

Conceptualising the Employment Value Proposition: The Role of the Extended Marketing Mix

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Abstract

In Australia, as elsewhere in the Western world, firms are faced with the challenge of recruiting, retaining and motivating quality human resources from increasingly competitive labour markets. One response to this challenge has manifest in firms attempting to position themselves as 'Employers of Choice' (EOC) in their relevant industries. In order to contribute to that ongoing debate, this paper explores the application of a key element in marketing theory – the 'extended marketing-mix' concept – to the management of the employment relationship.

Introduction

In Australia, as elsewhere in the Western world, factors such as the globalisation of competition, the 'tightening' of skilled labour markets, advancements in technology, the growth of the knowledge economy, and the need for flexibility and expertise in the workplace have each presented strategic challenges to which firms have had to respond (Aghazadeh, 1999; Barnett and McKendrick, 2004; Harrison and Kessels, 2004; Hiltrop 2006; Rowley and Warner, 2007; Sparrow, 2007). One strategy employed by firms facing direct competition for high-quality employees has been to position themselves as an 'Employer of Choice' (EOC) in their respective industry (Lenaghan and Eisner, 2006; Mackes, 2005). Organisational efforts to achieve EOC status have entailed the use of 'employer branding strategies' that draw on marketing concepts and principles for the express purpose of effectively marketing themselves to their target labour market(s) (Backhaus and Tikoo, 2004; Berthon, Ewing and Hah, 2005).

Simply put, EOC strategies represent attempts to construct a unique 'employer brand identity' based on an 'employment value proposition' (EVP) that is deliberately constructed to set firm apart from competitors in some meaningful way (Herman and Gioia, 2001). The adoption of 'employer branding strategies' has specific implications not only for the marketing and HR management functions, but also more broadly for managers and supervisors across all functions and at all levels in the firm. The system-wide approach inherent to the effective implementation of an employer branding strategy requires a shared understanding of the firm's EVP across functional boundaries and levels within the firm (Johnson and Roberts, 2006). Despite the level of consensus about the role marketing concepts play in the development of a firm's EVP, implementation issues surrounding the adoption of employer branding strategies have not as yet been the focus of major attention within the EOC debate in the marketing and HR literature (Berthon, Ewing and Hah, 2005; Coyle-Shapiro et al., 2004). This paper seeks to address these gaps by presenting an alternative application of the Extended Marketing Mix (see Booms and Bitner, 1981) to help frame the 'employment relationship' as an EVP for consumption in competitive labour markets.

From Extended Marketing Mix to ‘Employment Marketing Mix’

The process of becoming an EOC requires the firm to construct and communicate an EVP with features designed to attract, retain and motivate its target employees (Lenaghan and Eisner, 2006; Mackes, 2005). As in the case of a customer-oriented value proposition, the EVP too must represent a coherent effort to manage the set of interrelated and controllable variables that a firm is able to utilise to satisfy the career and lifestyle needs and/or wants of its target employees. In other words, analogous with the Extended MM concept and its seven ‘Ps’ described above, there must be a cohesive alignment of what we will call the seven ‘Ps’ of the ‘Employment MM’. The following discussion describes the Employment MM and its seven constituent elements.

Product

In the HR management context, there is a substantial body of research literature that indicates that the employment relationship comprises both explicit elements in the form of the employment contract, and implicit elements in the form of a psychological contract (Coyle-Shapiro et al., 2004; Millward and Brewerton, 2000; Shore et al., 2004; Rousseau, 1995). Hence we feel that in the Employment MM, the Product offering represents the range of inducements, and can be seen as multi-layered in terms of its core/actual/augmented features. At the most basic level, the development of an employment Product is dependent on the firm having a detailed understanding of what core needs (such as ‘promotion’, ‘challenge’ or ‘stability’) its target employees possess. Over-simplification or an inaccurate understanding of these needs can lead to a core product that is manifestly inadequate to satisfy the target employee’s array of career and life-style needs. Understanding and matching the target employees’ core needs with a core set of inducements means the firm is better able to develop the features that will form its ‘actual product’ offering, which usually manifests in the explicit aspects of formal contract of employment. Further to this, in order to differentiate itself from competitors, the firm may also augment its core/actual product by offering features related to core needs, but in excess of those required to directly address those needs. For example, the ‘augmented product’ may include more implicit considerations such as a generalised commitment to care about the welfare of employees and their families and specific support for an acceptable work/life balance.

Price

Similar to the consumer market, under the Employment MM the Price a firm ‘charges’ employees for its EVP must be such that it facilitates a mutually beneficial labour market transaction. In other words, a firm is faced with the challenge of setting a Price that induces contributions by the employee sufficient to meet its productivity requirements, but which also leads the employee to perceive the inducements offered by a firm as representing a valuable return on their own contributions to the relationship. An important point to consider here is the role that opportunity costs borne directly by employees, but which do not represent contribution of a direct benefit to the firm, might play in the employee’s assessment of the value relationship between Product and Price (O’Donohue and Wickham, 2007). For example, an employee’s perception of the firm’s EVP will likely be influenced by the direct price (i.e. the terms and conditions of the employment contract) and the indirect opportunity costs (such as ‘lost family time due to weekend work commitments’ and/or the resulting ‘stress of having an unhappy partner at home’). From the firm’s perspective, there are opportunity costs too, such as foregoing lower cost labour arrangements and/or the increased

operational flexibility that might flow from such arrangements. However, while the firm has direct control over its own opportunity costs, it has no such control over the employee's opportunity costs.

The firm's consideration of the Price element in the Employment MM is made more complex by the dynamic nature of the employment relationship. Firstly, research has shown the nature of the employment relationship over time moves most often from primarily transactional and economic in nature to one which is more complex, relational and socio-emotional in nature (Coyle-Shapiro et al., 2004; Rousseau, 1995; Shore et al., 2004). Hence, the uptake of the EVP is not a 'once-off' transaction and the Price the employee is willing to pay, both in terms of direct contributions and indirect opportunity costs, is the subject of ongoing review and negotiation. Such review may be prompted by strategic or environmentally-driven changes in the firm's ability and willingness to continue offering specific inducements, as much as by changes in an employee's personal circumstances. Secondly, where a firm is faced with strong competition in the market for scarce resources, the 'seller' of the resource has much greater bargaining power. In a competitive labour market where conditions are not favourable to the firm, target employees are both a 'seller' of the scarce resource (that is, their skills and abilities) and a 'buyer' of one of many EVPs offered by competing firms. In such circumstances, the firm's management of the Price and other elements in the Employment MM should aim at offering greater benefits and/or perhaps a lower Price to target employees.

Place

The construction of Place can be seen as an important aspect of a distinctive and superior EVP. Place may be interpreted to include not only the geographic locations where Product features can be accessed or work tasks performed, but also the mechanism through which specific aspects of the Product will be delivered to the employee. In other words, the element of Place within the Employment MM requires the firm to take decisions about the agents responsible for the delivery of specified features of its employment Product, as well as the physical locations ('in-house' or 'off-site') at which specific features are to be accessed. The HR literature includes a long-standing debate about the extent to which HR functions can be effectively outsourced to specialist firms (see Ordanini and Silvestri, 2008). Central to the outsourcing debate has been discussion concerning the observed failures of the practice, most of which have been attributed to an overemphasis on increasing profit at the expense of meeting employee needs and expectations (Grauman and Paul, 2005; Laabs, 1998). To maximise the use of Place in the Employment MM, therefore, the firm must take a strategic approach to the control and delivery of its product features that goes beyond mere cost-minimisation. In developing a strategic approach to Place, the firm's decision process must consider the extent to which it wishes to retain direct control and delivery of all product features 'in-house' or use a combination of 'in-house' and 'off-site' delivery locations. For the delivery of augmented product features the firm might choose to contract an external provider to manage and deliver the feature fully off-site. Here too, the firm must be careful in its choice of 'off-site' partners as an inadequate choice of partner serves only to diminish the value of its EVP in the medium-to-long term.

Promotion

In the Employment MM, Promotion covers all efforts by the firm to communicate its EVP effectively, such that its target employees are aware of the product's differentiated features and the manner in which they can be accessed. While the firm can draw on a wide range of

media channels through which it might communicate with existing and prospective target employees, it must also remain mindful that all of its activities or omissions serve to communicate a message about the firms and its Product. Therefore, in addition to formal communication mechanisms – such as newsletters, noticeboards, Intranet sites, advertisements, induction kits, and the job interview itself – Promotion in the HR context embraces any formal and/or informal interactions that occur between employees and management. It also extends to the manner in which a firm's policies and procedures interact or disconnect with each other, and requires senior management to understand the interrelationships between policy choices and the manner of their implementation. Should all of the firm's communications, activities and/or omissions in this regard contribute positively to the employees' expectations of the EVP, then the firm's EOC efforts can be said to have been effectively promoted. If, on the other hand, there are significant conflicts between messages (e.g. the firm espouses employee welfare and work-life balance as a priority, yet those accessing work-life balance opportunities are openly derided by management) the resultant confusion will serve to diminish employee perceptions of the EVP and jeopardise the firm's EOC efforts.

Process

The recognition that the HR function needs to match its processes, policies and strategies to the firms mission and goals has long been acknowledged in the HR literature (see for example Beer et al., 1985; Legge, 1995; Becker and Huselid, 2006). However, the Process element of the Employment MM requires the firm to extend its understanding of the management of HR to focus on the relationship between all of the firm's management functions, and the entire set of systems and procedures that enable and support the employment relationship. As such, it requires real and ongoing dialogue between the firm's various functions (Accounts, Human Resources, Marketing, Procurement, etc.) concerning the establishment, affordability and delivery of the EVP. It also implies that the understanding of Process must extend to include systems for managing not only the explicit but also, where possible, the implicit aspects of the core/actual/augmented product features. Similarly, the firm must be mindful of the way in which its array of policies and systems might contradict each other and potentially damage perceptions of the firm's EVP (e.g. the firm indicates that employee welfare and work-life balance is a priority, yet the promised training and development opportunities occur only at weekends or after-hours). In the HR context therefore, Process needs to conceptualise and embrace the entire set of systems that support the employment relationship, from the recruitment and selection stage, through the actual employment phase, on to the end of the separation phase (Stalinski, 2004). Indeed, a broad understanding of Process could also embrace the post-employment phase through the maintenance of positive relationships with former employees who through word-of-mouth support serve as unofficial advocates for the firm as an EOC.

People

The concept of the People element transfers quite easily to the Employment MM where the need for a system-wide approach must also be applied. Clearly, HR staff and supervisors are key players in creating and sustaining high quality employment relationships that satisfy both a firm's goals and the individual goals of employees. However, in line with a 'systems perspective', the firm must also understand the roles that other functional staff, line and senior management, and peers, as well as external contractors, can play in achieving Process synergies that will enhance the value that employees derive from the firm's EVP. The

achievement of synergies requires the management of the People element to be co-ordinated with that of the Place, Process and Promotion elements so that all of the people involved in the delivery of the Product share a common understanding of the differentiated and value-adding nature of the its core/actual/augmented features and the Price the firm expects to receive in the form of contributions from employees (Stalinski, 2004). The integrated nature of the application of these various elements in the Employment MM extends to the seventh and final element – Physical Evidence.

Physical Evidence

In the HR management context, Physical Evidence must focus on the provision of a workplace environment that is consistent with employee expectations and able to facilitate the achievement of both organisational and individual goals. Physical Evidence, therefore, includes such things as the way in which the office space is laid out, the manner in which awards are presented and/or displayed, and the use of an intra-company newsletter to disseminate information, and so on. In this sense, the Physical Evidence element would closely align with what is recognised in the HR literature as the manifestation of organisational culture (such as rituals, artifacts and written communications) (Higgins, Mcallaster, Certo and Gilbert, 2006). For the Physical Evidence element to serve as an effective tool, the firm must ensure that it is consistent with, and supportive of the core/actual/augmented product features they have been offered to the employee. For example, should ‘concern for employee welfare’ be espoused as an important augmented product feature, then explicit recognition of and awards for employee maintenance of OH&S standards would provide systematic and valued Physical Evidence of such concern. Similarly, the absence of any Physical Evidence to support a firm’s espoused EVP will serve to undermine employee perceptions of the firm’s status as an EOC.

Implications of an Employment Marketing Mix

The above discussion has illustrated how the seven elements of marketing theory encompassed in the Extended MM might be adapted in support of the establishment and management of effective employment relationships that can serve as the basis for a firm’s EOC status. We feel that this reconceptualisation has three main implications. Firstly, we feel it demonstrates there is potential merit in conceptualising the employment relationship as a product offering to be consumed simultaneously in the markets for labour and employee skills. Secondly, we feel that the Employment MM notion of an interrelated set of ‘Ps’ supports the systems approach to HR management recently espoused as one of the most important frontiers for HR research (Stalinski, 2004). Thirdly, the parallel between the Extended MM and the Employment MM suggests the ability (and necessity) for firms to define their ‘employees of choice’ in the labour market context, and to consider strategies to de-market their EVPs to actual/potential employees that fail to conform to this definition.

Conclusion

This paper has explored the application of a key framework in marketing theory – the Extended MM concept – to the management of the employment relationship. We believe the incorporation and adaptation of a marketing perspective along the lines proposed in this paper – the proposed Employment MM – offers real potential for broadening theoretical understanding of the EVP and its role in establishing a sustainable competitive advantage for an EOC. It is important to note, however, that the coverage of the Employment MM elements

was done to a very basic level and that a detailed consideration of each element serves as a basis for further exploration and research. We none-the-less believe that the use of theoretical constructs from marketing (and other related) disciplines offers a cache of alternative concepts and language that can assist all managers (and not just human resource professionals) 'come to grips' with the firm's EVP and its management over time.

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