

## **Does Management Accounting Matters for Effective Flexible Working Arrangements Strategic Plan?**

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### **Abstract**

Flexible working arrangement (FWA) has become a workplace global trend in the fastest world economies and more of developing countries are working toward promoting FWA as their business practices. Conventionally, most of the FWA research is focusing on management and human resource perspective. In this paper, we are converging the standpoints of management accounting (MA) into FWAs strategic plan and implementation. In this paper, we have discussed how the information of MA, particularly on the use of the Balance Score Card (BSC) works as an important mechanism to achieve FWAs efficacy. We highlight the connection between FWA and BSC for a strategic plan when managing FWAs. This paper is expected to contribute to the awareness of MA roles to the adoption of FWAs and how flexibility strategy can be improved through the lens and value of MA.

**Keywords:** Flexibility working strategy, Management accounting, Balanced Score Card, Strategic plan

### **Introduction**

Managing employees is one of the most challenging issues faced by organizations as human resource management (HRM) needs to deal with more complex human behavior due to globalization, technology advancement, diversity and cultural differences, and event changes in human rights legislation (Kotey & Sharma, 2019). The central issue is on the work-life balance of employees (Chung, 2019; Kotey & Sharma, 2019), as more and more organizations are providing flexible working arrangement (FWA) (Avgoustaki & Bessa, 2019; Chung, 2019), which is commonly used as a tool to enable employees flexibility (Avgoustaki & Bessa, 2019) to enhance employees well-being, work-life balance, and thus increasing firm performance (de Menezes & Kelliher, 2011; Kotey & Sharma, 2019; Ortega, 2009; Schieman, Milkie, & Glavin, 2009).

FWA means the employees shall have the sufficient control and autonomy on how they work and where they will be working from which enables them to accomplish their work responsibilities (Chung & van der Horst, 2018; de Menezes & Hegewisch, 2009; Kelliher, 2017; Kossek & Lautsch, 2018; Visser & Williams, 2006). Some of the examples of FWA include telework, home-based work, flexitime, job sharing and compressed hours (Kelly & Moen, 2007; Kossek & Lautsch, 2018). HRM plays a significant role in ensuring this FWA working effectively and efficiently in such a way that not only to motivate employees but also to increase organizational performance.

Despite this FWA has the potential to be used as strategies to attract unique capabilities and build competencies for competitive advantage (Kotey, 2017) which may in turn positively affect financial performance (Kotey & Sharma, 2019). Nevertheless, there seems a lack of study on how this FWA can be strategically managed. Moreover, it is found that studies on the link between FWAs and organizational performance in the academic literature are almost absent (Bloom, Kretschmer, & Van Reenen, 2011; Kotey & Sharma, 2019; Lilian M. de Menezes and Clare Kelliher, 2011). The existing works of literature documented that most of FWA studies focusing more on qualitative performance such as employees satisfaction, employees' burnout, absenteeism and employees' qualities of life,(Avgoustaki & Bessa, 2019; Chung, 2019; Muna & Mansour, 2009; Wilkinson, Tomlinson, & Gardiner, 2018).

While HRM has been facing a pressure on how to develop FWA strategies that leads towards betterment not only for employees, but also for organization in terms of financial, nonfinancial, and perceptual indicators of performance (Bell, Lee and Yeung, 2006), therefore, there is need to manage FWA strategically with more applicable organizational performance measurement. Regarding organizational performance, one of the most prominently used to measure organizational performance both from quantitative and qualitative perspective is the Balance Score Card (BSC), which is under the umbrella of Managerial Accounting (MA).

The used of BCS as performance measurement for HRM is not something new in the academic literature, see for examples (Gabcanova, 2012; Gesuele, 2015; Kaplan, 2009; Muna & Mansour, 2009; Prakash & Pant, 2014; Torres-coronas & Arias-oliva, 2010; Vienni & Bachtiar, 2017) which shows that BSC has been used as a performance indicator to improve business strategic positioning. However, the existing literature does not delve far to discuss the possible connection between FWA and BSC. It is therefore, worth discovering the potential intersection between these two dimensions as it is expected to result in strategic formulation of FWA for organizations.

Hence, this study is motivated to explore the interconnectedness between HRM and MA, specifically between FWA and BSC, from the angle of business strategic planning. This paper will be organized as follows; firstly, the study will present literature on FWA and followed by BSC. Secondly, the study will discuss the possible integration between FWA and BSC which essential for strategic business planning. Lastly, is to conclude this study.

### ***Flexible Working Arrangement (FWA)***

The model of FWA was first established by Karasek in 1979. As of now, this FWA has gain considerable attention for its implementation as it has been proved to result in enhancing the life quality of employees (e.g. Allen, Johnson, Kiburz & Shockley, 2013; Kelly et al., 2014). Moreover, it is also found that FWA results in high-performance strategies and allow workers to have more discretion and influence over their work, and therefore increase their performance (Appelbaum, 2000). In this regard, literatures have shown that most of existing studies have discussed on the greater benefits of FWA particularly on qualitative perspectives. The FWA is seen as a driver for ambidexterity between career and family as it allows workers to adapt their work demands to the demands of their family (Golden, 2001; Jacobs & Gerson, 2004; Lott, 2015). Therefore, FWA has a great implication towards the well-being and career progression of the employees (Avgoustaki & Frankort, 2018).

While most of existing literatures have evidenced the qualitative implication of FWA such as fairness of work–life balance policies (Wilkinson et al., 2018), employee job satisfaction, health care, retention, productivity, safety and mistakes at work, and personal satisfaction, work commitment and reduced turnover, (Cegarra-Leiva, Sanchez-Vidal, & Cegarra-Navarro, 2012; Galinsky, Kim & Bond, 2001; Kossek, Lautsch & Eaton, 2006; Posthuma, Campion, Masimova & Campion, 2013; Wang, Yi, Lawler & Zhang, 2011). However, the implication of FWA on quantitative performance is still scars (Kotey & Sharma, 2019). Significantly, there is very limited performance measurement for FWA that combined both as qualitative and quantitative performance which are essential for strategic planning. Since the BSC covers both performance measurement, therefore, BSC can be integrated with FWA.

### ***Balanced Score Card (BSC)***

BSC was first invented by Robert S. Kaplan and David Norton in the year 1992 as a tool to measure firms' performance following the firm's mission and vision, taking into consideration both shareholders and stakeholders of firms in the USA. The BSC comprises of four (4) components, with financial metrics as the outcome measures for company success. While the remaining three (3) components which are customer metrics, internal process metrics, and learning and growth metrics, are supplemental to the financial metrics (Kaplan, 2009). The used of BSC's framework enables managers to have a fast but comprehensive view of the business as the four metrics are interrelated to one another. Thus facilitates communication, information and learning systems within an organization (Ayoup, 2018).

Financial metrics mainly focus on the quantitative performance of firms which can be measured through numbers such as profitability, returns on capital and return on investment as well as income for the shareholders. Customer metrics, on the other hand, involve external stakeholders which are mainly to measures customer satisfaction, customer retention, and focusing on prospects with new customers, thus qualitative measurement in nature. As for the internal process part, this metric allows a firm to examine the business process within the firm such as improving firms' productivity, enhancing cost efficiencies, creating innovation, value creation, service quality and so on. The last metric which is the learning and growth enables the firm to monitor the stakeholders within the firm which are the employees. This covers employees' growth and ability, employees' satisfaction, system availability and flexibility, teamwork and performance information group and any others that relate to employees' personal development (Kaplan, 2009).

Each metric has its criteria or key performance indicator (KPI) which can be used by firms in analyzing whether the objectives of each metric has been achieved. Although the metrics of BSC are constant up to now, nevertheless the criteria or the KPI can be changed and it is flexible enough to further suit the firms' aims. The following table 1 provides an overview of the metrics of BSC.

**Table 1: Overview on the Metrics of BSC**

<b>BSC metrics</b>	<b>Criteria/ KPI</b>
<b>Financial</b>	The return on capital and value-added Economically, the level of business efficiency, market share, profitability
<b>Customer</b>	Customer satisfaction and retention, market shares, ability to attract new customers, etc
<b>Internal Business</b>	Innovation, quality, after-sales service, efficiency costs of production and introduction of new products, productivity, etc
<b>Learning and growth</b>	Employees growth and ability, satisfaction, and system availability, teamwork and performance information group, personal development, support, etc

***Integration Between FWA And BSC For Strategic Planning***

Strategic planning is a process of formulating prospects of organizations that involves making appropriate decisions on what strategies to be implemented to achieve long- term objectives (Chavan, 2009). FWA has been introduced to tackle issues with work-life balances with the main objective to sooth the internal process of organizations that specifically deal with employees. It is hoped that, with sound and effective FWA, it would enhance employees' productivity and performances, motivations, lessen the burnout, mitigate absenteeism and many more. These outcomes shall therefore positively affect organizations' performance both in financial and non-financial performance.

BSC has been implemented by organizations for various purposes such as performance measurement and management tools to strategic management tools (Ayoup, 2018). The most essential features of BSC is that it emphasizes the critical indicators which are chosen as a basis for an organization's business strategy and competitive demands (Anwar, Djakfar, & Abdulhafidha, 2012). The integrating role of BSC as a key organizational enabler of strategy execution is seen as organizational capabilities (Kaplan & Norton, 2008). As such, it is proposed to integrate FWA and BSC on the ground basis of setting upon the objectives of FWA and thus measuring the achievement of those objectives by utilizing the BSC metrics.

To synergize FWA and BSC, it shall be the function of HRM and MA as HRM plays a significant role in the BSC where one part of the BSC is about employees (Anwar et al., 2012) that can be related to the internal process and learning and growth directly and also towards customer and financial metrics on the firms indirectly. Since the FWA focusses on well- being of employees, thus the criteria or KPI for FWA can be set against the BSC metrics which are learning and growth and internal business process. BSC has highlighted the need for employees' growth which can be done through learning and training, flexibilities and greater autonomy towards their jobs. This is expected to enhance the business process, where employees' productivity will increase as a result of effective FWA setting. Consequently, it improves business operations through an increase in employees' productivity, value creation, and service quality.

Along this process, firms' may also increase customer satisfaction and retention and ultimately improving the overall financial performance of the firms. In other words, this integration is expected to enable firms to innovate and build the right strategic capabilities of FWA and thus resulting in more efficiencies (learning and growth and the internal processes) thus delivering specific value to the market (customer) and eventually lead to create values for shareholders (financial) (Kaplan and Norton, 2001).

### **Conclusion**

This paper provides insight into the possibility to create a synergy between HRM and MA, through integrating both FWA and BSC for the strategic planning of organizations. We converge the standpoints of BSC into FWAs strategic plan and implementation, as we discuss how FWA can be set up and measure by utilizing the four metrics of BSC. The information flow from these metrics is an important mechanism to achieve FWAs efficacy. We also highlight the connection between the FWA and BSC particularly on the internal process and learning and growth, of which along the process it is believed that it may have a great influence on both customer and financial metrics of organizations in formulating and achieving the strategic plan when managing FWAs. This paper is expected to contribute to the awareness of MA roles to the adoption of FWAs and how flexibility strategy can be improved through the lens and value of MA.

### **Acknowledgment**

This work has been sponsored by the Malaysian Government under the Fundamental Research Grant (FRGS0461-2017).

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