Reputation & responsibility

Employer of choice programs have a strong impact on a company's reputation and corporate social responsibility and thus its ultimate success, says *Rob Gill*.

Australian business is in a period of heightened transparency and accountability, driven by a growing global obligation for business to demonstrate corporate responsibility. Reputation and corporate social responsibility (CSR), key determinants of a company's performance, are strongly influenced by an organisation's employer of choice (EOC) program.

Australian companies need to understand just what impact a 'good' EOC program can have on their business. The positive media exposure that comes from good results in EOC surveys, awards and compliance reporting is a marketable reputation-commodity. Winners of these awards and survey are seen as extremely desirable places to work. Losers get bad press as Australian compliance and regulatory authorities publicly list those organisations that fail to meet minimum compliance standards and non-government organisations (NGOs) publicly expose operations that fail to comply with international industry standards.

What is an 'employer of choice'?

The term employer of choice can be assessed from the employee's, employer's, industry's and public's perspective. Typically it is associated with strategies to retain staff. These strategies might include: company reputation, family-friendly work policies, employment awards and conditions and social and community practice. From the employer's perspective it is about strategies safeguarding effective operations for a business.

One common theme is that employer of choice represents the human development of human capital. Human capital includes the unique capabilities and expertise that individuals bring to an organisation and acquire on the job through training and experience and which increases that employee's value in the marketplace. Human capital does not include material or physical assets.

EOC and CSR: cause and effect

EOC and CSR are intertwined. CSR is the external reporting of an organisation's corporate responsible policies and practices. The employer of choice program is the internal policy and practices used to manage corporate responsibility. An EOC program is the 'cause' and being corporate socially responsible is the 'effect'.

CSR encompasses those sustainable practices applied by an organisation to address environmental, social, community and financial achievements. The World Business Council of Sustainable Development (WBCSD) views CSR as the continuing commitment by business to behave ethically and improve the quality of life of the workforce and their families as well as of the local community and society at large. The WBCSD confirms the major stakeholder groups, such as shareholders, employees, government and NGOs, are now demanding disclosure on a wider range of issues.

The five pillars of CSR strategy are: business ethics, employee relations, human rights, community investment and environmental sustainability. How these five pillars are applied internally make up the foundation to a solid corporately responsible organisation. This internal management is an organisation's employer of choice program.

GLOBAL TRENDS

International companies are beginning to make triple bottom-line reporting (social, environmental and economic reporting) standard practice in response to consumer and stakeholder demand. In 2004, 45 per cent of the Global Fortune Top 250 companies published an environmental or sustainability report. A number of countries have legislated for compulsory CSR reporting (France, South Africa and Germany) and other international governments are strongly considering requirements for mandatory reporting on environmental and sustainability issues (the United Kingdom).

Many organisations are unifying triple bottom-line and/or CSR reporting with Balanced Scorecards, an internal tool used to support knowledge building to align values and visions with outcomes in an organisation. The scorecard focuses on a set of financial and non-financial indicators outlined on a performance metrics, which can be used as a clear indicator to employees of strategic planning and as a motivator to improve decision-making in line with company culture.

Currently, Australian companies lag behind international best practice in managing their human capital. An international human capital management benchmarking initiative conducted in November 2004 by McBassi & Company involving 175 organisations worldwide found that Australian companies scored 3.1 overall in human capital management, with the global average 3.3 and best practice organisations 4.1.

THE WAR FOR TALENT

We are currently experiencing a job-seekers' markets with unemployment at its lowest level for 30 years and a severe skills shortage. This means the Australian workforce can be more discriminating in choosing a job. EOC programs are crucial in attracting the best people. Job-seekers are looking for flexible family-friendly policies and working hours, compassionate leave and carer's leave.

The issue of employee burnout also needs to be addressed. A recent Hudson survey of more than 7,800 employers found that 32 per cent of managers recognised burnout among their employees, with a 29 per cent increase in the number of sick days taken. Burnout is also the reason for more employees leaving organisations.

Options to stem burnout include flexible working arrangements, remote-working opportunities, telecommuting, time-off policies and wellbeing programs. Future issues might cover religion in the workplace, employee privacy, HIV/AIDS, sexuality and benefits for domestic partners.

Companies with a strong and developing employer of choice program are well placed to reap the immense advantage associated with making their employees their reputation champions.

REPUTATION IS VITAL

A strong reputation as an 'Employer of Choice' can have a profound effect on a company's ability to attract quality employees, on stakeholder opinion and on its performance overall. A company's reputation is dependent on a 'good business image' and this image is determined by external public reporting of employer actions, such as annual reports, media, industry awards and performance, as well as through the opinions of its employees.

'Intangible' assets such as reputation, trust, good will, image and relationships deliver value to the company, according to 96 per cent of executives polled in an Accenture Survey. In a Corporate Public Affairs poll in 2003, European companies stated loss of reputation as the second biggest threat after business interruptions.

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Media reporting on the 'business image' of a company has the power to drive big business into CSR compliance in order to maintain reputation. Business reputation in Australia is in need of improvement. A 2004 report titled *Insecurity in Australia* found that only 26 per cent of the Australian community had confidence in major companies and only 22 per cent had confidence in banks.

The investment strategy of Socially Responsible Investments (SRI), which questions the ethics, human rights and employee conditions of a business, is gaining momentum in the funds management industry, growing by 70 per cent in 2005. According to a Monash University study, CSR will become a mainstream investment strategy over the next 10 years. Companies' reputations will benefit greatly from a positive CSR exposure.

Listed companies that rate poorly in terms of their reputation towards employees and social responsibility may be sold from fund management portfolios. Large pension funds are realising the influence they have in this area. Mercer Investment Consulting says it will research Australian superannuation fund investors on socially responsible performance issues as well as financial performance.

NEGATIVES AGAINST COMPLIANT REPORTING

Not everyone agrees with the drive to legislate for tighter governance, formalised social commitment and increased transparency. Money poured into social responsibility and employee's rights may be seen as spending shareholder's money without their consent. Employees seeing staff cut-backs may feel this expenditure is the wrong priority.

Increased reporting requires increased resources and work-hours that can strain a business' shrinking profit margin. Many Australian companies with supposedly poor governance standards have substantially outperformed the sharemarket, according to a 2005 study.

Some companies, such as BHP Billiton, Westpac, Coles, Myer, BP Australia and Insurance Australia Group, feel that legislated reporting is often too prescriptive and can constrain innovation. Self-regulation of social reporting and auditing is allowing market forces to raise the standard, whereas a more prescriptive legal requirement may decrease the current proactive role and erode initiatives with regard to social and community agendas. Some businesses may regress to reporting on the bare minimum in order to satisfactorily meet compliance standards.

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