

# Role of Signalling Theory in Potential Applicant Attraction: An Employer Branding Perspective

**Poonam C. Vinayak**

Research Scholar, Deptt. of Business  
Administration, Aligarh Muslim  
University, Uttar Pradesh, India

**Dr. Bilal Mustafa Khan**

Professor, Deptt. of Business  
Administration, Aligarh Muslim  
University, Uttar Pradesh, India

**Dr. Mukesh Chand Jain**

Principal,  
Govt. P.G. College, Khair, Aligarh,  
Uttar Pradesh, India

## Abstract:

**O**rganisations of today realise that a strong and competent workforce can turn the tables upside down and is a source of sustainable competitive advantage. With the growth of knowledge economy and multinationals it is important that organisations must equip themselves to attract a robust and effective workforce. The signals an organisation sends develops an image in the minds of the potential applicant encouraging or discouraging him to be apply in a specific organisation. The paper identifies the role of signalling theory in developing an employer brand image in the mind of the applicants.

**Key words:** employer brand, signalling theory. Symbolic and instrumental framework.

## I. INTRODUCTION

The business environment is going through a paradigm shift due to change in various factors like globalization, technological innovation and changes in demographic and cultural multiplicity at work (Cascio, 2003). This has led to the demand for a competent workforce, which has the requisite knowledge, skills and abilities and other personal characteristics to meet the desired objectives of the firm. These shifts has led to highlighting of the organization's capacity to attract and retain a competent workforce and stay proactive in the changing business environment. Thus, in a highly competitive environment it will be highly positive for the organization to understand the manner in which the potential incumbents react to the recruitment practices of an organization. Over the last decade, the theorists have been keen to analyse the hierarchical and multi-level nature of organizational activities (Kozlowski & Klein, 2000) with an enhancement in application of multi-level theory to recruitment and selection phenomena (Ployhart, 2004). There has been a sincere attempt to have an intricate understanding of the multi-level issues in recruitment and selection, there are various questions which seek a plausible reply and signalling theory offers conducive answer to such queries. The paper aims to establish a sound foundation on the fundamental that the signals an organisation sends to the potential candidates establishes the organisation as an employer brand and thus attracts competent workforce to the organisation.

## II. CONCEPTUAL FRAMEWORK OF SIGNALLING THEORY

Signalling theory provides a detail explanation of the fact that how applicants can be attracted towards a firm interested in recruiting and the manner in which there can be a positive impact created through information or signals which is created through the characteristics an organization possesses during the recruitment process (Rynes, 1991). Research cites that potential applicants interpret many recruitment related information as signals about organizational and employer's characteristics (Collins & Stevens, 2002). Signalling theory has the capacity to understand the impact of many factors that may act as predictors for applicant attraction (Ehrhart and Ziegert, 2005), social identity theory and self-categorization theory have the capability to facilitate researchers to comprehend the conditions under which potential incumbents see some signals in a more positive way than the other. The understanding of the signalling theory shall facilitate the firms to understand the psychological processes that potential incumbents get involved into when they judge the employer attractiveness.

Essentially, employer branding is one strategy that allows an organization to have a distinctive image from its competitors and develop an identity through its positive practices that are considered to be desired by the future and current employees and the public. It is through an effective employer-branding image that the organization earns a distinct and desirable employer (Lievens et al., 2007, p. 48).

There is sufficient research evidence that states good employer image has various advantages in recruitment; for instance Chapman et al (2005) identified that the image of the organization is a strong predictor of applicant attraction and acceptance of the offer and also job pursuit intentions. Therefore, Chapman's research was in consonance with the signalling theory wherein applicants perceived employer behaviour as signals of organizational characteristics. Turban and Cable (2003) in their seminal work cite that incumbents also use organizational reputation or ranking in a business publication as signals of an effective employer and it was observed that organisations that have more positive image tend to get more applications vis-à-vis those with less positive reputation. Furthermore, it is suggested that corporate reputation has a direct impact on the size and quality of an organisation's applicant pool (Saks, 2005). Collins & Stevens

(2002) highlight that firms can employ the marketing concept of brand equity in their recruitment exercise. Furthermore, the authors also suggest that the development of a positive brand image can influence positive outcome from the incumbents, thus developing a source of competitive advantage for firms that helps them to attract a larger and more qualified applicant pool.

Lievens and Highhouse (2003) in their seminal work also draw meaningful results from the marketing literature by applying the instrumental symbolic framework to stress that preliminary applicant attraction to a firm is gained from two kind of information, which is gathered through the organizational brand and incorporates the symbolic meanings associated with the organization and the instrumental attributes associated with it. Instrumental attributes refer to the tangible information about the job or organization such as pay, benefits, duration of work, promotion opportunities and training programs (Cable & Graham, 2000).

Symbolic attributes denote the personality attributes that incumbents deduce from firm's information. The various examples that potential incumbents may contribute to firm involve trendy, innovative, so on and so forth. The work of Lievens & Highhouse (2003) identified that instrumental abilities play a vital role in predicting organizational attractiveness and that symbolic meaning incrementally predicted firm's attractiveness.

Research has cited that employer brands have a significant impact on the applicant attraction outcomes; which is well cited by Collins & Stevens (2002) identified that activities such as publicity, word of mouth and recruitment advertising has an impact on incumbent's decisions by creating an image on employer brand. The authors also suggested that the combined use of these activities had a vital impact on firm's brand image. Collins & Han (2004) in their research stressed that firms that have less reputation use "low involvement" recruitment practices such as the general recruitment ads, rise in applicant pool in terms of quantity and quality for firms. On the contrary firms that have established reputation get involved into "high involvement" recruitment practices like elaborate recruitment practices and employee endorsements leads to applicant pool quality and quantity.

Cable & Turban (2001) suggest that if the incumbents do not have knowledge about the brand or reputation of the firm then high involvement recruitment practices may not have significant influence in attracting the right set of applicants, therefore, if an organization tends to use "high involvement" recruitment practices it must have developed significant reputation in the mind of the target audience (potential incumbents) in this case for desired results. The research by Collins & Han (2004) and Collins & Stevens (2002) highlight that individual level recruitment and organizational activities undertaken by the firm and also cites the distinction between them. In continuation with the discussion pertaining to signalling theory it can be understood that in the initial stages of the recruitment the potential incumbent tends to form a view point based on signals given to them through multiple level of recruitment activities. Collins & Stevens (2002) furthermore cite in their research that firms can employ the brand equity concept from marketing, which states that the belief of the consumer about a product name or logo can have a significant impact on the purchase decision and the similar idea can be adapted for recruitment practices. Besides, this the researchers also put forth that development of a positive image shall elicit favourable reactions from the potential incumbents helping the organization develop a competitive advantage amongst its competitors by becoming an employer of choice and possessing the capability to attract a qualified and competent applicant pool.

Turban & Cable (2003) suggest that applicants consider corporate reputation like ranking in a business publication as a signal during the recruitment process (Turban & Cable, 2003). The researchers cited that firms, which have been able to develop corporate reputation, tend to attract more applicants vis-à-vis those organizations, which have not been able to develop corporate reputation. There is umpteen evidence in organizational research that signals of positive reputation of an organization can facilitate attraction of a larger pool of candidates making the organization an employer of choice. Thus, it can be well-understood from the above discussion that formation of work place branding or employer branding can lead to development of a positive image and thus facilitate development of an employer of choice

### **III. DEVELOPING AN EMPLOYER BRAND FOR POTENTIAL APPLICANT ATTRACTION**

The current dynamic business environment offers myriad of challenges for organizations ranging from rapid technological changes to growth of the knowledge economy (Catteeuw, Johnson, Flynn, Johnson, Vonderhorst, & Johnson, 2007). These changes hence enforce on dynamic skills of the workforce and the competency requirement of human resource. Due to a transition in demographic base, there is an exquisite demand for independent, skilled, mobile, intellectual capital for competent employees (Berthon, Ewing, & Lian, 2005). Competent employees have varied options available to them especially in organizations that are technical and service driven (Berthon, Ewing, & Lian, 2005). Potential employees are specific about the organization as they are specific about the job (Rynes & Cable, 2003). Therefore; firms make consistent efforts to increase their attractiveness to potential employees (Highhouse, Zickar, Thorsteinson, & Stierwalt, 1999). This has vital impact on the organizations that are in the process of recruiting as it leads to the implication of competent talent acquisition. Talent acquisition refers to attracting right set of individuals who possess right set of skill set and competencies to perform the job (Srivastava & Bhatnagar, 2010). Firms that attract a larger applicant pool have greater utility in their selection systems and a prospective competitive advantage. Shortage of competent workforce referred above requires a strong recruitment strategy, which will create a distinct image of the organization from its competitors and then promote the unique employment proposition it offers. Employer Branding is an effective HR strategy utilized in connotation with employment, especially in knowledge based economy where efficient workforce is in shortage (Ambler & Barrow, 1996). Traditional recruitment strategies tend to be short-term in nature is reactive in nature and subject to job openings whereas on the other hand employer branding is a long-term strategy, which is meant to maintain a constant and continuous flow of skills in the firm.

#### IV. EMPLOYER BRANDING: SIGNAL TO A COMPETENT WORKFORCE

The name “employer brand” was first utilized to a management audience in the later part of 20<sup>th</sup> century, to highlight the repute and character of an organization as an employer. Tim Ambler, Senior Fellow of London Business School and Chairman of People in Business named Simon Barrow defined Employer Branding in the *Journal of Brand Management*. They proposed that employer brand as “the package of functional, economic and psychological benefits provided by employment, and identified with the employing company” (Ambler & Barrow, 1996). Firms are spending considerable amount of resources on employer branding exercises and campaigns, highlighting that they are finding long-term value in this practice. Organizations have started believing that efficient employer branding practices shall lead to competitive advantage and also facilitates employees internalize company values and also facilitate employee retention.

Employer brand is referred as “a targeted, long-term strategy to manage the awareness and perceptions of employees, potential employees, and related stakeholders with regards to a particular firm” (Sullivan, 2004). The employer brand portrays the organization as a great place to work (Sullivan, 2004). The use of employer branding as a belief and philosophy in a knowledge economy has always been encouraged because of scarcity of skilled employees (Berthon, Ewing, & Lian, 2005). Many researchers have stressed that the brand image of the work place of a firm enhances the quality and quantity of potential applicants to the firm (Cable & Turban, 2001) and also has an impact on employee retention in the organization. Therefore, in the dynamic business world when there is strong global competition employer branding is a vital strategy for fighting the “war of talent”. Employer branding is a distinct opportunity for an organization to make itself stand apart in the dynamic competition of business and the various factors that act as its USP are employee satisfaction and delight which is the outcome of retention, job security and productivity. According to Sullivan (2004) employer branding is a long-term strategy that makes considerable efforts to manage the thought process and perception of current and future employees as well and also takes into account the expectations of the stakeholders of the organization. It works towards developing a positive employee value proposition and develops a positive image of the organization as a place worth working for. It makes an effort to involve all the employees from top to bottom so that the organization emerges as a comprehensive employer brand and reflects both the realities and aspirations of the business as well as the workforce.

#### V. TATA SENDS SIGNALS AS AN EMPLOYER BRAND

It is the oldest and the most respected brand and the company has drawn its major revenues from outside India. A series of international acquisitions has developed an international reach today for the company. Tata serves myriad of customers and markets and the brand is seen as trustworthy, safe, and reliable and provides value for money. The company has a reputation of an excellent place to work and has developed itself as a best place to work with and a place where growth and development exists. The company believes that it is one of the best places to work with and believes in the fundamental that successful individuals develop successful teams. The company proves to be a successful ground for personal and individual growth in its large and multicultural families. The company and its top management have also won various awards for it.

#### VI. MANAGERIAL IMPLICATIONS

It is imperative for multinational organizations to understand the rationale behind attracting and retaining competitive and talented workforce. There is a necessity to comprehend the factors that drive the employer of choice for potential employees in the market. The present study contributes to the above stated facts in multifarious ways. Through the theoretical discourse of important core concepts of employer branding managers are provided with the necessary knowledge of how an employer brand is developed and the manner in which it works. The paper paves the way for empirical research on various factors like employer attractiveness, employer success, compensation issues, so on and so forth, thus providing the researcher to look intricately into these aspects distinctly.

#### VII. CONCLUSION

There is no denying the fact that employer brand today is essential for gaining competitive advantage and Indian companies are consistently focusing on the strategy of employer brand to attract and retain a competitive workforce, which will later help in their expansion and growth. It is clear from the above discussion that a strong employer brand can lead to attraction and retention of talent and also represents quality to its customers and also facilitates global recognition in a sustainable manner. It offers variety of advantages and helps in streamlining other processes like recruitment and spells the company’s expectations in a similar manner from the beginning. In the end, it ensures that the best employees stays for longer and helps in meeting the super-ordinate objectives of the organization. In the end it can be said employer-branding strategy refers to aligning individual needs to organizational needs to meet individual as well as organizational goals.

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