

# EB Insights 2011

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Presented by

**UNIVERSUM**

Building Brands to Capture Talent

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## 1. EXECUTIVE SUMMARY

### TOP TALENT IS INCREASINGLY DISENGAGED FROM EMPLOYERS

Are companies failing to engage employees in their job and reward them, or is top talent simply ready to move on?

Two-thirds of employees leave their current employer to pursue new challenges. Understandably, this significantly affects companies – 51% of employers experienced a loss of business due to lack of the right people. To make matters worse, 80% of employers said it's difficult to attract talent. What are the implications on business and how can companies counteract the problem?

These are some of the highlights of the UNIVERSUM survey of 632 global employers about talent attraction needs and challenges. 64% say their key employees leave to pursue new professional opportunities and 43% believe it's for the money. This highlights the attitude of new generations to take risks, demand self-development and pursue a self-filling life – the old way, a job for life, exists no longer. Due to generation Y's mindset, companies can't rely on people staying in the job for their whole career; nowadays employers need to secure their talent pipeline for two, three, or even ten years down.

The positive sign is that 82% of employers now invest in talent attraction (activities that exclude direct recruitment but include employer branding and communications) and a significant proportion believe that the solution lies in developing one's brand awareness and esteem. The problems and challenges are thus being addressed, a comforting sign that something is being done.



*“Despite an overwhelming number of companies investing in talent attraction, more must be done to address talent demands. The composition of today's workforce is problematic, too many old versus young employees. Baby boomers, who are the most experienced working cohort, will retire this year and next. Thus, most employers will face a brain drain of competence and practical experience – are employers ready for this? Clearly, more needs to be done”,* signalled **Michal Kalinowski**, chief executive officer of UNIVERSUM.

## 2. VIEWS ON EMPLOYER BRANDING

### It's long-term and a decisive solution to meeting talent attraction needs

A positive sign, companies now conduct employer brand work as an ongoing activity. 63% approach employer branding as a thought through, long-term and strategic process versus only 37 % that are focused on short-term needs and day-to-day operations. Most employers are also confident that employer branding will help them to address their talent needs and contribute positively to business performance.

#### **The survey results show that the majority of employers agree that employer branding will help them to:**

- Improve the organisation's ability to retain the right talent
- Define the kind of people, with the right cultural fit, that the organisation wants to retain and promote
- Build a more consistent employment experience across the organisation
- Be more consistent in communications (internal and external)
- Build employee engagement and increase group performance
- Increase the knowledge of talent market/segment preferences

The majority of companies that have demanding recruitment needs now have employer branding as a significant component of the overall corporate strategy. Nevertheless, there is a difference between employers in terms of the haves and have-nots. Some employers succeed in building an attractive employer image and reputation, according to 76% of the respondents, while other employers struggle.

Another example, some 40% of employers haven't lost business due to lack of the right people, whereas 11% say that business has definitely been lost to a great effect due to lack of top performers. Understandably, this factor may be more of an occurring problem in sectors that are human capital heavy, such as the professional services as opposed to businesses in the industrial sector.

Everybody believes in the benefits of employer branding, but are companies able to assess the advantages? Interestingly, 60% said that talent attraction budget cuts will lead to higher recruitment costs. Yet when asked if they've reduced their recruitment cost-per-hire as a result of their talent attraction strategy, 42% didn't know – an indication that metrics to measure employer brand work still need to be defined.

### 3. VIEWS ON TALENT

#### Specific skills in demand and difficult to find

People with specific skills and experience are the most wanted and according to 57% of employers are also the hardest to attract. The most likely answer to what skills they lacked was logically practical experience. The skills employers were most likely to look for are those that they find most absent in new hires.

Out of all the working cohorts, young professionals (people that hold an academic degree and have between one to eight years of experience) are most recruited, forming a whopping 50% of all new hires whereas general staff (defined here as people without an academic degree) formed only 8%. Interestingly, recent graduates formed 24% of all new hires and the proportion of them recruited will increase in the near future as baby boomers retire.

Concerning personal characteristics of potential recruits, 71% of all employers want team-players, then next in line are people who have disciplined work ethic & high standards for quality (selected by 62%), and who are ambitious & driven (selected by 61%). In contrast, the personal character types that weren't essentially needed by employers were creative (chosen by 31%) and individuals with strong leadership qualities (chosen by 37%).

What motivates people to leave a company? Respondents said that the need to explore new career opportunities and money were primary factors, according to 64% and 43% respectively. One fifth of employers were, however, successful in retaining their top performers, a positive sign that their employer appeal is high among this significant group.

## 4. HIGHLIGHTS – SIX CLEAR EMPLOYER BRANDING TRENDS

During December 2010 to January 2011, Universum interviewed 632 global employers in Europe, the Americas and Asia. The majority of respondents were at manager/director level in HR, recruitment, or employer branding functions. Based on the data gathered, it was possible to identify six clear trends.

### 1. Talent investments have a clear impact on both company revenue and recruitment costs

- 51% of employers believe that not having the right people had some effect on their company losing business.
- 60% of employers agree that cutting talent attraction budgets will yield higher recruitment costs.

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**Question:**

Do you think your company has lost business because you did not have the right people? Figure 1.1

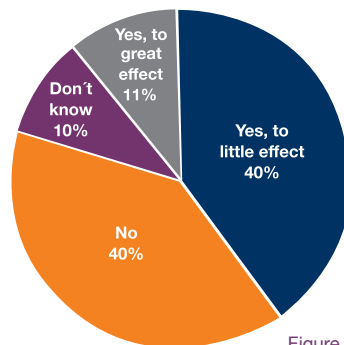


Figure 1.1

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**Question:**

Do you believe that talent attraction budget cuts will lead to higher recruitment costs? Figure 1.2

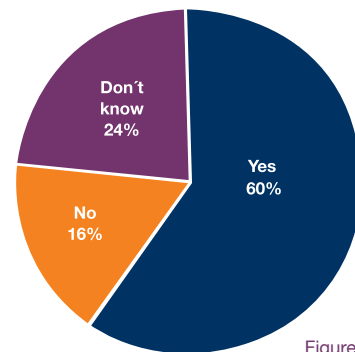


Figure 1.2

**Implication:** as human capital becomes a greater component of corporate assets, investments in talent attraction will give companies the ability to deliver on market expectations. Failing to secure human capital will lead to a loss of business.

## 2. There is a disconnect between talent strategy investments and key performance indicators such as a reduced cost-per-hire.

- While a strong majority of employers (82%) invest in talent attraction activities, only 27% think their talent strategy has brought down cost-per-hire whereas 42% are unsure.
- However, employees who identify employer branding as a long-term strategic process are nearly twice as likely to report a reduced cost-per-hire compared to employers who approach employer branding based on short term needs

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### Question:

Does your company invest in talent attraction, i.e. activities that exclude direct recruitment but include branding and communications about your company as an employer Figure 2.1

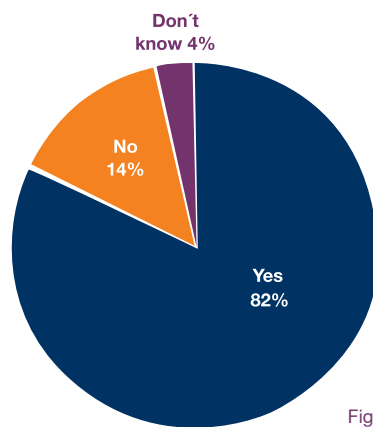


Figure 2.1

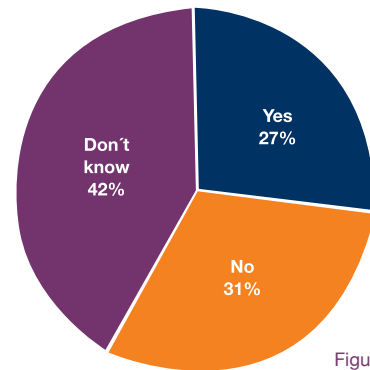


Figure 2.2

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### Question:

Have you reduced your recruitment cost-per-hire as a result of your talent attraction strategy? Figure 2.2

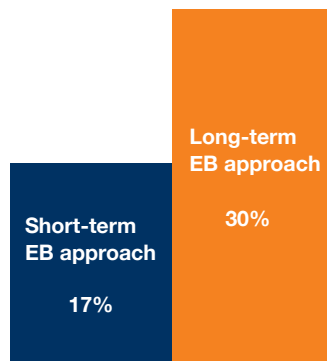


Figure 2.3

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### Question:

Have you reduced your recruitment cost-per-hire as a result of your talent attraction strategy? The graph indicates the percentage of respondents that answered yes. Figure 2.3

**Implication:** companies need to think more about connecting their talent strategy to relevant cost/performance indicators. The correlation between brand awareness (a company's rank in the recruitment market) and positions filled, provided efficient recruitment procedures are in place, should be the key measurement for employer brand activities. The number of positions filled divided by the total number of positions is the metric we recommend.



### 3. Top performers are leaving either for greater challenge and opportunity or money; employers see mismatch of values as the least important factor but is this justifiable?

- Nearly 2/3 of employers highlight the new challenge or opportunity offered by another company as the main reason they lose top performers, while 43% consider money as a reason.

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**Question:**

What are the reasons your top performers leave your organisation?

Figure 3

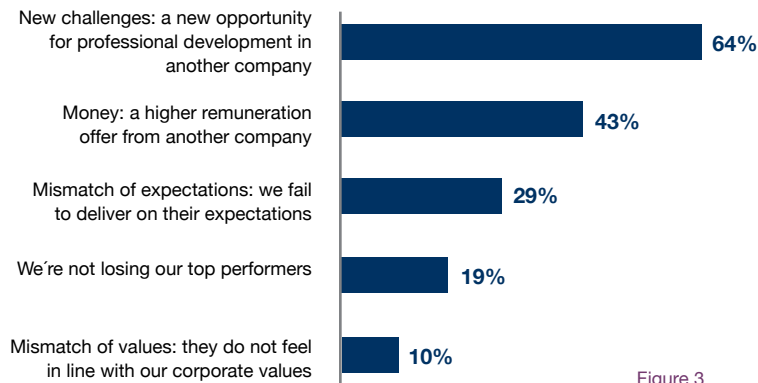


Figure 3

**Implication:** there is a higher demand for top talent in the recruitment market and they are more likely to be headhunted in comparison to regular employees. Employers thus need to carefully evaluate what drives and satisfies their best employees and keep them moving and progressing internally. Universum has witnessed a positive sign that companies are increasingly trying to hire based on a cultural match and be more transparent about their culture in the recruitment process. Consequently, an environment of belonging is created and mitigates – although not eliminates – the tendency of top talent to look outside the organization for a better fit. In conclusion, top talent will always be on the lookout, but a focus on personal fit and offering new personal growth opportunities are essential to do's.

#### 4. Employer image and attractiveness is the most important element of finding the right talent for your organization.

- Among employers who have been able to attract the right talent, 76% select the attractiveness of their employer reputation and image as a factor. Nearly as important for these employers is their people and culture (61%), while competitive pay is comparatively less important for these employers (34%).

By contrast, visibility and attractiveness stand out as the primary struggles for those employers who have not been able to find and attract the right talent.

Employers who find talent – Success factors



Figure 4.1

Employers that struggle – Reasons why

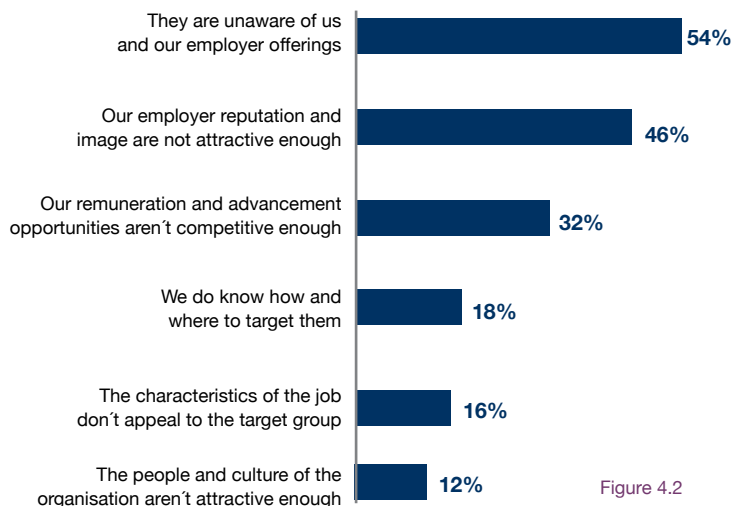


Figure 4.2

**Question:**

How have you been able to attract the right and competent people?

Figure 4.1

**Question:**

Why are you not finding and attracting the right and competent people?

Figure 4.2

**Implication:** while a range of inputs/variables can help you find the right talent, developing your profile and image as an employer with an attractive image/reputation is critical. Currently, there is a clear trend that employers are shifting their focus from “top talent from top universities” to “ideal talent for our culture.” In other words, the level of academic skill is less important than the person’s ability to apply those skills within the specific company culture. Employers have also realized that diversity – academic as well as ethnic – strengthens their business. Therefore, mixing people from different universities and with different degrees is a high priority. Simultaneously, talent groups are continuing to prioritize cultural fit and values over financial benefits when they choose employers.

## 5. Employers focus hiring efforts on recent graduates and young professionals, and there is a gap between the skills sought by an employer and what those new hires bring.

- 80% of employers believe that finding the right and competent people is a current challenge or a potential one in the future.

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### Question:

Is finding the right and competent people a problem for your company?

Figure 5.1

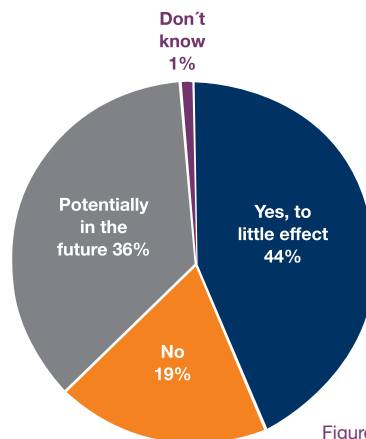


Figure 5.1

- Nearly 6 out of 10 employers agree that the talent group hardest to attract is people with specific skills and experience, e.g. engineering, business, IT, accounting.

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### Question:

Which of the following talent groups is most difficult to attract? Figure 5.2

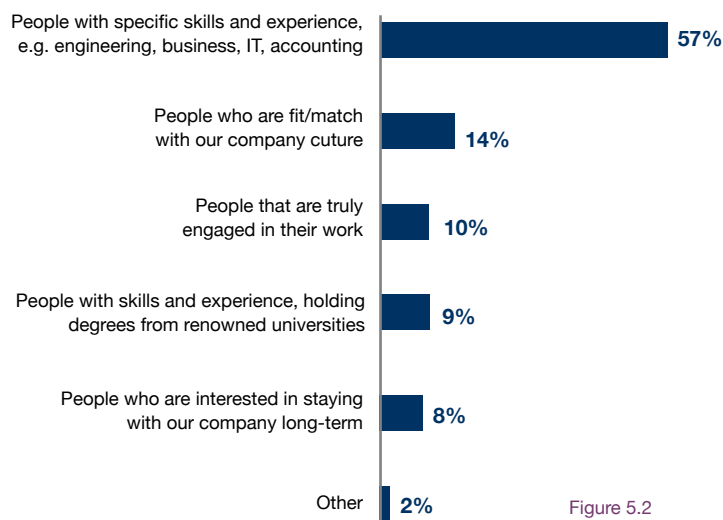


Figure 5.2

Regional overview of where employers think it's hardest to attract people with specific skills and experience

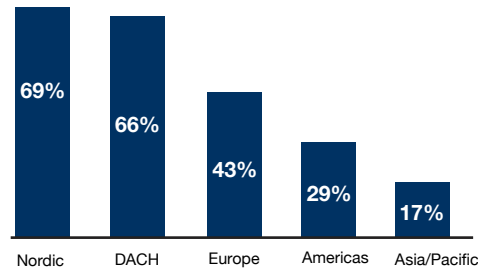


Figure 5.3

**Implication:** although the survey results show that a quarter of employers agree that China is the most difficult market to attract and hire the right and competent people, the Nordic and DACH regions, as well as the rest of continental Europe, are the most difficult markets to find people with specific skills and experience. In markets such as Nordic and DACH, where the economies are growing and populations shrinking, competition for talent is fierce. In Asia, as the quality of education improves, companies are now making better use of the supply of local talent.

- 74% of employers are looking to hire talent in the range of college graduate to professional with 8 years experience.
- By contrast, only 18% are looking to hire senior professional (more than 8 years experience).

**Question:**

Which target group represents the main proportion of your new hires?

Figure 5.4

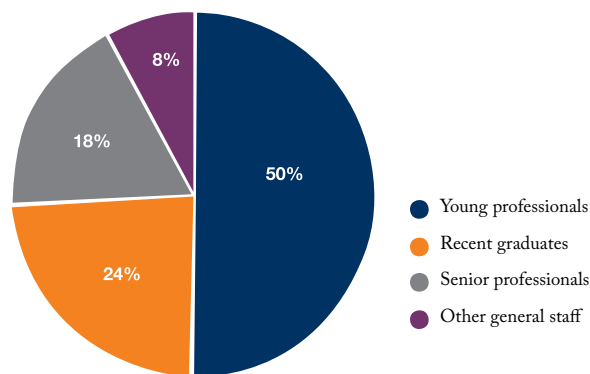


Figure 5.4

**Implication:** logically, companies should ensure they have a pyramid structure in terms of the age distribution of their employees – the larger proportion of employees should be under the average age of 35.

- The skills employers are most likely to look for are those that they find most absent in new hires.
- The top two skills desired are Communication (61%) and Technical Expertise (59%), while those most often missing in new hires are Practical Experience and Business Acumen.

**Question:**

What type of skills are you looking for in new hires vs. what are the skills that your new hires lack the most?

Figure 5.5

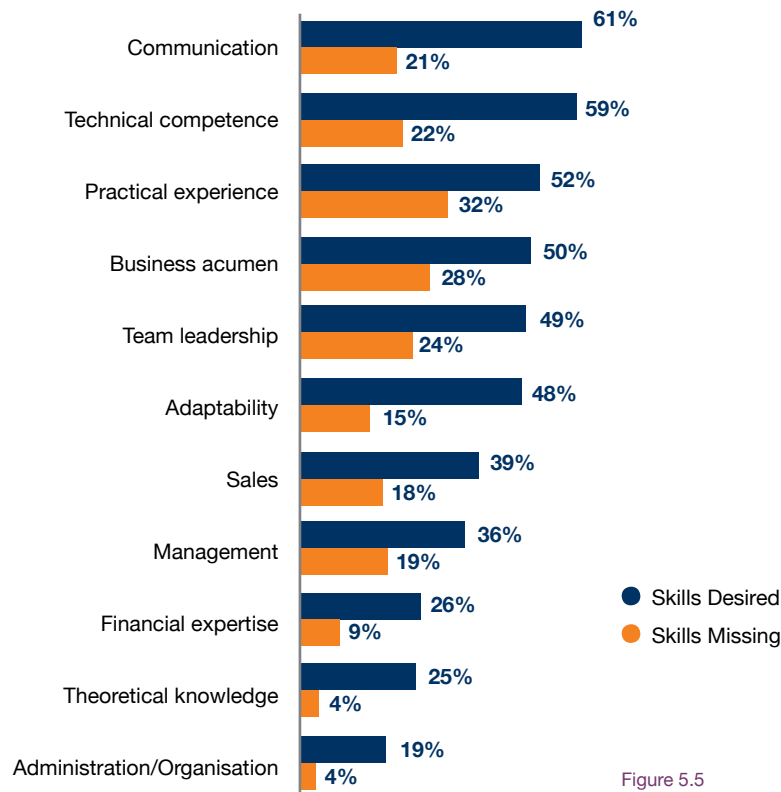


Figure 5.5

- In terms of personal characteristics, employers are looking for employees that are team players (71%); while by comparison, only 30% highlight creative as an input.

**Question:**

Which personal characteristics do you most look for in an employee?

Figure 5.6

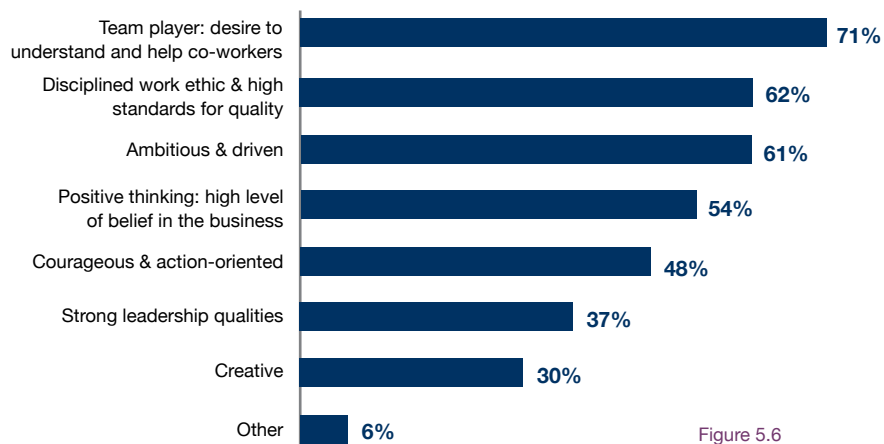


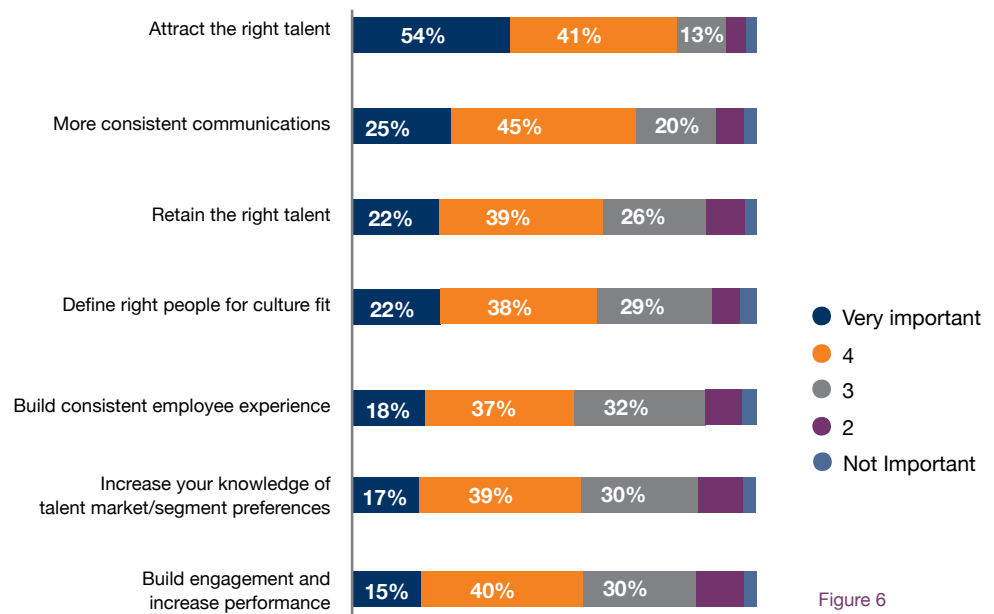
Figure 5.6

**Implication:** the demand for team players is a confirmation that the match between employer and employee needs to be right. Thus, employers need to ensure that they are attracting and recruiting the correct personality types.

## 6. Employers agree on the most important benefits of a long-term employer branding strategy.

• Employers think their long-term employer branding strategy is most important in achieving the following outcomes:

1. Improve your organisation's ability to attract the right talent
2. Be more consistent in your communications (internal and external)
3. Improve your organisation's ability to retain the right talent



**Implication:** finally, although still identified as important by over half of employers, build employee engagement and increase group performance is helped the least by a long term employer branding strategy. With the economies returning to pre-recession levels, the focus to retain and manage the current right talent will be crucial for business success.

## 5. CLOSING THOUGHTS

The research clearly identifies talent attraction as a key factor for maintaining a company's competitive advantage and that the shortage of human capital is disruptive to normal business activities. Once again, on a positive note, most companies realise this and are actively working with their employer brand, and have it as a key component of their corporate strategy.

The report, however, also identifies challenges that should be addressed in the near future: firstly, implementing metrics to measure if employer branding lowers recruitment costs; secondly, addressing retention issues of top performers to avoid them leaving because of new opportunities. The former is important for HR departments to justify the investment to management and calculate return to determine if activities are leading to the right results. The latter is critical to business, if employers are losing their best employees – companies will need to maintain an internal effort of continuously recruiting their top talent. The metrics to use as well as ways in which employers are engaging their top performers are to be investigated further in our next Employer Branding Insights.