

## AN EMPIRICAL ANALYSIS OF EMPLOYER BRANDING IN INFORMATION TECHNOLOGY STARTUPS - AN INDIAN EXPERIENCE

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### Abstract

India is one of the world's largest economies with a huge growing market and flourishing industrial sector. Since liberalization of Indian economy and introduction of telecommunication infrastructure, information technology (IT) sector has developed in an unprecedented way; it has not only grown but has also contributed to the economy of our country. The number of startups was very small in late 1990s and early 2000s, as Indian economy was slowly adjusting to the new ways of globalization and liberalization. The risk-averse behavior of the Indians resulted in less competition among the startup companies as compared to the United States (US). This lack of competition led to poorer quality, slower market building and lower valuations. Now, India is riding high on the technology wave and IT startups are popping up like mushrooms because of many factors. Introduction of internet, free and easily available information, quick and easy accessibility to finance and guidance and increasing interaction with foreign corporations are some of the major contributors to this growth. However, evidence indicates that startups are not able to attract a large pool of talented people. Indian startups generally face problems such as talent crunch as well as non-uniform quality because of constant attrition. In this backdrop, present study investigates and understands the factors which affect employee's decisions to join an IT startup. Study also provides a strategy to the IT startups to attract a larger talent pool and to retain key skilled employees.

**Keywords:** Employer Branding, Information Technology, IT Startups, attrition, recruitment

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## Introduction

The economic development model of India was inspired by the socialist policies for a long period of time after the country gained its independence in 1947. With the introduction of large-scale economic reforms in 1991, India started to move towards a new economic beginning. Since liberalization of economy and introduction of telecommunication infrastructure, information technology (IT) sector has developed in an unprecedented way and has contributed to the economy of our country.

Indian IT companies became an epitome of software industry in the world. However, big IT companies from India were offering limited products and a large demand existed and IT startups came in to fill this gap. They not only provided customized products and services but also entered new sectors such as development of mobile apps, e-commerce, social networking etc. But they face a stiff competition from big players in the industry such as TCS and Infosys which have started catering to the needs of markets where startups dominated. Big organizations have huge assets in terms of capital and resources as compared to startups and they are able to provide higher packages, more facilities and better resources to their employees. They also have a brand name in the market with which the present and potential employees can identify. Lacking all this, the startups are unable to attract talented workforce which plays a key role in this knowledge intensive economy. An employer brand establishes the identity of the firm as an employer and it encompasses the firm's value system, policies and behaviors towards the objectives of attracting, motivating, and retaining the firm's current and potential employees. Employer branding is a very popular field of research in management circles but no specific research deals with the scenario which the startups are facing in India. This study analyzes the current business scenario challenge faced by the startups in attracting and retaining talent and study also provides an employer branding model to startups for recruitment in India.

## Literature Review

The concept of employer branding has emerged from application of marketing theories to the field of personnel recruitment (Maurer et al., 1992). American Marketing Association defines a brand as "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”. Branding was earlier used to differentiate between tangible products. But over the years it has been used for differentiating people, places and firms (Peters, 1999). The term ‘Employer Branding’ was introduced to the world in 1990s. Barrow and Ambler connected the principles of marketing and human resource management by coining the term ‘Employer Branding’ (Srivastava and Bhatnagar, 2010). Employer branding has its origins in the human resource theory and resource-based view, and emphasizes on developing the image of organizations as potential employers (Backhaus and Tikoo, 2004). The Conference Board (2001) defines, “the employer brand establishes the identity of the firm as an employer. It encompasses the firm’s value system, policies and behaviors toward the objectives of attracting, motivating, and retaining the firm’s current and potential employees”. Employer brand is an image associated with an organization, uniquely in its role as an employer (Knox and Freeman, 2006). It is building an image in the eyes of the potential labor market, that the company above all others, is a great place to work (Ewing et al., 2002). Employer branding is the process of building an identifiable and unique employer identity concept of the firm that differentiates it from its competitors (Backhaus and Tikoo, 2004). According to Randstad Employer Branding research 2013, an employer brand represents the image a company projects as a potential employer. If an organization has a strong employer brand and unique value proposition, then it is considered a distinctive place to work, with attractive brand values and career prospects. It is one of strategic and political driver of change (Simon and Richard, 2005). A properly managed employer brand will attract a wider range of capable people than human resource management may have done in the past.

### **Forms of Employer Branding**

Two different forms of employer branding can be found across literature; internal and external. Some scholars propose that employer branding is related with building an image in the minds of the potential employees that the company as compared to others in the market is a great place to work (Ewing, Pitt, De Bussy and Berthon, 2002). They also emphasized that the main purpose of employer brand is to establish the organization as the best (Berthon, Ewing and Hah, 2005). Employer brand is the procedure of creating a "Best Workplace" in the view of recruiting targets and it is also considered as a way to resolve talent shortage (Hatfield, 1999).

The concept of internal branding postulates that the employees are internal customers of an organization and jobs are internal products. To satisfy the customers the organization must first satisfy the employees (George, 1990). Seeing employer brand from the perspective of internal branding resolves the purpose of establishing a relationship. For establishing its brand in the existing employees, the employer makes policies and practices (Xia and Yang, 2010). Thus employer brand helps in managing people; potential employees, the present employees as well as the former employees.

### **Relation of Employer Branding to HR Theories**

The theory of employer branding is based on the hypothesis that human capital brings value to the organization and company's performance can be improved through skillful investment in it. Resource-based view supports the above hypothesis, telling that features of a company's resources can provide sustainable competitive advantage (Barney, 1991). Arguably, having resources that are rare, non-substitutable and extremely difficult to imitate provides a distinctive edge to the firm over its competitors (Barney, 1991).

#### *Social Exchange Theory*

Organizations and individuals exchange material things such as wages and salaries and they also exchange non-material things such as trust etc. (Gouldner, 1960). Excellent employer brand meets employees' specific material needs through better payment and non-material needs through a distinguished culture and thus maintains a low rate of turnover etc. The best employers had the most dedicated employees, and the most to the dedicated staff delivered superior business results company (Xia and Yang, 2010).

#### *Approach of Organizational Identity Theory*

When an individual merges the organizational identity with his self-concept, group identity arises (Ashforth and Mael, 1989). Based on perspective of group identity, employer brand creates a great experience value for the talent (Xia and Yang, 2010). Studies suggest that organizational identification can trigger a range of actions that support the organizational brand and motivate employees to engage in organizational citizenship behavior (Dick et al, 2005).

#### *Theory of Psychological Contract*

The notion of the psychological contract between employees and employers was that the employees promised loyalty to the organization in interchange of job security (Hendry and Jenkins, 1997). But because of changing economic scenario, outsourcing, downsizing and flexibility for employer has created a new type of psychological contract in which employers equip workers with saleable skills through training and development in exchange of their work and flexibility (Baruch, 2004). In this new age, companies use employer branding to sell the benefits they offer, including career growth, training and development and personal growth opportunities.

### *Theory of Brand Equity*

The theory of brand equity gives a complementary perspective for understanding employer branding. In marketing terminology, brand equity is a set of brand assets and liabilities linked to a brand that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers (Aaker, 1991). For employer branding, brand equity is applicable to the effect of existence and knowledge of brand on future and existing employees of the company. Employer brand equity encourages potential applicants to apply (Backhaus and Tikoo, 2004).

### **Employer Image and Components which build Employer Brand**

Organizational and job features, such as organizational values or ability to pay, form a general picture of the attractiveness of the organization as an employer (Rynes and Barber, 1990). Employer image profoundly effects the job applicants' primary decisions because they possess only a small amount of information about the company at the beginning of the job selection process (Rynes, et al., 1991). It was found that the employer brand image positively impacts the applicants' views of the recruiters' behavior along with the job and organizational attributes after the interview (Turban, et al., 1998). Collins (2007) emphasized that an applicant's attitude towards an organization and employer-specific knowledge both influence his actual decision for application and he showed this by significant effect of job information on application behavior. Thus, image of employer is a major predictor of application intention (Baum and Kabst, 2012).

The information about and memory of a product brand (and presumably an employer brand) have two key dimensions: (a) the node itself, or awareness of the brand or employer and (b) its links to related information, or the associated feelings and knowledge of the brand or

employer(Collins and Stevens, 2002). Earlier studies have tried to find the main aspects of employer image. By following the established employer image measures (Collins, 2007) perceived working atmosphere, work-life comfort, career opportunities, task attractiveness and payment attractiveness as distinct dimensions of employer image (Baum and Kabst, 2012).

### **Importance of Employer Branding**

It is beneficial for both individuals as well as organization (Bergeron, 2001). In preliminary phase of decision making process the very limited information is available about the organization. Any information that is available to the job searchers influences their impressions of the employing organizations. It also gives hints for the total work experience with the organization (Turban et al., 1998). Therefore organizations go an extra mile to maintain their image in front of the prospective job applicants as an attractive employer (Bergeron, 2001). It is an effective tool for recruitment, employee engagement and retention (Barrow and Mosley, 2005). It attracts the desired candidates who are a fit to the organizational culture. It gives the prospective workforce an assurance of the work experience as expected by them (Bhatnagar and Srivastava, 2008).

There is an enhancement in self-esteem and organizational identification of employees if the organization has a strong employer brand (Lievens et al., 2007). Consistently having an established employer brand leads to trust in the organization ensuring a sound supply of applicants (Holliday, 1997). It also sustains high loyalty and commitment and good performance in employees. Ultimately organizational effectiveness is enhanced because organization's credibility with its workforce (Burack et al., 1994). The ability to deliver organizational success by attracting and retaining the right people, providing an environment in which employees live the brand, improving organizational performance in key business areas of recruitment, retention, engagement and the bottom line and differentiating employers from each other, creating competitive advantage is the strength of the employer brand (Feron, 2008).

### **Identification of Research Gap**

It is quite evident from the literature that the number of IT startups is increasing in India. The IT startup ecosystem of India can flourish like the one present in Silicon Valley. But the primary requirement for that is availability of finance and talented workforce. First issue is slowly getting

resolved by increase in number of venture capitalists, angel investors and startup accelerators. But it is still a major problem for startups to attract and retain talented individuals. A majority of studies focus on importance of having employer branding in organizations and different aspects which need to be taken into account while implementing employer branding strategies. But the research is fragmented and there are very less studies which have a focused approach towards employer branding in startups. This study tries to find the solution for issue of availability of talent by gathering the various theoretical aspects which are dispersed across the various scholarly articles and formulating an integrated approach towards employer branding in IT startups in India.

### **Research Methodology**

The objectives of this research are to determine whether employer branding is done in Indian IT startups and suggest ways to improve its attractiveness to young college graduates. In order to have a clear understanding of employer branding in Indian organizations several research methods have been incorporated along the research stages. Structured questionnaire was chosen as a research method.

The online questionnaire contained questions pertaining to the following:

1. Importance of different factors because of which people want to join an organization.
2. How did people come to know about the startups?
3. Present status of Employer Branding in startups
4. Other factors related to employer branding which are important to people

The questionnaire was sent to 1700 people through LinkedIn and Facebook. The total responses collected were 138.

### **Data Analysis**

Based on research it was found that most of the people if given a chance would like to work for a big, established organization. This preference is the biggest challenge as people would not even like to apply for a startup. A majority of people are affected by what people think about their company and they do a lot of research before applying for the company. A strong presence on social media is essential. Startup was not the first company for a large number of people.

People came to know about the startups through their friends who either were working with a startup or they knew somebody who was working in that startup. The most important factor for working in a company came out to be 'High pay package' followed by 'Work environment'. Employer Branding was not done by a majority of startups.

Different categories based on gender and age group were divided and Kendall's coefficient of concordance ( $W$ ) was calculated for the data given by the respondents. These categories were formed because males and females generally have different roles and responsibilities in Indian scenario. Thus, their work preferences also change accordingly. Age groups were divided because people in 21 – 25 years of age are fresh out of college having maximum 2 years of work experience. Their outlook towards life and work would be very different from the ones in 26 – 30 years of age who have already worked for at least three years. People in age group 31+ years were not considered for this specific test because of very less data available in that age group.

Kendall's coefficient is an important non-parametric measure of relationship. It is used for determining the degree of association among several sets of ranking by various individuals.  $W$  equals 1 when there is a perfect agreement among the judges and 0 when there is a perfect disagreement. Different people prefer different things at their workplace. But people belonging to particular age groups and gender have some common preferences. For Male 21-25 years summation of ranks shows that 'Work Environment' is most preferred followed by 'High pay-package', 'Brand' and 'Challenging Work' respectively. The value of  $W$  for this category is 0.819 which shows a high degree of association among judges. For Female 21-25 years summation of ranks shows that 'Work Environment' is most preferred followed by 'High pay-package', 'Challenging Work' and 'Brand' respectively. The value of  $W$  for this category is 0.949. This means that the people from above age groups would even leave a high paying job if they get a better work environment somewhere else. The above age group is the one on which startups should concentrate on using external branding. For Male 26-30 years summation of ranks shows that 'High pay-package' is most preferred followed by 'Work Environment', 'Challenging Work' and 'Brand' are of equal importance. The value of  $W$  for this category is 0.899. For Female 26-30 years summation of ranks shows that 'High pay-package' is most preferred followed by 'Work Environment'. Then 'Brand' is of more importance than 'Challenging Work'. The value of  $W$  for this category is 0.937. Money is the concern of the above age group. Thus, it



is extremely difficult to attract and return this group. Some alternative and innovative methods would be required to attract and retain these people.

## Recommendations

### External Branding for attracting talented fresh graduates for recruitment

Attracting and recruiting talented fresh graduates can be a very good option for startups. The compensation that needs to be provided to the fresh graduates is not very high. The fresh graduates out of college are full of new ideas. They have an enthusiastic attitude towards work and want to achieve something in their professional life. They are also less demanding than the people who have spent some years in the industry. A process flow has been designed for hiring of fresh graduates by startups.

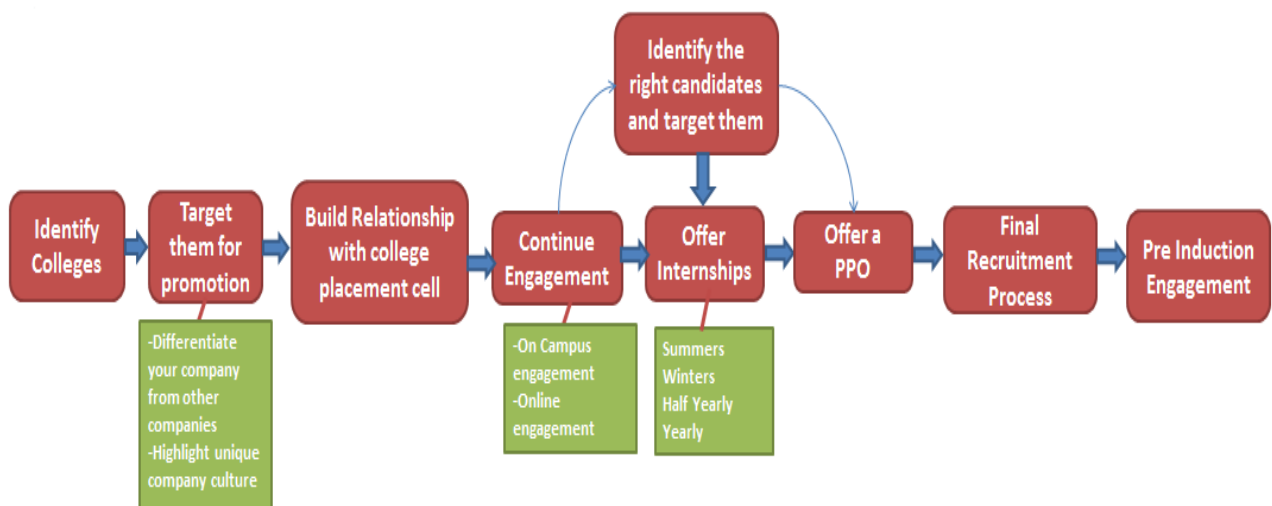


Figure 1: Process flow for recruiting fresh college graduates

Using this flow the startups have to follow the given steps:

#### 1. Identify Colleges

The startups need to identify the colleges from which they want to hire. The colleges can be Tier-1 or Tier-2 colleges depending upon the requirement of talent.

#### 2. Targeting the colleges for promotion

Promote the startup in the college campus. The whole promotion agenda should revolve around two things which are differentiating the company from other companies and highlighting the unique features of the company.

### **3. Building relationship with college placement cell**

A positive, continuing relationship should be developed with the college placement cell. This helps the company gain more visibility and credibility in the campus.

### **4. Continuing Engagement**

Interacting with the students of the college should not be a one-time event. It should develop into a number of interactions. This can be done in two ways which are on campus engagement which can be done by organizing timely on campus events such as Code Wars, Business Plan presentations, quizzes, distributing goodies containing company logo etc. The second way is online engagement which is a more engaging and low cost method. Startups can organize online events such as App design or game sagas over company website or social networking sites such as Facebook and Google Plus.

### **5. Offer Internships**

Interested talented students can be offered paid or unpaid internships. These internships can be offered as summer, winter, and half yearly or yearly internships. Offering internships solves two purposes of the company. It becomes extremely easy to engage a potential employee and talent is available at low cost and zero liability.

### **6. Identify the right candidates and target them**

Companies do not have to spend extra money on the whole recruitment process as they can easily identify the right candidates for the company during the engagement process. They can target these candidates by offering internships or online engagement can also be followed.

### **7. Offering a PPO**

Pre placement offer can be given to the eligible candidates. These include the students who have done internship with the company and other students as well.

### **8. Final Recruitment Process**

The final recruitment process conducted by the company should be a fair and transparent. It should not be too different from the standard processes conducted by other companies. But it should involve innovation and creativity to ignite interest in the candidates.

## 9. Pre Induction Engagement

This process is followed for potential employees who have accepted the offer. This generally helps them get better acquainted with company culture and work environment so that they are ready when they start working with the company.

### **External Branding for attracting talented people with work experience**

Increasing the visibility on social networking sites especially professional networking sites such as LinkedIn and Glassdoor which people with work experience often visit is very important. Highlighting flexible company culture and work environment in promotions, distinguish features such as challenging work, usage of latest platforms, easy facility of certification etc. and introducing innovative compensation structures so that people stressing on high pay-package also take interest in the company are interesting options. Organizing conferences or training sessions for people from other companies to increase the visibility of the company in different circles can also prove to be beneficial.

### **Internal Branding for retaining talented people**

Many steps have to be taken by the startups for retaining talented people who are of value to the company. They should strengthen the organizational communication system and create a distinct and positive organizational culture. They should involve the employees in setting deadlines and goals and should recognize the contribution and achievement of the employee and communicate it throughout the organization. They can introduce innovative compensation and they can adopt many more methods such as giving fancy designations to motivate the employee. Providing facility to attend conferences, seminars etc., providing facilities like 'customized leaves' because the number of employees is quite less, introducing facilities like work from home or paid holidays to encourage work-life balance which is a priority for a majority of the people and introducing health and wellness initiatives like dance or aerobics classes after the office which will contribute in improving the work environment can also be done.

## Conclusions

The startup sector in India is slowly blooming and there is a lot of opportunity for development of standardized processes and benchmarks in present chaos. A lot of venture capitalists, angel investors as well as accelerators, including foreign multinationals, are taking interest in the Indian IT startup industry. This study has tried to analyze the situation of IT startup industry of India in terms of human resource management. Majority of startups are not able to attract and retain good employees which adversely affects their productivity and market image. The study has identified and analyzed the factors that motivate the employees to work in an organization. Based on these factors, the study provides different solutions to startups so that they can attract more talent. Youth in the age group of 21-25 years prefers work environment more than the pay-package. If the startups are able to engage talented fresh individuals, it will be of great advantage to them in terms of costs as well as benefits. The preferences of people in the age groups 26-30 years and 31+ years are different. The study provides internal as well as external branding strategies to attract and retain talent in these age groups as well.

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