

# Employee Treatment and Financial Performance

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## Introduction

Employees are key to organisational success, frequently regarded as the most valuable asset that drives financial performance. If treated fairly, employees feel motivated to perform better within an organisation. There are various strategies deployed in policies and practices, that constitute treating employees fairly. For example, flexible working arrangements, strong health and safety policies; profit sharing, retirement benefits, promoting diversity, equality and inclusivity, and family-friendly policies are likely to increase employee commitment and dedication and reduce turnover. Overall, such strategies, help maintain a positive employee work-life balance and cater to the needs of a diverse workforce.

However, incorporating progressive organisational policies and practices, such as supporting parental leave and fostering a supportive work culture, will incur financial costs. If the advantages of these initiatives were recognised as surpassing the costs, it is argued firms would be more willing to incur such costs. These costs should be viewed as socially responsible investing. By investing in such initiatives, firms can enjoy long-term benefits including improved performance, enhanced innovation and a strong organisational reputation.

Conversely, neglecting such initiatives may result in higher employee turnover and the loss of talented human capital. In turn, this can be costly to an organisation—by necessitating the hiring and training of new employees. For these reasons, it is clear that the benefits of these initiatives outweigh the costs incurred. This article underscores the importance of treating employees fairly and the benefits this can bring to an organisation.

## Employee Treatment and Financial Benefits

### Improved Performance

Organisations that prioritise their employees' fair treatment perform better financially. A business becomes profitable by improving sales and reducing costs (expenses). Both these factors are driven by employees, who work to generate output (goods/services) to be sold and develop relationships with customers to boost sales, resulting in further profits. Employees are also able to work efficiently to lower costs and generate more operating profits.

Focusing on employees' safety and wellbeing provides them with security and a sense of belonging, and motivates them to put more effort into improving the organisation's value. Developing a congenial

working environment by strengthening organisational policies and procedures to care for employees and promoting said initiatives leads to motivated and happy employees who will deliver business outcomes in terms of improved [stock market performance](#).

## Promoting Innovation

Innovation is another significant benefit of a committed workforce and positive workplace culture. Employees are drivers in creating [intellectual property](#): assets that create value for the business, such as by building a clientele or inventing a new product or service, thus enhancing financial performance. Research documents that [effective human resource management practices and employee retention act as moderators](#) in channelling human knowledge to improve innovative performance.

## Improved Reputation

Treating employees fairly improves a company's ranking in surveys, employee ratings and 'great places to work' lists, enhancing organisational reputation. Fair treatment of employees also sends signals to a corporate audience about organisational concern for social responsibility. In turn, this helps to facilitate access to capital and allows raising funds at a [lower cost](#), thus improving financial performance. [Prior studies](#) have demonstrated a negative relationship between fair employee treatment and the likelihood of employees committing fraud. Companies that treat their employees fairly are less likely to see employees commit corporate fraud because such employees are typically highly motivated to succeed at the company and not motivated to be involved in fraud or scandals. In this way, treating employees well upholds good governance practices, which help maintain a company's reputation in the market.

## Conclusion

It is imperative for employers to proactively adapt to the evolving needs and demands of diverse workforces to continually improve financial performance and maintain a competitive advantage. Organisations can bolster their success by cultivating a welcoming workplace atmosphere; implementing supportive work-life balance policies; and, fostering a culture of respect, equality and compassion. Such an environment acknowledges the unique needs and obstacles experienced by employees and provides them with the necessary support to be motivated and excel in their roles. The success of such initiatives is reflected in improved performance, enhanced innovation and a strong organisational reputation.



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Amanpreet is a Lecturer in Finance at the Australian Institute of Business. She has extensive experience in teaching several finance and accounting subjects. Her research focuses on corporate reputation, gender diversity, corporate social responsibility (CSR), initial public offerings (IPOs) and corporate governance.



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Mahan is a Senior Lecturer specialising in the fields of Employment Relations and Human Resources. She has extensive experience in teaching, research and academic leadership roles. Mahan has supervised research students, taught various subjects and managed academic programs at the Australian Institute of Business. Her research interests specifically focus on gender equality, talent management and workforce diversity and inclusion.

Mahan has published in high-ranking journals and presented at various conferences related to these topics. She is actively involved in professional committees and editorial roles, contributing to advancing industrial relations and gender studies. Mahan's ultimate goal is to create inclusive workplaces and empower individuals through education and research.

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