

# The Center for Hospitality Research

Hospitality Leadership Through Learning



## HR Branding:

How Human Resources Can Learn from  
Product and Service Branding to Improve  
Attraction, Selection, and Retention

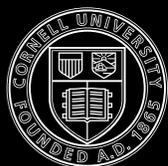
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by Derrick Kim and Michael Sturman, Ph.D.

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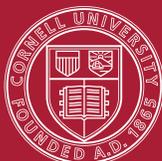
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# HR Branding:

## How Human Resources Can Learn from Product and Service Branding to Improve Attraction, Selection, and Retention

by Derrick Kim and Michael Sturman

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### ABOUT THE AUTHORS

A recent graduate of the School of Hotel Administration at Cornell University, **Derrick Kim** currently studies at McGill University, pursuing graduate dual diplomas in human resources and marketing to further strengthen and apply his knowledge in HR Branding. In addition, he works at a non-profit organization that he found in 2010, Bridge For World, Social Consultants (BFW) Society, with virtual chapters in Vancouver, New York and Seoul.



**Michael C. Sturman**, Ph.D., is professor of management and The Kenneth and Marjorie Blanchard Professor of Human Resources at the Cornell School of Hotel Administration. He teaches undergraduate, graduate and executive education courses on human resource management, compensation and cost-benefit analysis. His research focuses on the prediction of individual job performance over time, the influence of compensation systems, and the impact of human resource management on organizational performance. He has published research articles in such journals as the Journal of Applied Psychology, Academy of Management Journal, Personnel Psychology, and Journal of Management. He has also published practitioner papers in the Cornell Hospitality Quarterly, International Journal of Hospitality Management, Lodging Magazine, Lodging HR, A.A.H.O.A. Hospitality, HR.Com, and The American Compensation Association Journal. Sturman is the Kenneth and Marjorie Blanchard Professor of Human Resources. He holds a PhD, MS, and BS from Cornell University's School of Industrial and Labor Relations, and is a Senior Professional of Human Resources as certified by the Society for Human Resource Management.





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## EXECUTIVE SUMMARY

**B**rand equity and human capital are two critical assets that support a firm's short-term stability and long-term success. While businesses have recognized the power of brand management for attracting and retaining external customers, companies are only beginning to realize the potential benefits of HR brand management for attracting, selecting, and retaining internal customers (i.e., employees). The purpose of this report is to introduce CHR readers to the concept of HR branding. Our purpose is to review the research and implications of the branding literature, and then to describe how human resource management can draw on these lessons to influence human capital. Specifically, we will (1) define HR branding, (2) detail its potential for attracting, selecting, and retaining employees, and (3) describe how firms can manage their HR brand to achieve this potential. Many examples of firms engaging in HR branding practices are provided throughout the paper. We argue that human resources can learn from marketing, thereby managing three components of a company's HR brand—its reputation, culture, and total value proposition. Ultimately, HR branding can be used as a strategic tool to manage different aspects of the employment experience.

# HR Branding:

## How Human Resources Can Learn from Product and Service Branding to Improve Attraction, Selection, and Retention

by Derrick Kim and Michael Sturman

**A**cross industries, strong brand equity helps drive business success.<sup>1</sup> Built through marketing activities, brand equity is defined as accrued recognition or perceived value from customers that constitute brand power.<sup>2</sup> Customers perceive value in brands, and thus become less price-sensitive to branded products, make repeat purchases, and develop loyalties to brand affiliations.<sup>3</sup> Because companies with strong brands can leverage brand equity to enhance overall profitability, organizations<sup>4</sup> and academics<sup>5</sup> recognize branding as a way to attract and retain a company's external customers.

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<sup>1</sup> Dev, C. and Prasad, K. 2000. Managing Hotel Brand Equity. *Cornell Hotel and Restaurant Administration Quarterly*, 41(3): 22-31; and Keller, K. L., & Lehmann, D. R. 2006. Brands and branding: Research findings and future priorities. *Marketing Science*, 25, 740-759.

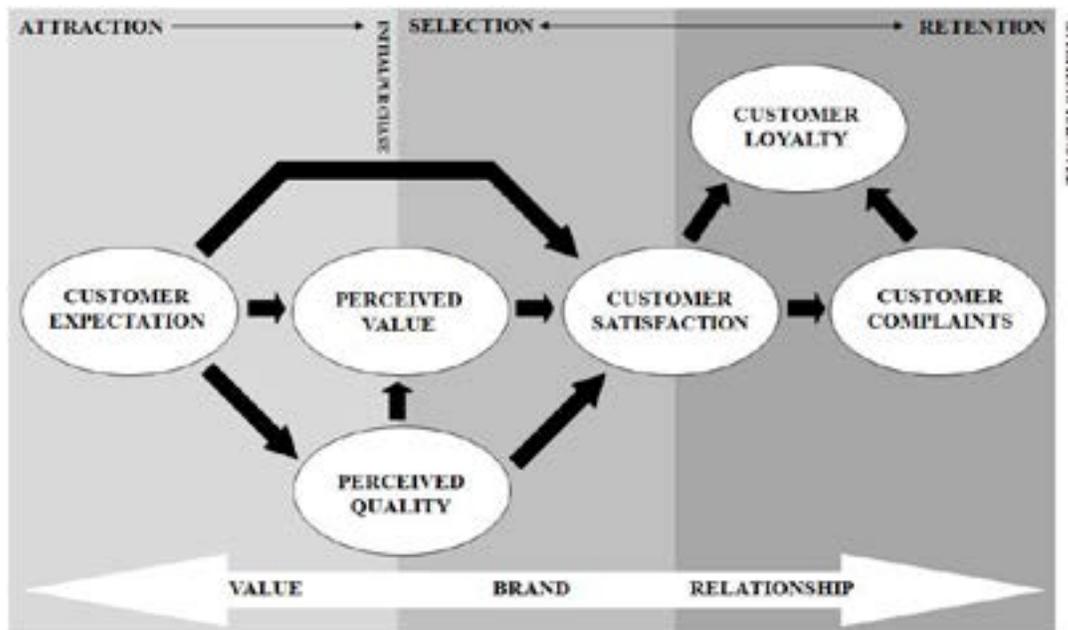
<sup>2</sup> Rust, R., Zeithaml, V. and Lemon, K. 2000. *Driving Customer Equity*. NY: Free Press.

<sup>3</sup> Keller, K. 2008. *Strategic Brand Management*. NJ: Pearson Prentice Hall.

<sup>4</sup> Mortan, L. 2007. Brand Profitability and Brand Building. Blogspot.com, March 4, 2010. <http://www.brandprofitability.blogspot.ca/>

<sup>5</sup> Rust, R., Zeithaml, V. and Lemon, K. 2004. Customer-Centered Brand Management. *Harvard Business Review*, 82(9): 110-118.

### Three stages of customer experience, both internal and external, with effects on branding



Adapted from: American Customer Satisfaction Index (ACSI) Model by National Quality Research Center and Rust, Zeithaml, and Lemon's Customer Equity Components & Key Drivers See: R. Rust, V. Zeithaml, and K. Lemon, *Driving Customer Equity* (New York: Free Press, 2000).

Those principles also apply to a company's internal customers, its employees. Just as branding applies to products or services, branding may also affect firms' human capital,<sup>6</sup> by adding value to the employment experience of current and prospective employees.<sup>7</sup> The sorts of activities that are tailored towards these goals are called HR branding.<sup>8</sup>

Most companies in the hospitality industry recognize the critical role of employees in delivering service products, and the best companies emphasize the value of people in their philosophies.<sup>9</sup> Yet, as noted by the former senior vice president of human resources & administration for Hilton Hotels

<sup>6</sup> Enz, C. 2001. What keeps you up at night? *Cornell Hotel and Restaurant Administration Quarterly*, 42 (2): 38-45.

<sup>7</sup> Khan, B. 2009. Internal branding: aligning human capital strategy with brand strategy. *ICFAI Journal of Brand Management*, 6: 22-36.

<sup>8</sup> In academic research, several highly related ideas have been explored in some depth. Such research has used terms like "internal marketing", "organizational branding", "employer branding", and "internal branding." We build on this research, but use the broader term "HR branding" which we feel most accurately describes the variety of issues associated with applying branding issues to the human resources domain, and most broadly captures the range of topics and findings from existing work that has used these various terms. We also use some of these terms to describe what are specific components to the process of "HR branding" as will be described later in the paper.

<sup>9</sup> Hinkin, T. and Tracey, B. 2010. What makes it so great? *Cornell Hospitality Quarterly*, 51(2): 160.

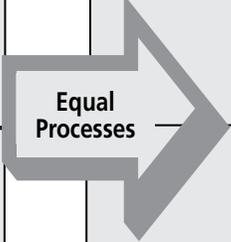
Corporation (Hilton Worldwide), Richard Mignault, "For an industry that fully understands what it takes to create a satisfied customer, the lack of significant representation of hospitality companies on *Fortune's* list of "100 Best Companies to Work For" represents a real disconnect between managing the brand and managing employees." In 2012, only six hospitality firms were included on the *Fortune* list.<sup>10</sup> Being on the list is a worthy goal for several reasons. Research shows that making it to *Fortune's* list helps companies earn higher customer satisfaction ratings, increases stock prices,<sup>11</sup> and yields about a 1.6-percent increase in return on assets.<sup>12</sup> Given the importance of human resources, Mignault raises a compelling point that suggests a separation between how companies in the hospitality industry manage the brand equity accrued by external customers versus that of internal customers (i.e., the employees).

<sup>10</sup> *Fortune Magazine*. 2012. 100 Best Companies to Work For in 2012. Money.cnn.com, March 15, 2012. [http://money.cnn.com/magazines/fortune/best-companies/2012/full\\_list/](http://money.cnn.com/magazines/fortune/best-companies/2012/full_list/)

<sup>11</sup> Filbeck, G. and Preece, D. 2003. Fortune's Best 100 Companies to Work for in America: Do They Work for Shareholders? *Journal of Business Finance & Accounting*, 30:771-797.

<sup>12</sup> Simon, D. and DeVaro, J. 2006. Do the Best Companies to Work for Provide Better Customer Satisfaction? *Managerial and Decision Economics*, 27: 667-683.

Product versus service branding with implications for human resources branding

<p><b>Product Branding</b></p> <p>Various tactics used to elicit brand equity and manage loyalty. For luxuries or commodities, branding is used to instill an emotional association as a premium for products' replicable benefits, given its characteristics:</p> <p>(1) Tangibility                  (2) Storable Inventory                  (3) Transferable Ownership                  (4) Standardization                  (5) Value Specificity</p>	<p><b>External Customer</b></p> <p>(Product &amp; Service Branding)</p>  <p><b>Equal Processes</b></p>	<p><b>Attraction</b></p> <p>Communicate to the right audience, with the right message, through the right channel, and at the right time. Persuade the targeted customers that your brand will meet and exceed their needs. Turn prospects into customers and first-time buyers into long-term buyers through targeted up-sells and expanded product offerings.</p>	<p><b>Selection</b></p> <p>Provide a positive customer experience that is consistently meeting and exceeding the brand promises with the quality assurance and brand standards. Deepen your relationship with your customer base, by affecting their decisions to purchase or return with brand recognition.</p>	<p><b>Retention</b></p> <p>Reduce customer defection by enhancing the customer relationship with reward or loyalty programs. Reactivate client interactions by reminding them of positive encounters with the brand in the past. Emphasize your product or service's differentiated value propositions and promise to fulfill their needs consistently.</p>
		<p><b>Internal Customer</b></p> <p>(HR Branding)</p>	<p><b>Service Branding</b></p> <p>Building a brand identity based on the service experience. It is a shared process by all of the internal functions. Service branding requires consistency of the human-driven customer service with the following characteristics:</p> <p>(1) Intangibility                  (2) Perishable Inventory                  (3) Personal Ownership                  (4) Customization                  (5) Bundling Capacity</p>	<p>Attract potential employees' attention by using the company reputation attained from the brand equity of your products or services. Communicate the clear message and image that your firm desires to portray as an employer of choice. Ensure that the employer image is aligned with the actual employment experience offering.</p>

This report introduces and explores the concept of HR branding. We review the research and implications of the branding literature and describe how human resource management can draw on these lessons to influence human capital. Specifically, we will (1) define HR branding, (2) detail its potential for attracting, selecting, and retaining employees, and (3) describe how firms can manage their HR brand to achieve this potential.

**Defining Human Resource Branding**

Most hospitality managers are familiar with the basics of product and service branding, which emphasize the importance of building a desired and consistent brand image. The branded value of the service product is related to the guests' expectations of what will be experienced and the ability of the company to fulfill those expectations. Brand management influences external customers' perceptions of a company's intangible value by delivering a distinctive experience around the company brand.<sup>13</sup> It provides a tool to attract,

select, and retain external customers (see Exhibit 1). HR branding is a similar tool, but concerns internal customers.

Ambler and Barrow defined the human resource brand as "the package of functional, economic, and psychological benefits provided by employment, and identified with the employing company."<sup>14</sup> Managing the HR brand thus entails managing the aspects of a company's reputation and image, communicated to both current and prospective employees. Much like customers seek the right fit with certain brands before purchase, potential recruits are attracted to organizations whose members' personalities, values, interests, and other attributes seem similar to their own.<sup>15</sup> In the same way that branding influences customers from the attraction stage, to the initial purchase, to long-term loyalty, individuals' perceptions of an organization's brand can influence human resources from attraction, to selection, to retention.

<sup>13</sup> Mosley, R. 2007. Customer experience organizational culture and the employer brand. *Brand Management*, 15: 123-134.

<sup>14</sup> Ambler, T., and Barrow, S., 1996. The employer brand. *Journal of Brand Management*, 4 (3), 185-206

<sup>15</sup> Schneider B., Goldstein H. and Smith D. 1995. The ASA framework: an update. *Personnel Psychology*, 48: 747-773.

## The Potential Value of Human Resource Branding

Coordinating HR functions with marketing tactics, HR branding gives the opportunity for companies to influence or alter the firm's identity and reputation. HR branding affects the employment experience, in much similar ways that product and service branding affects the three stages of the external customer experience: attraction, selection, and retention. External and internal customers begin their relationships with the company brand in the attraction stage, and enter the subsequent stage of selection with the initial purchase (and hopefully, ultimately, retention). All forms of branding involve various management tactics that are related to marketing (advertising, sales, loyalty programs) or human resources (recruiting, job engagement programs, and compensation) during all three stages. Processes for HR branding can be based on the lessons learned from product and service branding (see Exhibit 2). For the hospitality industry, where employees' actions make up the core service product, HR branding can strengthen the company's overall business efficiency.

In sum, organizations can treat potential and current employees as internal customers, and employment opportunities as the product that they offer. Some firms do this already, as we discuss below. From this perspective, management can apply different models of consumer marketing.<sup>16</sup> For the labor market, companies may manage as they would with their commercial products, essentially specifying the benefits and costs of the vacant positions. For potential employees, companies can provide the information needed for desired candidates to make an informed decision to apply, select, and ultimately, stay. During this progression, HR brand equity is accrued through interactions between firms and internal customers in much the same way as with external customers.

### Attraction

Attraction is a vital prerequisite for initiating and developing trust and commitment between firms and consumers.<sup>17</sup> For HR branding, attraction is achieved through potential applicants' expectations of the perceived quality and value of an employment experience.<sup>18</sup> As occurs with products

and services, would-be employees' anticipation is based on non-experiential information such as advertising, word-of-mouth, and the overall brand knowledge. The reputation of the company, accurate or not, will influence the perceived desirability of jobs. SAS, for example, reported having their application system overwhelmed the day after they were first listed in *Fortune's* "100 Best Companies to Work For." A Google executive reported that while riding to work on his bicycle wearing a Google t-shirt, he gets stopped and asked if Google is hiring. In short, the HR brand of a company attracts potential employees to that company brand.

Companies need to attract and engage the right people.<sup>19</sup> This begins by controlling perceptions regarding its reputation. If a company can strategically craft its image as an employer and specify its desired qualities of employees, it should be able to attract a rich pool of applicants, generating higher net yield of the targeted internal customers.

HR branding affects potential recruits interested in pursuing vacant positions, and a strong HR brand may offset the challenge of attracting strong employees that might be created by a weak product-brand presence with low consumer awareness.<sup>20</sup> Potential recruits are less aware of, or even have negative associations with the company which may deter their employment consideration. Just like external customers, potential employees seek to determine whether their personal values and goals are congruent with the attributes of a given position and the characteristic of the company, to avoid negative selection decisions.<sup>21</sup>

McDonald's, for instance, concluded that its unmanaged HR brand was hurting recruitment efforts. Although clearly possessing one of the strongest product brand images, and even with 80 percent of current employees providing positive evaluations of the company, those outside the company still degradingly referred to positions at McDonald's as "McJobs" or "burger flippers." These positions were stereotyped as low-paying, dead-end jobs. To combat their tainted reputation, McDonald's identified what employees perceived as the value of working at the firm. Based on this information, the firm built and implemented a communications strategy targeted at potential employees.<sup>22</sup> After these HR branding efforts, McDonald's was ranked eighth on the *Best*

<sup>16</sup> Wilden, R., Gudergan, S. and Lings, I. 2010. Employer branding: strategic implications for staff recruitment. *Journal of Marketing Management*, 26: 56-73.

<sup>17</sup> Ellegaard C. and Ritter T. 2006. Customer attraction and its purchasing potential. Working paper submission for the 22nd IMP conference in Milan, Italy.

<sup>18</sup> Allen, D. G., Mahto, R. V., & Otondo, R. F. 2007. Web-based recruitment: Effects of information, organizational brand, and attitudes toward a web site on applicant attraction. *Journal of Applied Psychology*, 92: 1696-1708.

<sup>19</sup> Raj, A. and Jyothi. P. 2011. Internal branding: exploring the employee perspective. *Journal of Economic Development, Management, IT, Finance and Marketing*, 3(2): 1-27.

<sup>20</sup> Wilden *et al. op.cit.*

<sup>21</sup> Harris, S.G. and Mossholder, K.W. 1996. The affective implications of perceived congruence with culture dimensions during organizational transformation. *Journal of Management*, 22: 527-547.

<sup>22</sup> Newman, J., Floersch, R., and Balaka, M. 2012. Employment branding at McDonald's: Leveraging Rewards for Positive Outcomes. *Workspan*, 3: 21-24.

*Multinational Companies to Work For* list.<sup>23</sup> Perhaps more compelling, in April 2011, when McDonald's sought to hire 62,000 new workers, more than 1 million people applied.<sup>24</sup>

HR branding during the attraction phase is significant because it is a way for companies to communicate their characteristics as an employer, perceived externally to potential recruits and internally by current employees.<sup>25</sup> Because employees continuously shape the organization, finding the right fit is critical in building long-term relationships for the firms as well as the potential recruits seeking the right "purchase"<sup>26</sup> from their HR brands.

## Selection

To acquire top talent, who often have multiple potential job offers, the HR brand can help firms get potential employees to commit to the "purchasing" decision. That is, firms need to transfer the quality and value established during the attraction phase to the equivalent in marketing of an "initial purchase" of services or products.

Building on the candidate's positive perceptions of the company, a valued HR brand can help get the top candidate to accept the job offer by emphasizing the potential value of experience and rewards that can be gained from an employment experience. From the employee's point of view job experience at a highly reputable organization can translate to better job opportunities in the future.

Sofitel provides a clear example of how one's HR brand can facilitate selection. With fierce competition (from both inside and outside the hospitality industry) to recruit desired candidates from prestigious hospitality programs, Sofitel aggressively markets their "Global Ambassador" training program. While this 12- to 18-month training program is designed to turn new recruits into Sofitel brand ambassadors by empowering them to perform exceptionally, the training program itself is marketed as valuable to prospective employees. Sofitel is using the training and development it provides as part of the employment experience as an integral part of their recruitment strategy.

## Retention

As with external customer purchases, managing the HR brand involves delivering a promised employment experience to a firm's internal customers. Employees constantly make "repeat purchase" decisions (i.e., whether to stay

<sup>23</sup> Great Place to Work. 2011. World's Best Multinational Workplaces. Greatplacetowork.com, March 27, 2012. <http://www.greatplacetowork.com/best-companies/worlds-best-multinationals/list-of-the-25-best-from-2011>

<sup>24</sup> Newman *et al.* 2012.

<sup>25</sup> Rogers, S. and Marcotte, S. 2010. *Communicating Total Rewards*. AZ: WorldatWork Press.

<sup>26</sup> Schneider, B. 1987. The people make the place. *Personnel Psychology*, 40:437-453.

with the company or seek other employment). If internal customers have unmet expectations, they are likely to seek other employment. Yet, the goal of HR brand management involves more than simply lowering turnover; it also helps keep employees motivated and contributing to the organization. Just as brand power can increase the satisfaction of a product or service,<sup>27</sup> a strong HR brand may make employees more satisfied and engaged so that their employment experience is more than just a generic job at a commodity level.

Some firms are already doing this, and it is reflected by both how firms refer to their employees and how employees perceive themselves. For example, employees who are working for Samsung in Korea refer to themselves as "the People of Samsung" and consider themselves as having matching prestige and socio-economic status as elite professions such as doctors or lawyers. Similarly, in hospitality, Ritz-Carlton refers to their stakeholders as "ladies and gentlemen at Ritz-Carlton," denoting the company's respect and employees' pride in engaging and delivering this luxury brand.

This significance for internal customer loyalty parallels employee retention and, if not executed well, employee attrition. To help manage retention and engagement, HR branding communicates the firm's overall value proposition, reminding employees of the positive employment experiences and continuously motivating and engaging them through the intrinsic and extrinsic benefits of the work relationship. It therefore reinforces continued internal customer loyalty and retention.

Here again, we see parallels with product branding and service branding. Considering product branding, the HR equivalent includes the explicit rewards such as pay, a benefits package, and any explicit perks associated with the job. Just as when a luxury hotel provides an unclean room immediately jeopardizes an external customer's experience, if a company fails to provide the right basic product (e.g., appropriate and competitive compensation), it risks failing to retain their internal customers. But key to using one's HR brand to improve retention is to remember that extrinsic rewards are only part of what retains employees. The service product of the employment relationship includes the intangible aspects of the employment experience, and it is equally critical for retaining and engaging their internal customers.

Howard Schultz of Starbucks recognized the importance of the firm's "partners" (i.e., employees), and invested in a portfolio of intrinsic and extrinsic rewards; thus, he created a positive work environment to engage employees as

<sup>27</sup> Na, W. B., Marshall, R., and Keller, K. L. 1999. Measuring brand power: Validating a model for optimizing brand equity. *Journal of Product & Brand Management*, 8: 171-82.; and Ofir, C. and Itamar S. 2007. The Effect of Stating Expectations on Customer Satisfaction and Shopping Experience. *Journal of Marketing Research*, 44: 164-167.

### Three components of HR branding

Component of HR Branding During...	Attraction	Selection	Retention
<b>Employer Branding</b> Managing the firm's reputation	Helps ensure the right type of applicants apply for positions.	Helps ensure employees who fit with the organization's culture are hired.	The good reputation of a company lends prestige to a position, and employees want to maintain the association.
<b>Internal Branding</b> Managing the firm's culture	A positive work culture is highly sought in today's labor market, and firms with a reputation for such an environment will attract many applicants.	A well crafted and defined culture will help companies identify individuals who share the same norms and values. Applicants with this good "fit" will also be more likely to accept job offers.	Employees who share the same values and norms with their employers are more likely to stay. Similarly, if the work culture is consistent with the company's mission, employees are more likely to remain motivated and engaged.
<b>Total Rewards Branding</b> Managing the firm's value proposition	Companies with a reputation for providing high rewards (intrinsic and extrinsic, and including employee development) attract more applicants (and more qualified applicants).	Greater compensation (both intrinsic and extrinsic) increases the probability a candidate will accept a job offer. Being able to effectively communicate the rewards package facilitates this.	Both intrinsic and extrinsic rewards help retain employees. Making employees aware of all aspects of the total rewards package helps them understand the full value of their compensation package. Getting employees to consider their entire rewards package, and not just base pay, helps prevent other companies from easily making job offers that may at first appear to be more generous.

“brand ambassadors.”<sup>28</sup> According to a stock plan specialist working for Starbucks, “From equity compensation and stock plans to benefits package and many other perks that come with being a partner at Starbucks, I personally find the intangible benefits (i.e., a collective corporate culture, work-life balance and schedule flexibility) as the most valuable element, and it makes a motivating work environment.”

Four Seasons integrates the employment experience as a focus of its business philosophy with its Golden Rule of 3Ps: “People are making excellent Products that are bringing Profits.”<sup>29</sup> Similarly, Southwest Airlines emphasizes how their employees are critical to delivering their service product. They emphasize that their employees should be “Living the Southwest Way.” This means that they should be “displaying a Warrior Spirit” (work hard, desire to be the best, be courageous, display a sense of urgency, persevere, and innovate), along with a “Servant’s Heart” (follow the Golden Rule, adhere to the basic principles, treat others with respect, put others first, be egalitarian, demonstrate proactive customer service, and embrace the SWA family), and a embracing a “Fun-LUVing Attitude” (have fun, don’t take yourself too se-

<sup>28</sup> Michelli, J. A. 2007. *The Starbucks Experience*. NY: McGraw Hill.; andn Meyer, D. 2006. *Setting the Table*. NY: HarperCollins.

<sup>29</sup> Sidman, S. 2010. Lessons Learned from the Hotel Business. building-engines.com. May 21, 2010. <http://www.buildingengines.com/resource-center/information-briefs/>

riously, maintain perspective. or balance, celebrate successes, enjoy your work, and be a passionate team player).<sup>30</sup> Just as the services carried out by these employees are branded as unique points of differentiation, positive employment experiences as part of a well-crafted HR brand helps to retain and engage talent.

#### How to Manage Your HR Brand

HR branding involves coordinating a variety of processes and messages from a variety of people to a variety of constituencies. Because this is a complex process, managing the HR brand as a whole cannot be just a silo function performed by an HR manager, nor can it rest on a set of public relations ventures. HR branding requires interdepartmental inputs and companywide efforts. There are three key components to the HR branding process, each being integral to obtaining the maximum potential value from an HR brand. These are (1) managing the firm’s reputation, (2) managing the firm’s culture, and (3) managing the firm’s value proposition. The table in Exhibit 3 defines each of these HR branding roles and summarizes their importance for the processes of attracting, selecting, and retaining internal customers. We discuss each of these three components in turn.

<sup>30</sup> <http://www.southwest.com/careers/culture.html> (viewed October 10, 2012).

# HR Branding 1

## Employer Branding Guidelines: Managing Reputation

- (1) *Understand the Company's Culture, Mission, and Vision:* Before any HR branding efforts, the firm's identity and goals should be fully understood by all employees. Don't assume that this is simply a given.
- (2) *Compare the Existing and Desired Employer Brand:* Effective HR brands should convey the same message both in and out. Collect survey inputs from multiple targets—applicants, customers, and internal focus groups—to see how they perceive the company's employer brand and compare the result with the desired image.
- (3) *Establish Employer Brand:* After conducting a gap analysis from the previous step, engage the current employees to build an appropriate employer brand that is reasonable and practical to attain. Set specific action plans and visualize how the brand may be perceived internally and externally.
- (4) *Partner HR with Marketing:* Adopting marketing tactics in HR practices is crucial in building effective employer brands. Encourage the two departments' collaborative projects such as choosing appropriate communication medium for recruitment efforts as well as improving the career website.
- (5) *Protect Employer Brand:* Do not tarnish the employer brand. Manage public relations with both customers and potential employees in mind. At an individual level, apply the service standards of the company to job applicant. For example, during interviews, avoid making candidates wait and wonder, and promptly inform them of their status. Most important, do not raise expectations that cannot be fulfilled.
- (6) *Evaluate the Effectiveness:* Use specific metrics to determine the impact of the employer brand. Are the objectives met to attract the targeted applicants? What about the current employees? Occasionally, take surveys to measure and confirm the employee's perception on the branding efforts that ultimately create and perpetuate it.

## Managing Your Firm's Reputation

This component of HR branding, which involves an employer's reputation, is referred to as employer branding. Having a reputable image as an employer of choice affects both potential and current employees.<sup>31</sup> Employer branding involves managing the “collection of ideas and beliefs that influence the way potential and current employees view an organization and the employment experience that it is offering.”<sup>32</sup> Furthermore, it helps ensure that the talent which a company attracts is an appropriate fit with the company's reputation and brand, also exemplified by its consistently branded employment experience.<sup>33</sup>

Establishing a reputation as an employer of choice takes careful planning and management. A firm's senior executives should first commit to defining and communicating the employer brand by managing the firm's overall reputation,<sup>34</sup> encompassing values, systems, policies, and behaviors.<sup>35</sup> It is critical that all employees in the organization understand and support these views. Current and prospective employees should be surveyed to determine what gaps may exist between the desired reputation and the actual situation so that an action plan to establish the employer brand can be created.

The message to employment candidates of why they should be employed at a firm is inextricably linked with the firm's reputation. This brand message must be consistent at every phase of the employee life-cycle, with careful planning and management.<sup>36</sup> Techniques used in product marketing can assist the human resource department in making sure that they “sell” the company and create an employer brand with a high perceived value.

We want to stress the importance of consistency. Once created, the HR brand must be portrayed accurately and consistently in all venues, including commercials showing employees, recruiters interacting with applicants at career fairs, and the receptionist in the HR department who welcomes a walk-in candidate. An accurate employer image, supported by reputation and employment experience, saves the costs arising from skill shortages and poor retention. By creating and meeting employee standards, a firm that con-

<sup>31</sup> Collins, C. 2007. The interactive effects of recruitment practices and product awareness on job seekers' employer knowledge and application behaviors. *Journal of Applied Psychology*, 92: 180-190.

<sup>32</sup> Raj and Jyothi, *op.cit.*

<sup>33</sup> Chernatony, L., Cottam, S. and Segal-horn, S. 2006. Communicating services brands' values internally and externally. *The Service Industries Journal*, 26: 819-836.

<sup>34</sup> Gray, E. and Balmer, J. 2002. Managing Corporate Image and Corporate Reputation. *Long Range Planning*, 31(5): 695-702.

<sup>35</sup> Wilden *et al.*, *op. cit.*

<sup>36</sup> Smedley, T. 2007. Why Employer branding is bigger than HR. *People Management*, 12.

sistently meets its internal customers' perceived quality and value standards can effectively manage its talent and thus facilitate the long-term retention of high-quality employees.<sup>37</sup>

Google is an exemplar of strategically delivering a unique employer brand, having crafted its image to differentiate the firm as an exceptional place to work.<sup>38</sup> The company's innovative and flexible working environment, culture, and products all are aligned with their brand slogan of "don't be evil" (use orthodox business practices).<sup>39</sup> This is their distinctively branded message towards its employees and also those who seek employment at Google, and it's a philosophy that pervades all aspects of work at the company. Maintaining the consistency with its company reputation, the firm's HR brand will continue to help in attracting, selecting, and retaining the future and existing Googlers with the right fit.

Starwood Resorts and Hotels has successfully used well branded HR practices to build its reputation. Revenue manager Nana Hwang described the process: "Employer branding has been most valuable when recruiting talented associates at Starwood's corporate office. Recent graduates often have more than one offer from companies; yet, they choose to join Starwood for its development within the management trainee program." The company's reputation, in particular, as a provider of exceptional employee development helps attract and select candidates successfully. Hwang explained: "More than 90 percent of associates continue their careers within Starwood for its culture, benefits, and career advancement options." Starwood was confident about their overall HR practices that shaped the reputation as an employer, and the potential recruits and current employees gladly help market their HR brand.

The lessons learned from companies like Starwood Resorts and Hotels and Google show that a favorable reputation can help attract more job candidates, acquire the desired candidates, and ultimately retain them. What we know from product and service brands, confirmed by activities of these companies, suggest certain key steps necessary to manage employer branding effectively. A summary of these steps are provided in "HR Branding 1," on the previous page.

## Managing Your Firm's Culture

A second component of HR branding, called internal branding, is defined as a set of strategic processes that empower employees to "live the brand."<sup>40</sup> Internal branding involves developing and articulating the firm's unique culture, and it helps guide employees to live by the firm's core internal

values.<sup>41</sup> Considering the criticality of employees who deliver the service experience,<sup>42</sup> it is also essential that the firm's culture and service brands are aligned. The culture informs employees how to deliver the service product in a way that is consistent with the firm's values.<sup>43</sup> When the two are not aligned, such as if the company professes a service brand that emphasizes quality but has a culture that emphasizes cost control, employees will not provide the desired customer experience. Seeing a disconnect between HR recruiting practices, the organizational culture, and the desired service product, Hanwha Hotels and Resorts initiated their "Global Talent Recruitment Program," rebuilding their internal structure and fostering a more multinational culture within the workforce in order to better service the growing demand of international travelers visiting South Korea. Managing the culture to fit one's mission is critical, and when culture and service brand are aligned, employees will perform better, be more engaged, and be more satisfied.<sup>44</sup>

The brand message of "how you should be employed at our firm" must begin with a commitment and leadership from senior management, because leaders define the culture, teach it, and sustain it.<sup>45</sup> Furthermore, a strong culture is built over time on the actions of managers and employees,<sup>46</sup> so it is crucial for the company to manage and convey the significance of HR branding, especially in the service sectors.<sup>47</sup> Southwest Airlines actually maintains a "Culture Committee" which is charged with taking the lead in "preserving the airline's unique culture."<sup>48</sup>

Having a culture that is aligned with the service brand and product allows a company to deliver differentiated yet consistent branded experiences, both tangible and intangible, to external and internal customers alike. Disney is one of the most effective organizations in terms of managing the culture that is to be communicated, accepted, and internalized

<sup>37</sup> Enz, C. 2001. What keeps you up at night? *Cornell Hotel and Restaurant Administration Quarterly*, 42(2): 38-45.

<sup>38</sup> Etis, R. 2009. Attraction. *Associations Now*, 49-54.

<sup>39</sup> Truman, R. 2007. Google it. *B&T Weekly*, 20.

<sup>40</sup> Raj and Jyothi, *op.cit.*

<sup>41</sup> Khan, B. 2009. Internal branding: aligning human capital strategy with brand strategy, *ICFAI Journal of Brand Management*, 6: 22-36.

<sup>42</sup> Gabbott, M. and G. Hogg. 1994. Consumer behavior and services: a review, *Journal of Marketing*, 62: 69-88.

<sup>43</sup> Ford, R. C., and Sturman, M. C. 2011. Harnessing the power of your culture for outstanding service, in *The Cornell School of Hotel Administration on Hospitality: Cutting Edge Thinking and Practice*, ed. M.C. Sturman, J. Corgel, & R. Verma. NY: Wiley, pp. 111-126.

<sup>44</sup> Way, S. A., Sturman, M. C., & Raab, C. 2010. What matters more? Contrasting the effects of job satisfaction and service climate on hotel F&B managers' job performance. *Cornell Hospitality Quarterly*, 51: 379-397.

<sup>45</sup> Ford and Sturman, *op.cit.*

<sup>46</sup> Lebrad, P., Rendleman, K. and Dolan, K. 2006. Delivering the Brand Promise Through Employees, *MMC Viewpoint*, 15-31.

<sup>47</sup> Raj and Jyothi, *op.cit.*

<sup>48</sup> Ford, R. C., Sturman, M. C., & Heaton, C. P. 2012. *Managing Quality Service in Hospitality: How Organizations Achieve Excellence in the Guest Experience*. Clifton Park, NY: Delmar, Cengage Learning.

## HR Branding 2

### Internal Branding Guidelines: Managing Culture

- (1) *Understand the Company's Culture, Mission, and Vision:* Before any HR-branding efforts, make sure the firm's identity and goals are fully understood by all employees.
- (2) *Define Brand-led Corporate Goals and Objectives:* Check if the business goals and objectives contribute to building the branded customer experience that the firm wishes to attain. Are the internal brand values aligned with the external ones? Will fulfilling a brand promise to external customers require you to compromise your commitments to internal customers?
- (3) *Evaluate the Perceived Internal Brands:* Use surveys to see if there is any inconsistency with the objectives and employees' perceptions of the brand: How should they behave and what should they achieve? Do employees feel that managers reward and appreciate their efforts to fulfill the company's mission? Segment the target groups into appropriate training and development processes, or change HR policies to align the marketing strategy with the HR policies.
- (4) *Create an On-Culture Internal Brand:* Instill the corporate culture when building the internal brand. It should effectively impact the employee behaviors to align with the firm's goal and objectives. Do employees deliver the brand promises that are deeply-rooted in a brand ethos?
- (5) *Receive Conformity from Management:* If management's conformity is not achieved, the entire branding effort may be perceived as superficial and inconsistent. Managers should serve as living examples for building the internal brand together with other employees. Building an HR brand begins at the top of the organizational chart, not the bottom.
- (6) *Measure the Effectiveness:* Are the firm's internal values align with those of employees? Use surveys to assess both employee and customer perceptions. Do line-level and top-level employees similarly perceive the same culture? Are customers seeing the employment culture, exhibited by employee behaviors in the delivery of the service product?

by employees.<sup>49</sup> Disney's employees live their unique culture, and it is demonstrated every day by a specific language and a particular code of conduct. For example, the company uses show business terms for its employees. It hires "cast members" who are recruited by "casting"; all areas in front of their customers are called "on stage" and the back of the house is "back stage." At all times, the firm's culture and the internal values, communicated by HR branding, reinforces that cast members are playing "roles" that help make up the "show."<sup>50</sup> Cast members, for example, never appear out of character in public or without their full costume, and must behave consistent to the brand image the characters they are playing at all times. In short, although the physical attributes of a Disney park are designed to create a memorable experience, it is the Disney culture that allows Disney's magic to be possible.

In contrast, a failure to consider HR branding, and in particular internal branding, can inhibit the effectiveness of a product branding strategy. STR experienced this difficulty when going through an extensive rebranding process for global expansion. In building a new logo and brand, the company surveyed and incorporated its current staff's and stakeholders' input on what they felt Smith Travel Research meant to them and to the clients. But according to Vail Brown, VP of global sales & marketing, "One thing I feel we could have done better is once we determined our new logo, color palate, etc., using our director of HR to clearly explain to the team why we decided on what we did and why it was important for everyone to support this initiative." After the rebranding, the company struggled with the internal staff correctly referring their company name to external communications as "STR," as many were still using their previous brand name, "Smith Travel Research." Vail noted, "Our receptionist would still answer the phone, 'Thank you for calling Smith Travel Research.'" A greater focus on internal branding would have advanced the benefit the stronger and recreated product brand was intended to provide.

Korean Air's rebranding efforts included both marketing and HR branding. The company's president, H.C. Cho, brought a new vision to grow the airline as one of the top global companies, targeting luxury and business travelers with the slogan "Excellence in Flight." Blending the American ways of doing business and Asian ways of managing people, Cho installed "a systems approach" that eventually replaced the personality-driven, top-down hierarchical culture.

To carry out the initiative, the airline spent \$137 million on new seats, cabin interiors, in-flight entertainment

<sup>49</sup> Chernatony, L., Cottam, S. and Segal-horn, S. 2006. Communicating services brands' values internally and externally, *The Service Industries Journal*, 26: 819-836.

<sup>50</sup> Ford and Sturman, 2011, *op.cit.*

systems, and subsequently \$5.4 billion for improved safety, an upgraded fleet, and new technology over a span of ten years.<sup>51</sup> Cho also knew, however, that the employee culture had to change to reap the benefits of the product brand changes. So Korean Air created and implemented a new company-wide training program that emphasized the new cultural values, and assured the new culture would be fully understood and accepted at all levels of organization. The internal change was also represented symbolically, with the company creating a brand-new employee uniform that was designed by a world-renowned fashion designer. The HR rebranding efforts continued with an internally branded “Career Development Program.” In this program, the company invests on employees’ learning and career development opportunities within each major department, focusing to attain long-term employees who could be generalists in all functions. Korean Air’s effective rebranding efforts were successful because of their internal branding and proactive cultural management. Ms. Chung, HR manager, explained, “Our company tries to motivate and maintain its employees through rather practical HR strategies and sharing as much information as possible.” Korea Air managed the HR aspects of its rebranding efforts by sharing the company vision, communicating the changes throughout the organization, making sure employees understood and accepted the changes, and by giving employees the training they needed to understand and live the new brand.

Thus it is that marketing must continuously work with HR to ensure that a company’s brand is embraced and understood by all levels of employees. HR branding comes into play in managing the company culture and helps the employees live the brand. Learning from companies like Disney, STR, and Korean Air, several key components to internal branding emerge. We summarize these in “HR Branding 2,” on the previous page.

### Managing Your Firm’s Value Proposition

Communicating a firm’s value proposition of total rewards, called total rewards branding, is an ongoing process of HR brand management that requires constant reevaluation of both market conditions and employee feedback.<sup>52</sup> Considering the branded employment relationship, a total rewards perspective plays a pivotal role for packaging all aspects of compensation—both intrinsic and extrinsic.<sup>53</sup> Further, a firm needs to identify and segment the key audiences within

<sup>51</sup> Roger Yu. 2009. Korean Air upgrades service, image: *USA Today*. August 26, 2009. [http://usatoday30.usatoday.com/money/companies/management/profile/2009-08-23-travel-airlines-korea\\_N.htm](http://usatoday30.usatoday.com/money/companies/management/profile/2009-08-23-travel-airlines-korea_N.htm)

<sup>52</sup> Rogers, S. and Marcotte, S. 2010. *Communicating Total Rewards*, AZ: *WorldatWork Press*.

<sup>53</sup> Reilly, Peter. 2010. Total Reward Is a Capital Idea, *Strategic HR Review*, 9(1): 48-50.

the firm and to develop measurable goals that link to business objectives as well as organizational resources that are regarded and communicated as being truly valuable.

Managing the total rewards component of your HR brand helps to define your HR brand’s message: “what you should get by being employed by at our firm.” If employees understand the total value proposition of their employment relationship, they will fully appreciate the intrinsic and extrinsic benefits gained from their continued employment, which would lead to greater employee satisfaction, pride, productivity, and engagement.<sup>54</sup> By clearly communicating the benefits of the total rewards, firms will improve employee attraction and retention because employees would recognize, understand, and value the employer’s investing in the company’s HR brand.<sup>55</sup>

For Harrah’s, this included emphasizing how working for the company allows employees to help those outside the company as well. Through Harrah’s Entertainment Reaching Out (HERO) programs, employees are compensated during their community service to carry out corporate social responsibility initiatives, and employees are recognized for their contributions to their communities. The company also subsidizes employees’ use of public transportation, as a part of their efforts to reducing the carbon footprint. An executive at Harrah’s Atlantic City stated: “[Our initiatives] help us to have a great relationship with not only the public but also our employees, and it is simply the right thing to do.”

In contrast, if total rewards are not communicated well, companies may be spending money on expensive benefits and perks that are essentially wasted if employees are unaware of them. Furthermore, if employees see compensation only in terms of base pay, it is easy for competitors simply to pay a little bit more as a means to recruit away top talent. Certainly, this is an ongoing communications challenge. As described by one Starbucks employee involved in compensation management, “Many partners don’t realize the heavy costs for the company to provide their 200,000 employees the incentives and perks such as a free pound of coffee a week, 30-percent discount off Starbucks products, tuition reimbursement, and subsidized gym memberships and transportation, not to mention free coffee.” Although Starbucks offers a unique value proposition in total rewards, simply making the rewards available will not ensure positive return on this employee investment.

Marriott took the initiative to move away from what became known as “Rewards Roulette,” where delivering compensation was based on instinct and opinion. Recognizing the value of total rewards branding, they sought to align

<sup>54</sup> Rogers and Marcotte, *op.cit.*

<sup>55</sup> Moschetto, M. 2009. *Communicating About Total Rewards Benefits Employers and Employees*. *Workspan*, 8: 59-62.

## HR Branding 3

### *Total Rewards Branding Guidelines: Managing Value Proposition*

- (1) *Understand the Company's Culture, Mission, and Vision:* Before any HR-branding efforts, the firm's identity and goals should be fully understood by all of its internal customers.
- (2) *Analyze the Situation and Define Objectives:* Looking at opportunities and challenges in both strategic and tactical perspective of total compensation, find out what needs to be communicated. Then, set objectives that are specific, measurable, attainable, audience-specific and relevant and tied to the overall business needs.
- (3) *Select the Target Audience & Determine the Key Messages:* To tailor messages to different segments of employees (e.g., part-time vs. full-time) conduct research to understand employees' perceptions of the compensation package and employment experience. Deliver the right messages to employees that are appropriate in style, tone, error-free, and comprehensible. Again, the objectives should be highlighted in appropriate ways to tie to the strategy, and complement the other components of HR branding.
- (4) *Select the Appropriate Communication Channels:* Considering creative thinking in developing and delivering information about total rewards. Use multiple channels to help communicate your messages to employees.
  - A. *Written:* ideal when communicating complex information to be referred over time for any audience size; however, no guarantee exists that employees will comprehend the extensive information. Also, keep in mind which languages may be best understood by a diverse workforce.
  - B. *Face-to-face:* most effective for changing employee behavior by providing instant feedback while looking at verbal and non-verbal cues. On the other hand, it is difficult to execute consistently due to variables, such as ability of speaker, different locations, and various audiences.
  - C. *Technology:* delivery of instant feedback that can be cost effective and boundless in location and accessibility. Yet, effectiveness may vary as employees have different preferences and capabilities in using technology. For online total rewards system, consider a website to show off the value of personalized pay, benefits, and other HR programs in interactive platforms to balance business and employee needs. Learn from user feedback and keep the information current.
- (5) *Develop and Implement the Effective Branding Communication:* Develop a project plan that summarizes key findings from feedback, action items, cost estimates, and evaluations. Also, any plan should consider to whom the information is delivered, as well as what and how. Use appropriate graphics, or other visual aids to complement and reinforce the overall corporate mission and values that serve the overall total rewards philosophy.
- (6) *Evaluate the Total Rewards Branding:* Collect employee feedbacks in order to evaluate the effectiveness of the communication efforts. Are employees aware of all aspects of the total rewards package? Do employees understand the value associated with their rewards? Consider forming a team of internal communicators to regularly reassess the desires of the local (internal) market, and work to ensure that your service product to your internal employees is understood and consistently meeting their expectations.

their compensation and benefits with associates' needs.<sup>56</sup> Named Marriott's "Value Proposition Program," the company collected extensive data through associate surveys on different aspects of their compensation package and employment experience. From the analysis, the firm found inconsistencies between what it offered versus what the employees actually perceived as valuable. For example, Marriott had not allowed associates to participate in the 401(k) plan until their second year. It was found, though, that the 401(k) plan was a strong driver of employee retention. Allowing employees into the plan sooner helped reduce turnover, particularly in associates' first year where it was the highest.

Based on their top management's commitments, well-articulated objectives, and clear information on associate preferences and perceptions, Marriott used extensive internal marketing to explain its new total compensation system.<sup>57</sup> As a result of its total rewards branding efforts, Marriott saw a significant decline in its turnover and improvement in productivity, yielding an estimated gain exceeding 4 percent of payroll. Through the effective use of HR brand management, and specifically total rewards branding, Marriott differentiated itself from other hotel chains, and thus obtained a competitive advantage because of its focus on internal customers.

Total rewards branding requires effective marketing of valued components of the total compensation package, along with appropriate communication efforts as part of a process of continuous improvement. Perhaps even more than other components of HR branding, it requires continuous assessments of various intrinsic and extrinsic motivators for employees. Learning from the experiences of companies like Harrah's, Starbucks, and Marriott, we can again identify the key components to effective total rewards branding, summarized in "HR Branding 3."

### **Where HR Branding Can Go from Here**

Brand equity and human capital are two of a firm's most critical intangible assets. In managing these valuable resources, HR can draw from product and service branding.<sup>58</sup> If you want your employees to be fully engaged, embrace the organizational mission, and work towards your firm's success, the employment experience must be managed with at least as much attention as your product or service brands. HR branding can be used as a strategic tool to manage different aspects of the employment experience—from attraction,

<sup>56</sup> Fisher, K., Gross, S., and Friedman, H. 2003. Marriott Makes the Business Case for an Innovative Total Rewards Strategy, *Journal of Organizational Excellence*, 22(2): 19-24.

<sup>57</sup> *Ibid.*

<sup>58</sup> Keller & Lehmann, 2006. McDonald, M., Chernatony, L. and Harris, F. 2001. Corporate marketing and Service Brands—Moving beyond the fast-moving consumer goods model. *European Journal of Marketing*, 35(3/4): 335-352.

to selection, to retention—ultimately yielding higher quality and more motivated employees.

Over recent years, studies of the relevant relationships between managing brands and employees have evolved significantly,<sup>59</sup> and the topic of HR branding has gained considerable recognition in both practitioner<sup>60</sup> and academic worlds.<sup>61</sup> Yet as a formal overall process, comprehensive HR brand management remains a rarity, and thus yields opportunities for academe and industry to work together for building a better understanding of HR branding, by addressing such issue as: What sorts of returns are associated with being an “employer of choice”? What sorts of HR policies and practices effectively shape the HR brand? What sort of training is necessary to get managers to help implement HR branding policies most effectively? As evidenced by the numerous examples provided in this report, many companies are clearly managing aspects of their HR brand effectively. But as with traditional branding, companies must

<sup>59</sup> Moslet, R. W.. (2007). Customer experience, organisational culture and the employer brand. *Journal of Brand Management*, Vol. 15(2): 123-134.

<sup>60</sup> Frook, J. E. 2001. Burnish your brand from the inside. *B to B*, Vol 86(8): 1-22.

<sup>61</sup> Backhaus & Tikoo (2004) and Davies (2007).

coordinate the entire process to realize the full potential. The intent of this report is to provide a review of what is known about HR branding, highlighting and familiarizing those unfamiliar with the concept with this potentially valuable strategic process.

While many service companies certainly use their human capital effectively without considering the value of their HR brands, such an approach overlooks the valuable opportunities for substantial returns that our examples have shown. Branding plays a critical role for both internal and external customers. Given the criticality of employees to the success of hospitality firms, there is great potential value for effective HR brand management. As Herbert Fisk Johnson (former CEO of S.C. Johnson) remarked, “When all is said and done, this business is nothing but a symbol...the good will of people is the only enduring thing in any business, it is the sole substance and the rest is shadow.”<sup>62</sup> Indeed, the actions of people are the true foundation of any business, and the corporate symbol that is built upon this special equity reservoir is what can lead companies towards a more successful future. ■

<sup>62</sup> *Portrait of Herbert Fisk Johnson*, Cornell University Johnson School of Business Administration.

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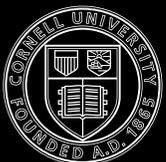
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