



Diversity-Network Newsletter – Special Edition

Reputation Index released

Occasionally we will contact our Network members to bring to your attention relevant articles or news stories.

Yesterday (October 22nd), the *Age* and *Sydney Morning Herald* newspapers released their annual *Good Reputation Index*.

The *Index* assesses the reputation of Australia's top 100 public companies across six major categories:

- Management of employees
- Environmental performance
- Social impact
- Ethical performance
- Financial performance
- Market performance

The *Management of Employees* category includes a number of criteria regarding Diversity Management. Success in this area helped a number of firms achieve a strong *Index* outcome.

Why is reputation important?

Reputation is important in differentiating firms from their competitors. It sways consumer perceptions about the quality of goods and services. It influences the decisions of investors and creditors. It affects the response of communities, governments, regulators and other stakeholders to development proposals. And, of course, it shapes the employment decisions of current and future employees.

Firms develop reputations as *employers of choice*. Diversity Management assists in becoming an *employer of choice*.

How does Diversity Management affect reputation?

Firms should be endeavouring to attract employees from the broadest possible range of backgrounds and with the widest possible range of skills and experiences. Prospective employees from traditionally marginalised groups will seek out those firms with a reputation for workplace diversity, openness and cultural awareness.

Similarly current employees will observe and respond to the policies, strategies and outcomes they observe in their workplace. Firms who develop good programmes in the area of Diversity Management will improve employee retention and job satisfaction.

**“Our diversity is a source of competitive advantage”
... Prime Minister John Howard**

How do you improve your Diversity Management reputation?

Reputation is about sending the right message to employees, customers and other stakeholders. Stakeholders may develop an opinion of your firm's Diversity Management by observing:

- the demographic makeup of your Board and senior executives
- the demographic makeup at the *coalface* i.e. at point of sale or service delivery
- the demographic makeup of your promotional material and advertisements
- feedback from employees, trade unions etc.
- assessments from authoritative sources, such as the *Good Reputation Index*.

Alongside sound Diversity Management practices such as those identified through our Programme's Business Models and Toolkits, firms should endeavour to communicate their successes to their stakeholders.

Achieving a diversity dividend

Firms will reap a substantial dividend from developing a reputation as an *employer of choice* due to their diversity management practices.

They will achieve cost savings in terms of reduced turnover. Our Business Model *Keys to Effective HR Management* identifies cost savings of upwards of \$40,000 per employee from stemming turnover. Similar savings occur in reducing absenteeism and search costs.

There are also further benefits on the revenue side in terms of improved productivity, innovation and success in new markets.

Lessons for Australian firms

A significant finding from the *Good Reputation Index* was that the majority of the firms did not take diversity seriously. Our survey of 227 senior Australian executives in the *Capturing the Diversity Dividend* report reached a similar conclusion.

Firms that make a commitment to Diversity Management will see strong reputational rewards.

More information

The Models and Toolkits mentioned in this newsletter are available from our website:

<http://www.ecom.unimelb.edu.au/acib/diverse/>