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HOW DOES EMPLOYER BRANDING INCREASE EMPLOYEE RETENTION?

Eveliina Suikkanen

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Eveliina Suikkanen

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METROPOLIA UNIVERSITY OF APPLIED SCIENCES, FINLAND

UNIVERSITY OF LINCOLN, UNITED KINGDOM

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Author: Eveliina Suikkanen
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ABSTRACT

The aim of this study was to determine how Employer Branding influences Employee Retention. A further aim was to study the concepts of employer branding, branding activites and retention and how they are linked to one another.

A basic research was conducted by reviewing literature based on existing material. The concepts and implications of employer branding, marketing and branding, turnover and employee retention were researched and analysed. The literature review concluded three major hypotheses: (1) Marketing activities aim to produce (employer) brand equity increasing (employer brand) loyalty, (2) Employer branding is a retention management technique influencing engagement, organisational culture and the perceived psychological contract all positively linked to retention and (3) The employer brand reinforces the entire employment experience increasing retention.

The review of literature resulted in the conclusion that all of the hypotheses produced were true, hence implying that branding efforts used in personnel management increase employee retention. Additionally employer branding can be considered to be a staff retention method influencing the entire employment experience, promoting the concept of good place to work decreasing voluntary turnover. These findings could be used for bases of further empirical research.

Key words: Employer branding, Employee retention, Branding, Human Resource Management

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TIIVISTELMÄ

Tämän opinnäytetyön tarkoituksena oli selvittää miten työnantajan brändäys vaikuttaa henkilöstön pysyvyyteen. Tavoitteena oli ymmärtää, mitä menetelmiä käyttäen pysyvyys saadaan kasvamaan. Lisäksi tarkoituksena oli tutkia työantajan brändäyksen, brändingin sekä työvoiman pysyvyyden käsitteitä.

Tutkimus suoritettiin tekemällä laaja kirjallisuuskatsaus ja tutkimalla jo valmiiksi julkaistua materiaalia. Tutkimusongelman perusteella luotiin kolme päähypoteesia (1) Markkinointimenetelmät tuottavat brändipääomaa, lisäten uskollisuutta työnantajabrändiä kohtaan, (2) Työnantajan brändäys on henkilöstön sitouttamisen strategia, joka vaikuttaa sitouttamiseen, organisaation kulttuuriin sekä koettuun psykologiseen sopimukseen, ja (3) Työnantajabrändi vahvistaa kokonaisuudessaan työelämystä, lisäten työvoiman pysyvyyttä.

Kirjallisuuden tutkiminen paljasti, että kaikki ylläolevat väitökset ovat perusteltuja. Näin ollen voidaan sanoa, että henkilöstöön sovellettavat markkinointi- ja brändäys- keinot lisäävät työvoiman sitoutumista. Lisäksi voidaan katsoa, että työnantajan brändäys on pätevä strategia sitouttaessa työvoimaa, vaikuttaen koko työelämykseen ja samalla edistäen 'hyvä työpaikka'-konseptia, lisäten jälleen sitoutumista työantajaan. Tämän tutkimuksen tuloksia voisi käyttää pohjana myöhemmässä empiirisessä tutkimuksessa.

Avainsanat: Työnantajan brändäys, Henkilöstön pysyvyys, Brändäys, Henkilöstöjohtaminen

TABLE OF CONTENTS

LIST OF FIGURES

1 INTRODUCTION

The concept of "Employer Branding" has gained increasing interest in the past decade and more and more companies seek to become "the employer of choice". Even in the current economic climate of post recession it is viewed that employer branding still plays an important role especially in retaining top talent. Now that the economy is starting to recover employees are gaining back their confidence and may start looking for other opportunities (Riley, 2009). Companies that have been managing their employer brand consistently have been able to bring value to their employees thus leading to increased commitment, loyalty and retention.

Retaining valuable staff has benefits as when turnover is high companies may expect leveraged costs, interruptions in service levels, but also loss in knowledge base, in the worst case to competitors. Research has proved that companies with low turnover rates have increased sales growth and improved employee morale (Allen et al., 2010). In order to improve the quality of employment companies can implement varying retention management strategies simultaneously increasing loyalty of employees.

For decades now companies have invested in marketing efforts and creation of strong brands in order to acquire and retain customers. In recent times organisations have realised the value of using these marketing efforts in personnel management. Just as strong consumer brands influence growth and bring profits to companies it is undeniable that a strong employer brand has an influence on business outcomes. Making the employment experience unique, by generating and communicating an employment value proposition, employers are able to produce brand equity increasing retention of employees.

Literature clearly indicates that employer branding has a positive influences on business as a whole. The focus is generally on how to make the employer attractive or the "employer of choice" in order to lure the best possible talent to the company. Additionally, a lot of discussion has revolved around the ways of

retaining the top talent. Employer branding has been identified as a retention management technique yet the way employer branding is utilised and what methods and interventions are used is commonly left unclear. Moreover the link between the retention management technique, employer branding, and how it is linked to staff loyalty (retention) is not obvious. These issues have created a research problem; *how* does employer branding increase employee retention? In order to analyse this topic it is relevant to understand: what is employer branding, how does it impact the business as a whole and what techniques can be used, how it possibly affects the employment experience, and how it influences turnover. It is also necessary to generally discuss the drivers of voluntary turnover and how it can be prevented. Finally an important aspect is the fact that the economy is currently recovering from recession, thus considering issues relating to this is relevant.

This concept appealed to the author being a rather new and revolutionary concept. Retention management has gained much interest for decades now. Additionally product and organisational branding has reached an accepted status among scholars and practitioners. However the concept of using branding methods on personnel is still relatively new making it a worthwhile research topic.

The author will investigate the topic by researching and analysing existing literature. The author will begin by discussing the relevant literature and theory of employer branding, consumer branding and employee retention. Hereafter the author will move on to methodology used and finally to findings and analysis on the topic. The last chapter will consist of conclusions, discussions and future recommendations.

2 LITERATURE REVIEW

The difficulty of investigating this subject appeared in the inconsistency in the amount of literature. In this case the author was able to find a vast amount of literature and research on staff turnover starting from as early as the 1950s (March and Simon, 1958). However employer branding being a rather new concept not much academic literature can be found. The main research and theoretical analysis is generated by Richard Mosley (1990), who originally created the concept. In addition most of the research focusing on employer branding is based on the work of Backhaus and Tikoo (2004), Barrow and Mosley (2005) and Moroko and Uncles (2008; 2009). The author found that the literature is rather simplistic in its views all literature and case studies found have only one message: "employer branding is good". Hence the author has not been able to find much literature on negative impacts or research proving otherwise.

3 EMPLOYER BRANDING

The concept of Employer Branding was first brought up in literature in the 1990s in consequence to the "war for talent" (Mosley, 2007). In the beginning of the 21st century due to tight labour markets and low rate of unemployment companies were facing skill shortages (CIPD, 2010) yielding a need to attract the best talent to survive in the markets. In literature it is agreed that the rising interest in employer brands has emerged from economic and demographic changes locally and globally (Moroko and Uncles, 2008). This has lead to companies increasingly understanding the value of attracting and retaining the top talent (Mosley, 2007). Employer branding aims to promote both internally and externally the desirable aspects of working for a specific company in order to attract recruits and engage current employees (Backhaus and Tikoo, 2004).

3.1 Definitions

One of the first definitions of employer branding was generated by Ambler and Barrow (1996) to be "the package of functional, economic and psychological benefits provided by employment and identified within the employing company" with primary role of employer brand being "to provide a coherent framework for management to simplify and focus priorities, increase productivity, and improve recruitment, retention and commitment" (cited in Backhaus and Tikoo, 2004 p.502). CIPD (2010) has also defined employer branding as "...a set of attributes and qualities – often intangible- that makes an organisation distinctive, promises a particular kind of employment experience, and appeals to those people who will thrive and perform best in its culture".

Some authors focus on the view that employer branding is the sum of company's efforts to existing and potential employees to become the "employer of choice" (Ewing et al., 2002 cited in Berthon et al., 2005) or a "desirable place to work" (Moroko and Uncles, 2008). Concluding from these definitions employer branding aims to promote unique benefits and unique employment experience to external and internal employment markets in order to make the employer distinctive to attract and retain people who will thrive best in its culture.

3.2 Background and Justifications

Markets are extremely competitive and products and services are becoming more homogeneous globally. Hence companies must find ways to differentiate themselves to fight for their customers (Berthom et al., 2005), so is the case with fighting for employees. A justification for employer branding thus lies within the market conditions. Moroko and Uncles (2009) point "Employees who can respond to challenging and intense competitive environments are valuable in every market cycle, and arguably more so in times of significant change" (p.182).

Employer branding is founded on the basic human resource management

assumption that human capital brings value to the firm, influencing performance levels (Backhaus and Tikoo, 2004), which is the foundation of competitive advantage in the modern economy (Berthon et al., 2005). Barney (1991) introduced the Resource Based View (RBV) which suggests that characteristics of firms resources may contribute to sustainable competitive advantage. However only if these resources are rare, valuable, non substitutable and difficult to imitate the company can have a competitive edge compared to its competitors (Barney, 1991). Employees are seen as resources that are more difficult to imitate. Companies that nurture an employer brand can secure and retain the most significant employees who will promote brand success and bring profits hence generating value to firm and shareholders (Moroko and Uncles, 2008). Ritson (2002) supports this by emphasising the importance of employer branding in reducing costs of recruitment, enhancing employee relations and retention and in the ability to offer lower salaries, compared to the companies with weaker brands.

Consumer brand management has been used for decades now in order to communicate a distinctive customer experience and making the company externally attractive (Mosley, 2007). Only 20 years ago the concept of service branding, bringing people to the process of brand differentiation, was introduced and the concept of the customer service experience has become relevant (Mosley, 2007). The understanding that employees bring value to companies has been accepted in literature; e.g. Mosley (2007) discovers "employees are increasingly key in developing sustainable service brand differentiation". A shift towards employees in marketing activities can also be based on the development of the Relationship Marketing concept (Egan, 2001). Originally marketing has focused on external customers whereas in relationship marketing internal markets and employee (recruitment) markets have been highlighted (Egan, 2001). Internal marketing is based on the discovery that the quality of relationships a company has with its customers is dependant on how the front line make customers feel (Egan, 2001). Hence employees have become the primary market for many, especially service, companies.

FIGURE 1
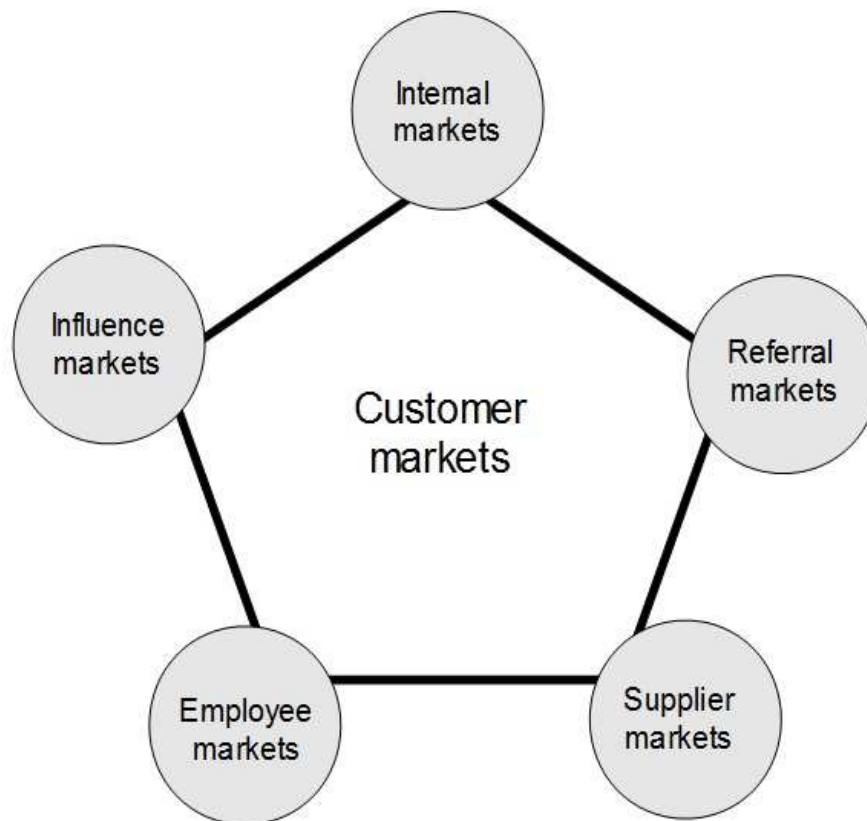
Fig 1: Customer Markets (Adopted from Egan, 2001, p.116)

Nearly all companies have an employer brand although they are not always aware of it. Yet there are many companies that have deliberately focused on building their employer brand and are continuously managing it to gain better business results (e.g. Siemens, Accenture, Deloitte, Coca-Cola, Yahoo) (Backhaus and Tikoo, 2008). A way of measuring the strength of the employer brand is by receiving reward for being "The Most Attractive Employer" (see Appendix 10 for the rating) or "Best place to work" which is defined by Great place to work Institute Europe a

place where "employees trust the people they work for, have pride in what they do, and enjoy the people they work with" (Great place to work Institute Europe website) (see Appendix 11 for rating).

These companies may have the advantage of increased candidate pools, leading to better potential recruits, and incrased loyalty of employees which has been linked to increased productivity (Backhaus and Tikoo, 2004, p. 505). A basic model of the positive impacts that employer branding has on business outcomes are presented in the following graph (in Gaddam, 2008 p.47):

FIGURE 2

Fig2: The Employer Branding Model (Adopted from Gaddam, 2008, p.47)

As seen in Figure 2, employer branding influences the attraction, satisfaction, engagement and commitment of employees all generating to customer satisfaction and loyalty which are linked to increased productivity.

Additionally, a purposes of employer branding is to enhance the organisational culture. The basic assumption is that people who like working for the company will become advocates for it thus recommending it to friends and family (CIPD, 2010). Mosley (2007) agrees by acknowledging that engaged and satisfied employees

deliver a better customer service experience (see Appendix 4 for links between employer branding, culture, loyalty and productivity).

According to literature human resource management, organisational strategy and leadership and marketing strategies can create a powerful employer brand (Kimpakorn and Tocquer, 2009). In order to build a successful employer brand companies should understand how stakeholders perceive the employer, analyse and interpret this information to understand what the company stands for and create a value proposition based on this. Hereafter the company should deliver this brand promise and measure its strength and employee perceptions continuously (CIPD, 2010).

The employer brand aims to influence every touch point of the employment experience by promoting a beneficial employment package in form of pay and benefits, working environment, career management, balanced work life, mental and social satisfaction etc. (Gaddam, 2008). The employment cycle consists of stages an employee goes through in each working position they hold (Huczynski and Buchanan, 2007) from recruitment to transition. The objective is to promote a "superior employment experience" with the intangible and tangible benefits which preferably would lead to employees regarding the company as a desirable place to work. The beneficial employment package is communicated with an Employment Value Proposition (EVP) which is "the value or benefit an employee perceives to gain or experience by serving as a member of the organisation, or from their employer" (Heger, 2007; Zingheim and Schuster, 2006 in Munsamy and Venter, 2009).

FIGURE 3
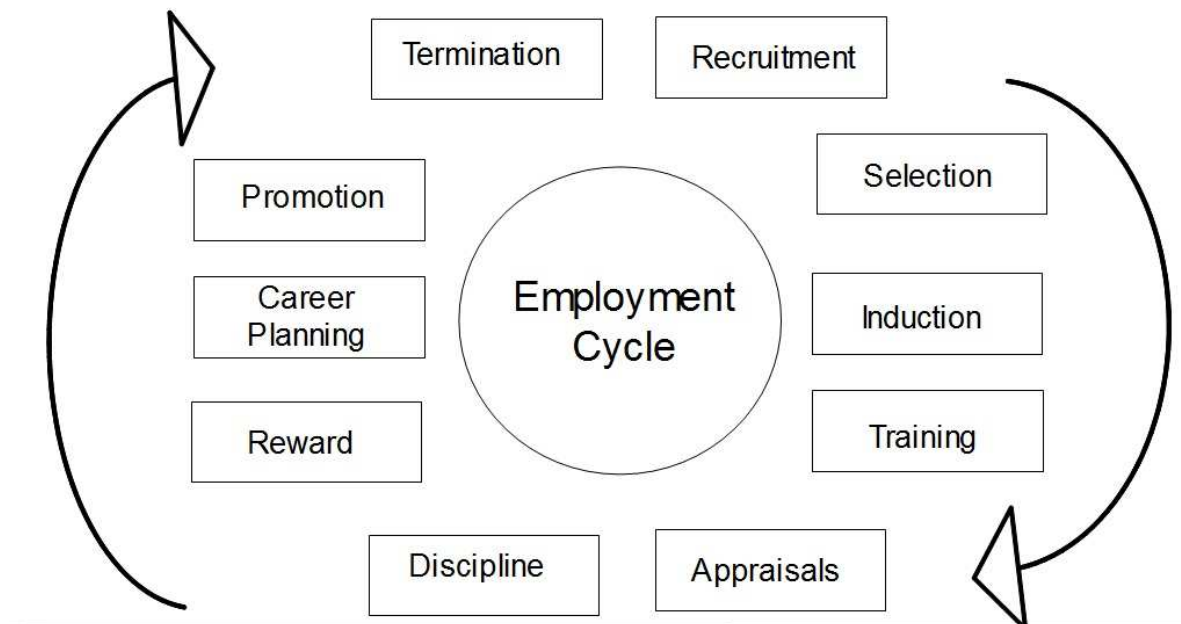
Fig 3: The Employment Cycle (Adopted from Huczynski and Buchanan, 2007, p.656)

Employer branding has been introduced as a method of enhancing retention by making the promise of employment (brand promise) so distinctive and superior to the ones of competitors that the employee would not consider switching (Taylor, 2002). It could be considered as a tool that aims to enhance the entire experience by increasing job satisfaction, organisational commitment, engagement, enhancing organisational culture, and defines the psychological contract throughout the employment life cycle.

4 MARKETING AND BRANDING

The idea of marketing is to meet the needs of customers hence marketing management is the process of identifying these needs and responding to them (Doyle and Stern, 2006). Simply understanding these needs is not sufficient as markets are extremely competitive and competitors can copy basic products (Clarke, 2001). Therefore brands have become companies' most valuable assets and brand management one of the key activities (Backhaus and Tikoo, 2004).

In branding the aim is to make the product distinctive and more attractive to consumers compared to the ones of competitors in order to reach a competitive edge in the markets (Backhaus and Tikoo, 2004). A brand is defined by Doyle and Stern (2006) to be "a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors" (p. 164). The purpose of brand management is to deliver a consistent and distinctive customer experience (Mosley, 2007). Hence the aim is to brand a product or service in a way that it is difficult to imitate by competitors and has the preference of the consumers. Distinctiveness and preference can be reached by differentiation by offering unique benefits that bring value to the consumer. These values are communicated with a value proposition that aims to satisfy psychological needs of the specific target market. When branding efforts have been successful and the brand is considered strong the company can expect to experience changes in consumers behaviour such as brand loyalty. Strong brands have the benefit of producing brand equity (Kay, 2004).

4.1 Differentiation

Differentiation occurs when a company can deliver and is perceived by the consumers to deliver a product or service that is superior and distinct to the one of competitors (Bennett and Rundle – Thiele, 2005). The objective is to create a

preference for the company's brand by communicating the unique benefits to clients with a unique value proposition (Kotler and Armstrong, 2005).

Companies may differentiate with functional (tangible) or emotional (intangible) benefits. Although functional differentiation is important companies that are able to differentiate with intangible brand characteristics are harder to imitate by competitors (Mosley, 2007). A more specified way of looking at how companies differentiate their brands is through different layers of the brand. At its very simplest the tangible product consists of the brand name and external features but only when companies can enhance the total experience and bring extraordinary value, developing barriers to switching, a brand is truly distinctive (Levitt, 1980; Doyle and Stern, 2006). According to Levitt (1980) this sort of brand can be reached by offering a quality product, being first, having a unique positioning concept, a strong communication programme and investing time and money (cited in Doyle and Stern, 2006, pp.172-175).

4.2 Positioning and Unique value proposition

Positioning a brand aims to set the product clearly in the minds of a consumer with specific attributes with a value proposition (Kotler and Armstrong, 2005). These attributes, as seen by Moroko and Uncles (2009), emphasise a promise to deliver a specific set of features in form of functional, economic and psychological benefits. These bring additional value to meet certain psychological needs making consumers view a specific brand of higher quality and more desirable from the competitors' (Doyle and Stern, 2006). This is important because consumers tend to select products that bring them the greatest value (Kotler and Armstrong, 2005).

The value proposition is communicated through a marketing communications mix using: advertising, sales promotion, public relations, personal selling and direct marketing (Kotler and Armstrong, 2005). Kotler and Armstrong (2005) define the objective of integrated communications mix to "deliver a clear, consistent and compelling message about the organization and its products" (p. 430). The author

will not go further in discussing various communications methods in this work. However it is relevant to emphasise that consistency plays a crucial role in building a strong brand and positioning the value proposition in minds of a consumer.

4.3 Strong brands

One of the main objectives of managers is to build strong brands (Kay, 2004). A brand is strong when it can offer an organisation a "sustainable differential advantage" (Doyle, 1990). This is when a brand has the preference of the consumers and it is difficult to imitate (ibid.) In addition strong brands meet the functional requirements and satisfy psychological needs adding value to consumers (Doyle and Stern, 2006). Brand values can derive from many sources such as positive usage experiences, user associations, beliefs in efficacy, brand appearances and manufactures name and reputation (Doyle and Stern, 2006). Annually for example "Interbrand" lists the most successful brands based on their value (see Appendix 5 for Interbrand ranking).

When a brand is strong a company can expect to receive strong market shares, maintain good price levels and generate cash flows (Doyle and Stern, 2006). Brands help to increase awareness and loyalty, bring credibility, win price competition and enhance customer relations (Kotler and Armstrong, 2005; Backhaus and Tikoo, 2004). Strong brands create wealth by higher customer loyalty by capturing consumer's preference leading to high brand equity (Doyle, 1990; Kotler and Armstrong, 2005).

4.3.1 Customer loyalty

Successful brands have higher customer loyalty (Doyle, 1990). Retaining customers is viewed to be a key driver to long-term profits (Kay, 2004) and the justification is that retaining is less expensive than attracting new ones (Doyle, 1990; Kotler and Armstrong, 2005). Hence one of reasons of building strong

brands is to increase brand loyalty. Loyalty is viewed important because it is a sign of organisational health enabling to sell products with premium price (Bennett and Rundle-Thiele, 2005). In addition loyalty decreases acquisition and promotion costs reducing the costs of doing business leading to increased shareholder value and profitability (Bennett and Rundle -Thiele, 2005).

Loyalty exists, according to Melnyk et al. (2009), when there is a relationship between an actor and another entity leading to behavioural and psychological loyalty towards the entity and not to other alternative entities. It can be said that loyalty influences the behaviours and attitudes of consumers (Egan, 2001). The behavioural aspect refers to repurchases or brand switching and attitudinal to preferences and dispositions towards certain brands. Hence another, more specified, definition of loyalty is introduced by Bloemer and de Ruyter (1998):

"The biased behavioural response, expressed over time by some decision making unit with respect to one out of a set of, which is a function of psychological processes resulting in brand commitment." (p.500)

The definitions above emphasise the fact that once a consumer is loyal to a company they will act in a way that is more preferable to a specific company instead of some other companies.

4.3.2 Brand equity

Strong brands have brand equity which positively leads the behaviour of the customer in favour of the certain brand (Kotler and Armstrong, 2005) and Doyle and Stern (2006) believe that consumers prefer stronger brands and are willing to pay more for them. Hence brands not only differentiate, but also bring financial returns to organisation (Bick, 2009). Aaker (1991) defines brand equity to be "a set of brand assets and liabilities linked to a brand that add to or subtract from value provided by a product or service to a firms and/or to that firms customer" (p.15). It is the intangible asset that reflects the value of the brand has to the consumer

(Bick, 2009).

Brand equity brings value to consumers but also to organisation by enhancing the efficiency and effectiveness of marketing, brand loyalty, prices and margins, brand extensions, trade leverage, and competitive advantage (Aaker, 1996). This it can be said that branding, especially brand equity, increases customer loyalty (Bennett and Rundle – Thiele, 2005).

Based on the previous section in this work the first hypothesis (1) can be generated: *Marketing activities used in personnel management aim to create strong brands that produce (employer) brand equity increasing (employer brand) loyalty.*

5 RETENTION OF EMPLOYEES

5.1 Definition and Importance

Managing turnover and retaining top talent is considered to be a primary concern to companies (Hausknecht et al., 2009). Price (1977) defined staff turnover as the movement of employees across the boundaries of a company. Retention however focuses on keeping the talent that contributes to the success of the organisation (Buenger, 2006). In this work the author will focus on minimising turnover and enhancing retention. Retention management has become a common topic in HRM literature, as due to globalisation and liberalisation employees can easily change jobs, switching functions and even industries, making it challenging for firms to retain staff (Chhabra and Mishra, 2008). Retention management is defined by De Vos and Meganck (2007) as "a portfolio of HR practises that organisations develop to reduce voluntary turnover rates" (p.46).

Companies that have lower turnover rates compared to the industry average may have a competitive advantage (Torrington et al., 2005). "The conventional assumption" of turnover claims that companies that are not capable to retain top talent will not be able to succeed hence the main task of retention management is to do everything possible to prevent it (Glebbeek and Bax, 2004; Price, 2001).

Literature has identified reasons why especially in the 21st century turnover rates have increased and why retention is crucial. Literature discovers (Chabbra and Mishra, 2008; Allen et al., 2010) the reasons to be: shortage of skilled and professional employees, predicted labour shortage due to demographic shifts, changing expectations of the new workforce, workforce diversity, entrepreneurial practises, inadequate educational programmes and increased competition. All the mentioned may create a demand for workers with skill sets that are not available in the future (Allen et al., 2010) highlighting yet again the importance of retaining workforce in long term.

During recession the importance of attracting and especially retaining staff may decrease (see Appendix 8 for relation of unemployment and turnover), however even during current climate of economic revival attrition of top talent is relevant. CIPD (2010) reports the situation in UK to be:

> "Turnover rates have decreased in the last couple of years in challenging economic conditions and redundancies have become more common. In 2009 33% of employers made more than 10 people redundant, seven percentage points higher than the 2008 figure"

However even in challenging economic conditions employees have choices about where, for whom, and how long they work (Waldman and Arora, 2004) leading to companies facing talent shortages. This view is backed in a Manpower report (2009), which states that there is still a talent shortage, or more precisely a talent mismatch, as there are not enough sufficiently skilled people in the right places at the right times which presumably becomes even more challenging when the economy has fully recovered. Hence the "conventional assumption of turnover" is still valid in the year 2010.

5.2 Impact of Turnover

High turnover may have various impacts on organisations. The influence of turnover varies according to economy and also industry. In tight labour markets (more jobs than employees) the harmful effects are stronger than in loose labour markets (more employees than jobs) (CIPD, 2010). Currently as the economy is still recovering from recession the labour markets can be said to be loose, hence it could be said that impacts of voluntary turnover may be less harmful. However as the economy is presumably ameliorating, it is necessary to discuss the harmful influences. In addition many authors view that not all turnover is harmful (Allen et al., 2010) for example when poor performers leave (CIPD, 2010). Sometimes the costs of turnover are lower than actually trying to retain staff, thus avoiding

turnover is not always profitable (Glebbeek and Bax, 2004).

The most common negative impacts have been identified to be the external and internal impacts in addition to costs. High turnover may negatively influence the reputation of the company perceived by the external markets (potential employees) making recruitment strategies difficult and deteriorating the image of "employer of choice" (Mowday, 1984; Torrington et al., 2005). Internally high turnover may result to "demoralisation" (Mowday, 1984) or suffering of the "survivors syndrome", which is when the ones who remain in the company may question their own position in the organisation and may start looking for other work opportunities (Gandolfi, 2009).

Turnover produces tangible costs because recruiting is more costly than retaining staff. For example Allen et al. (2010) claim that the costs of replacing employees can often range from 90% to 200% of annual salary of the current employee (p.51). Costs of turnover have been identified to be: general costs (management and administrative), costs deriving from recruitment (advertising, assessment centres), selection, training and induction and covering the vacancy (CIPD, 2010; Allen et al., 2010). Furthermore low attrition leads to increased interruptions in service levels, losing of knowledge and goodwill (Chabbra and Mishra, 2008).

Specifically positive impacts of retention are identified to be increased sales growth and improved employee morale in addition to firms profitability and market value (Allen et al., 2010). Therefore in most cases increasing retention is beneficial.

5.3 Theoretical background of employee turnover

The reasons of voluntary turnover can be caused by pull (external opportunities) or push (dissatisfaction) factors (Glebbeek and Bax, 2004).The concept of engagement, organisational culture and the perceived psychological contract seem to appear continuously in literature when analysing the reasons why employees stay. The theoretical framework for these concepts are based on framework introduced by March and Simon (1958) with the theory of *organisational equilibrium* in which the desirability and ease of movement are the two main drivers of voluntary turnover. Desirability of movement depends on job-related attitudes and internal opportunities and is also known as job satisfaction. The basic assumption is people stay if they are satisfied with their job, colleagues, organisation and line management (Taylor, 2002). Job satisfaction is described to be a general cognitive evaluation of the overall work experience and fulfilment of basic employment needs (Taylor, 2002). Ease of movement derives from external factors such as perceived availability of alternative jobs and unemployment levels (Hausknecht et al., 2009; Tanova and Holtom, 2008).

Mobley (1977) introduced a more sophisticated theory linking turnover to cognitive and psychological decision processes. For example a decision to quit may derive from negative job attitudes (Lee T.H. et al., 2008) (see Appendix 6 for Mobley's turnover model). Mobley's framework is based on a very linear assumption that an employee experiences dissatisfaction first after which he/she will decide to leave. Mowday and Steers (1981) and Price and Mueller (1986) generated a more complex model of identifying that external and non work influences, organisational factors, job satisfaction, job involvement and organisational commitment influence retention (Taylor, 2002). For example an employee may be satisfied with their job, but feels uncommitted to company values resulting in quitting (Taylor, 2002).

Organisational commitment and its relation to retention was introduced by Mowday, Steers and Porter (1979) to be a strong belief in the goals and values of the organisation leading to a willingness to make a greater effort for the company

and having a desire to be a member of the company (p.226).

This view was taken further later on by Meyer and Allen (1991) claiming that commitment to a company is a combination of affective commitment (a want to stay), continuance (a need to stay) and normative commitment (ought to stay). Hence an employee may feel such emotional commitment to a company that even by obligation does not resign. Studies (e.g. Meyer and Allen, 1991) have shown that commitment to the organisation has a negative influence on intention to leave and employee turnover (Chew and Girardi, 2008).

The concept of affective organisational commitment evolved into employee engagement which plays a significant role in retention and turnover literature. Gibbons (2006) defines it to be:

> "a heightened emotional and intellectual connection that an employee has for his/her job, organization, manager, or co-workers that, in turn, influences him/her to apply additional discretionary effort to his/her work" (Gibbons, 2006 p.5, cited in Richman et al. 2008, p.184).

Allen et al. (2010) support this view by claiming that more engaged employees are less likely to quit. Hence companies should design work that promotes employee engagement (Allen et al., 2010). As found by Vance (2006): "Employees who are engaged in their work and committed to their organizations give companies crucial competitive advantages—including higher productivity and lower employee turnover" (p.1).

5.4 Additional theories to retaining employees

5.4.1 Organisational culture

Companies with a strong organisational culture experience increased employee retention in addition to increased satisfaction and commitment (Wheeler et al., 2006). The concept of organisational culture was first introduced by Pettigrew (1979) followed by an extensive empirical research by Schneider (1990) ten years later (Sheridan, 1992). Organisational culture has been defined by Schein (1985) to be:

> "the basic assumptions and values learned by the members of the organization, passed on to newcomers, and evidenced by the ways in which people behave in the workplace" (cited in Backhaus and Tikoo 2004, p. 508).

The links between organisational culture and retention were first investigated by Kerr and Slocum (1987) and Kopelman et al. (1990) who suggested that the organisational culture values influence human resource activities resulting in a psychological climate that enhance commitment and retention (ibid.).

In literature much attention has been drawn to pre-employment activities and the best fit of employees when considering organisational culture and retention of new employees. The most important issue is to already choose employees with values that fit into the culture of an organisation (Sheridan, 1992). Companies should focus on the message communicated to potential employees about the culture as misleading information has been proved in research to increase turnover (Backhaus and Tikoo, 2004).

Hence when employees' beliefs, values and attitudes are in line with company's values retention is higher (see Appendix 2 for person and organisational fit paradigm).

5.4.2 The Psychological Contract

The concept of Psychological Contract was first introduced by Rousseau (1996) being "Individuals beliefs regarding the terms and conditions of the exchange agreement between themselves and their organisation" (Rousseau, 1996, cited in De Vos and Meganck, 2007, p.47). It is said to create emotions and attitudes which form and control behaviour (Armstrong, 2006) and it has been linked to commitment, organisational culture, unmet expectations and betrayal of trust (Lee G., 2001).

The violation of the psychological contract may lead to increased turnover. Sims (1994) explains that:

> "A balanced psychological contract is necessary for a continuing, harmonious relationship between the employee and the organization. However, the violation of the psychological contract can signal to the participants that the parties no longer share (or never shared) a common set of values or goals."(Sims, 1994, cited in Armstrong, 2006, p. 375).

As the perceptions are subjective and they can change over time, it may be inevitable that there may be disagreements between the employee and the employer (Armstrong, 2006). However if the employee feels that the contract is being breached, it may result in reduced commitment, intentions of leaving and even resignation (De Cuyper et al., 2008).

The influences of psychological contract on turnover depend on its perceived nature; is it transactional or relational. Transactional contracts emphasise monetary and short term benefits as relational focuses on long term relationships between employer and employee (Lee G., 2001). For example in case of of hourly workers, the contract is often considered transactional, as the main goal is to earn money (Moroko and Uncles, 2009). However it has been claimed that the nature of the psychological contract is changing, in response to the external and internal

environment (Armstrong, 2006) due unpredictable markets, employers inability to make life long promises to employees resulting in changing perceptions of employment. Traditionally employees have exchanged their loyalty and hard work for promise of job security (relational contract) (Armstrong, 2006) (See Appendix 6 which for comparison of new and old psychological contract). In current times and employers utilising flexible working arrangements the psychological contract's nature has become more short term meeting the needs of both employee and employer "for the moment" (Chew and Girardi, 2008). Hence employers wanting to improve retention should investigate the psychological contracts perceived by their employees to understand why people may wish to voluntarily quit.

Consequently a hypothesis (2) is given based on this section: *Employer branding is a retention management technique influencing engagement, organisational culture and the perceived psychological contract all positively linked to retention.*

5.5 Employee retention methods

Employee retention methods should be implemented across the entire employment cycle (see Appendix 7 for the employment cycle). Empirical research has shown effective factors that increase retention to be: recruitment and selection, induction (socialisation), training and development, pay and benefits and effective supervision (data presented in Allen et al., 2010) (see Appendix 3 for evidence based retention management techniques).

5.5.1 Effective recruitment, selection and induction

The basic idea of recruitment is to have the right people, in right jobs at right time (CIPD, 2010). Recruitment and poor hiring have been argued to increase voluntary turnover (Abbasi et al. 2000). Companies may especially experience high turnover rates within the first few months of employment (Taylor, 2002). Promoting the right fit for a job by ensuring that new joiners have realistic expectations of their job and receive sufficient induction training will help to minimise the number of people

leaving early on in employment (CIPD, 2010; Tanova and Holtom, 2008). Furthermore companies should ensure that the process of recruitment and selection is, and is perceived, fair to avoid giving bad impressions (CIPD, 2010). Hence including the aspect of recruitment and selection in staff retention is important as voluntary turnover can be reduced by paying attention to pre-employment processes (Taylor, 2002).

5.5.1.1 Realistic job previews (RJP) and Unmet expectations

Employees leave if their expectations have not been met which leads to costly and unavoidable turnover in addition to a possibly deteriorated reputation in the labour markets (CIPD, 2010; Torrington et al., 2005). If expectations are raised too high during the recruitment process it will lead to people who are unsuitable for the job to apply (CIPD, 2010). These assumptions were introduced by Porter and Steers (1973) who argue those who hold lower expectations should be more satisfied with their jobs when assumed that unmet expectations are less satisfying than met expectations. Giving a RJP thus consist of communicating both the positive and negative features of the job and exactly what the job holds (Taylor, 2002). This is considered to be an opposite direction than commonly is taken by many companies to "sell the job" (Meglino and DeNisi, 1987; Taylor, 2002) and is also argued to influence losing in the "war for talent" making it difficult to attract top talent to companies (Taylor, 2002).

Research whether RJP's reduce turnover seem therefore somewhat contradictory (Dugoni and Ilgen 1981; Meglino and DeNisi, 1987; Phillips, 1998). Dugoni and Ilgen (1981) hypothesise that RJP's can lower turnover through (1) lowered expectations and increased job satisfaction, (2) improved ability to cope with unpleasant job circumstances, and (3) the creation of a perceptual set of greater openness and honesty within the company. However none of these received strong empirical support. Meglino and DeNisi (1987) conclude that RJP are not useful in situations where it would be most needed. They claim that only "less attractive jobs" that already experience high rates of turnover benefit from RJP's (Meglino and DeNisi, 1987). However Phillips (1998) disputes that generally RJP's

are related "to higher performance and to lower attrition from the recruitment process, initial expectations, voluntary turnover, and all turnover" (p.673) considering additionally the timing and medium of given RJP. Therefore according to more recent research it seems that RJP's are effective in retaining staff if carried out in correct time and manner.

5.5.1.2 Selection

At this stage the company aims to find suitable employees with varying selection methods such as interviews and assessment procedures (CIPD, 2010). The importance lies in the ability to choose employees that are the best fit for the job and who are more likely to stay longer (Taylor, 2002). Selecting to retain includes carefully investigating the applicant by using appropriate selection methods. A method to to ensure the applicant is suitable is "self selection" in which the interviewer dictates the negative sides of the jobs and either asks how the candidate feels about them or see how they react (Taylor, 2002). However, the problem with this is that usually in interview situations candidates rarely would admit that they could not handle aspects of the job and tend to not tell the truth (ibid.). As previously discussed, communicating the organisational culture clearly, will attract candidates that already are fit for a specific organisation hence lowering the possibility of unmet expectations leading to quitting.

5.5.1.3 Induction

Timely and effective induction early on may increase retention as it is said to help to adjust emotionally, gives basic information about the company and conveys important cultural messages (Torrington et al., 2005). Commonly a large amount of turnover is experienced in the first few months of the employment thus induction would presumably be a solution (Taylor, 2002). Another aspect related to induction is the concept of "socialisation" (Allen et al., 2010). By including experienced insiders of the organisation such as trainers and mentors with new comers, providing positive feedback during the adaptation process, giving orientation activities in groups and communicating clearly the orientation process would

increase retention. It could also be viewed that RJP's extended in the orientation period preparing the new comers for up coming challenges would have positive outcomes (Taylor, 2002). Research has shown that especially induction that is tailor made increases retention (CIPD, 2010).

5.5.2 Compensation and reward

The importance of pay has been widely discussed in academic literature and recent studies have highlighted there to be a link between rewards and retention (Chew and Girardi, 2008). Pay and received money influences a person psychologically, economically and sociologically (Abbasi et al., 2000) in forms of status and standard of living making it presumably relevant to any individual. Pay has been defined by Price (2000) as "money and its equivalents which employees receive for their services to the employer" (p. 606).

However the importance of pay seems to have contradictory views. According to economists, based on the basic law of supply and demand, low paying companies will suffer from workforce shortages and employees will avoid working for them if they can have a higher paying job (Taylor, 2002). Thus paying above the market rate would increase retention (Price, 2000). In addition, Porter and Steers (1973) claim that monetary rewards relate to retention as employees rely on receiving fair rewards for their efforts and leave if they receive greater rewards elsewhere. However *other benefits* on top of pay such as health care or pension schemes could be even more relevant (Porter and Steers, 1973).

Although the basic assumption is that most people have jobs to earn money, HR practitioners and psychologists believe job satisfaction and organisational commitment (and other topics discussed in this dissertation) play a role in decreasing turnover (Price, 2000). Additionally, empirical research by Griffeth, Hom and Gartner (2000) shows pay levels and pay satisfaction to be weak drivers leading to search of alternatives (Allen et al., 2010). Employees who are dissatisfied with their jobs would not stay much longer even if they received a pay increase (Taylor, 2002). In accordance, Sturges and Guest (1999) state "as far as

they [graduate employees] are concerned, while challenging work will compensate for pay, pay will never compensate for having to do boring, unstimulating [sic] work" (p.19).

Perceived fairness is considered important when analysing pay and its relation to retention (Taylor, 2002; Allen et al., 2010). CIPD (2010) reminds "people who feel they are treated unfairly or perceive distribution of rewards being unlogical [sic] will probably leave". The theoretical background is founded on the concept of distributive justice explaining under which conditions people become unsatisfied (Adams, 1965). A theory, introduced by Martin (1981), suggests that the feeling of discontent arises from a belief that one is getting less than one deserves (Aquino et al., 1997). Hence, injustice especially in rewards leads to dissatisfaction and finally to organisational exists (Aquino et al., 1997). Additionally, paying the highest salary in markets may not increase retention, but being competitive in the markets matters (Taylor, 2002).

However pay is easy to imitate by competitors thus adapting a truly price driven strategy will not be sustainable in long term (Moroko and Uncles, 2009). Therefore pay can be important yet it does not alone increase retention of staff, and companies should focus on experiential benefits that could be tailored by employees and which are harder to imitate by competitors such as: training and support, promotion possibilities, flexible working hours and pleasant working environment (Moroko and Uncles, 2009).

5.5.3 Training, development and career management

One way of coping in the competitive markets is to ensure current employees have the sufficient skills needed by implementing training and development interventions (Greenhalgh and Mavrotas, 1996). Arguably learning and development, by general training and job specific training, increase general attractiveness and maintain high levels of engagement (Barrow and Mosley, 2005; CIPD, 2010).

There appears to be two main schools of thought on benefits of training. The first one suggests that training increases employability raising voluntary turnover (Torrington et al., 2005; Edwards, 1997; Greenhalgh and Mavrotas, 1996). Contrarily the second one suggests that training enhances commitment and especially job specific training increasing retention (Torrington et al., 2005). Empirical evidence can be found supporting the argument that training, taking into account varying factors, can enhance retention. In Greenhalgh and Mavrotas' (1996) study it was found that "job-to-job mobility is highest for the young and higher for those with formal educational qualifications than for the unskilled", pointing out that life cycle and education level influence links between training and turnover. In addition Green et al. (2000) investigated the impact of different types of training on turnover discovering that "training is more likely to lead to lower mobility when it is less transferable to other firms, is sponsored by firms, and where its objectives include increasing the identification of employees with corporate objectives" (p.261). Hence companies wanting to increase retention should focus on job specific training sponsored by the company rather than paid by employee or even government (Green et al., 2000).

Another form of developing employees is offering promotion opportunities. Literature suggests (Taylor, 2002; Gaffney, 2005; Chabbra and Mishra, 2008) that individuals tend to stay longer where they experience personal and professional growth. This is based on Porter and Steers (1973) work which suggests that advancement opportunities are likely to enhance retention as people will stay if

they feel they are rewarded fairly for the work done.

5.5.4 Working conditions

Working conditions influence the overall satisfaction of employees (Barrow and Mosley, 2005) and its importance can be justified by the fact that in many occasions employees leave their jobs due to conditions of work e.g. hours (Torrington et al., 2005). If the environment is not enriching and rewarding in which employees have affinity for those around them, resignation is probable (Abbasi et al., 2000).

In practical terms employees working in modern, well furbished offices tend, according to Barrow and Mosley (2005), to be more positive about their employment experience. Additionally flexible working, e.g. alternative work hours, to suit domestic responsibilities, increases retention (CIPD, 2010; Torrington et al., 2005; Hausknecht et al., 2009). The importance of flexible working has been studied by Richman et al. (2008) in their research revealing "perceived flexibility and supportive work-life policies were related to greater employee engagement and longer than expected retention" (p.192).

5.5.5 Effective supervision

One of the main reasons why employees leave is due to poor supervision which can come in form of failing to respond to grievances, acting autocratically, abusing their positions or using favouritism (Taylor, 2002; Allen et al, 2010). Tepper (2000), who investigated the effects of abusive supervision, defines it "the sustained display of hostile verbal and non-verbal behaviors, excluding physical contact" (p.178), discovered that subordinates were more likely to quit their jobs if they perceived their supervisors abusive. In addition the concept of distributive justice can be applied to poor supervision, as unfair procedures stimulates exists (Aquino et al., 1997). Based on these arguments training and supervision of managers to build relationships, understanding retention management and leadership skills play an important role in enhancing retention (CIPD, 2010; Torrington et al., 2005; Allen

et al., 2010).

After analysing how retention can be influenced it is justifiable to say that all of these techniques aim to influence the entire employment experience and job quality. Hence based on this section the author can generate a hypothesis (3): *The employer brand reinforces the entire employment experience increasing retention.*

6 METHODOLOGY

The purpose of this dissertation is to answer the question "how does employer branding efforts increase employee retention?". To find an answer to the problem the author has collected and researched a vast amount of literature using books, journals, web sites, secondary surveys and reports, in areas of human resource management and marketing.

The nature of this work is literature based an hence the research purely focuses on examination of secondary resources, i.e. data that has been gathered and published by someone else (Collins and Hussey , 2009), and based on this the author has aimed to make original findings. In addition the purpose is to improve the basic understanding of the issue of employee retention and employer branding for general use, e.g. not for a specific company, thus making this basic research (Collins and Hussey, 2009).

The author did not carry out empirical research due to time limitations. The author found, as the concept of employer branding is relevantly new, not even a lot of literature based analyses have been made. In this case a vast amount of secondary data was available concerning staff retention and branding making it unproblematic to identify links using literature. The problem of reliability (Saunders et al., 2007) was decreased by using mostly academic work approved by scholars. However to gain some insight or inspiration the author used others sources to back up statements and to build the text.

In order to understand the links between employer branding and employee retention, and to test the concept, the author would recommend carrying out an experiment whether retention (independent variable) would be affected by employer branding efforts (another variable) (Saunders et al., 2007).

7 FINDINGS AND ANALYSIS

The author has now discussed the basic theoretical framework of employer branding, branding and employee retention. The author identified the research problem to be "how does employer branding influence employee retention", based on which the author made three hypotheses:

Hypothesis 1: Marketing activities used in personnel management aim to create strong brands that produce (employer) brand equity increasing (employer brand) loyalty

Hypothesis 2: Employer branding is a retention management technique influencing engagement, organisational culture and the perceived psychological contract all positively linked to retention

Hypothesis 3: The Employer Brand reinforces the entire employment experience increasing retention

The author will now discuss and analyse whether these hypotheses are valid or not, by applying suitable theory and using case studies to support these views.

7.1 Analysis of hypothesis 1

In marketing activities the aim is to satisfy the needs and wants of consumers with a product or service. With branding, the company aims to differentiate these products and services with unique benefits that bring value, in order to reach a competitive advantage. One of the main purposes of marketing activities is to create a strong brand (Kay, 2004), hence one of the main activities of employer branding could be assumed to be the creation of a "strong employer brand" with the objective to satisfy the needs and wants of the employee (customer) with the unique employment experience (product). It was suggested (Doyle, 1990) that in order to be successful the brand must be difficult to imitate by competitors and it must have the preference of the consumer. Hence it is relevant to understand how

an employer can, using branding efforts, achieve the preference of employees i.e. loyalty.

Branding activities used in personnel management aims to differentiate the employment experience. The employment experience can be differentiated by offering unique benefits that bring value to employees by meeting certain psychological needs. In order to be successful the employer must position these values or the brand promise in the minds of the employee with the EVP. However just like in consumer branding, the brand promise must be consistent externally and internally (Personnel Today, 2009). In addition the promise made must be realistic and truthful. If companies communicate their brand value proposition falsely the effects will be counterproductive (CIPD, 2010). Although the company may be able to attract and recruit many employees, the employees will probably leave within a short time period. This view is supported by Beresford and Saris (2010) who believe in order for an employer brand to be effective it should be aspirational, realistic and truly embedded. Moroko and Uncles (2008,) also found in their study that one of the main dimensions in achieving success in employer branding is accuracy, externally and internally (p.167).

When the employer branding efforts are successful, and when the promise meets the needs of employees, it has the power to win the preference and loyalty of the employee. Customer loyalty is viewed to influence the behaviour of a consumer influencing repurchases or brand switching and attitudes to preferences and dispositions towards certain brands (Melnyk et al., 2009). In addition Bloemer and de Ruyter (1998) argued that when a consumer is loyal to a certain brand they are more likely to choose these products compared to the ones of a competitors'. Hence in employer branding the marketing communication activities aim to influence the behaviour and attitudes of employees to prevent employer switching, gaining the preference of the employee towards certain employer that could be also referred to as being "the employer of choice".

The outcome of strong brands is brand equity which was defined by Aaker (1991)

to be "a set of brand assets and liabilities linked to a brand that add to or subtract from value provided by a product or service to a firms and/or to that firms customer" (p.15). Many scholars have identified the link between brand equity on positive organisational outcomes such as loyalty (Aaker, 1996; Bennett and Rundle – Thiele, 2005). The positive outcome of employer branding is thus employer brand equity, which adds value to the employee leading to employees to stay with the company and support it (Backhaus and Tikoo, 2004).

The author has presented these arguments in the below figure:

FIGURE 4

Fig 4: Hypothesis 1

For example McDonald's, the world-famous fast food chain, was fighting against the bad reputation of 'McJob' of offering low pay jobs for lowly skilled people, simultaniously facing extremely high turnover rates. To overcome this issue, McDonald's launched an employer branding campaign (advertising campaign to promote their EVP) with an intent to enhance the brand reputation among current and potential employees.

After the campaign not only did the amount of applications increase but also the attitudes of current staff improved and retention rates enhanced. Furthermore employees were asked if they would recommend McDonalds as an employer to others and 51% said yes before the campaign and after the campaign it was 86% (Chabbra and Mishra, 2008, p.60). McDonald's carried out an extensive marketing campaign on their personnel with the intention to strengthen their employer brand

in the minds of employees. They succeeded in their mission and reached positive business outcomes.

It can be said that marketing activities carried out in the correct manner used in personnel management increases the strength of the brand leading to increased brand equity. One of brand equity's main outcomes is loyalty towards a brand. Therefore the hypothesis (1) made "*Marketing activities used in personnel management aim to create strong brands that produce (employer) brand equity increasing (employer brand) loyalty" ,is true.*

7.2 Analysis of hypothesis 2

As discussed, employees stay if they feel engaged, view the organisational culture as their own and if the perceived psychological contract is not violated. The author argues that employer branding has a power to influence these three components.

Firstly, employees who are engaged will feel more committed and will be more likely to stay (Vance, 2008). One of the aims of employer branding is to increase engagement by implementing varying personnel management interventions that have been empirically proved to do so such as: benefits, induction, training and development and career management. These interventions are also proved to increase loyalty towards the employer (Allen et al., 2010).

Secondly, employer branding aims to attract employees that will "thrive best in its culture" (CIPD, 2010). The employer value proposition communicates clearly the organisational culture attracting candidates that are compatible in terms of their beliefs, attitudes and values i.e. "best fit" (DelCampo, 2006). When the organisational culture values and the individual's values meet the job preview is realistic and the danger of unmet expectations will recede, leading to increased retention of especially new recruits (Figure 5).

FIGURE 5

Integrated model of culture fit Paradigm
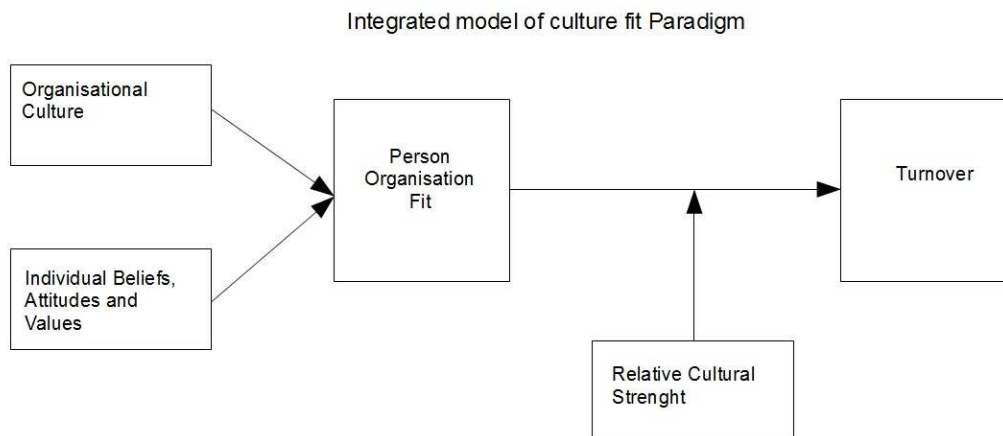
(Gibbons, 2006, cited in DelCampo, 2006 p.467)

Fig 5: The Integrated Model of Culture Fit Paradigm (Gibbons, 2006, cited in DelCampo, 2006, p.467)

Backhaus and Tikoo (2004) support this view by discovering that the employer brand enhances organisational culture which increases employer brand loyalty (retention) (see Appendix 4 for figure).

Thirdly, the employer brand has an ability to influence the perceived psychological contract. The author discussed the concept of the changing psychological contract in chapter 4. It was argued that the changing economic environment and perceived decreased job security alters the trust between the employee and the employer (Chew and Girardi, 2008). However the employer brand has the power to modify these perceptions, by communicating a new contract of "employer of choice" (Backhaus and Tikoo, 2004). This new contract could help employees and employers once again in finding common values and goals. When the perceived contract is not being violated employees are more likely to stay (De Cuyper et al., 2008).

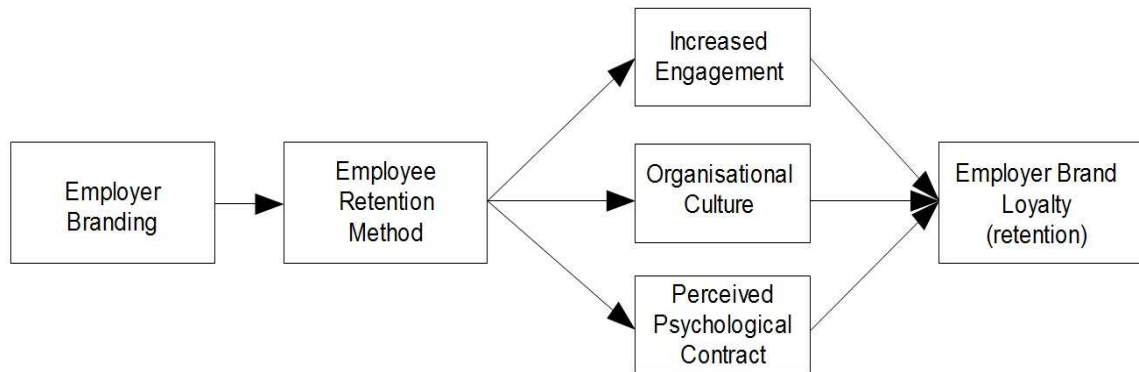The author has concluded these findings in the following graph:

FIGURE 6

Fig 6: Hypothesis 2

As an example, Phillips, the world leading electronics company, realised that the message communicated internally and externally had been inconsistent and thus they were not reaching set targets to attract and retain the best talent (Case study in Strategic HR review, Van Leeuwen et. al, 2005). They found that employees felt that there was a mismatch between what had been promised and what they experienced after joining. Phillips realised that the positioning must apply to the entire employment cycle from recruitment to exit.

Based on these findings Phillips needed to generate an enhanced value proposition which would be perceived superior in the minds of both potential and existing employees. The value proposition created was: "Phillips employees touch lives every day". This proposition describes the essence of Phillips as an employer, summarises the promise and communicates what it is like to work for potential employees. For existing employees it is the delivering of the promise of touching their lives everyday. They were hence aiming to communicate the culture of the organisation to external and internal markets to increase the fit of values and also to communicate what make Phillips unique and what they offer in return for the hard work of employees fighting against violations of the psychological contract. They took time to listen to the employees and what makes them stay,

36

hence possibly increasing employee engagement.

Based on these findings and arguments, the author can verify that the hypothesis (2) made "*Employer branding is a retention management technique influencing engagement, organisational culture and the perceived psychological contract all positively linked to retention",* is true.

7.3 Analysis of hypothesis 3

Employer branding aims to communicate the beneficial employment package ("the product") with the unique Employer Value Proposition (EVP) to potential and current employees ("customers") in order to differentiate the employment experience from the one of competitors (Moroko and Uncles, 2009; Backhaus and Tikoo, 2004). The employment experience consists of pre-employment stages such as recruitment and selection, in addition to internal efforts in form of training, development, career management, pay and benefits and quality supervision (Munsamy and Venter, 2009). CIPD (2010) views that the employer brands should lead the organisation in these interventions during the entire employment experience.

As discussed, a brand is successful when it can offer an organisation a sustainable differential advantage (Doyle, 1990). An employer brand would thus have a "differential advantage" when it has the preference of employees, and "sustainable", when the employment experience is difficult to imitate (ibid.). In this section it is relevant to to understand what interventions specifically enhance the preference and what makes imitation difficult.

Externally employer branding aims to communicate a distinctive set of benefits to potential employees to attract the best fit to support the brand and company values. Enhancing the right fit for a job by making sure that new joiners have realistic expectations of their job and receive sufficient induction training will help to minimise the number of people leaving the organisation within the first few

months (CIPD, 2010; Tanova and Holtom, 2008). The communication of the employer brand promise is hence beneficial if the proposition is true.

Giving a realistic job preview consist of communicating both the good and bad sides of the job and exactly what the experience will consist of (Taylor, 2002). It has been seen many times companies that fail to communicate their value proposition truthfully end up experiencing high turnover rates. Example of an employer brand promise that failed was airline Easyjet that communicated to cabin crew staff "sexy jobs with the ability to fly around the world" (Chabbra and Mishra, 2008). However the truth was tough and long workdays, leading to high turnover within few months of employment (ibid.). Sending the right message is hence crucial . Research indicates that the role of these previews could even play a more important role than the actual employment experience (Padgett et al., 2005) and as Phillips (1998) discovers, generally RJP's are related "to higher performance and to lower attrition from the recruitment process, initial expectations, voluntary turnover, and all turnover" (p.673).

In terms of selection processes, employer branding may increase the power of self selection. The employer brand aims to communicate certain organisational values to external markets thus employees who feel already aligned to these values will feel that they are "better fit" for the post increasing the probability of staying. Induction has the power to engage employees and also give realistic job previews decreasing unmet expectations. In addition the employer brand should be implemented to the selection and recruitment phase to ensure consistency throughout the process (CIPD, 2010).

On of the tasks of employer branding is to differentiate from competitors. According to Bennett and Rundle-Thiele (2005) differentiation occurs when a company is able to position the product in the minds of the employees to be *superior* to the one of competitors potentially leading to the status of "best place to work" decreasing the desire to switch to another employer. The key to differentiation is communicating benefits that are harder to imitate. Similar to consumer branding, employers can differentiate themselves in the employee

markets with tangible and intangible benefits.

Companies can differentiate with functional benefits, for example with highly attractive working environment, superior technology or pay (Barrow and Mosley, 2005). In addition many have now moved on to differentiating with emotional benefits (e.g. feeling good at work) which are assumed to promote engagement and feed psychological needs (Barrow and Mosley, 2005). These are also more difficult to imitate.

The brand can be made distinct with varying pay and benefit schemes. Although research and literature shows that pay is important it does not have strong links to high employee retention. As Taylor (2002) suggests, if an employee is satisfied with all other aspects of their employment they would not change employers for bigger salary (p.95). However perceived fairness and competitiveness seem to have a relevantly important role in the perceived employment experience. Employees are more likely to leave if they are treated unfairly or if the salary is not competitive (Taylor, 2002; Allen et al., 2010). However pay cannot be seen as a primary differentiation method, as in consumer marketing, price based strategies are easy to imitate hence the competitive advantage would not be sustainable (Moroko and Uncles, 2009). Therefore companies should focus on experiential benefits rather than monetary ones in differentiating and enhancing the employment experience.

A way of differentiating by training is an option as it increases general attractiveness and maintains high levels of engagement (Barrow and Mosley, 2005). Especially job specific training sponsored by the company enhances the attitudes towards the employer (Green et al., 2000). Career management seems to have an influence on the perceived quality of the employment experience. As literature suggests (Taylor, 2002; Gaffney, 2005; Chabbra and Mishra, 2008), individuals tend to stay longer where they experience personal and professional growth. In addition founded on Porter and Steers' (1973) work, advancement opportunities are likely to enhance retention as people who feel they are rewarded

fairly for the work done are more satisfied (Hausknecht et al., 2009).

Working conditions influence the entire working experience increasing overall satisfaction of employees (Barrow and Mosley, 2005). According to research findings by Richman et al. (2008) "perceived flexibility and supportive work-life policies were related to greater employee engagement and longer than expected retention" (p.192). For example companies aspiring to enhance their employer brand have in many occasions also invested in their physical working conditions such as interior design, cafeterias and break rooms in order to make it a good place to work.

Additionally, effective supervision affects the entire experience. As research proves, employees are likely to quit if they feel their supervisor is not fair and in the worst case "hostile" (Tepper, 2000; Aquino et al., 1997). Another way of looking at the influence of supervision is in its power to communicate the brand promise to current employees. In order to build and sustain a strong brand it is essential that the managers are closely involved in the process (Macrae, 2001). The Brand Action Triangle introduced by Macrae (2001) predicts that in order for an employer brand to be successful all the three components (brand leadership, brand inside and brand outside) must be linked (Kapoor, 2010, p.53) (see Appendix 9 for the Brand Action Triangle). If the brand message communicated externally ("Brand outside") is not viewed the same way internally ("brand inside") it could be assumed that the brand is not strong. Likewise if the brand leadership does not communicate or promote the brand internally the brand is not strong. Not only does the quality of supervision enhance the employment experience increasing retention, but also plays a significant role in communicating the brand promise.

All the mentioned differentiation methods can be communicated with the value proposition in order to communicate the unique benefits that bring value and consequently make the brand more desirable (Doyle and Stern, 2006). Kotler and Armstrong (2005) suggest that consumers tend to select brands that bring them most value. Employers should also aim to communicate their value proposition

clearly differentiating the employer brand proposition in current employees' mind and answer the question: "Why should I [the employee] stay with this company rather than switch to another one (competitor)?". The answer to this question lies in the the EVP offering a distinct package of benefits (Moroko and Uncles, 2008).

The distinctive benefits, that are communicated with the EVP, aim to leverage the employment experience in the mind of the employee. In literature and research it has been found that employees that find work satisfying and meaningful, to have a pleasant work environment, career development opportunities, the opportunity to work for a respected employer, competitive pay and a respectful and a considerate boss are more likely to stay (Taylor, 2002).These benefits hence reinforce the quality of employment experience, when promise is kept, leading to increased retention. Employer branding aims to make its employment experience unique by investing in "every day life" of the employee through distinctive benefits, working conditions and quality supervision. Based on these arguments the author has generated a figure presenting these findings:
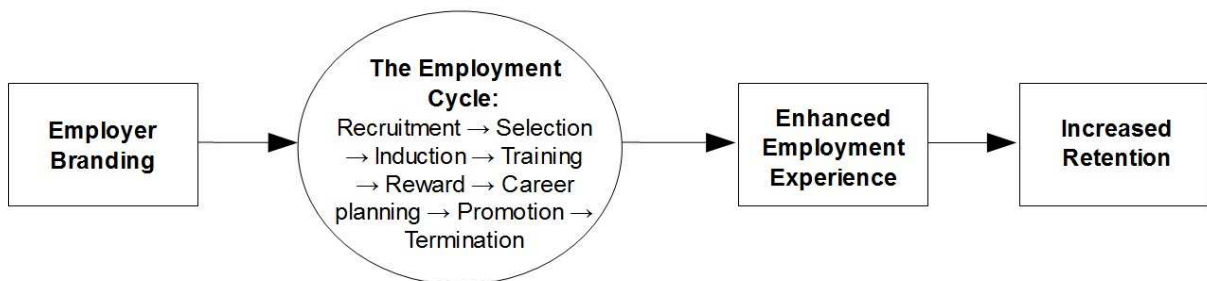
FIGURE 7

Fig 7: Hypothesis 3

For example Virgin mobile, a UK based telephone and mobile phone provider, has focused for years on building and managing their employer brand. In their value proposition the company communicates extraordinary benefits, emphasises it as a challenging yet rewarding place to work with continuous development opportunities (Virgin Media website). A podcast presented by CIPD (2008) even reveals that Virgin Mobile is able to keep their employees, not because of higher

than average pay, but because of other extraordinary benefits. They put effort into the entire employment experience or each "touch point" from induction and career development to performance management reflecting their brand and values. As stated by Richard Roberts, the Head of People at Virgin Mobile:

> "We do put a lot of effort into making it a great place to work, a very human place to work so it's all those different elements that add up to people saying actually I want to stay" (CIPD website, Podcast, 24, 2008)

Hence it could be said that people working for Virgin Mobile experience the quality of their employment experience so superior, that they want to stay.

Therefore based on these findings and the above figure the hypothesis (3) "*the employment brand reinforces the entire employment experience increasing retention",* is valid.

8 DISCUSSION AND CONCLUSIONS

Literature on employer branding highlights its positive influences on business outcomes one of them being retention. Additionally a vast amount of research and academic literature in the past until current times has emphasised the importance of retaining valuable staff to gain sustainable competitive advantage. According to findings not much has been emphasised on how is employer branding exactly used to decrease turnover rates. In this dissertation the author investigated the methods of retaining staff through an extensive research of literature.

Organisations have used marketing methods and branding activities for some time now in order to differentiate their products and services. Employer branding uses the same methods to differentiate in the extremely competitive recruitment markets with the means to become an "employer of choice" or having the status of the "best place to work". Employer branding aims to create a strong employment brand which will positively affect business performance. When an employer brand is strong it will create brand equity with the positive outcome of increased employee loyalty.

Employer branding is used as a retention management technique that increases employee engagement, communicates the organisational culture and improves it, and enhances the expectations of responsibilities between the employer and employee, the psychological contract. Literature and empirical research shows that employee engagement is strongly linked to high retention rates. The employer value proposition aims to communicate the existing organisational culture as clearly and truthfully as possible in order to attract the best candidates to the company. The employees that feel attracted to the specific company values will find it easier to adjust and will feel more satisfied hence are more likely to stay. However, a question of the changing nature of employment may have altered employees' feeling of commitment, and thus intention to stay, yet the employer brand has the power to modify this "new psychological contract" leading to lower turnover.

The employer branding efforts have the capability to reinforce the entire employment experience from recruitment procedures to exits. The employment experience can be leveraged in the minds of employees by providing distinctive tangible and intangible benefits such as training, promotion opportunities and flexible working. The importance is in communicating these benefits with the employer value proposition truthfully so that the employer brand promise can be kept. If the employer has been able to give a realistic job preview, and is able to provide benefits that are superior to the competitors', they can expect to experience increasing employer brand loyalty (retention).

All the three components above indicate that employer branding does in fact have a positive influence on staff retention by enhancing the entire experience of working for a specific company and by creating value for employees leading to loyalty. The author has concluded these findings in the following figure (Figure 8):
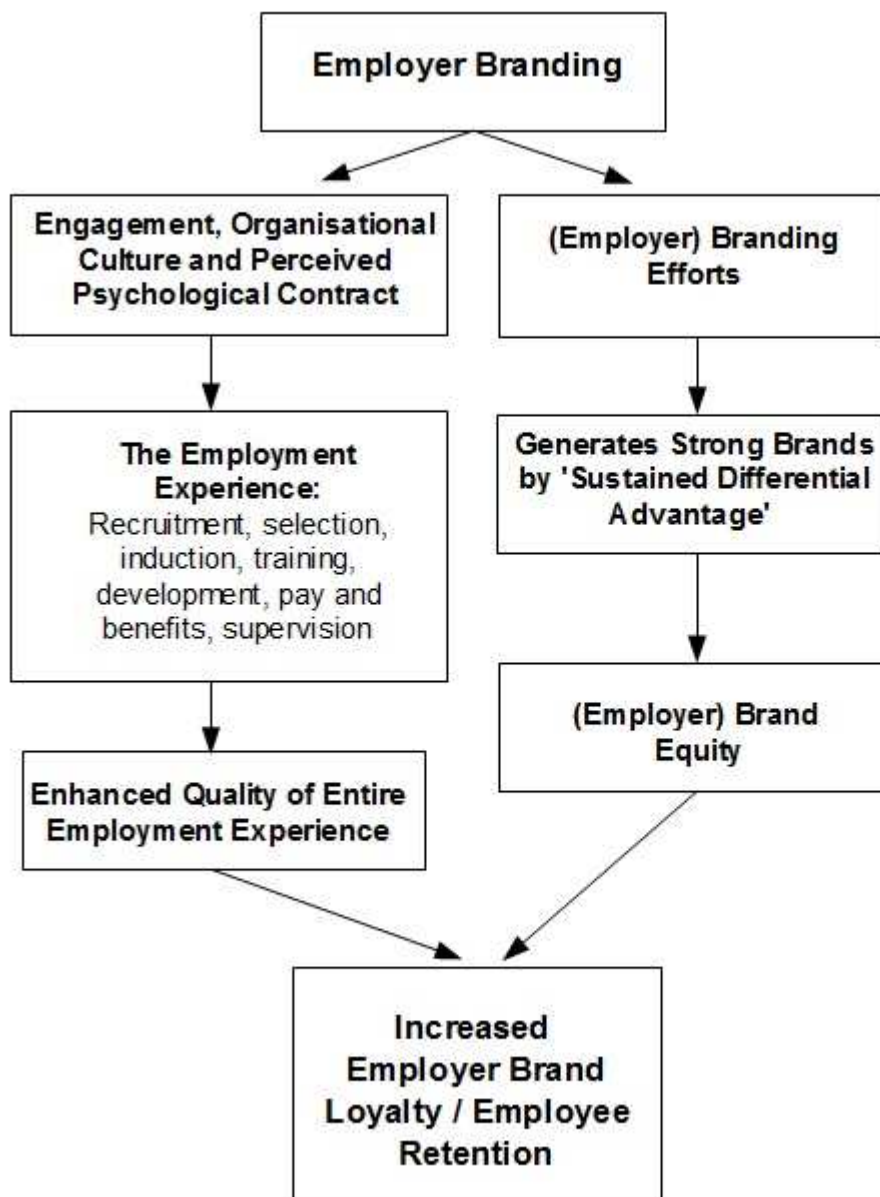
(See next page)

FIGURE 8

Employer Branding

Engagement, Organisational Culture and Perceived Psychological Contract

(Employer) Branding Efforts

The Employment Experience:
Recruitment, selection, induction, training, development, pay and benefits, supervision

Generates Strong Brands by 'Sustained Differential Advantage'

Enhanced Quality of Entire Employment Experience

(Employer) Brand Equity

Increased Employer Brand Loyalty / Employee Retention

Fig 8: Conclusion of Findings

In this work the author focused on investigating the general phenomenon of employer branding and its links to employee retention. Due to limitations in resources it was not possible to go deeper in the research at this stage. For example literature has strongly emphasised the influences of different employee target groups and how this influences the decision to stay. Hence the employee

markets could be segmented by culture, country, age and job levels and investigated further to gain better understanding of the phenomenon.

In addition it would be necessary to test this concept in practise with experimental research by carrying out extensive surveys or arranging focus groups to understand what methods are actually used and what are considered useful. In general the field of employer branding lacks of empirical research, and also in this case primary research would help to validate the hypotheses made in this dissertation. Due to the fact that employer branding is yet a rather new concept more research would be required to investigate the validity and effect of using customer branding methods on personnel management.

Hence this work could be used as a basis for further investigation and empirical research.

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11 APPENDICES

Appendix 1: List of The World's Most Attractive Employers 2010

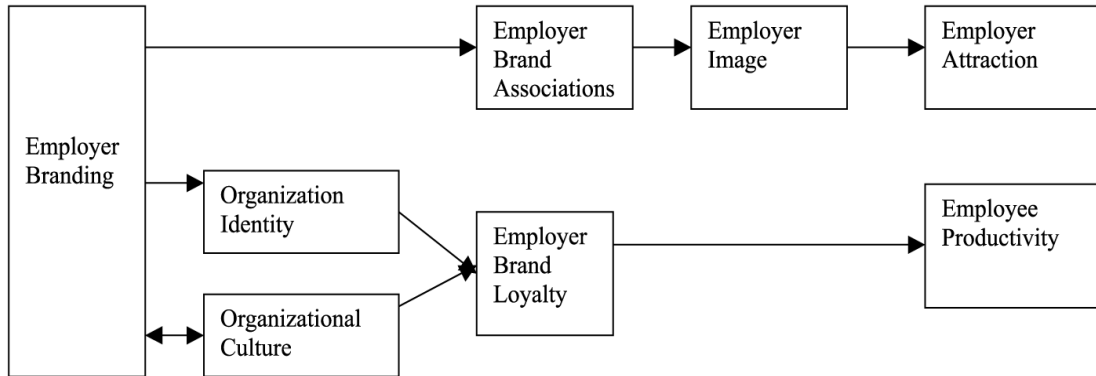| Company	Ranking 2010
Google	1
KPMG	2
Ernst & Young	3
PricewaterhouseCoopers	4
Deloitte	5
Procter & Gamble	6
Microsoft	7
The Coca-Cola Company	8
J.P. Morgan	9
Goldman Sachs	10
L'Oréal	11
BMW	12
Sony	13

(Universum Website)

Appendix 2: Institute Europe's "Best place to work" Europe ranking

Rank	Companies
1	Microsoft; Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK
2	ATP; Denmark
3	SMA Solar Technology; Germany
4	3M Deutschland	3M ESPE; Germany
5	IRMA; Denmark
6	Coca-Cola HBC Greece; Greece
7	SAS Institute; Belgium, The Netherlands, Norway, Sweden
8	Accenture; Finland, Sweden
9	domino-worldTM; Germany
10	PepsiCo (Tasty Foods -Greece); France, Greece, Ireland
11	Nordea Liv & Pension; Denmark
12	DIS AG; Germany
13	EnergiMidt; Denmark
14	Telefónica O2; Germany, Ireland
15	W.L. Gore Associates; Germany, France, Italy
16	Louis Vuitton; Spain
17	Cisco Systems; Austria, Germany, Italy, Portugal, Spain, Switzerland

(Great place to work Institute Europe Website)

Appendix 3: Link between employer branding, culture and loyalty

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┌──────────┐                    ┌────────────┐   ┌──────────┐   ┌──────────┐
│          │───────────────────▶│ Employer   │──▶│ Employer │──▶│ Employer │
│          │                    │ Brand      │   │ Image    │   │ Attraction│
│          │                    │ Associations│   │          │   │          │
│          │                    └────────────┘   └──────────┘   └──────────┘
│ Employer │
│ Branding │   ┌────────────┐
│          │──▶│ Organization│
│          │   │ Identity   │─────┐
│          │   └────────────┘     │  ┌──────────┐                ┌────────────┐
│          │                      ▶ │ Employer │───────────────▶│ Employee   │
│          │   ┌────────────┐     │  │ Brand    │                │ Productivity│
│          │◀─▶│Organizational│───┘  │ Loyalty  │                │            │
│          │   │ Culture    │        └──────────┘                └────────────┘
└──────────┘   └────────────┘
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(Adopted from Backhaus and Tikoo, 2004 p. 505)

Appendix 4: List of most successful brands

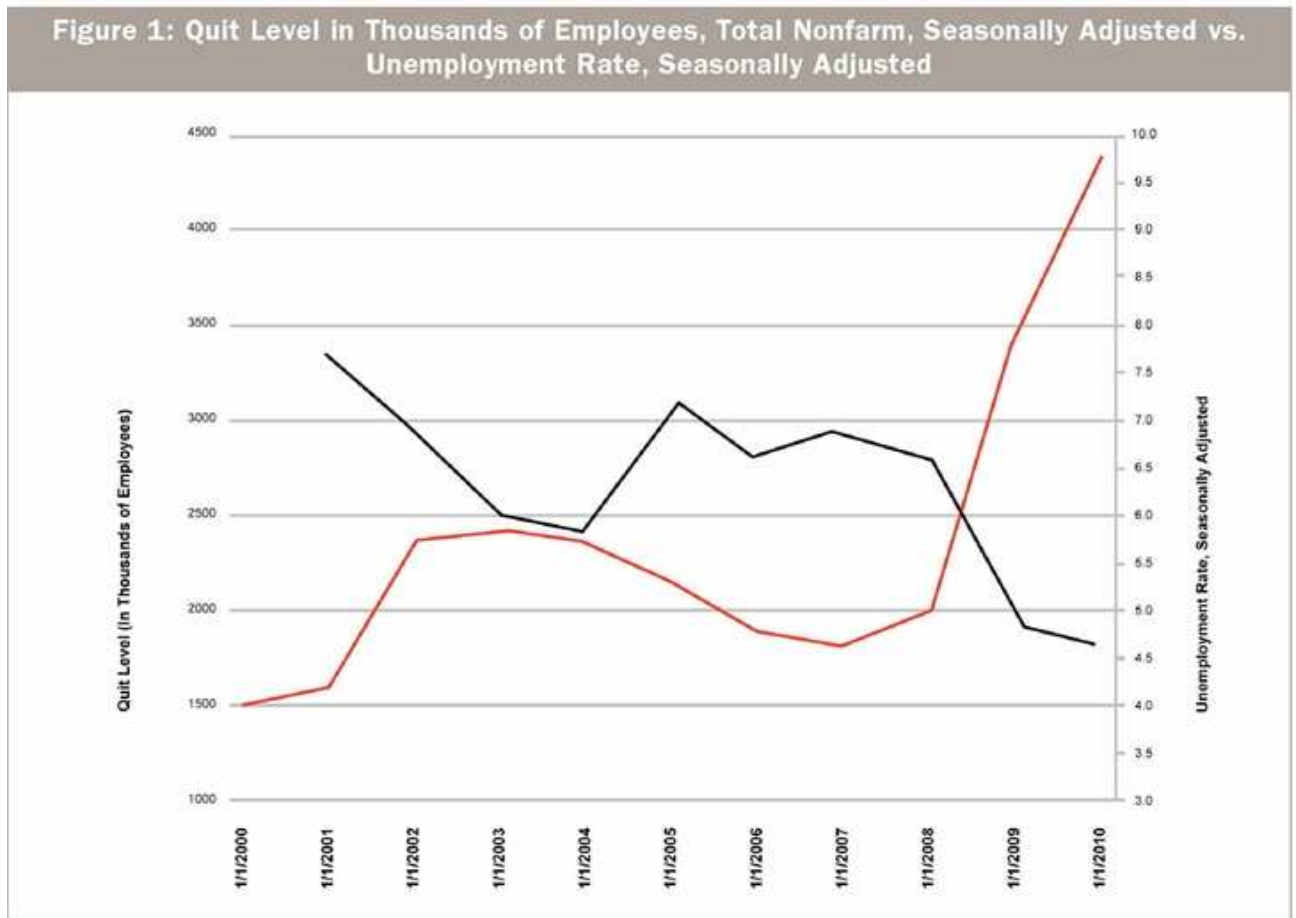|	Rank	Previous Rank	Brand	Country of Origin	Sector	Brand Value ($m)	Change in Brand Value
[+]	1	1	Coca-Cola	United States	Beverages	70,452	2%
[+]	2	2	IBM	United States	Business Services	64,727	7%
[+]	3	3	Microsoft	United States	Computer Software	60,895	7%
[+]	4	7	Google	United States	Internet Services	43,557	36%
[+]	5	4	GE	United States	Diversified	42,808	-10%
[+]	6	6	McDonald's	United States	Restaurants	33,578	4%
[+]	7	9	intel	United States	Electronics	32,015	4%
[+]	8	5	NOKIA	Finland	Electronics	29,495	-15%
[+]	9	10	Disney	United States	Media	28,731	1%
[+]	10	11	hp	United States	Electronics	26,867	12%
[+]	11	8	TOYOTA	Japan	Automotive	26,192	-16%
[+]	12	12	Mercedes Benz	Germany	Automotive	25,179	6%
[+]	13	13	Gillette	United States	FMCG	23,298	2%
[+]	14	14	(cisco)	United States	Business Services	23,219	5%

(Interbrand Website)

Appendix 5: Links between unemployment and turnover

Figure 1: Quit Level in Thousands of Employees, Total Nonfarm, Seasonally Adjusted vs. Unemployment Rate, Seasonally Adjusted

(Adopted from Doug, 2010, p20)

Appendix 6: Mobley's (1977) model of turnover

The evaluation of the existing work	a) Other formal turnover behavior, e.g. Absenteeism, sabotage
Job satisfaction and dissatisfaction	
The idea of turnover	
Effectiveness of looking for new job and cost of turnover	b) The impact of other non-work factors
Intends to find new jobs	
Looking for new jobs	
Evaluation of new job	c) Opportunity of initiative offer will impact evaluation.
New jobs compared with the existing work	d) The labor market will affect the opportunities
Have the intention of stay or turnover	
Behavior for turnover or stay	

(Adopted from Lee et al., 2008)

Appendix 7: Integrated model of culture fit Paradigm

Integrated model of culture fit Paradigm
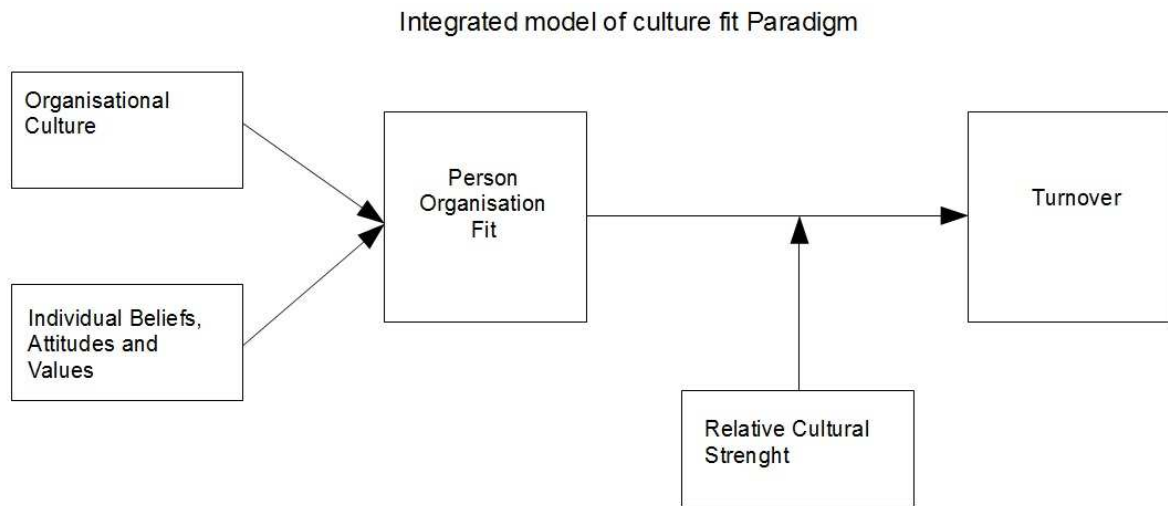
(Gibbons, 2006, cited in DelCampo, 2006 p.467)

Appendix 8: Changing psychological contract

Old	New
Relationship is pre-determined and imposed	Relationship is mutual and negotiated
You are who you work for and what you do	You are defined by multiple roles, many external to the organization
Loyalty is defined by performance	Loyalty is defined by output and quality
Leaving is treason	People and skills only needed when required
Employees who do what they are told will work until retirement	Long-term employment is unlikely; expect and prepare for multiple relationships

(Adopted from Armstrong, 2006, p 232)

Appendix 9: The employment cycle
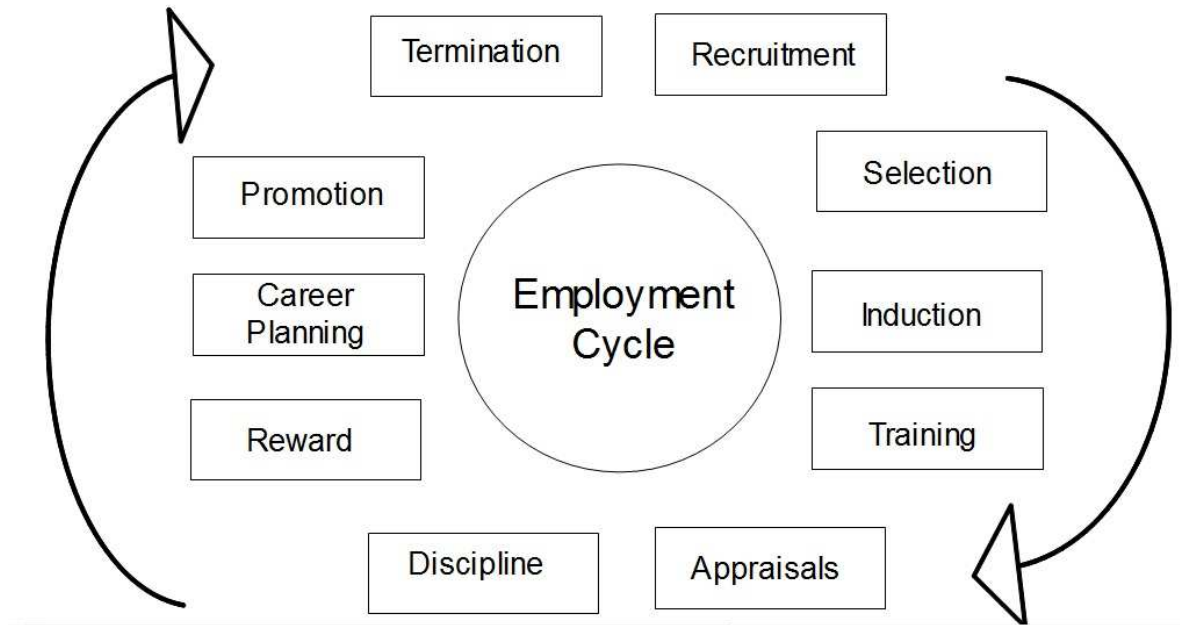
(Based on work of Huczynski and Buchanan, 2007 p.656)

Appendix 10: Retention management strategies

Table 3
Evidence-Based HR Management Strategies for Reducing Turnover

Recruitment (Breaugh & Starke, 2000)	• Providing a realistic job preview (RJP) during recruitment improves retention. • Employees hired through employee referrals tend to have better retention than those hired through other recruitment sources.
Selection (Griffeth & Hom, 2001; Hunter & Hunter, 1984; Kristof-Brown, Zimmerman, & Johnson, 2005)	• Biodata (biographical data) and weighted application blanks (WAB) can be used during the selection process to predict who is most likely to quit. • Assessing fit with the organization and job during selection improves subsequent retention.
Socialization (Allen, 2006; Kammeyer-Mueller & Wanberg, 2003)	• Involve experienced organization insiders as role models, mentors, or trainers. • Provide new hires with positive feedback as they adapt. • Structure orientation activities so that groups of new hires experience them together. • Provide clear information about the stages of the socialization process.
Training and Development (Hom & Griffeth, 1995)	• Offering training and development opportunities generally decreases the desire to leave; this may be particularly critical in certain jobs that require constant skills updating. • Organizations concerned about losing employees by making them more marketable should consider job-specific training and linking developmental opportunities to tenure.
Compensation and Rewards (Griffeth & Hom, 2001; Heneman & Judge, 2006)	• Lead the market for some types of rewards and some positions in ways that fit with business and HR strategy. • Tailor rewards to individual needs and preferences. • Promote justice and fairness in pay and reward decisions. • Explicitly link rewards to retention.
Supervision (Aquino, Griffeth, Allen, & Hom, 1997; Griffeth, Hom, & Gaertner, 2000; Tepper, 2000)	• Train supervisors and managers how to lead, how to develop effective relationships with subordinates, and other retention management skills. • Evaluate supervisors and managers on retention. • Identify and remove abusive supervisors.
Engagement (Ramsay, 2006; Vance, 2006)	• Design jobs to increase meaningfulness, autonomy, variety, and coworker support. • Hire internally where strategically and practically feasible. • Provide orientation that communicates how jobs contribute to the organizational mission and helps new hires establish relationships. • Offer ongoing skills development. • Consider competency-based and pay-for-performance systems. • Provide challenging goals. • Provide positive feedback and recognition of all types of contributions.

(Adopted from Allen et al. 2010 p.57)

Appendix 11: The Brand Action triangle

Figure 3: The Brand Action Triangle

Brand Leadership

Brand Outside

Brand Inside

Source: Macrae (2001)

(Macrae, 2001 cited in Kapoor, 2010, p.53)