

SURVEY HIGHLIGHTS: "Best Employers to Work for in Australia" Study 2003

Background

This **Best Employers to Work for in Australia** study represents the third year of a partnership between Hewitt Associates (Hewitt), the Australian Graduate School of Management (AGSM) and John Fairfax Limited (this year through AFR BOSS magazine). The list of the **Best Employers to Work for in Australia** for 2003 was initially published in AFR BOSS magazine on 14 March, 2003.

The study ultimately aims to better understand the link between people practices and business performance in the Australian organisational context—complementing similar Hewitt research studies with our partners in Canada, Europe, Asia and India.

Over 150 organisations participated in this year's study representing a complete cross-section of Australian corporate life—large and small organisations both publicly listed and privately owned from a wide variety of industry groupings. In addition, almost 20 Public Sector organisations representing a range of both Federal and State government departments, statutory authorities and educational institutions participated in the study for the first time.

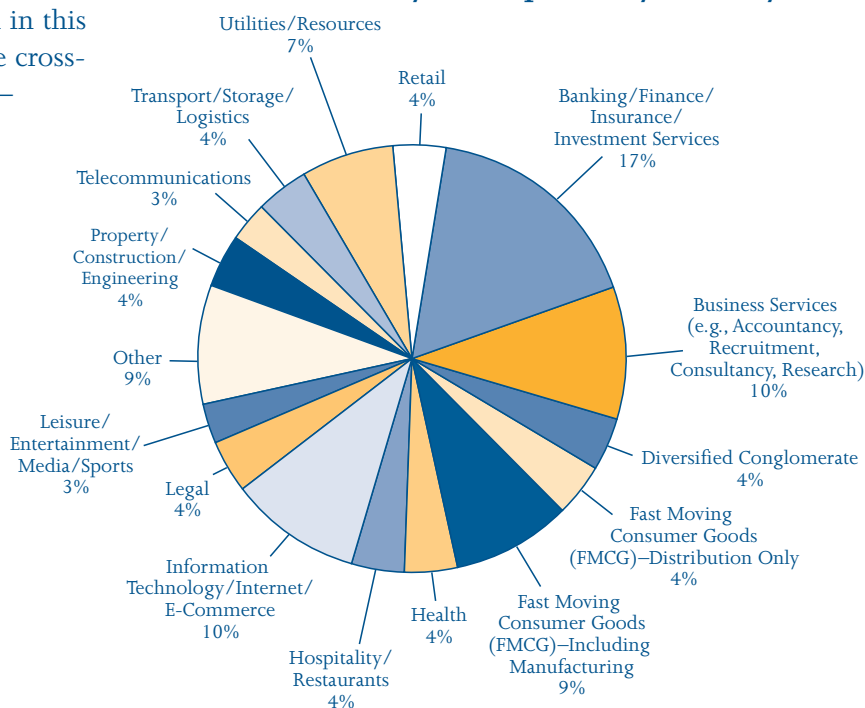
Methodology

The study consists of three survey instruments developed by Hewitt:

1. An employee Engagement survey which, during this study, was used to collect data from a statistically valid, random sample of employees in each organisation. More than 25,000 employees were surveyed during the study.
2. A CEO questionnaire.
3. The Hewitt People Practices Inventory™, a detailed inventory of each organisation's people practices.

Hewitt collects and analyses the data which is then considered by a judging panel to determine the list of the **Best Employers to Work for in Australia**. The judging panel is chaired by Professor Roger Collins, Professor of Management at the AGSM. The panel considers all the organisation data 'blind' so that they are unaware of the organisation names before them until after their decision is made. The judges consider a wealth of data in their deliberations but, essentially, are looking for those organisations that are able to demonstrate both high levels of Engagement (passion, commitment and drive for results) among their employees and strong alignment of their people practices with organisation strategy and brand. Approximately 10% of organisations are audited to assure appropriate random samples are selected and accurate data is provided.

Study Participation by Industry





The 2003 List of the Best Employers to Work for in Australia

The judges this year selected 19 organisations for the **Best Employers** list.

The Best Employers to Work for in Australia 2003

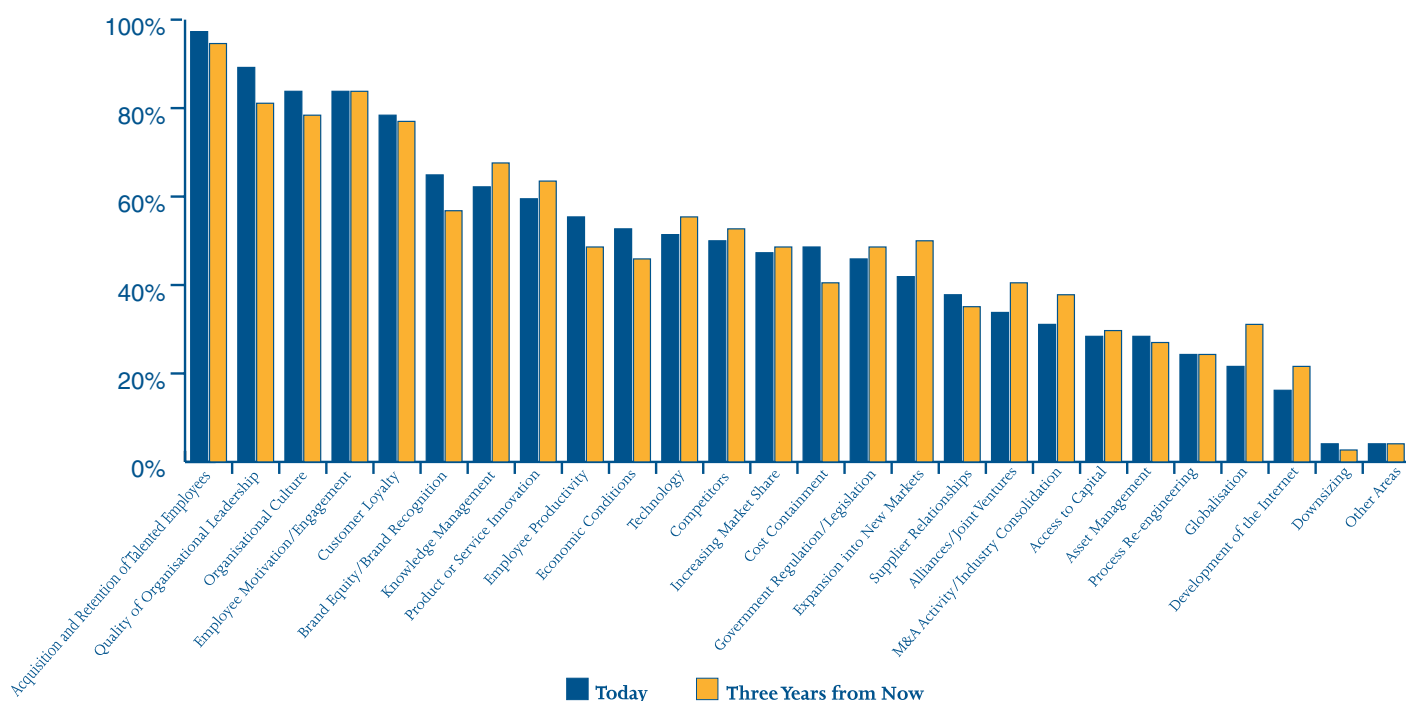
Joint Winners	Cisco Systems
	Flight Centre
Highly Commended	Diageo Australia
	SEEK Communications
	Virgin Blue
Best Employers	Merck Sharp and Dohme
	SalesForce
	Lion Nathan
	Nike Australia
	Nokia Australia
	CHEP Asia Pacific
	Johnson and Johnson
	Police and Nurses Credit Society
	Macquarie Bank
	Computer Associates
	McDonald's Australia
	Golder Associates
	American Express International
	Retailink

Key Findings of the Study

What Business Leaders had to Say

It is clear that people management remains a critical issue for Australian business. When asked to identify the single most important factor impacting their business results today and three years from now, 42% of CEOs select acquisition and retention of talent and 21% select quality of organisational leadership, making these the two single most important factors. The following chart shows the percentage of CEOs who identified each of a number of factors as being amongst all those that will most impact their organisation's ability to succeed.

Factors Identified by CEOs as Having an Important Impact on Their Ability to Succeed Today vs. Three Years from Now



This third Australian study reinforces and extends the findings from the previous two. Similar to last year, we find four key factors that differentiate the **Best Employers** from other organisations in the study and are able to further our understanding and definition of these factors. In addition, we also find that the **Best Employers** are outstanding in their employee communication and this forms a critical thread running through each of the four factors.

1. People Leadership from the Top

In a tougher business cycle during the last 24 months, we have seen stronger differentiation between organisations with regard to senior leadership than before.

Put simply, the senior leaders of the **Best Employers** are more passionate about their people. They invest more time in personally addressing people issues in their organisation's, are more focused on the role of employees in their value chain and are the architects of their organisation's culture and values. They communicate organisational strategy, goals and progress towards those goals approximately twice as often as leaders at other organisations.

The employee perspective of senior leaders is clearly differentiated.

Employee Survey Question	% of Employees who Agree and Strongly Agree	
	Best Employers	Other Participants
I trust our senior leadership to appropriately balance employee interests with those of the organisation	66%	47%
Our senior leadership:		
a) Is appropriately visible and accessible to employees	69%	52%
b) Provides clear direction for the future	71%	51%
c) Is open and honest in communication	65%	50%
d) Is expert at running the business	69%	51%
I see strong evidence of effective leadership from the organisation's senior management	68%	50%
Our senior leaders fill me with excitement for the future of this organisation	55%	34%
Our senior leaders are excellent role models of our organisation's values	64%	46%
I have a good understanding of this organisation's business goals and objectives	89%	76%

2. Best Employers Create a Compelling Employment Offer and Experience for Their Employees

They do this in a number of ways. Firstly they create a higher order purpose for employees— a *raison d'être* beyond merely making money.

Employee Survey Question	% of Employees who Agree and Strongly Agree	
	Best Employers	Other Participants
The organisation's goals and objectives provide meaningful direction for me	69%	49%
I see people right throughout our organisation being passionate about the achievement of our business goals	68%	43%
I am inspired to do my best work every day	70%	52%

Secondly, the work experience at the **Best Employers** is clearly different to the experience of employees at other organisations.

Employee Survey Question	% of Employees who Agree and Strongly Agree	
	Best Employers	Other Participants
I see the results of my work in the organisation's products and services	72%	59%
My work challenges me to use my knowledge and skills fully	78%	66%
I get a sense of accomplishment from my work	82%	68%
This organisation's policies and procedures create a positive work environment for me	71%	53%
The work processes we have in place allow me to be as productive as possible	64%	48%
I truly enjoy my day-to-day work tasks	72%	59%

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The **Best Employers** are more likely to be explicit about their employment offer and to ensure that the day-to-day experience of employees lives up to the brand promise. They provide their employees with greater autonomy, more challenge and a stronger focus on experimentation and improvement.

3. Accelerated Development

Aligned with the belief that their people provide a key source of competitive advantage, the **Best Employers** have a significantly different focus on the development of their people. As in previous years, we see that the **Best Employers** invest more time and money into learning and development for employees. They also have a greater percentage of employees on assignment for development purposes, engage in more one-on-one mentoring and are much more likely to have formal talent management practices in place to identify high potential employees and develop them quickly. Consistent with the concern of CEOs' for future organisational leadership, the **Best Employers** have more advanced leadership development engines.

Employee Survey Question	% of Employees who Agree and Strongly Agree	
	Best Employers	Other Participants
In this organisation we are developing a workforce that adapts well to change	73%	54%
There are sufficient opportunities within this organisation for me to develop skills necessary to assume greater responsibility	67%	52%
I have appropriate opportunities for personal and professional growth	66%	51%

4. Culture and Values are Critically Important to the Best Employers

The **Best Employers** use their culture and values to drive organisational performance—they are at the heart of who they are. Values are used explicitly to guide decision making. Several common cultural elements emerge:

- **Cultures of celebration**—The **Best Employers** look for opportunities to celebrate with their employees—birthdays, anniversaries, project milestones, new customers, achieving targets, etc.
- **Cultures of performance**—The **Best Employers** share an unrelenting performance and results focus. They embed feedback systems more deeply into their culture. They are more likely to have a structured approach to performance management and to resource and execute their performance management process.

Employee Survey Question	% of Employees who Agree and Strongly Agree	
	Best Employers	Other Participants
Our performance review process helps me focus my work effort to help this organisation achieve its goals	64%	46%
I have received feedback to help me improve my performance in the last four weeks	58%	37%
I am driven to go beyond what is required to help this organisation succeed	74%	59%

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- Cultures of reward and recognition**—This strong focus on performance is reinforced by the celebration of success and stronger reward and recognition practices than in other organisations. The **Best Employers** have a stronger pay for performance emphasis in their reward strategies. They spend a greater proportion of their compensation budget on variable pay and have a greater proportion of employees as owners of the businesses.

Employee Survey Question	% of Employees who Agree and Strongly Agree	
	Best Employers	Other Participants
Overall, the way we reward and recognise people in this organisation helps us produce the business	64%	43%
If this organisation does well, I will appropriately share in its financial success	57%	38%
My manager appropriately recognises my efforts and results	70%	59%

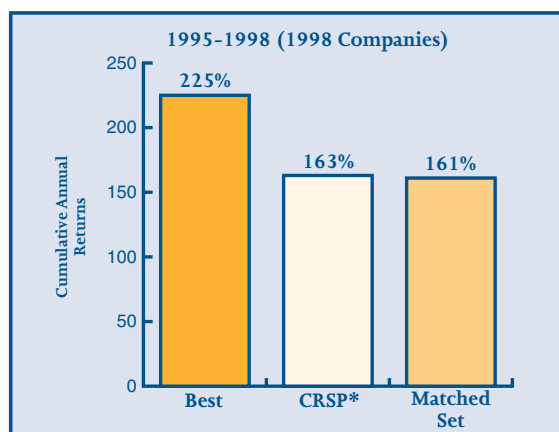
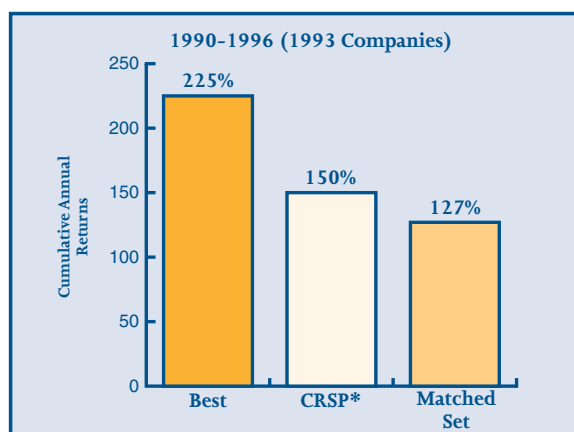
The **Best Employers** attempt to differentiate themselves from their competitors through organisational culture. They want to make it easy for employees and customers to choose to join them and stay with them. Consequently, they are more exacting in their selection processes for cultural fit than other organisations and invest more time and resources in their orientation programs to help new employees become successful quickly.

Employee Survey Question	% of Employees who Agree and Strongly Agree	
	Best Employers	Other Participants
I feel like I 'fit in' well here	81%	71%

Best Employers Enjoy Better Business Results

According to research conducted by Hewitt and Vanderbilt University, **Best Employers** have significantly better business performance over both the short and long-term.

Best Employers Have Higher Cumulative Stock Returns



*CRSP=Centre for Research in Security Prices Value Weighted Index

Source: "Are The 100 Best Better? An Empirical Investigation of the Relationship Between Being a **Best Employer** and Firm Performance" Gerhart, Fulmer, Scott—Vanderbilt University and Hewitt Associates LLC.

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Further research into organisational performance in the Australian context is on-going and preliminary results indicate that the findings will be no different here. Australian **Best Employers** have stronger three and five year growth in revenues and profits than other participants in the study and typically out-perform other organisations in their industry sector.

Three Year (2000-2002) Growth in Revenue and Profits		
	Average Revenue Growth (%)	Average Profit Growth (%)
Best Employers	13%	21%
Others	7%	-12%

The **Best Employers** also attract and retain employees more effectively. On average, the **Best Employers** receive three times more applications per job than other organisations and also three times the number of unsolicited job applications. Voluntary turnover remains lower, on average, for the **Best Employers** than for other organisations.

The Challenge of Sustainability

As in previous years, there is a degree of churn in the **Best Employers** list. This is partly due to changing participation in the study. A number of participants have remained on the list for each of its three years and over half of this year's **Best Employers** made the list last year. It is clear that these participants share a common focus on the sustainability of their practices that involves both an unrelenting emphasis on doing a few core things very well while preparing the organisation for the future. We find that **Best Employer** organisations are more focused on execution of their core people practices and on building adaptability for the future.

Employee Survey Question	% of Employees who Agree and Strongly Agree	
	Best Employers	Other Participants
In this organisation we are developing a workforce that adapts well to change	73%	54%
Our reputation as an employer helps us attract the best employees	70%	48%
We are attracting the people we need to achieve goals	68%	49%

Employee Survey Question	% of Employees who say 'Somewhat Above Others' or 'Well Above Others'	
	Best Employers	Other Participants
Overall, how agile is your organisation relative to other organisations for which you might work?	76%	32%
Overall, how decisive is your organisation relative to other organisations for which you might work?	76%	32%
Overall, how innovative is your organisation relative to other organisations for which you might work?	83%	44%
Overall, how team-oriented is your organisation relative to other organisations for which you might work?	78%	42%
Overall, how results-focussed is your organisation relative to other organisations for which you might work?	82%	48%
Overall, how ethical is your organisation relative to other organisations for which you might work?	77%	56%

In Conclusion

Free yoga classes, work/life balance programs or cheap massages on Fridays aren't enough to make you a **Best Employer**. None of these things make up for poor leadership or boring work. **Best Employers** understand that the key ingredient in the execution of their business strategy is the passion and commitment of their people. Highly effective leaders in these organisations work to build a differentiated culture that harnesses the power and passion of employees to deliver sustainably outstanding results for the organisation. They provide focus and clarity through effective communication and offer employees challenge and growth through their day-to-day work tasks and future opportunities. What are you doing in your organisation to ensure that your employees have the passion and desire to dominate your industry?

Further Information

For further information on how Hewitt Associates can help your organisation to become a **Best Employer**:

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