

# Examination of Stockland as an Authentic Employer of Choice

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## INTRODUCTION

The recent volatility in the Australian and global economy has resulted in a shortage of high quality skilled staff in industries such as mining, energy resources and property development. Attracting and retaining the right people for the key positions is a strategic challenge facing many Australian organisations in both a growing and shrinking economy. Frequently, organisations engage in bidding wars in an attempt to attract employees from their competitors. Rather than enter a salary bidding war, companies have begun to set goals to become an Employer of Choice (EOC) as a way to obtain an edge over their competitors, which is an important measure in the current fluctuating economy.

The purpose of this case study is to examine the concept of EOC and the criteria for judging EOC status. This case study will firstly outline the definitions and criteria found in literature and will then examine the results of two surveys carried out within the Stockland Development Division to determine whether it can be considered an EOC organisation. A number of observations are made on how Stockland can create and maintain EOC status. These include establishing higher levels of collaboration between divisions in Stockland, focusing on work/life balance, and setting strategic directions about future market directions and employee perceptions of sustainability.

## CURRENT STATUS OF EMPLOYER OF CHOICE

EOC has become a popular term used in industry in Australia (Herman & Gioia, 2001). EOC is the term often used to describe any organisation aspiring to be considered 'world class' in the short list of world class candidates. It means being able to provide employees with the most enjoyable and fulfilling working environment while balancing this with their home and personal life.

Herman and Gioia (2001) identify the benefits that organisations have when they achieve EOC status. One of the major benefits of being regarded as an EOC is that potential employees seek out and approach EOC organisations. As a result, personnel marketing and recruiting costs are reduced. An additional benefit is that EOC status is also likely to reduce staff turnover in an organisation.

Intrinsic values, which are what employees feel, think and do, help create an organisation's status as an EOC. The "feel" factors include a sense of achievement and personal satisfaction. Employees are likely to feel committed, stimulated by challenge and empowered. They are also energised and passionate team members who share a common sense of direction and are focussed towards a common goal. The "think" factors include creativity, where unique and challenging problems are solved by leaders and teams engaging in strategic thinking to set goals and objectives that reinforce cooperative team spirit. The "do" factors include a well developed and communicated vision shared by a team, people working harder and smarter to make challenges become successes, taking initiative and enjoying the pride and satisfaction of successful results.

Extrinsic factors must also be present for an organisation to be an EOC. Factors such as safety, pay, comfortable/efficient work environments, employee status and recognition, company image and individual empowerment are considered superior to what other organisations offer (Noe, 2000).

In view of this, implementing a strategic human resource development program is critical to attaining EOC status. The elements of leadership, culture and employee wellbeing must be a balanced combination feeding into a shared vision and strategy. Maintaining EOC status requires an effective recruitment and selection strategy, regular performance management (with a focus on positive performance reinforcement), and regular and overt reward and recognition across all levels of all teams in an organisation. Figure 1 illustrates the flow of these elements in an integrated HRM cycle.

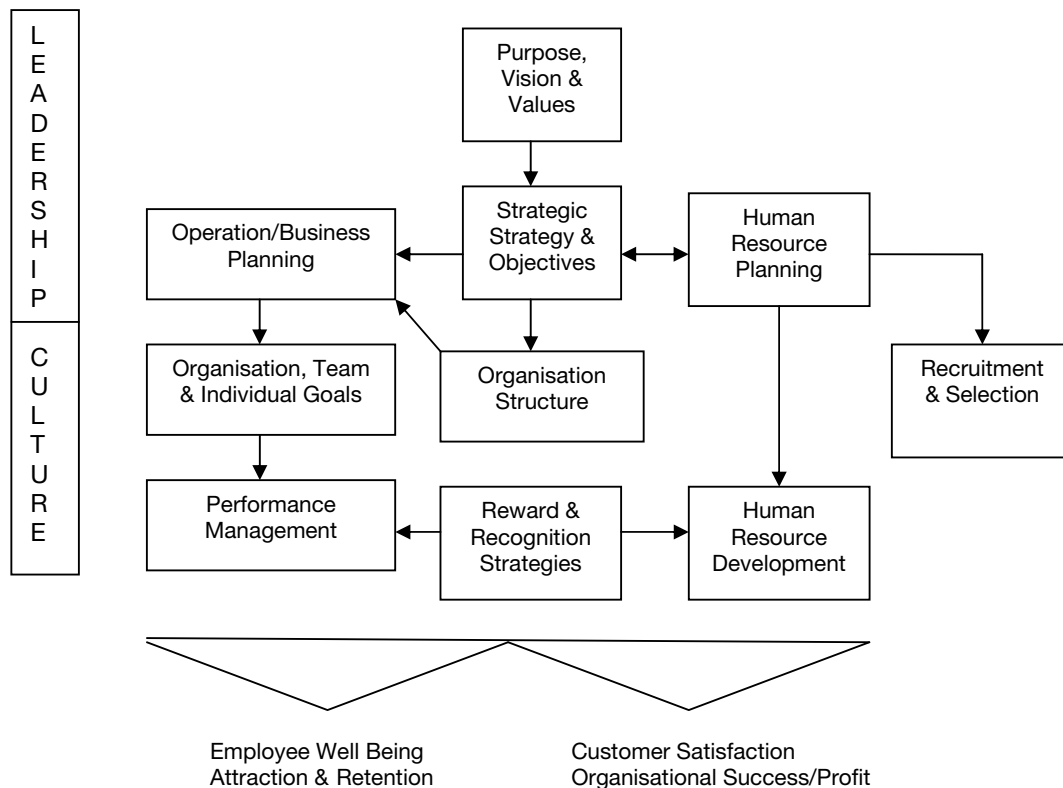


Figure 1: Integrated HRM Cycle to Achieve an Employer of Choice Status

Clarke (2001) discusses how beneficial EOC status is for women. The founding principles of his approach are:

- Establishing a leadership program
- Promoting men and women as colleagues
- Enhancing career opportunities for women
- Supporting the balance of multiple commitments that working women have
- Building goals into the business planning and HR processes
- Communicating a change

Each of these HR strategies and actions will contribute fundamental leverage to EOC status in any organisation, principally because they involve establishing equal opportunity for all employees and make opportunities available to anyone working for an organisation.

Employee engagement is a key ingredient in achieving EOC status. Engagement is achieved when both staff and customers consistently speak highly of an organisation, and the employees have a desire to stay and are willing to put in extra effort to meet the organisation's goals. A substantial number of the successful drivers of EOC are intangible and include factors such as the employee's desire to stay, their enjoyment and the energy they put into an organisation. These key factors form the psychological contract.

Dabos and Rousseau (2004) and Beckett-Hughes (2003) believe that the psychological contract is a key relationship between workers and their organisation which underpins intrinsic satisfaction levels leading

to EOC. Dabos & Rousseau (2004) argue that managers who feel poorly treated by the employer are less likely to make commitments to their workers or believe the employer is trustworthy. They propose that the psychological contract creates an enduring mental model of employment relationships. This model underpins the retention goal for all organisations and is a primary driver of EOC status as employees can promote the organisation's status during the recruitment process.

The importance of a strong psychological contract is supported by Herzberg's theory of motivation (Noe, 2000). Herzberg argued that the majority of people are motivated by a sense of achievement (42%), recognition (32%) and being provided with interesting work. Pay is further down the list and can be a strong demotivator if it is out of balance with the market.

Critical phases occur early in the employment lifecycle which have a powerful effect on the psychological contract. Thomas and Anderson (1998) believe that socialisation events, particularly initial assignments, can have pervasive effects over time on beliefs that a worker holds about the employment relationship. As a result, it is critical that early efforts to ensure that new recruits are inducted to enable them to become familiar with the organisation's culture and in turn regenerate EOC conditions within the organisation.

## **STOCKLAND DEVELOPMENT DIVISION**

Stockland is an \$AUD8.5B market capitalised Listed Property Trust with four major operating divisions covering the fields of commercial and industrial asset ownership and development, retail asset ownership and development, residential community development and hotel management. In the past 5 years, Stockland has achieved significant growth from a \$AUD3.6B asset base in 2000 to an \$AUD8.5B asset base at the end of the 2005 financial year. The Development Division is responsible for development of residential communities in every state of Australia.

The rapid growth of the Development Division in the last five years has posed significant challenges for the management and leadership teams throughout Stockland. In 2000 Stockland's overall quality of development and branding of its products was poorly perceived by consumers and by property development professionals. Previous efforts to attract talented and innovative staff to Stockland were not very successful. The need to recruit people quickly as the company grew in the number and size of its projects became a very high priority and considerable effort was put into recruiting people with a higher level of skill.

In 2004, Stockland was one of 139 organisations to participate in the Best Employers in Australia and New Zealand (ANZ) Study sponsored by Hewitt Associates, The Australian Graduate School of Management (AGSM) and John Fairfax Limited. The participating organisations represent both publicly-listed and privately-held businesses from a wide range of industries and included a small sample of public sector organisations. In total, these organisations employ over 250,000 employees and submitted more than 40,000 employee surveys as part of the 2004 study (Hewitt, 2004).

The methodology of the study consisted of three survey instruments:

1. An employee engagement survey.

This measured the extent to which employees were emotionally and intellectually connected to their organisation. The data was collected from a statistically valid random sample of employees in each organisation. The survey includes an engagement score which is a composite of three key behaviours: "say", where employees consistently speak positively about the organisation to co-workers, potential employees and customers (current and potential); "stay", where employees have an intense desire to be a member of the organisation; and "strive", where employees exert extra effort and engage in work that contributes to business success.

2. A CEO questionnaire.  
This sought to understand the CEO's philosophies in their approach to managing people and the alignment of people practices to the organisation's strategy.
3. The People Practices Inventory.  
This is Hewitt's own measure, which is a detailed inventory of each organisation's people practices and policies.

After assessing the survey data, the judges looked for organisations that demonstrated 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 (Hewitt 2004). Table 1 shows the companies which achieved best employer status.

**Table 1: 2004 Best Employer Survey Results**

Winner	Salesforce* (2)
Highly Commended	Bain International Inc (1)
	Cisco Systems* (3)
	Flight Centre (2)
	SEEK (1)
	American Express International Inc (1)
Best Employers	Dell*
	Diageo Australia (3)
	Golder Associates* (1)
	IGT*
	Johnson & Johnson (2)
	McDonalds (1)
	MFS Group
	Retailink (1)
	Select Australasia
	STA Travel
	Stockland
	Swiss Re

*Note: The numbers in brackets indicate the number of previous years the organisation has appeared on the Best Employers list(s). An asterisk indicates organisations the reported data for employees in both Australia and New Zealand. All other organisations represented Australian employees only.*

Stockland appeared in the list of 13 best employers in Australia and New Zealand. The key leading indicators in achieving best employer status were identified as:

- High quality leadership.
- Developing the talent of employees.
- Inspiring and maintaining a passion for achievement and utilising this culture to create a positive employment experience for employees.

# STOCKLAND ISR SURVEY RESULTS

## Stockland Employer of Choice Survey Results

Early in 2005, Stockland engaged International Survey Research (ISR) to conduct a comprehensive employee survey of approximately 1000 employees Australia-wide. Of approximately 360 members of the Development Division of Stockland, 238 employees completed the survey in April 2005.

The 156 survey questions were randomly proposed in an online survey and subsequently grouped into 16 separate measurable performance categories as shown in Table 2.

**Table 2: Measurable Performance Categories**

Competitive Position	<b>Leadership</b>
<b>Communication</b>	Values
<b>Employee Engagement</b>	Training, Learning and Development
Performance Planning/ Appraisal	<b>People Leader Index</b>
Corporate Responsibility and Community Involvement	Working Relationships
Balancing Work / Diversity	Immediate Manager
Customer Focus	Work Processes / Systems
Pay	Management Style

*Note: Bold categories are key indicators/measurements of EOC*

ISR was selected for their strong national and international benchmarks. These benchmarks enabled

Stockland to test the level of employee engagement against other leading Australian and international high performing organisations. These benchmarks have been accumulated over a three year study of 41 international companies employing 363,000 employees in 60 countries. In particular, ISR have focused on establishing international and Australian benchmarks for leadership and employee engagement in high performing companies by only including companies where their return on capital and/or net profit margin consistently exceeded the average for their industry on a world-wide basis. ISR have identified 39 companies internationally which match those standards and have completed a detailed three year linkage study to determine their fundamental drivers of organisational performance.

## Key Drivers of EOC from ISR Survey Results

From an examination of theoretical frameworks presented by Herman and Gioia (2001), Clarke (2001), Dabos and Rousseau (2004) and the Hewitt employer survey results, it appears that the key factors that promote EOC status for an organisation are:

- Engagement
- People Leader Index
- Communication
- Leadership

In addition to these key drivers, the top 10 attributes from the ISR survey results for Stockland enable a comparison with Australian and International standards. Similarly, the bottom 10 measurements for Stockland also provide data to help determine how Stockland achieved the status as an EOC.

An analysis of key drivers identified the categories which lead to an improvement in engagement. The key driver analysis is a multiple regression analysis across all scores from the staff survey and identified

statistically significant differences from the results of all 156 questions which indicate those which will lead to significant improvement in employee engagement. The key driver analysis results from ISR's multiple regression analysis are summarised in Figure 2.

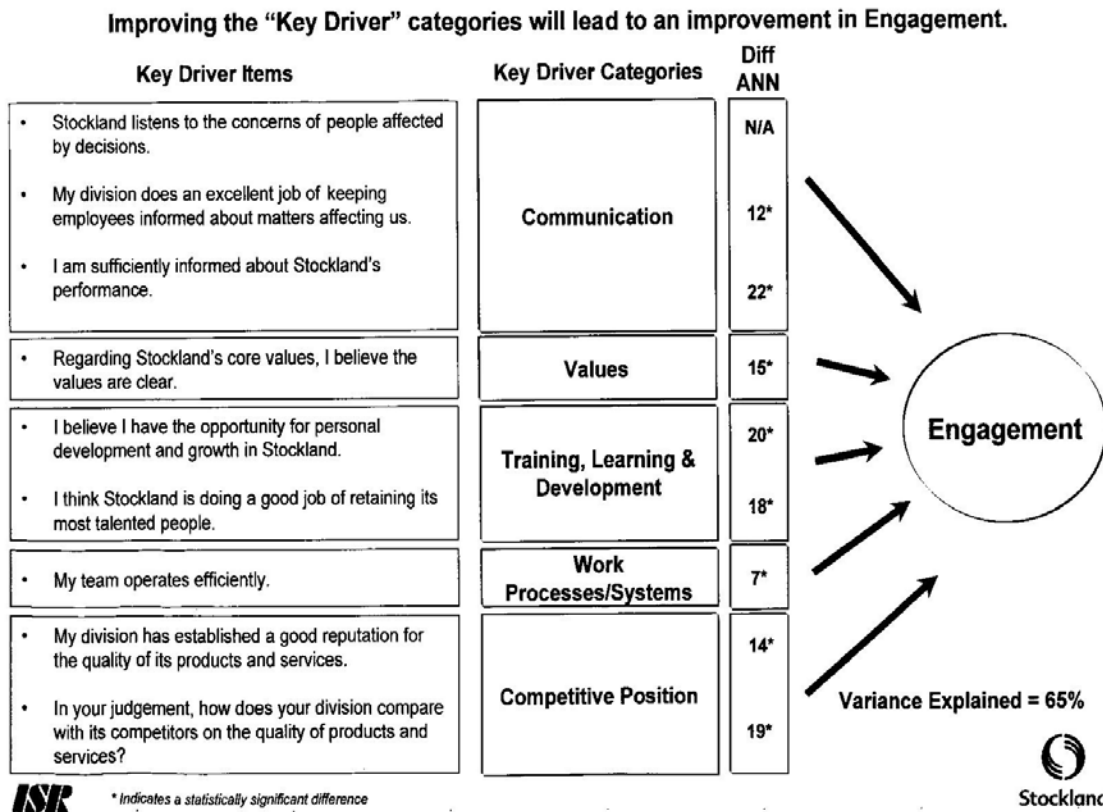


Figure 2: ISR Multiple Regression Analysis: Stockland Development Division Key Drivers

### Overall EOC Drivers

A comparison of the top ten and bottom ten differences from the Stockland Development Division results with ISR Australian National Norm benchmarks highlights the areas where Stockland is performing both above and below the Australian benchmarks.

Within the top 10 differences, of particular interest is employee perceptions of how effectively their CEO can establish priorities. In the Development Division this scored 69% which is 24% points above the Australian National Norm. While this was a strong result, it also represents an opportunity to improve this aspect and further enhance employee engagement. Similarly, employees' perceptions of how effectively their CEO made decisions promptly scored 59%, which is a 19% point positive significant difference to the norm; yet it represents an area where increased performance will maintain and improve employee engagement.

The bottom 10 differences in Stockland Development Division indicate that training and support in customer service, employee pay, clear goals and information, and leadership coaching and support on personal and professional goals were areas where improvement was needed. The rapid growth and speculative nature of each Division had resulted in them each focusing on their own growth opportunities. To address these issues a program of collaboration between divisions was launched by integrating the business and human resource functions across all four divisions of the business.

## FOUR KEY COMPONENTS OF EOC

Based on the earlier discussion, the four key components which contribute to an organisation becoming an EOC are: leadership, communication, employee engagement and People Leader Index.

### Leadership

One of the key ingredients contributing to EOC status is leadership. The Stockland survey results determine the contribution of leadership at 74% points, which is 20% points higher than the ISR Australian National Norm. This high score comes from the CEO's leadership skills and their ability to state objectives clearly and provide employees with a clear sense of direction. It is crucial to continuously up skill the management team with improved leadership skills to ensure that this key driver of its EOC status is maintained.

The survey results indicate that employees believe the Managing Director trusts the employees' judgements. Employees also have a clear understanding of the goals and objectives of the Development Division. At the next layer of leadership in the organisation, where the General Managers report to the CEO of the Development Division, employees have also indicated that their General Manager provides a clear sense of direction, makes decisions promptly, establishes priorities and manages change effectively.

The Executive Committee recognised that this was one of the most significant levers to maintain and strengthen EOC status but also the broader financial performance. As a result they have invested in making this a major pillar in their People Strategy. In 2005 Stockland introduced three tiers of management and leadership development to strengthen this key lever of EOC.

- Tier 1 – the Management Essentials Program which is targeted at the front line managers to give them the basic skills to manage people and their performance.
- Tier 2 – the Management Excellence Program which is for middle and senior managers to build their coaching, performance management and understanding of the different motivational needs of the individuals they manage.
- Tier 3 - the Leadership Excellence Program which targets General Managers and Executive Committee to build a common language, leadership style and approach suited to Stockland.

### Communication

Communication is another strong pillar of the EOC status. This is rated 75% by the Development Division, representing a 15% point difference above the ISR national benchmark. The results show that Stockland communicates Stockland's performance well and that communication between team members is encouraged. However, giving employees the opportunity to challenge traditional ways of doing things is an area that needs improvement as the overall results of communication measurements were low.

In the area of communication, the key drivers are:

- Listening to areas of concerns of people affected by decisions.
- Keep employees informed about matters affecting them.
- Keeping employees informed about Stockland's overall performance.

Regular communication is an essential component of employee engagement. Detailed team briefings, with open and lengthy question and answer periods to satisfy demand for knowledge and ensure clarity, remain the best communication forum. Establishing mixed teams across disciplines and divisions provides value adding to these forums and ensures that employees meet and learn from their peers. These forums are supported by regular newsletters, email broadcasts and sharing of successes in

impromptu gatherings. It has been recommended that team briefings are held on a regular two monthly cycle with ample time for questions and answer sessions in every business unit.

## **Employee Engagement**

ISR aggregates several questions to provide the overall 'employee engagement score'. These include a range of questions which relate to employee satisfaction and they include many of the main contributory items to EOC status. The scores in the Development Division on these questions are as follows:

- 94% of staff are willing to work beyond what is required in their job to help Stockland succeed.
- 89% believe strongly in the goals and objectives of Stockland.
- 82% believe they fit well into the culture of Stockland.
- 92% fully support the values for which Stockland stands.
- 84% would recommend Stockland as a good place to work.
- 86% of employees are proud to be a part of Stockland.
- 73% are satisfied with Stockland as a place to work.

## **People Leader Index**

The Stockland Development Division scored 71% on the People Leader Index, which is 4% points higher than the ISR Australian National Norm benchmark. The People Leader Index items are measurements of the activities of the immediate manager for each of the Stockland Development Division staff members. One location within the Development Division registered extremely low scores, which were between 22% and 34% points below the rating for the balance of the division. These results occurred where immediate managers were deficient in establishing clear goals for their team, leadership decisions were inconsistent with the values, and regular reviews of team progress and regular feedback on performance were lacking.

## **DISCUSSION**

This section summarises the results from the Stockland Development Division together with the analysis of Stockland ISR Survey Results and the literature review on Employer of Choice.

### **Recruitment**

EOC is largely focussed on recruitment and attracting talented employees. Stockland intends to further upgrade its recruitment processes and ensure that senior managers and line managers spend more time communicating and aligning attitudes of potential new employees to the Stockland culture prior to employment. Stockland currently encourages its senior managers to conduct thorough recruitment interviews and uses independent consultants for references and security checks into a potential employee's background.

### **Intrinsic Values**

As described previously, the "feel", "think" and "do" factors are intrinsic factors that create the EOC status for an organisation and are some of the key drivers for employee engagement. The "Stockland Wave" process creates a culture of shared innovation and best practice. It includes regular communication between acquisition teams, development teams and sales and marketing teams. It has taken two years to educate all Stockland Development Division employees and reach an understanding of the value of collaboration and cross sharing of innovation and expertise.

Ensuring the corporate values are imbued in every employee is a critical factor in continuing growing employee engagement. This is particularly important in times of business stress. At these times if employees default to the key values of openness, commitment, innovation and teamwork, then most issues can be quickly resolved.

## **Extrinsic Factors**

Factors which relate to employee engagement include safety, pay, comfortable/efficient work environment, employee status and recognition, company image and individual empowerment. Stockland has launched a major OH&S training program and has created a senior management position in Health Safety and Environment.

The remuneration scales for many Stockland Division employees were significantly upgraded in 2005. A concerted effort has been made to improve employee self esteem and recognition by acknowledging individual effort and achievement, team successes, and recognition of new and innovative improvements.

## **Learning and Development Programs and Alignment of KPIs to Strategic Plans**

Clarke (2001) argues that the competitive advantages of EOC are largely intrinsic and that only with a HR strategy that is aligned with the organisation's business strategy can EOC be measured and clearly articulated to all employees. The Balanced Scorecard can be seen as an appropriate KPI reporting framework. Linking employee performance and rewards and bonuses to the strategic plan will heighten the understanding of the strategic plan and relate it to employees' daily activities. The Balanced Scorecard must also include learning and development factors. While employees can expect to receive rewards and recognitions for their efforts, they must also be consistently encouraged to grow their career path and undertake learning and development activities to upgrade their skills and knowledge.

Stockland has put considerable effort into improving its learning and development programs in the past two years. General staff engage with the learning and development program through upgrading skills for new business processes and systems as well as increasing skills for all aspects of business systems, IT capability and people management. Stockland also invests in supporting individual employees' tuition fees for external courses.

## **Gender Distribution**

Clarke (2001) argues that organisations which establish equal opportunity practices with a particular focus on enhancing career opportunities for women will achieve and maintain EOC status more quickly and for longer periods. While the appointment of women to senior positions has increased substantially over the past two years at Stockland, the general dominance of males in the construction and property industries has reduced the balance between genders in senior management positions.

## **Employment Life Cycle and the Psychological Contract**

Dabos and Rousseau (2004) argue that the psychological contract creates an enduring mental model of employment relationships. It is the very early informative stages of employment relationships, especially the initial induction program, which profoundly affect the enduring mental model retained by employees.

Stockland has an opportunity to improve in the way it conducts its short cycle and mid-stream induction process for new employees. Stockland has a well developed initial induction program which quickly brings new employees into communication with senior management and external stakeholders as well as providing the support for learning new business systems and procedures and protocols. Stockland needs to build employee engagement during the one to two year employment period. This could be done by linking employees to the HR learning and development team to conduct skills audits, assess aspirational learning opportunities and plan fundamental training programs to upgrade or introduce new skills required for future progression in Stockland. Data shows that disaffection of

Stockland employees occurs in the 1-2 year employment tenure because of limited opportunities to grow and advance within the organisation. A program focussed on employees from six months to 12 months employment in the organisation which addresses learning and development opportunities and career path planning is needed to address this turnover issue.

## **Most Recent Confirmation of Employer of Choice Progress**

While most of this article has discussed the efforts Stockland has made in 2004 and 2005 toward becoming an employer of choice, additional events in 2007 have provided further evidence of this progress, including;

- BRW judging the Managing Director of Stockland as the leading CEO in Australia for people leadership in 2006, in an industry peer assessment.
- A second Hewitt Best Employer Award was granted to Stockland in March, 2007 after independent interviews across staff and with the Managing Director to verify vision, values and shared ownership of the strategy.
- Stockland shifted to a new headquarters in April 2007, which involved a refurbishment of a 20 Building Foundation contest for its environmentally friendly design.

## **CONCLUSION**

The review of the research and the two employee survey results suggest that the key drivers of Employee of Choice status are:

- Leadership
- Communication
- Employee Engagement
- People Leadership Index

This case study suggests that Stockland Development Division currently meets many of the criteria as an EOC. However, key areas for immediate improvement have been identified and include increased communication amongst all employees, clearly setting defined goals, improvement of business systems and clearer identification of performance measures tied to strategic plan performance, and the need for regular remuneration benchmarking to the overall market place.

Herman and Gioia (2001) believe that EOC status makes a company more attractive to investors. However, analysts and investment portfolio managers have a short cycle profit focus demanding return for the funds they invest especially on behalf of major superannuation holdings. This continuously raises the bar for listed public companies in high growth phases of a company's development. While EOC status may make any organisation more attractive to institutional investors, they also introduce a short cycle view to maximising return on assets. The short cycle profit focus represents a factor which could potentially corrode EOC status.

Earning EOC status is difficult and complex for an organisation to achieve. EOC comprises of a wide array of contributing factors which together influence employee decisions to be initially attracted to or stay with an organisation. Excellent leadership, regular and positive communication and a strong focus on all the elements that contribute to employee engagement appear to be the necessary components for an organisation to achieve EOC status. The recent down turn in the economy and particularly the property market in Australia will be a major test for Stockland to see if it can continue to maintain its EOC focus. To be an EOC at a time when revenues and profits are being challenged may be the best test of an authentic EOC.

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