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## Is There a Correlation for Companies With a Strong Employment Brand Between Employee Engagement Levels and Bottom Line Results?

### Abstract

The concept of employer brand was first introduced in 1996, where the authors defined “employer brand” as “the package of functional, economic and psychological benefits provided by employment, and identified with the employing company” (Amber & Barrow, 1996). Initial application of employer brand in human resource management focused heavily on attracting and recruiting talents; However, a recent survey by People in Business Co. found that 42% of the 104 survey participants (organizations that are currently developing employer brands) focus as much internal as external (People in Business, 2010). Employer brand is recognized as a powerful tool to help employees to internalize corporate values (The Conference Board, 2001), to shape corporate culture (Backhaus & Tikoo, 2004), to engage employees, and to align talent management with business strategies (Kunerth & Mosley, 2011). SHRM’s survey in 2008 found that 61% of surveyed companies have had an employer brand, and that 25% were either developing or planning to do so within the next 12 months (SHRM, 2008).

### Keywords

human resources, employee engagement, employee brand, bottom line results, correlation between strong employee brand and results

### Comments

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## Executive Summary

### Question

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For companies that have a strong employment brand, is there a correlation to their employee engagement levels and/or bottom line results?

### Introduction:

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The concept of employer brand was first introduced in 1996, where the authors defined “employer brand” as “the package of functional, economic and psychological benefits provided by employment, and identified with the employing company” (Amber & Barrow, 1996). Initial application of employer brand in human resource management focused heavily on attracting and recruiting talents; However, a recent survey by People in Business Co. found that 42% of the 104 survey participants (organizations that are currently developing employer brands) focus as much internal as external (People in Business, 2010). Employer brand is recognized as a powerful tool to help employees to internalize corporate values (The Conference Board, 2001), to shape corporate culture (Backhaus & Tikoo, 2004), to engage employees, and to align talent management with business strategies (Kunerth & Mosley, 2011). SHRM’s survey in 2008 found that 61% of surveyed companies have had an employer brand, and that 25% were either developing or planning to do so within the next 12 months (SHRM, 2008).

### Correlation between Employer Brand and Employee Engagement

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The positive correlation between employer brand and employee engagement has been recognized by different academic studies. In 2007 Brain Heger conducted an empirical study by using data from 614 respondents, to identify the relationship between strong Employment Value Proposition (EVP), the core component of employer brand, and respondents’ level of engagement. The study recognized that employee engagement is largely influenced by an organization’s EVP, in that EVP attributes (elements appealing to employees) serve to motivate a firm’s workforce (Heger, 2007). The survey by Corporate Leadership Council also found that employees who perceive their organizations’ EVP to be less competitive than that of other organizations are likely to disengage from their organizations by either reducing contribution or leaving the organization (Corporate Leadership Council, 2006). Another empirical study of 113 companies across industry has recognized that in companies with developed employer brand, employees are more actively engaged in decision-making and management process (Kucherov & Zavyalova, 2011).

**Case study-Coca Cola Hellenic (CCH):** CCH launched the initiative to develop corporate-wide integrated employer brand in 2005. In the following years, while CCH reduced its headcounts across entire organization (from 47,000 employees in 2007 to 43,000 in 2010) and maintained a firm control over salary rises, the company observed significant improvement in employee engagement: the

percentage of fully engaged employees rose from 36% in 2006 to 43% in 2007, and 55% in 2010 (Kunerth & Mosley, 2011).

### **Correlation between Employer Brand and Organizational Performance:**

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Although empirical studies that discuss the straight relationship between employer brand and organizational performance are few, some studies do suggest that employer brand contributes to different elements of organizational performance, and that it helps in strengthening companies' sustainable competitive advantage (Martin et al., 2005). The following are some of the identified influences of employer brand on the corporate performance related variables.

#### **1) Employer Brand and Talent Acquisition:**

Many empirical studies emphasized the positive impact of employer brand on the quality and quantity of applicant pools. A study based on data of 99 sampled organizations testified the positive correlation between employer brand and the number of applicant (.42), and the correlation between employer brand and the quality of applicants (.28) (Collins and Han, 2004). In addition, employer brand helps organization to tap into passive candidates more effectively, and hence helps to expand and improve candidate pool. Organizations with managed EVPs are able to effectively source from more than 60% of the labor market, while organizations with unmanaged EVPs are able to source from only 40% of the labor market. (Corporate Leadership Council, 2006).

#### **2) Employer Brand and Turnover Rate:**

Research suggests that employer brand reduces turnover and increase employee loyalty (Kucherov & Zavyalova, 2012). By comparing data from 113 companies across industries, the study found that the average turnover rate of the organizations with employer brand is 10%, while overall turnover average is as high as 16%.

#### **3) Employer Brand and Compensation:**

Studies show that well-established employer brand enables employer to attract talents at lower compensation level. Candidates are more tolerant with organizations which have established employer brands than those without. For example, the average acceptable compensation level is recognized to be 859 euro for organizations with employer brands, and 1164 euros for companies without employer brand; i.e., employer brand allows 26% economic advantage in terms of labor cost (Kucherov & Zavyalova, 2012).

When attracting talents to move from their previous jobs, only 11% increase in compensation is needed to attract candidates who feel the EVP is attractive, while a 21% increase is needed to lure candidates who feel the EVP is unattractive (Corporate Leadership Council, 2006).

#### **4) Employer Brand and Organizational Culture:**

Some scholars argue that employer branding reinforces and changes organizational culture. A study on the internal marketing campaign by People Energy Corporation found that as the branding campaign progresses, employees buy into the new corporate culture, align their behaviors with what was demanded, and thus developed the cultural norms based on the established expectations of the company (Bergstrom & Anderson, 2001). A study by Xia and Yang on Chinese market also suggests that employer brand impacts organizational culture and organizational exchange, in that as employer brand fulfils employees' spiritual and material needs, employees reciprocate with higher motivation (Xia & Yang, 2010).

#### **5) Employer Brand and Commitment:**

Studies also suggest that employees' attitude such as organizational identification (Edwards, 2010; Schlager et al., 2011), satisfaction and commitment (Helm, 2011) are also positively related to employer brand. When organizations effectively deliver on the EVP, new employees arrive with higher levels of commitment (38% of employees presented high level of commitment), compared with 9% commitment rate for organizations with poor EVP delivery (Corporate Leadership Council, 2006).

### **Conclusion**

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By carefully selecting attributes of employer brand, and aligning employer brand with corporate strategy, employer brand can be a powerful tool for organizations to address diverse challenges. It contributes to the alignment of external and internal value perceptions on the organization, improves workforce strength, and brings various economic benefits for the employer. As different components of employer have varied impact on factors of organizational performance, organizations need to articulate the desired outcomes so to tailor their employer brands to achieve effectiveness and efficiency.

## REFERENCES

Ainspan, N., & Dell, D. (2001). Engaging employees through your brand. *The Conference Board Inc.*

*Abstract:* As a competitive response in a tight talent market, organizations are turning increasingly to strategies of "employer branding." This report, based on surveys and follow-up interviews with executives responsible for corporate or employer branding, compares corporate and employer branding methods and provides benchmarks for successful implementation of programs to engage your employees through your brand. [ABSTRACT FROM AUTHOR]

Ambler, T., & Barrow, S. (1996). The employer brand. *Journal of Brand Management*, 4, 185-206.

*Abstract:* Assesses whether brand management techniques can be applied to human resource management (HRM), describing the employer as the brand and the employee as the consumer developing a loyalty to that brand. Defines the employer brand (EB), and highlights the benefits that it offers, equating these to the benefits that a brand offers to a consumer. Identifies three concepts that are similar to the EB™ corporate culture and identity, internal marketing and corporate reputation™ which synthesized together represent EB equity, and explains in what ways the EB can add value. Discusses several HRM concerns, such as low levels of employee skills, education and commitment, and reports the results of a survey of 27 executives of UK companies to ascertain their HR practices and their reactions to the EB as a framework for integrating HR and marketing. Quotes many of the respondents' comments, identifying different ideas on how the EB could be measured and managed, perceived obstacles to its development and the perceived benefits of integrating certain aspects of marketing theory and discipline, such as relationship marketing techniques, professional communications, pricing/compensation and segmentation and consistency. Concludes by making suggestions areas for further research. [ABSTRACT FROM AUTHOR]

Bergstrom, K., & Anderson, M. (2001). Delivering on promises to the marketplace: using employment branding to build employee satisfaction. *Journal of Integrated Communications*.

*Abstract:* Addressing multiple stakeholders within and outside of an organization is crucial to communicating a brand promise effectively. Front line employees are responsible for insuring that customer contacts are positive experiences. In this piece, we explore how a company can measure and evaluate employees' perception of the employer brand for use in facilitating commitment, recruiting and satisfaction. [ABSTRACT FROM AUTHOR]

Collins, C. J., & Han, J. (2004). Exploring applicant pool quantity and quality: The effect of early recruitment practices strategies, corporate advertising, and firm reputation. *Personnel Psychology*, 57, 685-717.

*Abstract:* Drawing on marketing and recruitment theory, we examined relationships between early recruitment practices, organizational factors, and organization-level recruitment outcomes, predicting that low involvement recruitment practices, high-involvement recruitment practices, corporate advertising, and firm reputation would positively affect the quantity and quality of organizations' applicant pools. We also predicted that corporate advertising and firm reputation would moderate the effects of the two recruitment strategies. Data for 99 organizations collected from multiple sources provided some evidence that early recruitment practices, corporate advertising, and firm reputation each had direct effects on applicant pool quantity and quality. More importantly, we found that low-involvement recruitment practices were more effective for firms with relatively low levels of corporate advertising and firm reputation, whereas high-involvement recruitment practices were more effective for firms with relatively high levels of advertising and reputation.

Corporate Leadership Council. (2006). Attracting and retaining critical talent segments: building a competitive employment value proposition.

*Abstract:* The survey was conducted with more than 58,000 employees at 90 global organizations across 20 industries, to identify the most effective strategies for improving talent attraction and retention through a competitive employment value proposition. The research builds the business case for actively managing the organization's employment value proposition and outlines the critical components of a competitive employment value proposition strategy to attract and retain the talent segments most critical to business success. [ABSTRACT FROM AUTHOR]

Edwards, M. R. (2010). An integrative review of employer branding and OB theory. *Personnel Review*, 39, 5-23.

*Abstract:* Purpose – The purpose of this paper is to review the existing literature linked to the emerging field of employer branding, with a view to adding insight from the perspective of the management of human resources.

Design/methodology/approach – The approach taken entails reviewing books and academic journals from the area of marketing, organizational behavior (OB) and business management. The review shows that research and theory from a range of fields can help add to one's knowledge of employer branding; these include areas of research that investigate organizational attractiveness to potential new recruits, research and writing linked to the psychological contract literature as well as work that

examines organizational identity, organizational identification and organizational personality characteristics.

Practical implications – The review has a number of general practical implications; many of these are highlighted in the propositions set out within each section. [ABSTRACT FROM AUTHOR]

Heger, B. K. (2007). Linking the employment value proposition (EVP) to employee engagement and business outcomes: Preliminary findings from a linkage research pilot study. *Organization Development Journal*, 25(2), P121-P132.

*Abstract:* This article addresses an important business concept called Employment Value Proposition (EVP), which describes the value or benefit an employee derives from his or her membership in an organization. The EVP has been suggested to be a determinant of employee engagement and retention, both of which have an impact on critical business outcomes. Specifically, this article describes a pilot study which examines the relationships between various EVP and employee engagement measures and the business outcomes of profit margin, productivity, voluntary turnover, and accounts receivable. Using an on-line survey, 614 respondents rated the strength of their organizations' EVP and self-reported their levels of employee engagement. Results showed several important relationships between EVP fulfillment and the intention to stay component of employee engagement. However, relationships between the employee measures and business outcomes were not as robust. Recommendations for making human capital investments and improving the design of future linkage research interventions are discussed. [ABSTRACT FROM AUTHOR]

Helm, S. (2011). Employees' awareness of their impact on corporate reputation. *Journal of Business Research*, 64, 657-663.

*Abstract:* Corporate reputation is critical for cultivating stakeholder relationships and, specifically, for regaining public trust. Corporate reputation results from the firm's interactions with stakeholders, emphasizing the important role employees play in reputation management. However, employees are not necessarily aware of, or prepared for, this extra-role assignment, indicating a gap in research and a managerial challenge. The purpose of the present article is to identify how employees' awareness of their impact on their employers' reputation is influenced by pride, job satisfaction, affective commitment, and perceived corporate reputation. An online survey of employees working for firms ranked in Fortune's America's Most Admired Companies Index provides empirical evidence. The findings underline the prominent effect pride in membership has regarding employees' awareness of their impact on corporate reputation. Study findings further deliver insights into opportunities and risks for managers who wish to use internal reputation building strategies to enhance corporate reputation. [ABSTRACT FROM AUTHOR]



Kristin Backhaus, & Surinder Tikoo. (2004). Conceptualizing and researching employer branding. *Career Development International*, 9(5), 501-517.

*Abstract:* Employer branding represents a firm's efforts to promote, both within and outside the firm, a clear view of what makes it different and desirable as an employer. In recent years employer branding has gained popularity among practicing managers. Given this managerial interest, this article presents a framework to initiate the scholarly study of employer branding. Combining a resource-based view with brand equity theory, a framework is used to develop testable propositions. The article discusses the relationship between employer branding and organizational career management. Finally, it outlines research issues that need to be addressed to develop employer branding as a useful organizing framework for strategic human resource management. [ABSTRACT FROM AUTHOR]

Kucherov, D., & Zavyalova, E. (2012). HRD practices and talent management in the companies with the employer brand. *European Journal of Training and Development*, 36, 86-104.

*Abstract:* The authors examined three economic indicators (turnover rate, average share of HR costs in total costs of company, proportion between the annual HR training budget and annual labour compensation funds). An employee survey was conducted to study the HRD system in the CEBs and in companies without the employer brand (CWEBs). Also, the survey was conducted among applicants (potential workers) about their job preferences and identified that employer brand could be a strong factor for attracting talent to the company.

Findings – The results show considerable differences in terms of economic indicators, HRD practices and talent management in the CEBs in comparison with CWEBs. The potential advantages of employer brand for a company were identified. The results of the study strongly supported that the CEBs gained a number of economic advantages due to lower rates of staff turnover and higher rates of HR investments in training and development activities of employees. Also, the authors found out that in the CEBs internal recruitment practices, internal training programs and highly efficient incentive activities were widespread and employees were actively involved in the decision-making and management processes. [ABSTRACT FROM AUTHOR]

Kunerth, B., & Mosley, R. (2011). Applying employer brand management to employee engagement. *Strategic HR Review*, 10(3), 19-26.

*Abstract:* This paper aims to examine the degree to which employer brand management is being deployed to support internal employee engagement, in addition to its more common application in external image building and talent acquisition. Design/methodology/approach – This paper presents findings from an international benchmark survey conducted among 104 companies actively involved in employer brand development, alongside a more detailed examination of the development process

and measures of success applied by one of the benchmark participants, Coca-Cola Hellenic. [ABSTRACT FROM AUTHOR]

Martin, G., Beaumont, P., Doig, R., & Pate, J. (2005). Branding: A new performance discourse for HR? *European Management Journal*, 23, 76-88.

*Abstract:* In this paper we explore the potential for HR professionals to draw on the branding literature as a new performance discourse, which increasingly is believed by organizations such as the UK-based Chartered Institute of Personnel and Development (CIPD) to be a key area of interest for their members. We believe that such an interest is more than a passing fad because of three important trends: the importance of corporate and global branding, the development of the services-based economy in all advanced economies, and the growing importance of intangible assets and intellectual capital as sources of strategic advantage. In making our case, firstly, we outline some of the emerging evidence on the branding-HR relationship. Secondly, we bring together diverse sources of literature from marketing, communications, organizational studies and HRM to produce a model of the links between branding and HR and set out some propositions that may serve as a future research agenda and guide to practice, and illustrate these with some case study research. In doing so, our overall aim is to help HR specialists make a stronger claim for inclusion in the brand management process and, by extension, into the core of strategic decision-making in many organizations. [ABSTRACT FROM AUTHOR]

People in Business. (2010). Employer Brand Benchmark Survey.

*Abstract:* The survey was conducted online by People in Business between November 2009 and January 2010, among managers with direct responsibility for the development or redefinition of their employer brand strategy and people currently involved in the process of developing their future employer brand strategy. Responses were limited to one submission per organization. The participating organizations were from across industries. A total of 34 percent of the organizations included in the survey employed over 50,000 full-time employees, 26 percent between 10,000 and 50,000, 25 percent between 1,000 and 10,000, and the remaining 15 percent between 500 and 1,000. Of the participants, 45 percent were involved in global employer brand development, 16 percent were focused on a single geographic region and 39 percent focused on a single country. [ABSTRACT FROM SOURCE]

Schlager, T., Bodderas, M., Maas, P., & Cachelin, C. L. (2011). The influence of the employer brand on employee attitudes relevant for service branding: An empirical investigation. *Journal of Service Marketing*, 25, 597-508.

*Abstract:* This paper seeks to focus on how to create favorable employee attitudes that are relevant for the creation of the service brand. In this context, the aim is to develop a framework that combines the concept of the perceived employer brand with employee outcomes that are relevant for service branding.

Design/methodology/approach – Empirical data were collected from a sample (n = 2,189) of a worldwide operating insurance company. Data analysis was performed using structural equation modeling.

Findings – First, the findings underpin the idea of a relationship between the perceived employer brand and service branding. Second, the influence of particular drivers for employee attitudes is determined. [ABSTRACT FROM AUTHOR]

Society for Human Resource Management. (2008). *The employer brand: a strategic tool to attract, recruit and retain Talent.*

*Abstract:* This survey was conducted to explore how HR professionals use the employer brand as a strategic tool to attract, recruit and retain talent. A sample of 3,000 HR professionals employed by companies in the United States was randomly selected from SHRM's membership database in December 2007, with 439 HR professionals responded. Members who were students, consultants, academics, located internationally were excluded from the sampling frame.

Xia, H., & Yang, L. (2010). *The employer branding and employee performance.* Paper presented at the 3rd International Conferences on Information Management, Innovation Management and Industrial Engineering.

*Abstract:* Employer brand is a new competitive strategy of human resource management. It is so popular among practitioners, and relatively lacking of academic research on this topic raises interesting of management scholars. This article presents a definition of employer branding from a comprehensive perspective and argues that the employer brand comes from the benefits provided by employment and makes company different as an employer. The article discusses the relationship between employer branding and employee performance, and believe that the employer branding has many benefits to employee performance via different ways, such as organizational exchange, and organizational identification approach. Finally, it gives some advice on the process of building employer branding. [ABSTRACT FROM AUTHOR]

## APPENDIX

### Appendix 1.

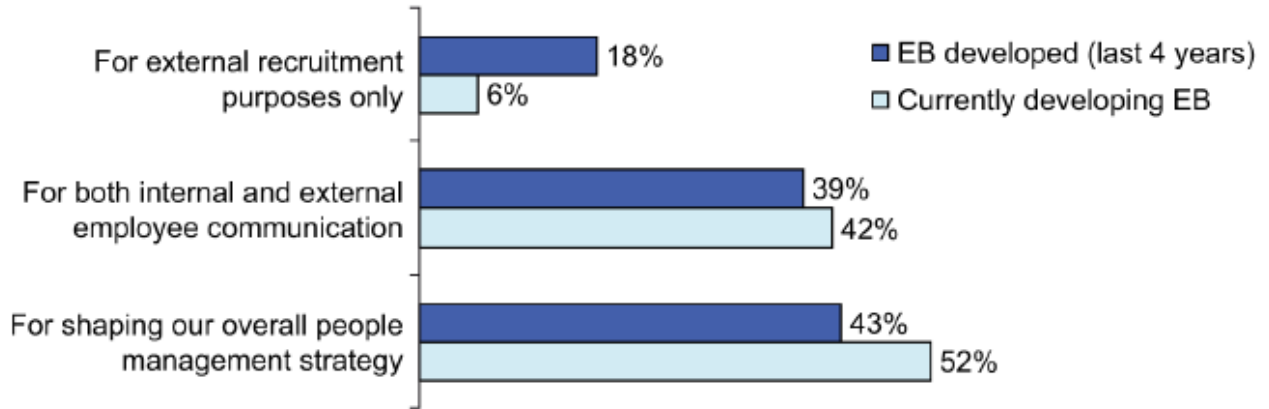
Comparisons of turnover rate, HR costs in total, training costs by companies with employer brand, and by companies without employer brand

Factor	Industries						
	IT/ telecommunications	Professional services	Oil and gas	automobile	Trade	FMCG	Banking/ investment
Average turnover rate in the CEBs (range, in per cent)	8-12	14-20	5	9	16	8-10	11-14
Average industrial turnover rate (range, in per cent)	16	24	9	16	28	12	15
Average share of HR costs in total costs in the CEBs (range, in per cent)	40-46	44-69	20	35	38	36-43	61-62
Average industrial share of HR costs in total costs (range, in per cent)	42	65	15	25	35	33	60
Proportion between the annual HR training budget and annual labour compensation fund in the CEBs (range, in per cent)	3.7-4.7	4.2-8	2.7	2.2	3.7	2.9-4.2	3.2-3.8
Industrial proportion between the annual HR training budget and annual labour compensation fund (range, in per cent)	3.5	5	2.5	1.8	2	2.5	3

(Source: Kucherov & Zavyalova, 2012)

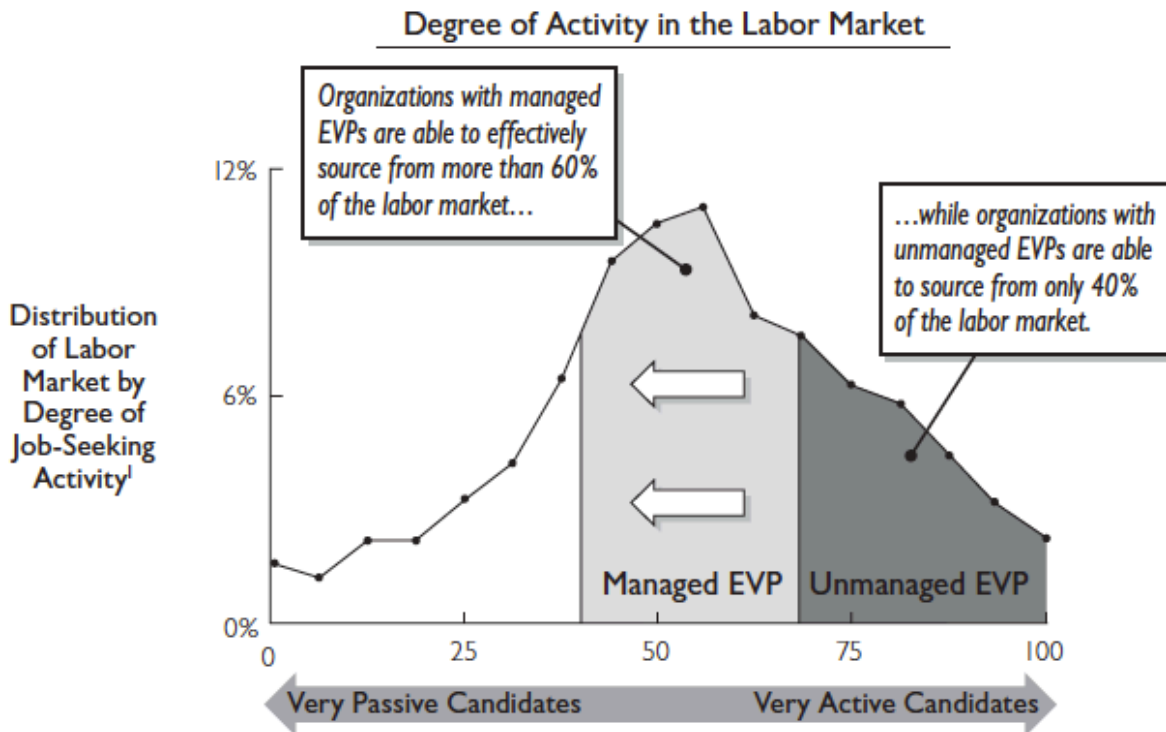
Appendix 2.

Objectives of developing employer brand



(Source: People in Business, 2010)

Appendix 3. Employer Brand helps to tap into a broader talent pool



(Source: Corporate Leadership Council, 2006)

Appendix 4. examples of established employer brands

<b>Company</b>	<b>Brand Slogan</b>	<b>Employer Brand</b>
Microsoft	Your potential. Our passion.	How far can your potential take you?
Johnson & Johnson	Family of Companies.	Small-company environment. Big-company impact.
AT&T	Your world. Delivered.	Exciting Positions. Energized Environment. Cutting-Edge Technology.
Charles Schwab	Talk to Chuck.	We're looking for a different kind of employee.
Nike	Just do it.	We're all about sports. And then some.

(Source: Society of Human Resource Management, 2008)

### **Additional Reading**

Moorehead, S., & McGrory, S. (2009). How barclays' employees keep the customer promise. *Strategic Communication Management*, 13(3), 28-31.

*Abstract:* The authors explores the strategy that made Barclays PLC achieved employee engagement in Great Britain. They note the "Real Retail" experience devised by the company for customers aiming customer service's unprecedented level achievement that has been planned to be attained through understanding and involvement from all employees. They imply that the creation of another method called employee value proposition informs the company's all transmitted internal communications. [ABSTRACT FROM AUTHOR]

Rudd, H., & Williams, D. (2013). New zealand talent acquisition and employer branding case studies. *Human Resources Magazine*, 17(6), 26-27.

*Abstract:* The article discusses the developments in the human resources (HR) sector in New Zealand (NZ). It presents several case studies on talent acquisition and employer branding in the country. In one case, NZ Post was able to develop an employee value proposition (EVP) that it used to attract the best talent. Another case involved the use of social media to develop an emotional brand engagement. [ABSTRACT FROM AUTHOR]