Influence of Flexible Work Arrangements on Performance of the Banking Industry in Kenya

Agnes Kinanu Mungania (Corresponding Author)
PhD Student, Jomo Kenyatta University of Agriculture and Technology, Kenya
Email: agkin09@yahoo.com

Dr. Esther W. Waiganjo
Jomo Kenyatta University of Agriculture and Technology, Kenya

Prof. John M. Kihoro
Cooperative University of Kenya

DOI: 10.6007/IJARBSS/v6-i7/2238 URL: http://dx.doi.org/10.6007/IJARBSS/v6-i7/2238

ABSTRACT
In the current global work environment, there is intense competition for talented employees and for market share based on higher product quality and lower prices in order to realize strategic advantage. Customer satisfaction and customer service being the prime work in the banking sector has evoked changes which consequently have brought changes in work setups (Korir, 2015). For example employees in the banking sector in Kenya are more involved in their jobs, working longer hours more than 48 hours (ILO, 2010) hence making it difficult for employees to keep a balance between job, family and other personal issues. This has resulted in work life conflicts which has been found to be associated with mental health issues like stress and depression. The study objective was to determine the influence of flexible work arrangement on performance of the banking industry in Kenya. The target population was 36,212 employees from all 43 commercial banks in Kenya focusing on branches in Nairobi. This study adopted a survey research design using both quantitative and qualitative approaches. Primary data was collected using questionnaire that had both structured and unstructured questions. On data analysis, multiple regression analysis was used to regress relationship between flexible work arrangements and performance. It was found that flexible work arrangement was strongly related to performance of the banking industry in Kenya. This means flexibility can be used to meet their business objectives and facilitate employee effectiveness on the job. The study concluded that consideration of flexible work arrangements aspects to employees can greatly influence performance in banks in Kenya. Flextime, flexible career paths and job had a positive and significant linear relationship on the measures of performance which were customer satisfaction, target standards, employee satisfaction. The study recommends that managers should provide flexible work arrangements considerations such as giving employees flexibility on when to begin and end work as long as they meet the target since this influences performance.

Keywords: Influence, Flexible Work Arrangement, Performance, Banking Industry
INTRODUCTION
To achieve competitive advantage, it requires organizations to take into account diversity of employee’s needs, work life values, cultural influences in the areas where the companies operate as well as the diversity of working relationships. This will also ensure workers are attracted, retained and fully engaged in the organization. As many organizations come to terms with the challenges of attracting and retaining the best talent and retaining the best talent coupled with the emerging issues of work life conflicts, it is important that managers employ a variety of human resource practices to attain organizational goals (Mclean & Collins, 2011). For many employees today both male and female lives are becoming more consumed with a host of family and other personal responsibilities and interests in addition to demands of the workplace (Grantol-Vallore & Donaldson, 2001). There is therefore a perceived imbalance between the demands of current lives and people’s abilities to adequately cope with them and this may lead to an experience of stress (World of Work Report, 2011). In a society filled with conflicting responsibilities and commitments, flexible work arrangement has become a predominant issue in the workplace. Three major factors contribute to the interest in and importance of serious consideration of flexible work arrangement: global competition, renewed interest in personal lives, family values and an aging workforce. Concerns have always been raised regarding policy and debates on flexible work arrangement from perspectives of the quality of working life when weighed against the broader family matters. However the challenge has been how employees would adopt good flexible work arrangement practices and the how organizations would adopt policies to tackle conflicts that ensue from the interface of family or social pressures and work stress.

Statement of the Problem
The fast pace of economic development in the 20th century across the globe has created new endeavors for the organizations. Globalization has changed the world into a global village where this change has pushed the organizations like the banking sector to strive hard to gain and sustain their competitive advantage. Customer satisfaction and customer service being the prime work in the banking sector has evoked changes which consequently have brought changes in work setups (Korir, 2015). For example employees in the banking sector in Kenya are more involved in their jobs, working longer hours more than 48 hours (ILO, 2010) hence making it difficult for employees to keep a balance between job, family and other personal issues (Muhammad et al., 2009). This has resulted in work life conflicts which has been found to be associated with mental health issues like stress and depression (Beck & Davis, 2004) which in the long run affects performance of the organization.

International labour organizations global report on flexible work arrangement of 2010 rates Kenya among those with the highest prevalence of long working hours more than 48 hours per week (ILO, 2010). Moreover the banking sector in Kenya is said to be the most affected by work life imbalances ranking 3 in a list of 24 industries (ILO, 2010) raising concerns from key stakeholders in the country because of work life conflict and life work conflicts. Research has shown that work life balance is associated with reduced levels of stress and somatic complains,
increased job satisfaction and reduced labor turnover as well as organizational performance (Rathi & Barath, 2013). Little research has been done on flexible work arrangements as a way of improving performance among commercial banks in Kenya (Kamau, Tuwai & Kuria, 2015). Hence this has prompted the investigation of the influence of flexible work arrangement on performance of the banking industry in Kenya.

**Research Objective**

The study objective was to determine the influence of flexible work arrangements on performance of the banking industry in Kenya.

**Hypothesis**

H₀₁: There is no significance influence of flexible work arrangements on performance of the banking industry in Kenya.

**Scope of the Study**

The study covered all the 43 banks registered by Central Bank of Kenya focusing on branches in Nairobi. Specifically the study sought to determine the influence of flexible work arrangements on performance of the banking industry in Kenya.

**LITERATURE REVIEW**

**Component Theory**

The theory emphasizes balance as a direct formative latent construct (Edwards and Bagozzi, 2000), which means that flexible work arrangement consists of multiple facts that precede balance and give meaning (Grzywacz & Carlson, 2007). According to Greenhaus et al., (2003), flexible work arrangement consists of time, involvement balance and satisfaction balance. According to Frone, (2003), in turn, flexible work arrangement consists of work life conflict and work life facilitation (corresponding with role conflict and enhancement respectively). The advantage of the component approach over the overall appraisals approach to flexible work arrangement is that one can use conceptually based measures of balance that tap into the different aspects of flexible work arrangement. These aspects form the overall evaluation of how well an individual is meeting role related responsibilities (Grzywacz & Carlson, 2007).

**Empirical Review**

**Flexible Work Arrangement**

Flexible work arrangement is defined as an alternative to the standard working day (Rau & Hyland 2002). It usually comprehends organizational initiatives which enhance employees’ flexibility on the time and place where work has to be accomplished, and also various policies exerting influence on the number of hours worked. Economic, technological, social and family
changes have encouraged the introduction of flexible working arrangements. The flexibility arrangements includes; flextime, absence autonomy, compressed work weeks, reduced schedule, telework, extra vacation days, limited schedule of meetings (meetings cannot be scheduled too late at the end of the day), flexible holidays and keeping with the schedule (employees work the mandatory 8 hours /day and do not extend their schedules longer).

Hill et al., (2001) investigated the extent to which flexible hours and flex place arrangements resulted in benefits for individuals (more satisfactory work family balance) and organizations (longer work hours). They reported that given a reasonable work week which they considered to be between 40 and 50 hours) per week, employees who perceived flexibility in the timing and location of their work, had less difficulty with work-family balance. Moreover Hill et al., (2001) reported that employees with perceived flexibility in the timing and location of work could work longer hours be for work-family balance was perceived to be a problem.

From a business perspective, Hill et al., (2001) results suggested that given a heavy workload perceived flexibility in the timing of work enables employees to work an extra day a week i.e. 60 hour a week, compared to 52 hours without flexible hours. O’Driscoll et al., (2003) suggests that the extent to which individuals have control and flexibility is a critical factor in the reduction of work family conflict. Flexible work arrangements are connected to a number of positive outcomes for employees who access them including better mental health and reductions in stress, burnout, turnover and absenteeism and increases in retention, loyalty, job satisfaction, innovation, creativity and productivity (Galinsky, Bond, Sakai, Kim & Giuntoli, 2008).

**Performance**

Firm performance is the outcome achieved in meeting internal and external goals of a firm (Lin et al, 2008). Performance has several outcomes including growth, survival, success and competitiveness. Better performing employees at work become more committed to their organizations and ultimately contribute to increased organizational performance as well as growth of the economy. To achieve this flexible work arrangement is important. Availability of flexible work arrangement practices have also been related to increased affective commitment and decreases turnover intentions among all employees not just users of the practices (Grover & Crooker 1995). Organizations offering flexible work arrangement practices enjoy increased profit rates. Consequently work life balance helps employees improve relationships with family and friends. Employees will enjoy better physical and mental health by managing work life properly.

The existent literature suggests that work life balance practices generally have a positive impact on individuals and organizational productivity. For example Pfizer Canada reported a 30% productivity increase in its translation department when employees were provided with flexible work arrangement and specifically telecommuting. Focusing on customer service specifically KPMG has reported that allowing employees to take emergency time off to attend to care
responsibilities has been a driving force behind their retention and superlative services provision (Ioan, 2010).

Conceptual Framework

![Figure 1. Conceptual Framework]

RESEARCH METHODOLOGY

This study adopted a descriptive survey research design using both qualitative and quantitative approaches. Quantitative approach because it places emphasis on methodology, procedure and statistical measures to test hypothesis and make predictions. (Mugenda, 2003, Saunders, 2009). Qualitative approach because it provides greater depth to response and understanding which forms a link with respondents (Berg, 2001). This research design has been used in previous studies by Baughman, DiNardi & Holtz (2003); Mukanzi, Gachunga, Karanja & Kihoro (2014). The target population consisted of 43 registered banks by the central bank of Kenya (CBK, 2015). These banks consisted of banks located in Nairobi because major banks have their busiest and main branches in Nairobi and most of their headquarters are in Nairobi with a target population of 36,212 employees (Bank Supervision Annual Report, 2015).

The sample size was determined by use of the following formula;

\[ n = \frac{Z^2 \cdot p \cdot q}{e^2} \]

\[ n \text{ adjusted} = \frac{N \cdot n}{N + n} \]

Therefore;

\[ n = \frac{Z^2 \cdot pq \cdot N}{e^2 \cdot (N-1) + Z^2 \cdot pq} \]

Where \( n \) = number of samples, \( N \) = Total population and \( e \) = precision level 0.05.
Z = Standard normal distribution set at 1.96 corresponding to a confidence level of 95%

P = probability of success (0.5)

q = probability of failure (0.5)

In this case the target population being 36,212 at 0.05 level of significance, the sample size was:

\[ 1.96^2 \times 0.5 \times 0.5 \times 36,212 \]
\[ 0.05^2 (36212 - 1) 1.96^2 \times 0.5 \times 0.5 \]
\[ 34,763.252 \]
\[ 91.4875 \]
\[ = 379.9 \]
\[ = 380 \text{ respondents} \]

Primary data was collected using questionnaires that had both structured and unstructured questions. On data analysis, multiple regression analysis was used to regress relationship between flexible work arrangements and performance. Multiple regression analysis attempts to determine whether a group of variables together predict a given dependent variable and in this way, attempt to increase the accuracy of the estimate.

The multiple regression model for this study was:

\[ Y = \beta_0 + \beta_1 X_1 + e \]

Y = Performance

X1 = Flexible work arrangement

\( \beta_0 \) = Constant

\( e \) = Stochastic term (error)

**RESEARCH FINDINGS AND DISCUSSION**

Statements were included in the questionnaire which sought to establish the influence of flexible work arrangement on performance in the banking industry in Kenya. Flexible work arrangement was operationalized by reference to flextime, flexible career path and job sharing. These were developed by (Thompson et al., 1999).

**Regression Analysis of Flexible work arrangement and Performance**

Test to determine the amount of variation on dependent variable explained by the independent variable flexible work arrangement were carried out. Results in table 1a, 1b, 1c below shows the amount of variation on the dependent variable explained by the independent variable. The results of regression analysis revealed that there is a significant positive relationship (\( \beta = 0.262 \), \( p < 0.000 \) between flexible work arrangements and performance. This means that increase in the use of flexible work arrangements in the organization will lead to increase in performance in the banks in Kenya. The independent variable reported R value of 0.262 and \( R^2 = 0.068 \) which
means that 6.8% of corresponding variations in organization performance can be explained/predicted by flexible work arrangements. The rest of the variation 93.2% could be explained by other variables not included in the model.

The model is performance = 1.979 + 0.165 (flexible work arrangement index).

The F test gave a value of F (1, 411) = 30.223, p < 0.001 which is relatively large enough to support the goodness of fit model explaining the variations in the dependent variables. This validates that flexibility is a useful predictor of performance. This implies that employees who experience higher levels of flexibility tend to have higher performance. Respondents indicated that when provided with leave, not working during weekends, creating more time for personal matters, reducing working hours will ensure they have a fulfilled flexible work arrangement.

Therefore H01 of the study is supported which states that there is no significance influence of flexible work arrangements on performance of the banking industry in Kenya; hence we reject the null hypothesis. This shows that the regression model has less than 0.001 likelihood (probability) of giving a wrong prediction. Hence the regression model has a confidence level of 95%.

Table 1a Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.262a</td>
<td>.068</td>
<td>.066</td>
<td>.41616</td>
</tr>
</tbody>
</table>

Table 1b ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>5.234</td>
<td>1</td>
<td>5.234</td>
<td>30.223</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>71.182</td>
<td>411</td>
<td>.173</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>76.416</td>
<td>412</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 1c Coefficientsa

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.979</td>
</tr>
<tr>
<td></td>
<td>Flexible work arrangement</td>
<td>.165</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

Discussion of Findings for Flexible Work Arrangements on Performance

The objective for this study was to determine the influence of flexible work arrangement on performance of the banking industry in Kenya. The coefficient for flexible work arrangement was 0.158. This means that units change in flexible work arrangement will result to a change in performance by a factor of 0.158 at 5% significant level. The results of regression analysis revealed that there is a significant positive relationship ($\beta = 0.262$, $p < 0.000$ (See table 1 c) between flexible work arrangement and performance. Baltes et al., (1999) also found positive effects of flexible work schedules on productivity in their meta-analysis.

On the other hand, in reviewing the results from studies conducted Newstrom (1982; 1983), Kossek and Ozeki (1999) concluded that a more limited amount of flexibility was optimal in predicting improved performance, with employees specifying in advance what hours they would work, rather than varying their schedule on an ad hoc basis. Findings by Porter (2008) argued that flexible work arrangement and demand for services have substantially increased. As work become more flexible, they demand new management skills, hence better and reliable service delivery, as well as more responsive services; As a consequence, to improve flexible arrangements on e.g. day off, annual leave and night outs, workers needs and expectations satisfy them hence provide excellent services to the employer.

These results also agree with Tumi (2005) who argued that understanding the nature of the flexible work one provides to the employer allows for an appreciation of how the workers see the services provided. According to De-Tumi (2005), in any work flexibility, the employee’s performance is crucial to one’s ability to ensure that they are satisfied beyond expectation. This helps to give employees not what is obvious but also fulfill a multitude of less obvious employee’s needs (De-Tumi, 2005). This results again agrees with findings by Christopher
(2014) where the respondents indicated that having the opportunity to adapt their work schedule according to their own needs brings along positive attitudes not only in their personal life but also in their work-life. The study showed that flexible working hours offered respondents the opportunity to put in the necessary effort and energy in their work during the moments that counted most.

The study gave evidence that those organizations and managers who are result oriented are more open to flexible working benefits since their main goal is the end result rather than the method used to achieve hence introducing flexible working hours can be adopted to enhance more performance.

The findings of this study indicates that flexible work arrangements influenced performance of banks in Kenya positively. When banking industry in Kenya allow employees to have flexible work schedules as long as they meet the expected targets such as encouraging flextime, job sharing and flexible career paths then performance is increased. These results are consistent with previous studies investigating the influence flexible work arrangement on organizational performance. The findings of studies by several researchers examining flexible working arrangements has associated employee participation in these arrangements with higher levels of self-reported focus, concentration, and motivation (Raabe, 1996; Williams et al., 2000), and Lewis’s (1997) case study research found that working reduced hours on a voluntary basis resulted in greater self-reported productivity and efficiency for chartered accountants.

Chow and Keng-Howe’s (2006) study of workers in Singapore revealed that the more flexible their schedules, the greater their self-reported productivity. With regard to contextual performance, the perceived usefulness of available practices has been found to predict increased organizational citizenship behavior (Lambert, 2000). The findings of this study from the qualitative data indicated that employees desired to have more considerations on flexible work arrangements and avoiding reporting to work early would ensure they do not leave the organization. Respondents desired that their banks would consider such practices for increased performance. Informants also noted that their organizations should offer scholarship and support further education as part of flexible work arrangements hence this would ensure increased performance. Reduction of working hours was also sated as a way in which the banks would enable employees had quality time with family, personal, leisure and work which would enable them to increase their performance.

According to Pfeiffer’s, (1981) symbolic action perspective, the provision of work-life balance practices promotes employee obligation and interest in organizations by serving as symbols of special treatment and organizational concern for workers. Shepard et al. (1996) speculate that flexible work hours may increase organizational productivity because employees may choose to work during their peak hours in terms of personal productivity. Another proposition given by the authors is that employees using flexible work hours may increase their work effort, because
the costs of losing a job that offers desired flexibility would be higher than those of losing a job without the option of flexible hours. 

McDonald et al., (2005) suggest that employees working flexible hours may enable organizations to keep up with a workload that is inherently variable throughout the year; flexible working arrangements may invoke the principle of reciprocity, wherein employees work extra hours during peak times in exchange for the ability to tailor their hours to suit their own needs at other times. A study of the ‘100 Best Companies for Working Mothers’ by Meyer, Mukerjee, and Sestero, (2001) revealed that organizations offering work-life balance practices enjoyed increased profit rates. It is therefore evident that flexible work arrangement is very critical in ensuring that employees’ commitment, satisfaction and performance is increased in the banking industry.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The research attempted to establish whether the organization allowed employees flextime, flexible career paths and job sharing which are some of the practices of flexible work arrangement. Based on the findings of this study, flexible work arrangements had a significant effect on performance of banking industry in Kenya. Performance in the banking industry in Kenya when measured in terms of customer satisfaction, target standards and employee satisfaction was positively influenced if employees were allowed flexible work arrangements. The predicting power of R square when flexible work arrangements was introduced in the regression model was statistically significant( $R^2=0.068$) implying that flexible work arrangement had influence on performance of the banking industry in Kenya and therefore the null hypothesis $H_0$ was rejected. The results of regression analysis revealed there was significant positive relationship $p<0.000$) between flexible work arrangement and performance. This implies that employees who experience higher levels of flexibility tend to have higher performance. Respondents indicated that when provided with leave, not working during weekends, creating more time for personal matters, reducing working hours and reducing early reporting to the place work would ensure they have a fulfilled flexible work arrangement.

Therefore taking into consideration that flexible work arrangements practices were provided for to some extent by the banking industry in Kenya that were sampled in this study, it is then likely that these practices helped increase performance in the banking industry in Kenya. Therefore organizations that give employees opportunity to adapt their work schedule according to their own needs brings along positive attitudes not only in their personal life but also in their work-life. The study showed that flexible working hours offered respondents the opportunity to put in the necessary effort and energy in their work during the moments that counted most. The study gave evidence that those organizations and managers who are result oriented are more open to flexible working benefits since their main goal is the end result rather than the method used to achieve.
Conclusions
Based on the results of this study, it can be concluded that consideration of flexible work arrangements aspects that pertains to employees, can greatly influence performance in banks in Kenya. Child care issues, dependent care and employees having more time with the family had a positive and significant linear relationship on the measures of performance which were customer satisfaction, target standards, employee satisfaction. The multiple regression results of this study indicated that there is linear relationship between flexible work arrangements and performance.

Recommendations
The study recommends that managers should provide more flexible work arrangements considerations such as allowing job sharing, flextime and flexible career as long as employees meet targets since this influences performance. Flexible career paths and encouraging job sharing as a form of flexibility is important in increasing performance of an organization. The study also recommends that organizations should diagnose employees flexible work arrangement practices needs and develop practical solutions by implementing them so as to be able to achieve business goals.

REFERENCES


