percentage of employees	(managerial/non-managerial)
Average training days per year	(managerial/non-managerial)
Average hours worked per week (incl. overtime, excl. breaks)	(managerial/non-managerial)
Average holidays per year	(all employees)
Average days sick-leave	(all employees)
Percentage part-time	(managerial/non-managerial)
Percentage female	(managerial/non-managerial)
Percentage employees abroad	(all employees)
Percentage union membership	(all employees)
Are unions recognized for wages bargaining [yes/no]	(all employees)
WLB outcome measure — Question	Response choice (all employees)
Relative to other companies in your industry, how much does your company emphasize WLB?	[much less; slightly less; the same; slightly more; much more]
FFWP — Question	Response choice (managerial/non-managerial)
If an employee needed to take a day off at short notice due to childcare problems or their child was sick, how do they generally do this?	[not allowed; never been asked; take as leave without pay; take time off but make it up later; take as annual leave; take as sick leave]
FFWP — What entitlements are there to the following:	Breakdown
Working at home in normal working hours?	(managerial/non-managerial)
Switching from full-time to part-time work?	(managerial/non-managerial)
Job sharing schemes?	(managerial/non-managerial)
Financial subsidy to help pay for childcare?	(managerial/non-managerial)
Organizational characteristics — Question	Response choice (all employees)
Who decides the pace of work?	[exclusively workers; mostly workers; equally; mostly managers; exclusively managers]
Who decides how tasks should be allocated?	[exclusively workers; mostly workers; equally; mostly managers; exclusively managers]
Do you use self-managing teams?	[very heavily; heavily; moderately; slightly; none]
Market and firm questions — Question	Response choice
Number of competitors?	[none; less than five; five or more]
Number of hostile takeover bids in the last three years?	[none; one; more than one]
Interviewer's assessment of the scoring reliability — 1–5 scoring system calibrated according to:	
1= Interviewee did not have enough expertise for the interview to be valuable; I have significant doubts about most of the management dimensions probed.	
3= Interviewee had reasonable expertise; I am unsure of scoring.	
5= Interviewee had good expertise, I am confident that the score reflects management practices in this firm.	

Reference: Bloom & van Reenen, 2007

Appendix 3: Description of variables regarding FFWP and performance

Variables	
<i>FFWP variables</i>	
FFWP score	Composite z-score of hours worked, holidays taken, childcare flexibility, working from home, job switching, job sharing and childcare subsidy.
Total hrs/week	Total hours worked per week, averaged and weighted over managerial and non-managerial staff.
Holidays/year	Days of holidays taken per year, averaged and weighted over managerial and non-managerial staff.
Childcare flexibility	Degree of flexibility in case of unexpected childcare emergency.
Childcare subsidy	Presence of subsidy to help pay for childcare.
Job switching	Entitlement to switch from full-time to part-time work.
Job sharing	Entitlement to job sharing schemes.
Working from home	Entitlement to working from home during normal working hours.
WFHjobsw	How many employees have the ability to both work from home and also switch from full time to part time.
WFHnotjobsw	How many have the ability to work from home but lacks the ability to switch from full time to part time.
JobswnotWFH	How many have the ability to switch from full time to part time but lacks the ability to work from home.
Reliability	Reliability indicator, where 1= Interviewee did not have enough expertise for the interview to be valuable; significant doubts about most of the management dimensions probed. 3= Interviewee had reasonable expertise; on some dimensions, unsure of scoring. 5= Interviewee had good expertise, confident that the score reflects management practices in this firm.
<i>Performance variables</i>	
ROCE	Return on capital employed.
LS	Natural logarithm of sales.
LS_E	Natural logarithm of sales per employee.
<i>Firm characteristics</i>	
Firm age	Natural logarithm of firm age defined as number of years since the firm was founded.
Firm size	Firm size categorized by sales, where 0= Smaller firms, 1= Mid-sized firms and 2= Larger firms.
Public	Describes whether the firms are publicly or privately held, where 0= Privately held and 1= Publicly held.
Female employees	Percentage of female as part of total employees.
France	0= Otherwise and 1= France.
Germany	0= Otherwise and 1= Germany.
United Kingdom	0= Otherwise and 1= United Kingdom.
United states of America	0= Otherwise and 1= United states of America.
Competition	How many competitors the firms have, where 1= No competitors, 2= A few competitors and 3= Many competitors.
WLB focus	Work-Life Balance focus, where 1= Lot worse than competitors, 3= Same and 5= Lot better.
Decision	Organisation decision making, where 1= All manager, 3= Both and 5= All workers.
Pace	Organisation setting of pace of work, where 1= All manager, 3= Both and 5= All workers.
Self managing	Organisation use of self managing teams, where 1= Not at all, 2= Slightly, 3= Moderately, 4= Heavily and 5= Very heavily.
<i>Employee characteristics</i>	
Employees	Natural logarithm of number of employees.
Degree	Percentage of all employees with degree.
Age	Age of employees.
Female	Percentage of female employees.
Wage	Natural logarithm of average wages.
Training	Average training days all employees.
Share managers	Fraction of managers in workforce.
MBA	Natural logarithm of percentage of managers with a Master in Business Administration.
Gender	Gender of the manager responding, where 1= Male and 2= Female.
Countries	Number of countries the manager interviewed has worked in.
Tenure	Number of years the manager interviewed has worked in the current post.
Seniority	Seniority of the managers interviewed, where 1= Technician, 2= Manufacturing/Production Manager, 3= Plant manager, 4= General Manager and 5= Executive/Director.

Appendix 4: Description of variables regarding managerial design

Variables	Description
<i>Managerial design</i>	
Introducing modern Lean techniques	How many modern lean manufacturing processes have been introduced, where 1= Only a few aspects, 3= Some aspects and 5= All major aspects.
Rationale for introducing modern Lean techniques	Reason for adopting the modern lean management practices, where 1= Following others, 3= Reducing costs and 5= Meeting business objectives.
Process documentation and continuous improvement	Processes and attitudes to continuous improvement and whether learning opportunities are captured, where 1= No improvements, 3= Improvements are made involving all staff and 5= Exposes problems in a structured way hence part of business process.
Performance tracking	Performance is tracked using meaningful metrics and with appropriate regularity, where 1= Not sufficient, 3= Sufficient and 5= Continuous tracking and communication.
Performance review	Performance is reviewed with appropriate frequency and communicated to staff, where 1= Not sufficient, 3= Sufficient but no follow up and 5= Continually tracked, reviewed and followed up
Performance dialogue	Quality of review conversations, where 1= Not meaningful, 3= Appropriate but do not assess roots of the problem and 5= regularly problem solving and constructive feedback.
Consequence management	How failure to achieve objectives is dealt with, where 1= No actions taken, 3= Tolerated for a period before action is taken and 5= Action is taken immediately for example by training or reallocation of resources.
Targets	Describes the type and balance of the targets set, where 1= Only financial targets 3= Includes non-financial targets but only at top management level and 5= Financial and non-financial targets are balanced throughout the whole firm.
Interconnection of targets	To what degree targets are tied to objectives and how well they are cascaded down through the firm, where 1= Only based on accounting figures, 3= Based on shareholder value but not cascaded down to individuals and 5= Based on shareholder value and cascaded down to individual performance expectations.
Time horizon of targets	To what extent the firm focuses on short-term versus long-term goals, where 1= Only short-term goals, 3= Both short-term and long-term goals and 5= Both short-term and long-term goals which are linked to each other.
Target stretch	To what extent the targets are appropriately difficult to achieve, where 1= Either too easy or impossible to achieve, 3= Some targets are appropriately challenging, 5= Goals are genuinely demanding for all divisions.
Clarity and comparability of goals	Whether performance measures are easily understandable and openly communicated to staff, where 1= Complex, not clearly understood and no individual performance, 3= Well defined and communicated but no comparison and 5= Well defined, communicated and includes competition.
Managing talent	Emphasis on attracting talent, where 1= Not emphasised or communicated, 3= Emphasised and communicated and 5= Emphasised, communicated and evaluated.
Building a high-performance culture	Whether there is a systematic approach to identifying good and bad performers and rewarding them proportionately, where 1= Rewarded reespective of performance, 3= Evaluation system for the awarding of performance related rewards and 5= Providing ambitious stretch targets with clear performance related accountability and rewards.
Making room for talent	How the firm deals with underperformers, do they remove poor performers, hence making room for talent? 1= Poor performers are rarely removed, 3= Suspected poor performers stay in a position for a few years before action is taken and 5= Moving poor performers to less critical roles as soon as a weakness is identified.
Developing talent	If promotion is performance based and talent is developed within the organization, where 1= Promoted primarily upon the basis of tenure, 3= Promoted upon the basis of performance and 5= Top performers are actively identified, developed and promoted.
Employee value proposition	Describes what makes it distinctive to work at your firm as opposed to competitors, where 1= Competitors offer stronger reasons for talented people to join their companies, 3= The value proposition is comparable to those offered by others and 5= Provides a unique value proposition above competitors.
Retaining talent	If the organization will go out of its way to keep its top talent, where 1= Do not strain to keep talent, 3= Usually strain to keep talent and 5= Does whatever it takes to retain talent.

Appendix 5: Summary of the framework by Haustein, Luther, and Schuster (2014)

Contingency factors	Direct control types		Indirect control types	
	Results control	Action control	Personnel control	Cultural control
External				
Environmental uncertainty	+	–	+	+
Customer power	+	+	+	+
Organisational				
Differentiation vs. cost leadership	<	<	>	>
Technological complexity	–	–	+	+
Decentralisation	+	–	+	+
Ownership dispersion	+	+	+	+
Firm size	+	+	+	+
Organisational maturity	+	+	+	+
Innovation company				
Innovation capability	–	–	+	+
Venture capital financing	+	+	+	Not hypothesized
Public funding	+	+	+	+

+, positive; –, negative; <, impact of differentiation strategy is weaker than of cost leadership; >, impact of differentiation strategy is stronger than of cost leadership

Reference: Haustein, Luther & Schuster, 2014

Appendix 6: Interpretations of descriptive statistics displayed in Table 2

The starting point for the interpretations are based on Appendix 3 and 4, and Table 1.

Variable	Interpretation
Hours	The average hours worked is 41 hours a week, indicating that the majority of the employees are working full-time.
Holidays	The average days of holidays taken is 23 days a year.
Childcare flexibility	The flexibility in case of unexpected childcare emergencies is high in most firms.
Childcare subsidy	The help to pay for childcare is, on average, rather low in majority of the firms.
Job switching	The results indicates that the entitlement to switch from full-time to part-time jobs occurs for almost half of the firms, 47%, in the sample.
Job sharing	On average, the entitlement to job sharing schemes is low (only 10%) indicating that majority of the firms do not allow for it.
Firm age	It indicates that the average age of the firms included in the sample is 53 years. Since the minimum is 4 and the maximum is 689, the dataset includes outliers with both younger and older firms.
Firm size	This indicates that the majority of the firms are medium sized, which also confirms the dataset including observations on medium-sized firms.
Public	These results shows that 58% of the firms are publicly held.
Female	While considering the gender of the firm's employees, about 28% are females, and 72% are thus men.
Competition	These results could be interpreted as the firms having, on average, more than a few but not many competitors.

Appendix 7: Correlation matrix

	ROCE	FFWP score	WFH	WFH managers	WFH non-managers	Firm age	Firm size	Public	Female	Female managers	Competition	Degree	Share managers
ROCE	1.0000												
FFWP score	-0.1979*	1.0000											
WFH	-0.0215	0.3560*	1.0000										
WFH managers	-0.0016	0.3061*	0.9631*	1.0000									
WFH non-managers	-0.0119	0.1574*	0.4279*	0.2851*	1.0000								
Firm age	-0.0110	-0.0331	-0.0412	-0.0305	-0.0475	1.0000							
Firm size	0.2505*	-0.1287*	0.0559	0.0819	0.0743	0.1561*	1.0000						
Public	0.2104*	-0.4968*	0.0065	0.0557	0.0212	0.0839*	0.3397*	1.0000					
Female	0.0971*	-0.1108*	0.1126*	0.1162*	0.1070*	-0.0676	-0.0521	0.1835*	1.0000				
Female managers	0.2585*	-0.2386*	0.0472	0.0907*	0.0167	-0.0651	0.0972*	0.2751*	0.5701*	1.0000			
Competition	0.0694	-0.1450*	-0.0002	0.0061	0.0397	-0.0443	-0.0986*	0.0365	0.1404*	0.1637*	1.0000		
Degree	0.0731	-0.1487*	0.1305*	0.1490*	0.2079*	-0.1761*	0.0585	0.3245*	0.1455*	0.2326*	0.0342	1.0000	
Share managers	0.2024*	-0.2020*	0.0088	0.1245*	-0.0233	-0.0991*	0.1531*	0.2396*	0.0804	0.3320*	0.0493	0.3883*	1.0000
MBA	0.0705	-0.0946*	0.1598*	0.1297*	0.1830*	-0.0738*	0.0659	0.1938*	0.0704	0.0546	0.0917*	0.4676*	0.1081*
Performance tracking	0.0478	0.2052*	0.0779	0.0503	0.0911*	-0.0415	0.1159*	-0.0706	0.0334	-0.0204	0.0464	0.0194	-0.0982*
Performance review	0.0294	0.1459*	0.0448	0.0225	0.1057*	-0.0528	0.1246*	-0.0418	0.0157	-0.0004	0.0825*	0.0867*	-0.0322
Performance dialogue	0.0558	0.1029*	0.0575	0.0427	0.1147*	-0.0508	0.1683*	-0.0035	0.0101	0.0014	0.0634	0.1438*	0.0361
Time horizon	0.0923*	0.0522	0.0963*	0.0875*	0.0970*	-0.0360	0.1852*	0.0369	0.0548	-0.0043	0.1050*	0.1322*	0.0281
High-performance culture	0.1502*	-0.0437	0.0636	0.0523	0.1384*	-0.0258	0.2277*	0.1578*	0.0547	0.1131*	0.0398	0.1678*	0.2135*
Self assessment	-0.0921*	0.1587*	0.0076	-0.0261	0.0125	-0.0336	-0.0080	-0.1650*	-0.0761	-0.1507*	-0.0788	-0.0397	-0.1434*
Decision	0.0238	-0.2164*	0.0965*	0.1142*	0.1076*	0.0424	0.1376*	0.1911*	0.0516	0.1230*	0.0378	0.1173*	0.1309*
Pace of work	0.0331	-0.1248*	0.0608	0.0739	0.0659	-0.0967*	0.0798	0.1502*	0.0777	0.1261*	0.0105	0.1241*	0.1210*
Targets	0.1419*	0.0808	0.0670	0.0706	0.0937*	-0.0460	0.2265*	0.0740*	0.0256	0.0490	0.0443	0.1085*	0.0961*
WLB focus	0.1119*	0.2323*	0.1218*	0.1152*	0.0851	-0.0149	0.0628	-0.0309	0.0552	0.0756	-0.0216	0.0883*	0.0741
France	-0.1202*	0.5509*	-0.0962*	-0.1105*	-0.1697*	-0.1411*	-0.2142*	-0.3936*	-0.0910*	-0.2460*	-0.1007*	-0.1443*	-0.1150*
Germany	-0.2245*	0.1530*	0.0008	-0.0367	0.0574	0.3314*	0.1132*	-0.1706*	-0.1858*	-0.1685*	-0.0554	-0.2128*	-0.3104*
UK	-0.0868*	0.0614	0.1367*	0.1256*	0.1191*	-0.0950*	-0.2149*	-0.2964*	-0.0593	-0.0821	-0.0407	-0.1749*	-0.0307
US	0.3551*	-0.6192*	-0.0290	0.0221	-0.0053	-0.0871*	0.2528*	0.7001*	0.2833*	0.4072*	0.1599*	0.4332*	0.3880*

* p<0.5

Appendix 7: Correlation matrix (continued)

	MBA	Performance tracking	Performance review	Performance dialogue	Time horizon	High-performance culture	Self assessment	Decision	Pace of work	Targets	WLB focus	France	Germany	UK	US
MBA	1.0000														
Performance tracking	0.0768*	1.0000													
Performance review	0.0828*	0.6756*	1.0000												
Performance dialogue	0.1025*	0.5679*	0.7347*	1.0000											
Time horizon	0.1246*	0.4496*	0.4520*	0.4678*	1.0000										
High-performance culture	0.0896*	0.3543*	0.3831*	0.3673*	0.3598*	1.0000									
Self assessment	0.0803	0.1603*	0.2066*	0.2003*	0.1593*	0.1198*	1.0000								
Decision	0.0565	-0.0512	-0.0128	0.0545	0.0637	0.0903*	0.2421*	1.0000							
Pace of work	0.1113*	-0.0318	0.0044	0.0439	0.0749	0.0993*	0.2011*	0.5758*	1.0000						
Targets	0.1276*	0.4487*	0.4843*	0.5256*	0.5684*	0.4308*	0.1411*	0.0688	0.0682	1.0000					
WLB focus	0.0967*	0.0287	0.0950*	0.0876*	0.0401	0.1352*	0.1128*	-0.0094	0.0754	0.1229*	1.0000				
France	-0.1227*	0.1049*	0.0404	0.0018	-0.0617	-0.0719	0.0594	-0.3299*	-0.2482*	-0.0220	0.1186*	1.0000			
Germany	-0.1496*	0.0898*	0.1374*	0.0808*	0.0319	-0.0794*	0.1667*	-0.0317	-0.0304	-0.0387	-0.1071*	-0.2475*	1.0000		
UK	-0.0356	-0.0821*	-0.1206*	-0.1040*	-0.0628	-0.1249*	-0.0493	0.0646	0.0609	-0.0611	-0.0104	-0.2424*	-0.2653*	1.0000	
US	0.2520*	-0.0905*	-0.0474	0.0169	0.0741*	0.2268*	-0.1542*	0.2353*	0.1729*	0.1005*	0.0074	-0.3852*	-0.4215*	-0.4129*	1.0000

* p<0.5