

Johannesburg

06 November 2013

EMPLOYEE WELLNESS PROGRAMMES IS GOOD GOVERNANCE

Article by CGF Research Institute (Pty) Ltd

Corporate governance has become an issue of global importance and is set to intensify even further as organisations across the world are called to report upon their financial and non-financial performances. The public's response to corporate governance scandals and numerous collapses of organisations on a worldwide basis has highlighted the need to satisfy a broad spectrum of governance measures, moreover to understand the effects that poor corporate governance has across the entire supply chain.

Corporate governance, risk mitigation and compliance (GRC) with legal, regulatory and procedural measures needs to be thoroughly understood by organisational leaders and boards, and these critical components must be firmly established within the organisation's strategy to give it any form of substance and meaning. Failing to include these components in the organisation's DNA, nullifies their importance in the organisation's operation and is surely a quick route to disaster at all levels; not least a failure on the part of the board of directors and their fiduciary duties.

It is expected that organisations of all sizes apply sound GRC practices and institute high ethical values for the benefit of investors, their stakeholders, their employees and the communities in which they operate. In short, failure to comply with good governance can have devastating consequences for all the organisation's stakeholders. Yet when confronting organisations about their corporate governance practices -- or lack thereof in many instances -- many business leaders cite the need for a more pragmatic means to systematically introduce governance measures that make sense to their business operations (instead of being over burden and threatened with punitive actions).

Besides the obvious corporate governance areas most organisations typically concentrate upon, such as the compliance with various legislation, governance recommendations, internal rules and policies; many organisations inadvertently do not consider the more fundamental governance issues attached to their employees or workforce. This crucial area -- the human capital of the organisation -- is most often left as an 'aside matter' and it does not get the full attention and allocated time it rightfully deserves. After all, if there is no workforce or if the workforce is negatively impacted in one way or another, realistically speaking the organisation will be in serious trouble with obvious sustainability implications.

Accordingly, as organisations are increasingly expected to report upon their non-financial components of their business, which includes amongst other their 'people' and 'planet' matters, there is no doubt that *this* type of reporting is far less developed (or sophisticated) as compared to the hundreds of years of financial reporting. To this end, organisations may require additional professional outside assistance as they begin to tackle the complexities attached to human (and environmental) reporting. Reporting of this nature is relatively new for most organisations, and getting to know and deal with the so-called 'soft' issues of a business is actually not that easy, especially when it comes to the physical health and the emotional wellness of employees. It is in this context that organisations will need to practically show the cumulative and individual health risks of the



organisation and its employees, not least the future sustainability of its workforce and the health care management plans for employees.

So, does the buck end with the HR (Human Resources) department? In real terms, it is quite possible that HR executives will be delegated the task of devising HR strategies to 'fit into the organisation's master plan'. But this approach is inevitably flawed, simply because HR cannot -- by its own means -- be held accountable for ensuring the organisation's Employee Wellness strategy alone. In order for the organisation's Employee Wellness strategy and programme to become successful, HR will require the unwavering support from both the board and the senior leadership of the organisation. For 'employee wellness' to be effective within the organisation and its employees, it has to be deeply rooted within the organisation's strategy, culture and value system. Failing this vital support, including an attitudinal shift to promote the wellness of employees, any attempts to improve the organisation's Employee Wellness strategy will be fruitless.

As Employee Wellness programmes are intended to benefit the organisation as a whole, it should be completely integrated within the business; and such that the design, implementation and operations of the wellness programme creates sustainable stakeholder value. Indeed, in order to unlock the value of the organisation's wellness programme, the programme should be evaluated and refined continuously so that employee-health strategies are improved upon for the benefit of both the organisation and its workforce.

Expectedly, organisations that employ the global best practices of employee wellness programmes generally report greater employer and employee risk reductions than those organisations that do not adhere to them. Moreover, they also report:

- increased levels of employee commitment,
- improved employee wellness programme participation,
- increased workforce productivity and morale, and
- reduced absenteeism / presenteeism and health care claims.

These world-class employee wellness programmes are always designed with an end objective in mind. When designing these programmes, forward-planning employers purposefully incorporate a wide spectrum of governance and risk management issues within their thinking which can range from basic information sharing, to more complex interventions that are fully incorporated into the business strategy. As opposed to the typical ad-hoc, independent *activity-based* programmes -- which tend to fade away after a short period of time -- superlative employee wellness programmes are mostly *outcome-based*, where a strong business case and well defined strategy and programme is most evident. Within the latter approach, organisations may focus upon, for example, specific employee population groups, health risks and business results that realise greater productivity and profitability. These organisations emphasise a strong clinical health risk approach in areas such as cardiovascular functioning, body fat percentage, hypertension, cholesterol, blood sugar and lipid level imbalances. These primary concerns are combined to deal with issues such as depression, burnout, back pain, smoking, healthy eating and physical activity.

Organisations who deploy outcome-based employee wellness programmes, typically report a return on investment (ROI) -- expressed as a cost/benefit ratio -- which ranges from 1:3 up to 1:7. Employees of these organisations are reportedly more personally committed to their organisation with 20 percent higher employee



wellness participation rates, and employees are more inclined to support their peers with health promotion activities.

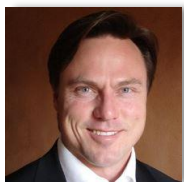
Global employee wellness programme evaluations also report a 'culture of wellness' as a best practice that increases the organisational outcomes. A culture of wellness manifests in the language, the interpersonal relationships and the individual expressions (behaviour) of employees. The behavioural patterns of a wellness culture speak of inter-dependence, wholeness, good stewardship, positive virtuous, strengths, functionality and ethical behaviour.

As more corporate governance practices are called for, and as the area surrounding the human capital and its integrated reporting continues to develop - organisations will be increasingly expected to comply with the recognised international standards, health care regulations and labour-related legislation. It should therefore come as no surprise that much of the change toward employee wellness will not only emanate from the various policy makers. As an additional bottom-up demand on employers, enlightened employees will factor the manner in which their future employer regards (and accommodates) their personal wellness prior to accepting employment with the organisation. By disregarding the intrinsic employee wellness values (including their personal health and safety) which has become a new and fundamental component required for an organisation's annual Integrated Reporting, there is no doubt that there will be a number of consequences which will have dire impact upon the organisation's future and its sustainability. Going forward, organisations will need to report on their *total employee health management system*, and the impact of their wellness programme and how it mitigates organisational and human capital risks.

ENDS



Terry Booyesen, the CEO of CGF has presented numerous interventions to public and private audiences in and out of South Africa and has received many accolades directly linked with corporate governance. He is a regular podium presenter and is considered knowledgeable in the practice, having produced many governance, risk and compliance reports and articles over the years.



Dr Dicky Els is a Lead Independent Consultant in CGF. He specialises in Workplace Wellness and focuses predominantly on strategy development, programme design and evaluation of outcome-based health promotion programmes. For more information on our *Employee Wellness Programme Evaluation* and *Employee Wellness Programme Audit Reports* go to: www.wellnessprogramevaluation.com or contact Dr Els directly on 082 4967960.

To find out more about CGF, our patrons and our services, please access www.cgf.co.za, www.corporate-governance.co.za or www.governanceconnect.mobi or contact our offices at +27 (0) 11 476 8264 or email tbooyesen@cgf.co.za

WORDS: 1,426