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Dr. Vijay Rathee

Assistant Professor, University
Institute of Law and
Management Studies,
Maharishi Dayanand
University, Rohtak, India

Ritu Yadav

Research scholar, Maharishi
Dayanand University, Rohtak,
India

Correspondence:

Dr. Vijay Rathee

Assistant Professor, University
Institute of Law and
Management Studies,
Maharishi Dayanand
University, Rohtak, India

Financial Performance and Corporate Reputation: AID for Employer Brand Development

Dr. Vijay Rathee, Ritu Yadav

Abstract

Employer branding is a new recruitment strategy for attracting and retaining talent within the organization and originated because of a great requirement of talent management. Employer branding is an image of an organization as an employer that is perceived by the current and potential hires. Main purpose of this study is to highlight the role of financial performance and corporate reputation for developing employer brand. This is a conceptual study and based on secondary sources of data like journals, web sites, books, articles. A model is framed in this study that establishes a linkage between financial performance and employer brand. It is found that financial performance of an organization develops the corporate reputation of an organization that further leads to creating attractive employer brand among potential hires of any organization.

Keywords Financial Performance; Corporate Reputation; Employer Brand

Introduction

During recruitment job seekers faces the issues that are similar to consumer when he/she buy a product. As consumer has the some beliefs about brands specific features that act as a basis for product purchase decision (Keller, 1993). Similarly, job seeker has also some beliefs about the potential employer and these beliefs acts as a basis for decision making of a job seeker to pursue and accept a job offer (Barber, 1998). Consumer perceive the attributes of a product and service by its brand name, similarly social identity theory supports that employees and potential hires wants to identify themselves with the brand name to improve their self-esteem (Agarwal and Swaroop, 2011). Product and service strength in the market and financial performance of an organization are the some external dimensions that establish a unique image of the employer in the labor market. Sound financial performance and good product image leads to positive perceived employer brand among the eyes of potential hires (Bhatnagar and Srivastava 2008) The current business environment of an organization is becoming more challenging in comparison of past because of internal and external challenges faced by the organization. Internally, there is a problem of employees' absenteeism, turnover, low productivity, dissatisfaction, ineffective employee value proposition etc. and externally there is a problem of scarcity of talent and growing competition for attracting talent (Backhaus and Tikoo, 2004). This creates a difficulty for timely obtaining the organizational goals. From the perspective of applicants and employees employer brand plays a significant contribution for making and organization as an employer of choice. The concept of employer branding is new and came into human resource from marketing because of a need of talent management. Employer brand firstly introduced by Tim Ambler, senior fellow of London School of Business and Simon Barrow, Chairmen of People in Business in year 1990 but it was publicly defined by them in year 1996 in their paper 'The Employer Brand' published in the Journal of Brand Management. Knox and Freeman (2006) defined employer brand as "an image associated with an organization, uniquely in its role as an employer". On the other side, financial performance is related with the profitability of the organization, investment value and financial soundness in terms of strong future prospects (Chun, 2001). This study concentrates on the identifying the growing role of financial performance and corporate reputation for developing employer brand of an organization.

Review of Literature

Brand is defined as “a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods or services of one seller or group of sellers and differentiate them from those of competitors” (Kotler and Keller, 2007). The use of branding principle in human resource management is known as employer branding (Backhaus & Tikoo, 2004). Initially branding was used only for differentiating products but that days are gone. Now branding is used not only differentiate products but it is used for differentiating people also. People associate themselves with different brands like i-phone users or apple users (Rathee, V. and Ritu, 2015) Organization as an employer is differentiated on the basis of their employer brand. Employer brand of an organization represents the benefits that are provided by the employer in terms of functional, economical and psychological (Ambler and Barrow, 1996). Employer brand is a combination of dimensions work life balance, Corporate social responsibility, work environment and training and development features (Tanwar, K. and Prasad, A., 2016). It is an image of an organization as an employer that is perceived by the current and potential hires (Ruch, 2002). There are some definitions of employer branding are highlighted below:

- Sullivan (2004) defined the term employer branding “As a long-term strategy to manage the awareness and perceptions of employees, potential employees and related stakeholders with regards to a particular firm.”
- Ambler and Barrow (1996), defined this term “As the package of functional, economic and psychological benefits provided by the employment and identified with in the employing company.”
- Srivastava, P. and Bhatnagar, J. (2010): “An employer brand is about giving an identity, image and distinctiveness to the organization as an employer in order to attract its prospective employees and to motivate, engage and retain its current employees.”

Employer brand is a distinctive image of an employer among stakeholders. This image is framed on the basis of corporate reputation of that organization. Fombrun’s (1996) defined corporate reputation as “a perceptual representation

of a company’s past actions and future prospects that describes the firm’s overall appeal to all of its key constituents when compared with other leading rivals”. Corporate reputation defined by Walker’s (2006) as a “relatively stable, issue specific aggregate perceptual representation of a company’s past actions and future prospects, compared against some standard.” Fombrun and Van Riel (1997) suggested that it is because of the widespread interest in the concept of reputation that definitions have developed independently rather than integratively among different groups of researchers. For example, Shenkar and Yuchtman-Yaar, (1997) stated that “various terms are used to describe the relative standing of organizations. In sociology, prestige is the preferred term; in economics, it is reputation; in marketing, image, and in accountancy and law, goodwill.” Corporate reputation constitute emotional appeal, product and services, vision and leadership, workplace environment, social and environmental responsibility and financial performance of the organization (Chun, 2005). Financial performance is an important contributor for measuring the reputation of an organization among the key stakeholders. In accounting terms, reputation seen as an intangible asset and one that can or should be given financial worth (Fombrun and Van Riel, 1997). Financial performance depicts the profitability situation, investment opportunities and future prospects of growth (Fombrun, 2000 & Chun, 2005). Reputation research has argued that a good reputation can contribute to subsequent financial performance for a number of reasons including differentiating firms from competitors and encouraging customers to pay a price premium, raising buyer confidence, and substituting for expensive governance mechanisms (Rindova et. al., 2005; Weigelt & Camerer). Past financial performance is strongly associated with reputational judgments made by stock analysts and peer executives (Brown & Perry, 1994; Fryxell & Wang, 1994).

Linkage between Employer Brand and Financial Performance

From the review of literature, this study framed a model that shows the linkages between employer branding and financial performance:

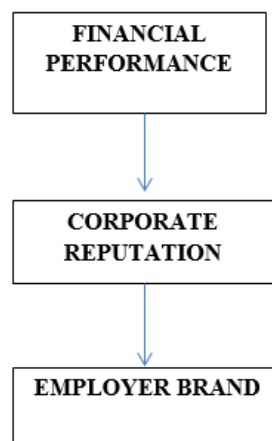


Fig. 1: linkage between financial performance and employer branding
Source: Observation and secondary data

Financial Performance and Corporate Reputation

Financial performance of an organization depicts the profitability, investment value and financial soundness of an organization (Chun, 2005). Fombrun's (1996) defined corporate reputation as "a perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to all of its key constituents when compared with other leading rivals". Financial performance of an organization found a significant contributor of corporate reputation. Chun (2005) highlighted the direct relationship between financial performance and corporate reputation. Sound the financial performance of an organization higher will be the corporate image of an organization. Fombrun (2000) developed a scale for measuring corporate reputation in which financial performance is taken as a contributor for corporate reputation along with emotional appeal, product and brand strength, vision and leadership, social and environmental responsibility.

Corporate Reputation and Employer Brand

Corporate reputation found significantly positively related with employer brand. Positive corporate reputation strengthens the employer brand of an organization (Bhatnagar, J. and Srivastava, P., 2008). Industry image, product and brand strength, leadership, financial soundness of an organization found significantly related with the employer brand (Schaleger, 2011; Bhatnagar, J. and Srivastava, P., 2008). Corporate leadership council (1999) also highlighted that employer brand is influenced by the corporate reputation. Negative publicity of an organization decline the employer brand of an organization (Archer and Bussy, 2006). It has been observed potential hires perceive the employer brand of an organization on the basis of its image/ reputation in the labour market. On the basis of their perception applicants apply for any job vacancy in the organization.

Conclusion

Through this study, it is concluded that Impression of an organization as an employer significantly related with the attractiveness of an organization. Employer brand image of an organization influences applicants' willingness to apply job vacancy in that organization. Among external potential hires of an organization this impression is developed by the financial performance of that organization. If an organization has sound financial background then it will be perceived as an attractive employer brand among the eyes of potential hires. This study through a model highlighted that financial performance is related with corporate reputation that further linked with employer brand.

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