An Integrated Literature Review: Strengthening Reputation through EOC and CSR

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Abstract

Employer of choice (EOC) is a term that has traditionally been associated with attracting and retaining desirable employees. Corporate Social Responsibility (CSR) refers to organisations acting in a socially and environmentally responsible manner. This paper explores a definition for EOC from the employee's perspective and provides evidence that desirable qualities for being considered a ‘good’ employee significantly relate to being a corporately responsible organisation. Therefore, EOC and CSR are substantially interrelated. This paper also reviews literature that qualifies organisational reputation against internal loyalty towards employer brand. Findings from the literature suggest that healthy EOC practice will develop a stronger internal loyalty that will translate into employees becoming the reputation champions for their employer.

Keywords: Employer of choice, corporate social responsibility, organisational reputation, internal loyalty

1. Introduction

What exactly does employer of choice (EOC) mean to employees, and how does it relate to corporate social responsibility (CSR)? Can being an EOC organisation improve its reputation externally? This paper aims to provide answers for these questions. Many theorists have identified the concept of operating as an employer of choice can strengthen engagement with staff, heightening their awareness for the organisation’s corporate social responsibility, which may increase allegiance to the organisation’s brand (Benn & Bolton, 2011; Shuck & Wollard, 2009; Hull & Reid, 2003; Suggett & Goodsir, 2002). This integrated literature review, firstly, aims to define EOC beyond the traditional concept of being a strategy to attract and retain staff, particularly under Australian business conditions. Second, the paper identifies the link made between EOC and the commonly accepted criteria for CSR. And, third, it explains the valuable contribution employees can make to improving external reputation as a result of embracing their employer’s brand.

The method for this paper involved reviewing international reports on human capital management to identify key considerations for employee satisfaction, analyse the key determinants for EOC ratings and awards, and review literature that makes the link between good employee practices, CSR and an organisation’s reputation. Central to the findings of this review is that CSR is not only an ethical obligation for organisations, but directly relates to employee engagement and opportunities, which are critical for reputation and fundamental to the success of an organisation. EOC has strengthened in its conceptualisation since the year 2000, representing a whole new design of corporate culture and human capital management (Herman & Gioia, 2000; AonHewitt, 2011). Gaining EOC status is an ever-emerging and critical part of success for a business in terms of employee satisfaction and external reputation (see, for example: Fombrun, 2005; Herman & Gioia, 2004; Kahler, 2005; Fracaro, 2005; AonHewitt, 2011; Human Resources, 2005; IBM, 2005; PriceWaterhouseCoopers, 2002). Increasingly, organisations are looking for meaningful ways of responding to fulfill employee expectations regarding human capital management, in order to become or retain EOC status. An organisation's EOC program is seen as vital for retaining and motivating staff, attracting quality job applicants and enhancing a business’s reputation (Kahler, 2005; Fracaro, 2005).

2. Methodology

An integrated literature review of global studies into employee management and associated industry awards and rating, was conducted to define EOC, with a focus on Australian business conditions. CSR has been well documented by many academics and theorists, so this paper’s review also looks for links between commonly identified CSR criteria and good EOC practice. Finally, literature is used to demonstrate how establishing ‘good’ employer practices may enhance an organisation’s internal loyalty and external reputation.
An integrated approach to the literature review (including text from industry and academic theorists) was considered one of the best ways to capture data with a blend of concepts from various emerging fields, akin to human resources, occupational health and safety, management, communication and academia (Shuck and Wollard, 2009).

2.1 Framework of the method

The framing for the literature review firstly involved identifying a synthesised concept for EOC. Reviewed literature on the theme comes from a broad range of disciplines, including human resources, management and legal. Second, papers and text from recognised industry leaders and associated academic experts (like: Matten & Moon, 2008; Crane, Spence & Matten, 2007; Dahlsrud, 2008; Carroll, 1999; Benn & Bolton, 2011; Blowfield & Murray, 2008; Haugland Smith & Nystad, 2006; Suggett & Goodsr, 2002; French, 1984) were reviewed to establish any clear links between CSR criteria that are aligned with EOC, and how this affects staff perceptions of brand values and external reputation. The integrated literature review aided in identifying key characteristics for defining EOC for Australian business conditions, links between EOC and CSR, internal and external reputation, and employees as reputation champions.

2.2 Selection of relevant literature

Included in the review are contemporary papers, documents and industry text from within the last 20 years by recognised academics, industry leaders (mentioned above) and global research houses (including KPMG, IBM, AonHewitt, Ashridge Centre) in the fields of human capital management, CSR and reputation. No discrimination was applied to the origin of the reviewed information, although Australian literature and publications are strongly represented.

2.3 Key terms in the review

Key terms searched on the web for relevant literature included: employer of choice, best employer practice, corporate social responsibility, employee loyalty, brand and business reputation. These searches were conducted between 2005 and 2011. Many articles and papers were identified from the search, so the selected articles needed to reference work of the multiple-published authors or reputable research organisations (identified above).

3. Literature Review Key Findings

3.1 Defining EOC

The term ‘employer of choice’ has traditionally been associated with recruitment and strategies to attract and retain desired staff (Branham, 2005; Alsop, 2004; Herman & Gioia, 2004; Leary-Joyce, 2004; Drucker, 1999). The focus on talent acquisition and retention has been the mainstay of EOC terminology and criteria since the term became vernacular (Branham, 2005; Herman & Gioia, 2000). However, as identified by Table One below, EOC is more closely aligned with ‘best practice’ for conditions of employment, rather than recruitment, including: employee opportunities, sustainable culture, public reputation and desirable qualities like facilities and support networks that make organisations attractive employers.

Insert Table (1) about here

Primary indicators common to global surveys and international studies (listed in Table One and expanded in Appendix A) relating to key characteristics for ‘best practice’ human capital management and corporate responsibility include: effective people policies for leadership and management, external relationships, occupational health and safety, learning opportunities, community involvement and environmental conscience. Vehicles for public communication relating to EOC already established are performance awards, ratings and citations. The established criteria for these awards have been reviewed to classify common criteria used to assess successful EOC programs. Organisations conducting these awards, ratings and citations are listed in Table Two below (and expanded in Appendix B).

Insert Table (2) about here

In light of global surveys, recent research and industry awards, successful EOC strategies need to focus on the following criteria: strong leadership and inter-relationships, high standards for safety and wellbeing, opportunity for staff development, inclusion policy and traditions, ethical community involvement, and sustainable practice. Hull and Read (2003) is the standout study on EOC for diverse Australian workplaces from the research reviewed.
The study identified 14 key drivers present in all leading workplaces (see Appendix A) “The central pivot on which good workplaces are founded are quality working relationships underpinned by workplace leadership and clear values, along with having a voice and being safe,” (Hull & Read, 2003, p. 3). Common themes to emerge from the study underscored good human capital management for Australian organisations to be based on: strong leadership and governance, opportunity for future development, financial and job security, sustainable business practices, work-life balance, safety and acceptance of diversity (see Appendix A). Therefore, EOC can be defined as implementing positive strategies that aid in addressing good employee practice relating to strong leadership, employee opportunities, social responsibility, safety and inclusion.

3.2 The Link between CSR and EOC

The desirable qualities for EOC status identified from the literature demonstrate that employer of choice and corporate social responsibility is intertwined. Employees now interpret the brand of their employer through its ethical business practices, financial stability, community leadership, fair treatment, and a healthy working environment – all common to a socially and environmentally responsible organisation (Matten & Moon, 2008; Crane, Spence & Matten, 2007; Dahlsrud, 2008; Carroll, 1999; Benn & Bolton, 2011; Blowfield & Murray, 2008; Haugland Smith & Nystad, 2006; Suggett & Goodsir, 2002; French, 1984). According to Herman & Gioia (2000), today’s employees want their companies to possess a strong sense of social responsibility, and that CSR is not just an ethical obligation to maintaining an external reputation.

As many academics and industry experts have researched CSR this paper does not seek to define CSR (see for example: Carroll, 1999; Suggett & Goodsir, 2002; Crane et al. 2007; Dahlsrud, 2008). However, CSR has recently been identified as modern business meeting obligations from increasingly demanding ethical, environmental, legal, commercial and public standards, as defined by wider society (Crane et al. 2007). According to Haugland Smith & Nystad (2006), the fundamental idea behind CSR is that business has an obligation to work for social betterment. A commonly accepted understanding of CSR practice can be drawn from the five pillars of CSR strategy, which include: business ethics, employee relations, human rights, community investment and environmental sustainability (ExperienceCSR, 2003; Matten & Moon, 2008). How these five pillars are applied through internal processes make up the foundation of a solid corporately responsible organisation. The internal management of these strategies is an organisation’s EOC program. The Table Three identifies those commonly accepted criteria for defining CSR, and how theorists have linked these to desirable qualities in employer practice.

Insert Table (3) about here

The above table indicates that many of the theorists reviewed made clear links between the CSR criteria and those qualities desired (identified earlier in this paper) by employees from their place of work. The ‘theorists reviewed’ column indicates those theorists who made a link to one or more of the desired EOC qualities from the end column. Not all theorists demonstrated through their text a blanket link to all the EOC qualities, but must make clear link to at least one. This table evidently indicates that leading CSR theorists make a strong link between functioning as a CSR organisation and operating as an EOC organisation through their interpretation of CSR criteria in action. EOC can be viewed from two perspectives: the employer’s perspective, i.e. those CSR strategies that safeguard the effective operations for a business in the community and with stakeholders, and the employee’s perspective, i.e. the CSR strategies that galvanise an employee’s commitment to the business as a result of ethical employee-management practices. Therefore, EOC encompasses the internal policies and practices that ensure the organisation’s culture is corporately responsible for its operations and the resulting effects on all stakeholders, including customers, shareholders, government and particularly the organisation’s primary asset – its employees (Matten & Moon, 2008; Carroll, 1999; Abbott, 2003; Fels, 2003).

Business ethics theorist Peter French (1984) considers businesses as moral agents with internal decision making being drawn from identifiable and collective identities associated with the organisation (brand), as opposed to individual ethics governing decision making. In a sense, an organisation’s decision making is based on remaining commercially sustainable and socially and environmentally responsible to the community. Haugland Smith and Nystad (2006) explain CSR in terms of the ethical perspective – companies accept social and environmental responsibility as an ethical obligation to create a good society, and in terms of an instrumental perspective – focusing on achieving economic objectives through social activities. The intrinsic value of the ethical motive and the economic value of the instrumental motive are mutually linked and beneficial to the organisation.
The focus on transparency and accountability through external reporting has encouraged organisations to review their internal management policies and practices. It has also forced companies to develop human capital strategies, applied through EOC programs, in order to support their corporate responsibility agenda (Branham, 2005; Matten & Moon, 2008; Brammer and Pavelin, 2004). “Globalisation, corporate governance, accountability and citizenship are becoming part of mainstream policy and management as companies search for ways to understand the boundaries of their non-market accountabilities and responsibilities, and to engage with those stakeholders that matter to their business” (Suggett & Goodsir, 2002, p. 8).

The literature supports the concept that CSR and EOC for an organisation are interdependent. Strategies that are typically identified with good CSR practice also internally reflect the desirable qualities identified with being a ‘good’ employer. Those employees who positively identify with their organisation’s policies and practices consider their employer’s brand to be sound, which may reflect positively on reputation.

3.3 Business Reputation

An organisation’s reputation is an important asset that needs to be protected (Gotsi & Wilson, 2001). Reputation in business is based on ethical, financial and environmental perception of performance in relation to external goals (Birch, 2003). Fombrun and Shanley’s (1990) seminal model hypothesises that corporate reputations represent the public cumulative judgements of organisations over time, which in turn effect the organisation’s relative success in fulfilling expectations of multiple stakeholders. Business reputation extends beyond financial performance for shareholders (Fombrun, 2005). It incorporates all stakeholders, including: government, community, consumers/clients, and, particularly, employees (Gotsi & Wilson, 2001, Suggett & Goodsir, 2002; GRI, 2002). The gap between what an organisation promises in terms of its corporate brand and what it is perceived to deliver determines its reputation (Beder, 2002; Scott and Walshaw, 2005). The risk to reputation is when the gap becomes significant and an organisation’s reputation is damaged (Gotsi & Wilson, 2001). From an employee’s perspective, the desired brand that is communicated internally determines the internal reputation for the organisation when compared against the operational culture (Welch and Jackson, 2007).

Business reputation can be protected by providing a solid foundation through EOC policy and practice that builds and strengthens employee loyalty. Employee loyalty is defined by Pina e Cunha, (2002) as the commitment employees have to the success of an organisation, and the recognition that working for that organisation is their best option. Such connection and support is influenced by how the employee identifies with the brand of their organisation, including its EOC practices, and formulates a perception on the reputation of their employer. Organisations that promote significant desirable qualities for employee management not only reduce staff turnover, but enhance staff loyalty (Herman and Gioia, 2000). EOC programs can deliver intangible benefits of brand enhancement and better staff morale, fortifying corporate responsibility and strengthening business reputation externally (Bright, 2005). Externally, a strong reputation as an EOC business can also have a profoundly positive effect on external stakeholder opinion (GRI, 2002).

3.4 Making staff your reputation champions

“Organisational wealth is increasingly attributable to ‘soft forms’ of capital - reputation, trust, goodwill, image and relationships,” (Post, 2004, p. 13). These ‘intangible’ assets, which originate from the organisation’s internal policies and practices, undeniably deliver value to the company according to 96 per cent of executives polled in an Accenture Survey (Post, 2004). Staff who approve of their organisation’s values and work practices are important to promoting intangible assets and enhancing their employer’s reputation.

According to Harris and de Chernatony (2001) employees constitute the interface between a brand’s internal and external environments and can have a powerful impact on consumers’ perceptions regarding the brand for the organisation. Employees are acknowledged as brand ambassadors for their organisation through their face-to-face and technology interactions with other stakeholders (Pina e Cunha, 2002; Harris & de Chernatony, 2001).

A critical element to a reputation platform is the mode of behaviour for the organisation. This is reflected in how the organisation creates value for, deals fairly with, and fulfils its obligations to its various stakeholders, i.e. embedding a socially and financially responsible culture (Dowling, 2006). Dowling (2006) refers to communicating corporate reputation through a narrative that explains the behaviour of an organisation through its mission and morality; the way it creates an emotional bond with and fosters trusts and support with key stakeholders. These ‘stories’ are told everyday through the way employees internally and externally interact with stakeholders.
It is desirable for an organisation to align employees’ values and behaviour alongside the desired brand values and preserve the employees’ trust (Harris & de Chernatony, 2001). Achieving the desired brand values and maintaining a strong reputation is instrumental to the organisation’s performance, but is dependent upon employees ‘living’ these values through their work behaviour (Gotsi & Wilson, 2001; Harris & de Chernatony, 2001). Organisations that embrace “good” EOC policies and practices and corporate responsibility are laying the foundations for ongoing staff loyalty and a positive reputation transmitted through the actions of their staff. Organisations with a strong and developing EOC program are well placed to reap the immense advantage associated with making their employees their reputation champions (Campbell, 2004).

4. Conclusion

The reviewed literature for this paper demonstrates EOC as a reality is broader than just being a strategy to attract and retain desirable staff. The analysis of global research houses and text by leading theorists in human capital management have established desirable qualities for organisations to be considered employers of choice, these include: strong leadership and inter-relationships, high standards for safety and wellbeing, opportunity for staff development, inclusion policy and traditions, ethical community involvement, and sustainable practice. It is clear that organisations that invest in their people are perceived to be better places to work and are more likely to retain key staff and outperform other organisations on financial measures (Hewitt, 2003). Relating EOC against the criteria organisations address in order to be considered adhering to corporate social responsibility, there is a significant link between the desired qualities for EOC status and CSR indicators, especially when considered from the employees’ perspective. The literature indicates that organisations that harmonise their brand with the pillars of CSR are aligning employee management with CSR practice. The internal management of CSR is intertwined with, and cannot be disconnected from, EOC qualities.

Many theorists have argued and demonstrated organisations that deliver on their brand create a positive internal reputation, as employees deduce a synergy between the brand promises and the operations of their employer. It has been shown that internal loyalty to an organisation’s brand can translate into an enhanced external reputation, as employees become the reputation champions for their organisations. Intangible assets, such as reputation, have been proven to make a considerable contribution to the success of an organisation. The research conducted for this paper highlighted the void in defining EOC from an employee management perspective, particularly for Australian business. Much has been written about EOC as a status and as a means to securing desirable staff, but there is little empirical evidence regarding employees’ perceptions on how EOC aligns with their values, especially when related against CSR practice. The next phase of research is to survey staff on how they view the brand of their organisation against desirable qualities of EOC, in order to gain current empirical data. Another area highlighted through this literature review is the lack of contemporary discussion around EOC and its relationship to corporate responsibility, especially since 2007.

In summary, EOC from an employee’s perspective addresses human capital management that provides desirable qualities that engage, protect and provide opportunity for staff. These qualities align with recognised indicators for CSR. Staff who believe their organisation delivers on its brand, will enhance the external reputation for their employer through positive interaction with other stakeholders.

References

Hull, D. & Read, V. (2003). Simply the best workplaces in Australia – working paper. Australian Centre for Industrial Relations Research and Training (ACIRRT), University of Sydney, NSW.
Table One – Global Studies Relating to EOC (for an expanded summary of these studies, see Appendix A)

<table>
<thead>
<tr>
<th>Title</th>
<th>Year</th>
<th>Research</th>
<th>Key Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>PriceWaterhouseCoopers Global Human Capital Survey</td>
<td>2002/03</td>
<td>Global survey</td>
<td>Effective people management policies</td>
</tr>
<tr>
<td>Good Employee Practices Are Good For Your Business - Report by Department of Labour, NZ</td>
<td>2003</td>
<td>Questionnaire survey</td>
<td>More competitive business through staff retention</td>
</tr>
<tr>
<td>The State of Corporate Citizenship in the United States - Centre for Corporate Citizenship</td>
<td>2003</td>
<td>Survey</td>
<td>Examination of attitudes, expectations, and commitment towards corporate citizenship</td>
</tr>
<tr>
<td>Strategic Plan for Addressing the Communication for Employer of Choice - University of Idaho</td>
<td>2000</td>
<td>Literature research</td>
<td>Criteria for “employer of choice” education</td>
</tr>
<tr>
<td>Management Challenges in the 21st Century – Ashridge Centre, UK</td>
<td>2004</td>
<td>Questionnaire</td>
<td>Management and organisational challenges, personal challenges for management, and learning development trends</td>
</tr>
<tr>
<td>The New Business Responsibilities – Ashridge Centre, UK</td>
<td>2001</td>
<td>Questionnaire</td>
<td>Personnel policies and practices, pay and benefits, recruitment, staff satisfaction and training</td>
</tr>
<tr>
<td>The IBM Global Human Capital Study</td>
<td>2005</td>
<td>Survey and interviews</td>
<td>Human capital practices for successful organisations</td>
</tr>
<tr>
<td>KPMG International Survey of Corporate Responsibility Reporting</td>
<td>2005</td>
<td>Standard questionnaire</td>
<td>Analysis of social issues in the workplace</td>
</tr>
<tr>
<td>Simply the best - workplaces in Australia - University of Sydney</td>
<td>2003</td>
<td>Field study and open-ended question checklist</td>
<td>Fifteen key drivers were present in each of the leading workplaces</td>
</tr>
</tbody>
</table>
### Table Two – EOC Associated Awards and Ratings (for an expanded summary of these studies, see Appendix B)

<table>
<thead>
<tr>
<th>Agency</th>
<th>Award</th>
<th>Country</th>
<th>Key Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Great Place To Work” Institute</td>
<td>100 best companies</td>
<td>US, UK and Europe</td>
<td>Relationship between employees and management, employees and their jobs/company, and employees and other employees</td>
</tr>
<tr>
<td>Hewitt and Associates</td>
<td>Best Employers</td>
<td>Australia &amp; New Zealand, Asia, Canada, Europe, India and Latin America</td>
<td>Company and strategy, solid senior leadership, compelling promise to employees, alignment of people practices to support high performance culture, and measurement and employee engagement</td>
</tr>
<tr>
<td>Australian Government’s Equal Opportunities for Women in the Workplace Agency</td>
<td>“Employer of Choice for Women” (EOCFW) citation</td>
<td>Australia</td>
<td>Policies for support of women in the organisation, and have rights and obligations in place regarding sex-based harassment, diversity, transparency, inclusive organisational culture, and people development</td>
</tr>
<tr>
<td>HR Awards – Human Resources Magazine</td>
<td>Employer of Choice Award</td>
<td>Australia</td>
<td>Employee-centric culture, career opportunities, marketplace success, the link between HR and business strategy, personal development opportunities, performance management and measurement processes, and recognition of people as a competitive advantage</td>
</tr>
</tbody>
</table>

### Table Three – CSR criteria and links to EOC

<table>
<thead>
<tr>
<th>CSR criteria</th>
<th>Theorists reviewed</th>
<th>Link identified to EOC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Ethics</strong></td>
<td>Matten &amp; Moon, 2008; Crane, Spence &amp; Matten, 2007; Dahlsrud, 2008; Carroll, 1999; Benn &amp; Bolton, 2011; Blowfield &amp; Murray, 2008; Haugland Smith &amp; Nystad, 2006; Suggett &amp; Goodsir, 2002; French, 1984</td>
<td>▪ Staff align corporate values with their own ▪ Develops trust between employee and employer ▪ “Feel good” factor for employees ▪ Transparent disclosure ▪ Market conduct reflects internal brand</td>
</tr>
<tr>
<td><strong>Employee Relations</strong></td>
<td>Matten &amp; Moon, 2008; Dahlsrud, 2008; Benn &amp; Bolton, 201; Blowfield &amp; Murray, 2008; Haugland Smith &amp; Nystad, 2006; Suggett &amp; Goodsir, 2002</td>
<td>▪ Attention to employee management ▪ Consideration for employee development ▪ Strong and ethical governance ▪ Inclusive decision making</td>
</tr>
<tr>
<td><strong>Human Rights</strong></td>
<td>Matten &amp; Moon, 2008; Crane, Spence &amp; Matten, 2007; Dahlsrud, 2008; Carroll, 1999; Benn &amp; Bolton, 2011; Blowfield &amp; Murray, 2008; Haugland Smith &amp; Nystad, 2006; Suggett &amp; Goodsir, 2002</td>
<td>▪ Embracing diversity ▪ Equal opportunity with the organisations ▪ Sexual equality ▪ Respect for all stakeholders ▪ Global vision</td>
</tr>
<tr>
<td><strong>Community Investment</strong></td>
<td>Matten &amp; Moon, 2008; Crane, Spence &amp; Matten, 2007; Dahlsrud, 2008; Benn &amp; Bolton, 2011; Blowfield &amp; Murray, 2008; Haugland Smith &amp; Nystad, 2006; Suggett &amp; Goodsir, 2002;</td>
<td>▪ Licence to operate in the community ▪ Being part of a community ▪ Financial support for the community ▪ Staff volunteering opportunities</td>
</tr>
<tr>
<td><strong>Environmental Sustainability</strong></td>
<td>Matten &amp; Moon, 2008; Crane, Spence &amp; Matten, 2007; Dahlsrud, 2008; Carroll, 1999; Benn &amp; Bolton, 2011; Blowfield &amp; Murray, 2008; Haugland Smith &amp; Nystad, 2006; Suggett &amp; Goodsir, 2002; French, 1984</td>
<td>▪ Sustainable practice ▪ Respect for the environment (local and global) ▪ Culture of sustainable operations</td>
</tr>
</tbody>
</table>