Reminder: Customers Care How You Treat Your Employees

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Two news stories speak to how companies are facing criticism for the ways they shape their workforces.

First, former IBM employees have initiated a class action suit against the company for age discrimination. The suit accuses IBM of systematically laying off older employees in an effort to cultivate a younger, and presumably tech-savvier, workforce. A few months ago ProPublica reported that in the last five years IBM has laid off more than 20,000 U.S. workers age 40 or older.

Second, companies such as Nebraska Furniture Mart and JK Moving Services face a suit by the ACLU for using Facebook's advertising tools to target employment ads exclusively at young men. The ACLU alleges that many of the jobs were in "well-paid, blue-collar fields from which women have traditionally been excluded," such as tire salespersons, mechanics, truck drivers, and technicians. The suit also names Facebook as a defendant for its role in allowing companies to target specific demographics.

As companies pursue the talent they need for the future, and especially as the average age of U.S. workers continues to rise, it's likely that more firms will engage in similar practices. And it's understandable that companies seek certain types of employees to burnish their reputations. IBM may want to recast itself as a younger, forward-looking brand, for example, and actively cultivating a youthful workforce would certainly help that cause among employees and customers alike. But even ignoring the fundamental unfairness (and illegality) of biased employment practices, these practices pose significant risks to the companies that engage in them — not least of which is the high cost of lawsuits and settlements.

Companies are coming under increased scrutiny from media, customers, investors, and other stakeholders for organizational practices that used to be hidden from the public. People now have access to information including companies' wages and benefits, sexual harassment policies, and involvement in political issues. Plus, social media gives consumers a voice with which to speak out against companies they believe are unfair or irresponsible — and they expect those companies to listen and respond. Especially prominent individuals, those with social media followers who number in the tens or hundreds of thousands, or even the millions, can have as much influence on companies as traditional media outlets have in the past. Meanwhile, companies are trying to use social media to engage customers in two-way, personal communication, so they must address the concerns people raise and the criticisms they wield.

Business leaders must recognize that a company's employment practices can shape brand perceptions just as much as traditional marketing efforts. Public relations firm Weber Shandwick found that when consumers discuss companies, the top five topics include how they treat their employees and news about their involvement in scandals or wrongdoings. And Edelman reports that no single action by a company is more interconnected with its ability to build trust with the public than "treating employees well." So in their pursuit of employees with desirable skills and profiles, companies must be sure they aren't alienating customers and other stakeholders. After all, does any company really want a reputation as a firm that won't employ older workers or women?

Bias in employment practices also presents another set of risks — those that arise within the organization. If all employees come from the same demographic, the lack of diversity may result in an insular workplace culture. The "bro" culture that has plagued Uber and other Silicon Valley companies is only one example of the dysfunction that can result from hiring practices that prioritize one demographic. A company that lacks diversity in its workforce also doesn't perform as well on financial returns, reports McKinsey. Diversity has also been found to drive growth and innovation, so companies that hire only for a specific type of employee might actually fall behind its competitors.

In addition, screening employees to fit a certain demographic profile may cause a company to overlook the fit with their values. Employees who align with a company's core values are more likely to intuitively know how they should think and act, to be more motivated to go the extra mile when needed, and to support the company's operations and aspirations. Conversely, employees who don't value the company's culture may feel less affinity to the company, so the company may struggle to retain them, leading to costly turnover.

Furthermore, while employees of a certain age or gender might be more likely to have desirable skills, experience, and capabilities, there’s no guarantee that they’ll be high performers. And even if they are, high performers who don’t support the company’s values undermine its culture. As Jack Welch, the former CEO of GE, and Suzy Welch write, a strong culture — and employees who align with it — is so important that “you have to hang — publicly — those in your midst who would destroy it.”

With so much at stake, companies need to tread carefully. Their talent practices aren’t just shaping the composition of their workforces — they’re also shaping their reputation, performance, and culture.