

2008 HR Trends Report

The Power of an Employment Brand



Abstract:

With executives now viewing strategic HR as a bottom-line contributor, small and medium-sized businesses are placing more value on it and its potential profitability—especially those initiatives that will aid in attracting and retaining talent in 2008.

This report seeks to explore how elements of strategic HR (such as building a corporate culture, developing current staff, communicating with employees, building an employment brand, and implementing company policies) are being used to leverage a competitive advantage in an employees' market where workers from a mix of generations are demanding more from employers than ever. Discussed herein are the concerns about successful recruiting and retention in 2008, how baby boomers' plans for the future affect employers, and the increasing importance of employment branding and a strong corporate culture as effective tools for attracting and retaining talent from all generations.

The trends and initiatives discussed herein are supported by the “TriNet 2008 HR Trends Survey” conducted in the fourth quarter of 2007.

For the purposes of this white paper, generations are defined as follows:

- Baby boomers – those born between 1946 and 1964
- Gen X – born between 1965 and 1980
- Gen Y – born between 1980 and 2000

—information courtesy of SHRM

A Growing Emphasis on Employment Branding

For the purposes of this report, employment branding and corporate culture are defined as follows:

Employment branding – a combination of marketing, communication, and technology used by an organization intended to give it greater visibility amongst a large population within a short timeframe.

—information courtesy of SHRM

Corporate culture – the attitudes, experiences, beliefs, and values of an organization.

—information courtesy of Charles W. L. Hill and Gareth R. Jones, “Strategic Management”

For several years, there has been great concern about baby boomers retiring in large numbers and younger workers being slow to join the workforce. Today, however, with boomers remaining on the job and younger workers embarking on career paths, the focus is divided between attracting new talent and retaining current employees. With employers offering all sorts of perks, benefits, and non-traditional compensation to candidates with an abundance of career opportunities available to them, companies must leverage a true competitive advantage in order to win in this employees’ market. To effectively attract and retain top talent, an employer must be able to offer candidates something the competition cannot.

As businesses struggle with talent issues, one recruiting strategy may have a particularly strong impact both today and in the future: employment branding.¹ Employment branding is a combination of marketing, communication, and technology used by an organization intended to give it greater visibility amongst a large population within a short timeframe.² An employer brand can be thought of as a reflection of an organization’s corporate culture, which consists of the attitudes, experiences, beliefs, and values of an organization.³

With so many options available to talent in all generations, an effective employment brand is a substantial competitive advantage that a company can leverage to bring in top talent. Yet, despite recognizing the importance of a strong employment brand, executives at small businesses appear to be reluctant to take decisive action. Most survey respondents indicated that they recognized the potential benefits that employment branding can offer, yet 30 percent of survey respondents said that they were not planning to invest in the initiative next year or are not sure if they will invest. As talent issues continue to strain resources, it is likely that companies without a strong employment brand will be less and less able to compete for key players.

Methodology

The survey was sent to several thousand small and medium-sized business executives within the industries of technology, financial services, and professional services. The survey was live for 21 days during the fourth quarter of 2007, and a total of 388 respondents were considered to drive the results and conclusions of this report. Each respondent answered the questionnaire via an online survey tool and was assured of his or her confidentiality. Their responses will be used only in this aggregate analysis.

Demographics

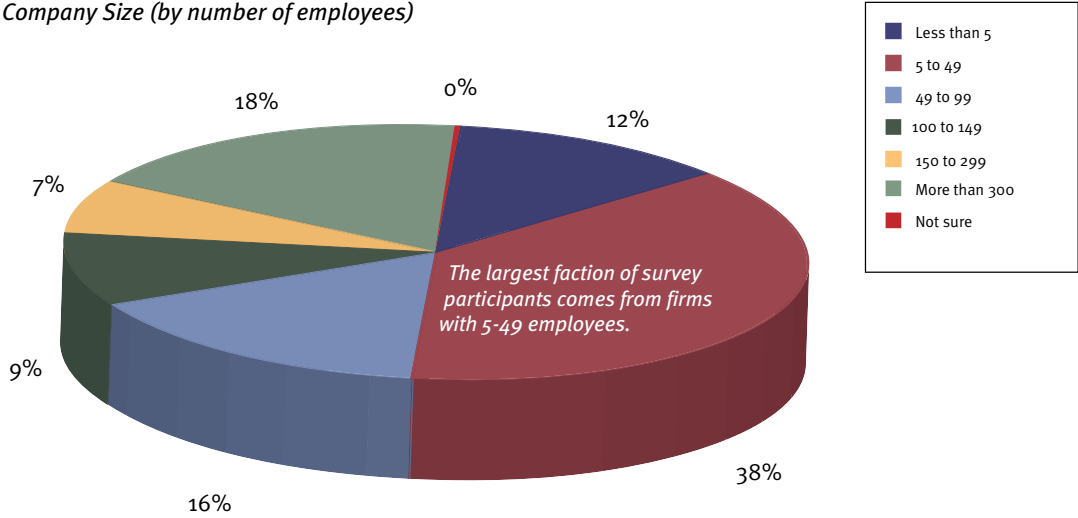
The demographic composition of the respondent pool provides a representative sample of small to medium-sized businesses. While companies ranging in size from less than five employees to more than 300 are represented, the largest faction of survey participants comes from firms with five to 49 employees. Likewise, a range of industries is represented, but almost a third of respondents are in the professional services field. The respondent pool provides a representative sample of all levels within a small and medium-sized organization, but the greatest faction of survey participants are business owners.

¹ Sullivan, John. “Employment Branding: the Only Long-term Recruiting Strategy.” ERE.net, Jan. 7, 2008.

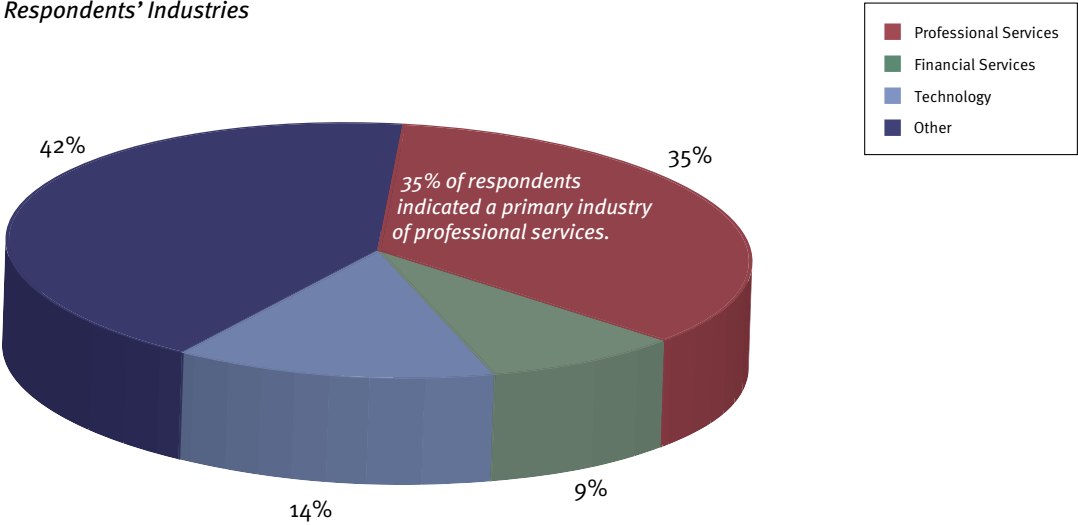
² Information courtesy of SHRM’s Glossary of Human Resources Terms

³ Charles W. L. Hill, and Gareth R. Jones, (2001) Strategic Management 5th Edn, Houghton Mifflin, MeansBusiness, Inc. (http://en.wikipedia.org/wiki/Organizational_culture)

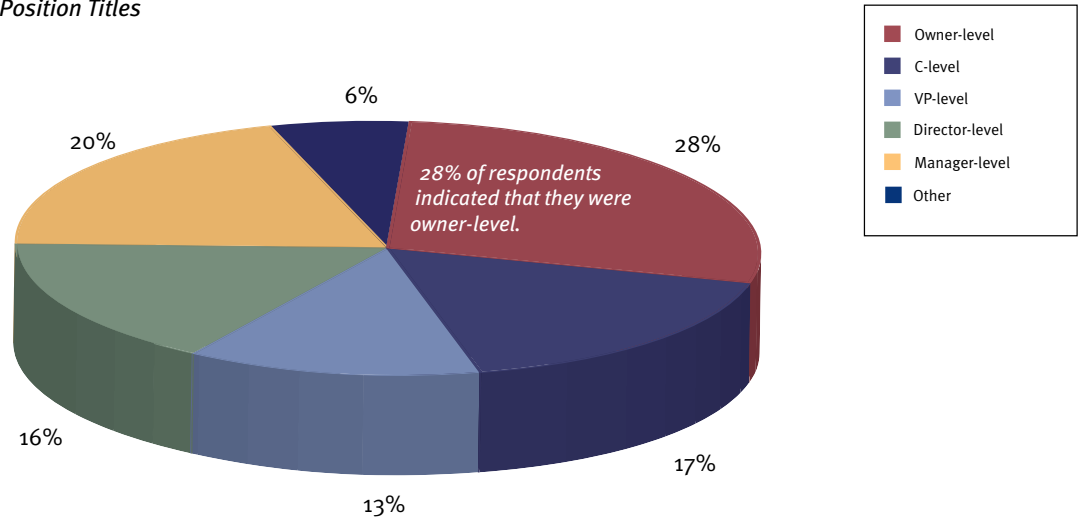
Company Size (by number of employees)



Respondents' Industries



Position Titles



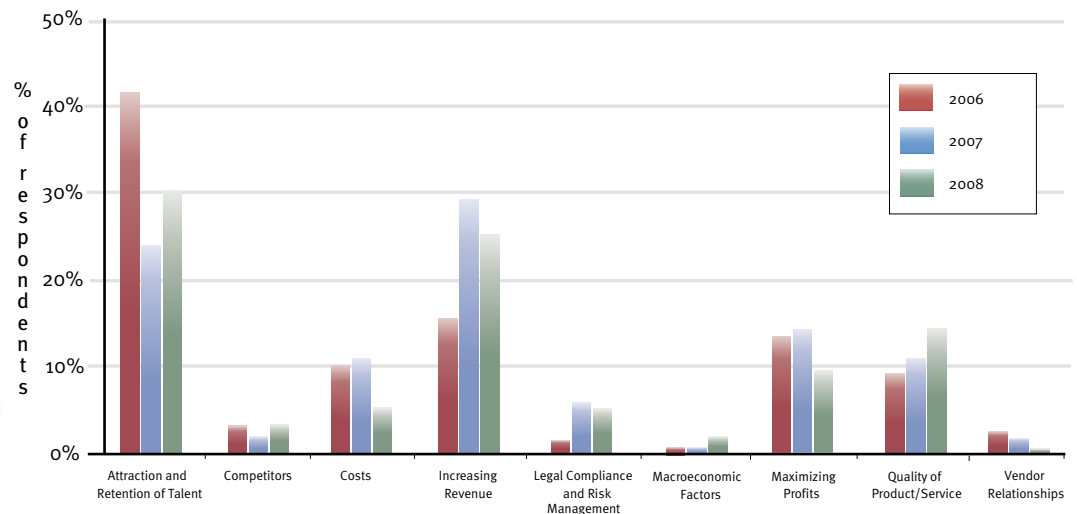
Bleak Economic Predictions Accelerate Recruitment and Retention Concerns

Amid recent dire predictions of an economic recession, employers are increasingly concerned about attracting and retaining high-quality employees. This is because despite a 70 percent probability for a recession in 2008, top talent will remain in high demand and qualified candidates will continue to have many career opportunities available to them.⁴ Consider that the average national unemployment rate in 2007 was 4.6 percent, but the average national unemployment rate for workers 25 and older with a bachelor's degree or higher—the top talent organizations are vying for—was less than half that, just 2 percent. This statistic, compounded by the fact that 15 years ago the average national unemployment rate was 6.9 percent, is solid evidence of the talent shortage in the U.S.⁵

With these indications of an employees' market, there may be a lack of alignment between respondents' reported success with attraction and retention in 2007 and their concerns about recruitment and retention in 2008. Overall, respondents reported success in regards to recruiting and retaining top talent in 2007 (88 and 86 percent, respectively), but the margin of those more concerned with attraction and retention than profitability increased in comparison to last year's survey responses. It's possible that these results indicate a false sense of confidence, or at least a strong sense of ambivalence, on the part of business owners in regards to their ability to compete for top talent.

Survey results show that the top business concern in 2008 is recruiting and retaining talent (31 percent), followed by revenue (26 percent). At this time last year, increasing revenue was a higher priority for respondents than was attracting and retaining top talent. Given growing talent concerns in the U.S., this increase in anxiety about recruitment and retention is not surprising. Organizations realize that profitability will occur as a result of the attraction and retention of high-quality employees, even in a down market.

Three-Year Trend in Business Concerns



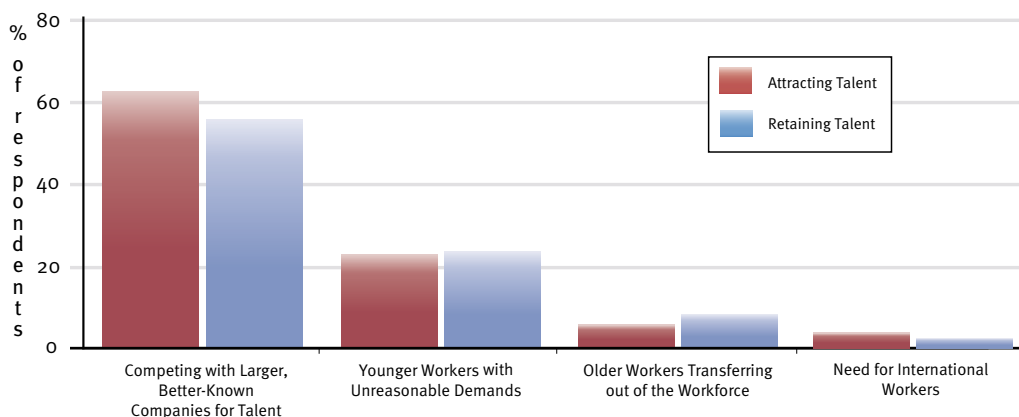
“ In the past three years, “attraction and retention of talent” and “increasing revenue” have traded places as the top business concerns. ”

⁴ “FBR Analyst Raises 2008 Recession Probability Estimate to 70 Percent from 60 Percent.” The Associated Press. Jan. 17, 2008.

⁵ Statistics courtesy of the U.S. Department of Labor's Bureau of Labor Statistics

For the majority of respondents, the concerns they have about attracting and retaining talent focus on competing with larger, better-known companies for the same talent pool and on coping with younger workers with unreasonable demands (see chart below for more information). Employers should keep in mind that there are more generations interacting in the workforce than ever before—and they have more options available to them than ever before—which puts more pressure on companies to meet each generation’s unique demands.

Concerns for Attracting & Retaining Talent in 2008



“Competing with other companies for talent and younger workers with unreasonable demands makes up a vast majority of the concern.”

Changing Perceptions about Boomers in the Workforce

Baby boomers, the oldest generation in the workforce, are perceived as less of a retention concern in the workplace because their actual retirement has had less of an impact than the dire predictions made a decade ago.

In 2006 the first boomers turned 60, and a study by the AARP revealed that 68 percent of workers between the ages of 50 and 70 plan to continue working through retirement or do away with retirement completely.⁶ Why? Money and health care, according to Deborah Russell, director of workplace issues for the AARP.⁷

Last year, a report by the Society for Human Resource Management (SHRM) showed that 44 percent of companies believed that the aging of the workforce would have a major impact on business, and just 34 percent said the same about recognizing and catering to Gen X and Y.⁸ But respondents to our survey, which represent a narrower mix of small business industries, older workers transferring out of the workforce is a concern for just 6 percent of employers, with the majority of their concerns focusing on attracting new and younger talent.

⁶ Segal, Jonathan. “Time Is on Their Side.” HR Magazine, February 2006.

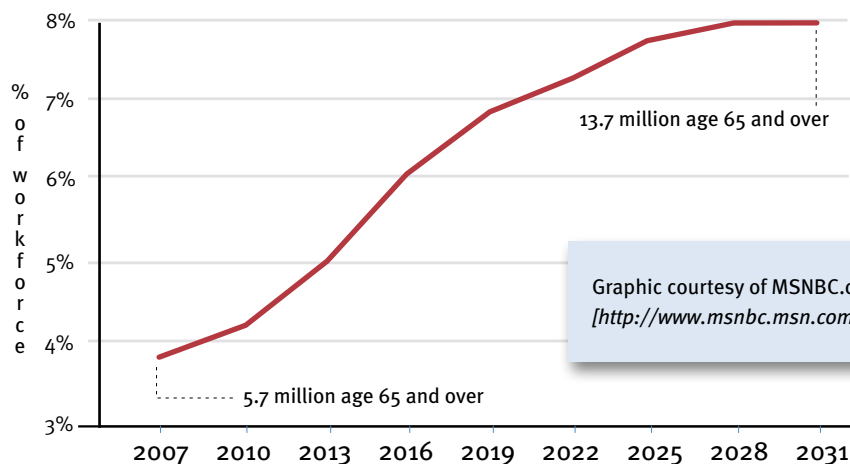
⁷ Tahmincioglu, Eve. “Boomers Will Spend Golden Years at Work.” Aug. 8, 2007.

⁸ Schramm, Jennifer. “SHRM Workplace Forecast.” Page 12. SHRM, June 2006.

From a retention perspective, just 8.5 percent of respondents are concerned about older workers leaving the workforce—which makes sense given that the Department of Labor Statistics predicts that by 2017, workers 55 and older will constitute approximately 24 percent (or 38 million workers) of the workforce (up from 12.9 percent in 2000). Furthermore, a recent Manpower Inc. study revealed that 78 percent of employers studied said they are not concerned that an aging workforce might hamper their ability to recruit and retain talented workers. Most also said they do not have attraction and retention strategies aimed at older workers.

Boomers may not be retiring now but they will inevitably do so, and employers must implement strategies to retain them or be ready to deal with their departure. As the workforce ages, companies will be forced to cater to boomers in much the same way as they will with younger generations. In a recent article on boomers' retirement plans (or lack thereof), Melanie Holmes, vice president of Manpower Inc., said that companies will have to make some concessions, such as more vacation time, less overtime, telecommuting, and flexible scheduling, because older workers simply will not be able to or will not be willing to keep working without them.⁹

The Aging of the U.S. Work force



Source: U.S. Department of Labor's Bureau of Labor Services

Holmes added that as older workers remain on the job and the number of younger managers increases, there could be some growing tension and resentment between boomers and Gen Yers. Boomers may resent the fact that they cannot afford to retire, while Gen Yers could harbor resentment toward them if their employers do not treat the two groups similarly.¹⁰

“By 2028, the percentage of workers over the retirement age of 65 is projected to rise to 7.9 percent.”

⁹ Tahmincioglu, Eve. “Boomers Will Spend Golden Years at Work.” Aug. 8, 2007.

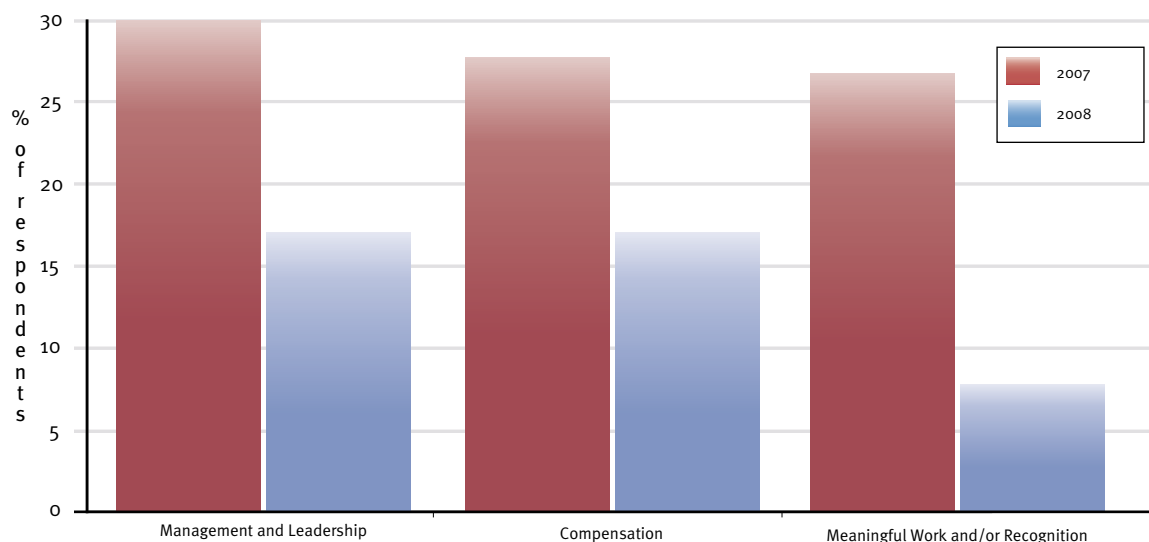
¹⁰ Ibid.

Competing in an Employees' Market

As Gen Yers join and boomers remain in the workplace, employers must cater to a more diverse workforce than ever. While boomers remained with a company simply because that was what they believed they had to do at that stage of their careers, employees today are in high demand and have more options available to them—and they know it.

Employers are seeing a shift in what helped them retain talent in 2007 and what will help them do so in 2008. Last year employers reported that compensation was the top factor in retaining talent. Respondents said that in 2008, management and leadership will play the biggest role in employers' ability to retain talent. This is likely true, but it will be necessary for those management and leadership initiatives to build and support a positive corporate culture.

Most Effective Tools/Techniques to Retain Talent



Competing in an Employees' Market

If the data hints that employers may not be as successful at recruiting and retaining as they think, and that it is an employees' market¹¹—there is a way to combat the talent shortage: an effective employer brand and corporate culture.

According to John Sullivan, professor of management at San Francisco University's College of Business and CEO of Dr. John Sullivan & Associates, employment branding is the only solution to small business talent issues. Despite this fact, just 5 percent of corporate recruiting budgets are spent on this initiative.¹²

Benefits of Employment Branding:

- Stronger corporate culture
- Competitive advantage
- Long-term impact on recruiting
- Increased volume of unsolicited candidates
- Higher-quality candidates
- Higher offer-acceptance rates
- More employee referrals
- Higher retention rates
- Increased employee motivation
- Increased media exposure
- Support for the product brand

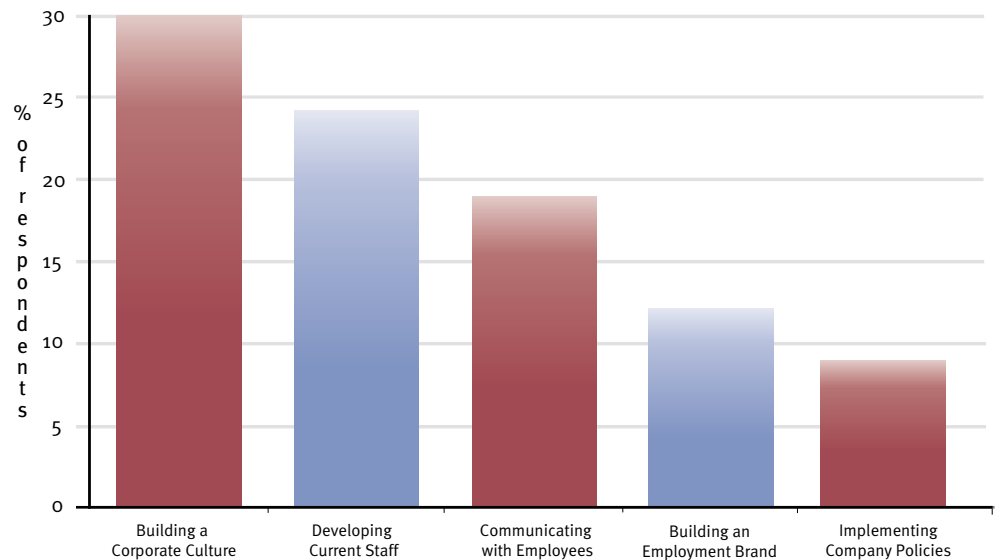
—information courtesy of
Dr. John Sullivan

¹¹ U.S. Department of Labor's Bureau of Labor Statistics: national unemployment rate in December 2007: 5 percent; national unemployment rate for workers 25 and older with a bachelor's degree or higher in December 2007: 2.2 percent.

¹² Sullivan, John. "Employment Branding: the Only Long-term Recruiting Strategy." ERE.net, Jan. 7, 2008.

Our research supports this fact—just 12 percent of respondents selected building an employment brand as the primary element of a strategic HR function.

Primary Elements of a Strategic HR Function



“Building corporate culture” and “developing current staff” lead strategic HR.

Ultimately, an organization’s employer brand and corporate culture is what will attract and then retain employees because, for employees, it provides the crucial element that makes a company a superior place to work. A company’s corporate culture must reflect the employer brand and vice versa—candidates and new employees expect employers to deliver what they promised. Likewise, an employment brand can solidify an organization’s corporate culture by reinforcing values, guiding employees’ behavior, and instilling pride in employees.¹³

If the corporate culture is not a reflection of the employer brand projected to candidates during the hiring process, they are not going to stick around once they are hired. Considering that employees spend more time at work and with co-workers than they do anywhere else, corporate culture plays an important role in retaining them. If employees do not like the atmosphere and culture of their office and the people they are working with, they are not going to stay, regardless of compensation and benefits.

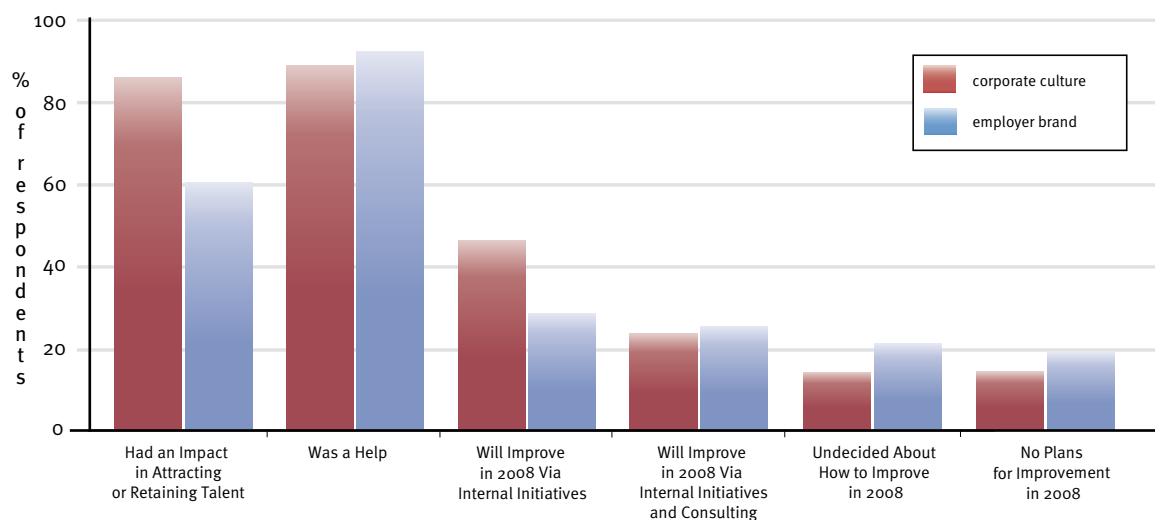
The bottom line is that a corporate culture fosters employee loyalty. Loyal employees perform better, are more productive and are willing to exert extra effort, influence others in a positive way, and spread positive energy. The corporate culture that cultivates loyal employees also enhances the organization’s employer brand; highly committed workers naturally attract top talent through word-of-mouth advertising while they continue to produce for the company.

Small to medium-sized businesses have the upper hand when it comes to corporate culture. Employees at small companies have more positive attitudes while on the job and higher levels of engagement compared to their counterparts at large organizations.

¹³ Ibid.

Also, it appears that small to medium-sized businesses have the upper hand when it comes to corporate culture. According to a recent Salary.com report, employees at small companies (those with less than 500 employees) have more positive attitudes while on the job and higher levels of engagement compared to their counterparts at large organizations (those with more than 500 employees).¹⁴

The Role of Corporate Cultures and Employer Brands



Most respondents who said their employer brand had an impact thought it was a positive one. Sixty-two percent of respondents said their employer brand had an impact on attracting talent in 2007, and of those, almost all said it was a help (93 percent). Likewise, most of those who said their corporate culture had an impact said it was helpful in retaining talent.

However, a significant number of respondents who said that corporate cultures and employer brands are important are not planning to invest next year or do not have a plan to do so. It is possible that such an outlook will lead to missed hiring and recruiting metrics in 2008.

¹⁴ Fusco, Christopher. "The Top Five Retention Strategies for Small Businesses." Page 2. Salary.com, 2006.

Incorporating Strategic HR

Successful recruiting and retention in 2008 belongs to those small and medium-sized companies that are willing to employ unconventional solutions that can break through the competition's noise and capture the interest of candidates. Through effective attraction and retention of top talent, unique solutions like employment branding can provide high impact and ROI, which help to solidify strategic HR's role as a contributor to the bottom line in 2008 and the future.¹⁵

About TriNet Group, Inc

Founded in 1988, TriNet (www.trinet.com) delivers comprehensive human resource services to small and medium-sized companies. Its offerings include human asset administration, employer risk management, online HR services and support, payroll processing, tax compliance, workers' compensation, group health and welfare products, and strategic human capital consulting services throughout the United States and Canada. More than simply an HR services provider, TriNet contractually assumes certain legal and financial responsibilities regarding employer rights, legal compliance and risk management.

¹⁵ Sullivan, John. "Employment Branding: the Only Long-term Recruiting Strategy." ERE.net, Jan. 7, 2008.