

## Employer Branding Helps Win On The Market

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Today's business environment is changing at a high pace and so is the climate on the labor market (Dew-Becker & Gordon 2008). McKinsey & Co stated in their report "War for Talent" that companies are facing difficulty in attracting and retaining great talents and that this will continue for at least two more decades. Buck and Dworschak (2007) published a report concerning the aging workforce in Europe and stated that the number of people in the age-band of 20-29 will fall by 20 percent and the number of people in the age of 50-64 will increase by 25 percent in two decades. Consequently, the workforce is decreasing and companies do already fight over the reduced number of talented employees. There is no question that the equation is unsustainable; companies are facing challenging times and require strategies to gain and maintain their positions as highly valued companies by potential and existing employees.

Reports and surveys have stated that the attraction and retention of suitable employees is a problem and that companies should engage in their employer attractiveness (McKinsey & Co, 2001). But how can, and how do companies work with the problems of attracting and retaining employees in a world where the workforce is collaterally diminishing? This can be done through Employer Branding (EB).

The brand is considered one of the most important and valuable assets of a company (Backhaus & Tikoo, 2004). To most people, a brand is directly connected to the company name, the products, services, and specific logotype. However, branding can also be used as a part of Human Resource Management (HRM) to attract new employees and to retain already employed members of the firm (Kunerth & Mosley, 2011).

### What is Employer Branding?

According to Morocko and Uncles (2008) branding and EB are closely related. What characterizes a strong brand is mostly consistent with successful *employer brands*. The first article regarding the subject of *employer brand*, was published in 1996 by Ambler and Barrow, where they define the concept as "the package of functional, economic and psychological benefits provided by employment, and identified with the employing company" (Ambler & Barrow, 1996). The research by Backhaus and Tikoo (2004) contributed to a further conceptualizing of the phenomena by creating a theoretical framework and they define *employer brand* as "the process of building an identifiable and unique employer identity" and the *employer brand* as "a concept of the firm that differentiates it from its competitors" (Backhaus & Tikoo, 2004). According to Sullivan (2004), *employer branding* is "a targeted, long-term strategy to manage the awareness and perceptions of employees, potential employees, and related stakeholders with regards to a particular firm".

### Characteristics of Successful Employer Brand

*Employer brand* can be used by HR as an instrument in the recruitment process to attract and recruit suitable people to the organization (Barrow, 2008). However, for the *employer brand* to be a competitive advantage, it needs to fulfill some criteria. Morocko and Uncles (2008) claim there are similarities between EB and other types of branding, such as product branding and corporate branding and they characterize successful brands by attractiveness and accuracy, which they claim is also applicable to successful *employer brands*. This implies that a strong *employer brand* is characterized by being known and noticeable, relevant and resonant, and differentiated from its competitors (Morocko and Uncles, 2008).

Between the employer and the employee, there is a psychological contract, and the expectations regarding obligations for both parties are settled during the recruitment process (Backhaus and Tikoo, 2004). The employer is supposed to offer and provide the employee training and development, in exchange for the employee's performance. If the psychological contract is fulfilled a high degree of loyalty and engagement of the employee towards the firm is more likely (Morocko & Uncles, 2008) and according to Backhaus and Tikoo (2004) loyalty and commitment to the firm increase productivity. Maxwell and Knox (2009) discuss that the attributes employees consider important for their employers vary between different companies. However, there are categories of attributes that affect the attractiveness of the firm.

## **Building a Strong Employer Brand: Employer Branding Strategy & HRM Functions**

*Employer branding strategy* affects all its sub functions: recruitment & selection, development, rewards, and employee relations management. Summaries of implications for all of them are to be presented in this section.

### **Employer Branding for Recruitment**

*Employer branding for recruitment* is a way to attract the company's external customers of products – Employer branding is a method to attract and select “internal clients”: employees. Therefore, recruitment and selection of high-potential candidates with skills and attitudes needed within the organization are one of workplace branding's main goals and the first step in the formation of the company crew, able and willing to contribute to sustainable competitive advantage. Company's *employer brand* and reputation, and the labor market perceptions of them are often the main reason behind applying for a job in a certain organization, especially for skilled candidates. They choose those workplaces which seem to meet best their expectations and that can offer them a superior value proposition.

Kim & Sturman (2012) describe in their paper the implications of an *employer branding* strategy for recruitment and selection processes. Effective recruitment and selection process aligned with *employer branding strategy* ought to be carefully planned – it should reach the right individuals, using appropriate channels and messages, and ensure choosing those with preferable skills, values, and attitudes. Leary-Joyce (2004) suggests five steps to ensure that exceptional people get hired. Those steps are:

1. Aligning essential components of organizational culture, requirements of the job vacancy and the long-term needs of the company;
2. Understanding the kind of person who fits into the culture;
3. Making job advertising (requirements and offering) clear;
4. Finding out as much as possible during the interview – identifying the candidate’s attitude and potential early on, to ensure a high probability they will stay;
5. Asking the team’s opinion – letting the team meet the candidate to check if they match one another.

## Opportunities for Training and Development

Training and development programs within organizations aim primarily to internally provide the workforce with skills, competencies, and attitudes needed to achieve business goals and to enable growth and innovation. However, because of new trends in the labor market and changes in the psychological contract between employees and organizations, training and development became also a strong motivator attracting individuals to a workplace. In the past, individuals expected to have a long-life relationship with their employers; nowadays they expect the company to serve them in terms of giving development and fulfillment opportunities and providing with resources. In exchange for effort and flexibility, employees expect their workplace to enhance their employability by providing them with marketable skills.

## Rewards

The *employer brand*, according to Bergstrom & Anderson (2001), unifies a total rewards system by supporting an organization to manage and market the overall impact of its total employment experience and by discovering and developing the most valuable motivating factors. The main function of rewards, thus, is to motivate potential and current employees to join, engage, and stay within the company.

Workforce rewards are composed of tangible (financial, remuneration & benefits) and intangible (symbolic, recognition) elements. Salary and tangible benefits are important factors motivating talents to choose and support their workplace – they represent an economic value to individuals. However, intrinsic rewards, such as praises, public recognition, status, and promotion, are supposed to have a greater impact on employee retention; they address the humans’ need for esteem and create a basis for job satisfaction. Furthermore, they are embedded in organizational culture and reflect senior managers’ attitudes to managing people.

## Organizational Culture

McKinsey's study (1998) found “values and culture” a crucial motivating factor attracting managerial talents who find them matching their principles. Shaping organizational culture means developing long-lasting relationships based on common values, commitment, and trust. Kim & Sturman (2012) argue that a necessary pre-requisite of a strong culture is leaders’ support, responsibility, and conformity of their behaviors with declared values. They serve as an example of desired attitudes and practices.

Furthermore, the scholars suggest that the *employer brand* is embedded in organizational culture. Creating an on-culture *employer brand* has an impact on the employees' behaviors' fit to the business goals since they become deeply rooted in the brand ethos.

## Impact of a Successful Employer Branding Strategy on Organizational Performance

Numerous benefits of *employer branding strategy* implementation have been shown in the preceding sections. They are to be summarized at this point, grouped into two main categories: internal and external outcomes; both influence organizational performance and contribute to the creation of a sustainable competitive advantage through people.

### Internal Benefits

Positive results of a successful *employer branding* on organizational functions culture are the following ones:

- Recruitment costs are diminished and more candidates apply for job positions;
- Voluntary turnover is lowered and employee loyalty is enhanced;
- Employees are more satisfied, emotionally attached to the organization, and engaged in their jobs; the desire to keep their jobs makes employees put more effort in making good work – thus, their performance is greater;
- Employees have less stress and enjoy their job more because of the focus on a good atmosphere among colleagues and managers;
- Individuals trust more the leaders and colleagues and they feel obliged to reciprocate when they feel that the company cares about them;
- Strategic planning is easier due to the continuity of the workforce;
- Organizational culture is extremely difficult, if not impossible, to imitate – therefore it can provide a special and sustainable competitive advantage;
- A ground for innovativeness and creativity is developed – only in a culture of openness, knowledge sharing, and trust there is enough space for them;
- Corporate citizenship behaviors among employees are more common.

### External Benefits

A winning employee value proposition and effective *employer branding* have also a helpful impact on external image and reputation. The primary external benefits for the company are enlisted below:

- Improved reputation among potential employees, consumers, shareholders, and other stakeholders;
- The company becomes more attractive to investors due to perceived stability;
- The organization gains wider exposure if it is considered an employer of choice – the corporate, product, and *employer brand* awareness are increased;

- The overall performance is greater thanks to the sustained competitive advantage achieved.

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