



What is An Employee Value Proposition and Why Does it Matter?

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There are many workforce and business factors that are increasing the competitiveness of the labor market and challenging organizational approaches to attracting, engaging, and retaining key talent. Specifically, the aging workforce, globalization, specialized talent needs, global economic conditions, changes in the employee-employer relationship, and technological advances (Corporate Leadership Council [CLC], 2006; Hiltrop, 1996; Tsui & Wu, 2005) are among the most pressing forces. Moreover, organizations are even more hard-pressed to differentiate, define, articulate and clearly communicate their competitive advantage to attract, engage, and retain top performing talent in their current business context. As such, organizations that understand their employee value proposition and are intentional about strengthening it will be more effective in not only attracting new talent, motivating and engaging current employees but in achieving other important business outcomes.

EMPLOYEE VALUE PROPOSITION (EVP) AND WHY IT MATTERS

Employee value proposition (EVP) is commonly known as the “deal” between an employee and an employer. It is the benefit an employee perceives as a contributing member of an organization (CLC, 2006); that is, the balance between what an employee puts into an organization and what they get in return. From the organizational standpoint, EVP is the clear articulation of what they offer their employees in exchange for the

work they do.

A core concept to explore, to more thoroughly understand EVP, is the theory of the employee psychological contract and how it has changed over time. A psychological contract is a set of beliefs held by an individual employee about the terms of the exchange



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agreement or obligations between the employee and his/her organization or employer (Rousseau, 1989; Rousseau & Tijoriwala, 1998). It is by definition an individual perception of the mutual or reciprocal relationship that an employee has with his/her employer. EVP is conceptually a psychological contract connecting the employee and employer.

So, what is the big deal about EVP and the underlying psychological contract? As previously noted, the employee-employer relationship has changed over the last few decades due to many significant workforce and business shifts. For example, employment prior to the 1980s was much more stable; employees felt a sense of permanence in their career with an organization. In turn, organizations had a greater sense of predictability in their workforce and were, in many cases, more likely to invest in employee training and development because those investments would benefit the organization long-term. The 1980s and 90s, however, were much more volatile for business. Increased foreign competition and rapidly changing markets and technological advancements resulted in mass amounts of corporate mergers, takeovers, acquisitions, corporate downsizing, and other organizational restructuring causing a rift between the employee and employer. Job security decreased and employees started to play a more active role in their job responsibilities and career development. Furthermore, organizations started to take a more performance-based approach toward managing people. At the dawn of the new millennium, job insecurity continued to prevail as businesses persisted in labor reductions, moving jobs offshore, and taking more advantage of temporary or contract workers. Traditionally (and prior to the 1980s), the psychological contract was one characterized by long-term employment and even a formal contractual exchange; organizations, now, offer more challenging work, fixed compensation, and learning and development opportunities with the expectation that employees will continue to perform (Roehling, Cavanaugh, Moynihan, & Boswell, 2000) and contribute to the organization in positive ways. However, there is also the caveat that it may change on the employer side by economic factors impacting what they can offer, advances in human resources or advances via job and company growth. But there is also the caveat that it may be more fluid on the employee side by the employee choosing to move to another organization more frequently than in previous generations. Sometimes, along with this more

contract-like, shorter-term agreement is the challenge of helping to keep employees motivated, committed to, and engaged in the organization as well as how to attract and recruit employees –the reality is that careers are more flexible, less linear, and there are alternative and competitive opportunities elsewhere.

Organizations who address how this contract shift is affecting their employees and how this shift in playing out in their unique contexts will be better positioned than their competitors. Furthermore, when there is consistency between the effort employees exert and what they receive in return there is contract fulfillment (Lee, Liu, Rousseau, Hui, & Chen, 2011) or a greater perception of EVP fulfillment. Consequently, additional research (Lee et al., 2011; Lester, Claire, & Kickul, 2001; Shore & Barksdale, 1998) has indicated that when employees perceive their psychological contract to be fulfilled they report higher levels of organizational support, foresee a career future, tend to increase their effort and have higher performance, are more loyal to the organization, engage in organizational citizenship behaviors, demonstrate affective commitment, have higher job satisfaction, and reduced turnover

intentions. Overall, without knowing what matters to employees, what they value in their work and in their work environment, as well as what they need, it is difficult to construct a motivating work atmosphere where organizational outcomes can be achieved. Understanding what employees value and their satisfaction with different work attributes is the basis for capturing and describing the EVP of an organization.

MEASURING EVP

An EVP study is a comprehensive assessment of the specific organizational attributes that are related to key outcomes, are actionable on the part of leaders, and unique to the organization. A significant amount of research conducted by the CLC (2006) indicates that there are several factors that are important to assessing EVP and those factors drive employee attraction, commitment, and engagement as well as decreases compensation costs (see Table 1 for examples).

The purpose is to gather feedback on satisfaction and importance for various work attributes. The powerful component of an EVP study is the resulting matrix of importance x satisfaction ratings for various work

| Table 1. Important EVP Attributes and CLC (2006) Top Drivers of Attraction and Commitment | |
|---|--|
| “Hard” Attributes | “Soft” Attributes |
| <i>Compensation</i> Bonus Stock Benefits (e.g., health insurance) Flexible work arrangements | Culture attributes Communication Career opportunities Development opportunities <i>Manager quality</i> <i>Collegial work environment</i> <i>Organizational stability</i> Respect |
| Note: Bold = Top Drivers of Attraction; <i>Italics</i> = Top Drivers of Commitment; <i>Bold Italics</i> = Top Drivers of Both Attraction and Commitment | |

attributes (see Figure 1). This analysis clearly depicts strengths of an organization's EVP and potential focus areas to build a stronger EVP. Work attributes include, but are not limited to, communication, various benefits programs, workgroup collaboration, respect for employees, and compensation. Although many work attributes are consistent across organizations, our approach to assessing EVP is highly customized to fit the uniqueness of each of our client organizations. Using existing company information and guiding principles as to what is important to the employee work experience, we generate a distinct list of work attributes that are important to measure for a respective organization.

As previously noted, an approach we have successfully used with clients begins with understanding the standard and unique employment offerings in the organization along with other critical work attributes. This list is the basis for gathering employee feedback. The first level of employee feedback is gathering importance rankings. Employees rank-order their top five, most important work attributes from the comprehensive list we generated with the client organization. Next, employees select their bottom five, least important work attributes also from the comprehensive list. Then, employees rate their level of satisfaction with the comprehensive list of work attributes.

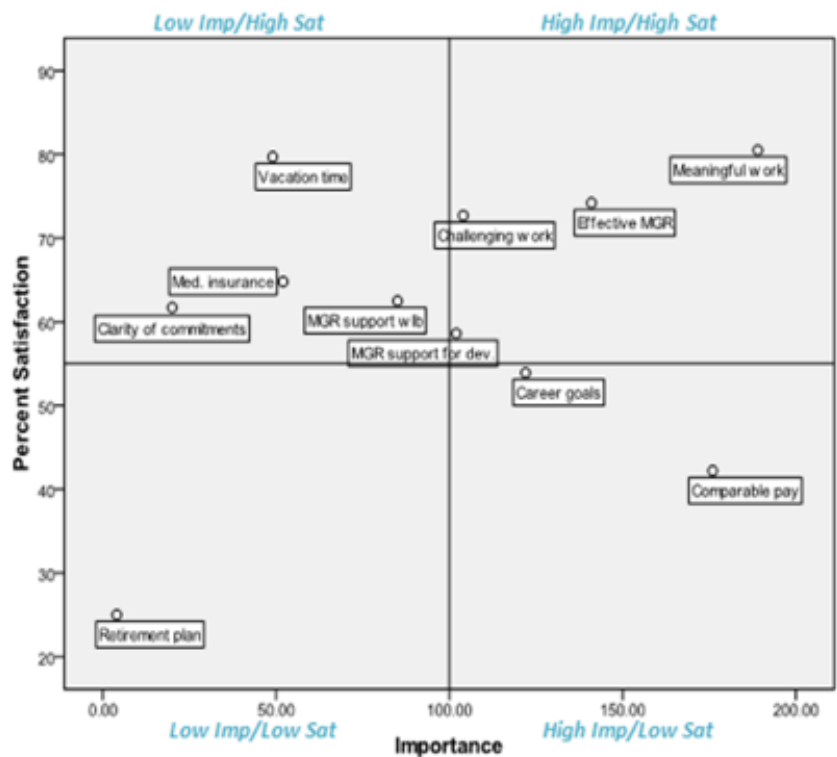
However, this is just one approach. There are other methods to obtain employee perceptions of importance. For instance, you could have employees rate the level of importance first, then have them rank the attributes they rated as important or very important.

The next step to further understanding an organization's EVP is to map these importance ratings against the employee satisfaction for these attributes, creating

a 2x2 matrix like the one depicted in Figure 1. This matrix is the key to uncovering the unique EVP of an organization and is a vital component to subsequent action planning. To compliment and dig deeper on these issues, additional data cuts can be very useful in terms of understanding how these preferences vary by different demographic cuts (e.g., business unit, tenure, etc.). What might be even more important for global organizations is to see how these preferences differ by geographic location.

Although the matrix serves as the basis for action planning, the process is not as simple as placing strengths and focus areas into a box. An organization must consider what is most important to achieving the business strategy, what is most important in terms of achieving the talent strategy, and what current initiatives, projects, or programs are currently underway. Additionally, more advanced

Figure 1. Example Work Attribute Importance-Satisfaction Matrix



statistical analyses, such as drivers/root cause analysis can be useful to understand key leverage points to effect important organizational outcomes or how to robustly impact change. For example, in one client organization where we conducted an EVP study, “career goals being met at the organization” was rated as relatively high in importance and moderately in satisfaction. To dig deeper we conducted drivers/root cause analysis to identify the significant and most important variables related to employee career goals being met. The results indicated many managerial-related attributes that, according to their matrix results, were moderately-highly important with moderate satisfaction. As a result of asking more specific questions and digging deeper to understand the complexities of the employee work experience, focus areas and action planning were more robust and impactful. The organization focused instead on how they could begin to increase manager capability from multiple angles rather than focusing on career goals itself.

COMMON PITFALLS TO BUILDING A COMPETITIVE EVP

One of the most common drawbacks to creating and maintaining a competitive EVP is due to a misalignment of offerings and work attributes to the talent and business strategy. Like any organizational initiative, program, or change effort, if efforts to strengthen an EVP are not strategically linked and supportive of the organization’s direction, organizations will experience more difficulty not only in achieving that strategy but recruiting, engaging, and retaining employees as well.

Another frequent pitfall is that organizational leaders make assumptions about what matters to employees which may result in a disconnect between what employees prefer and what is actually offered. For example, the CLC (2006) found that in many instances HR leaders overestimated the importance of ‘soft’ attributes (e.g., communication and manager capability) over ‘hard’ factors (e.g., rewards and benefits). In addition, particularly for global organizations, locations/

geographies may value attributes differently. This particular issue was the case in one client organization in which we have conducted an EVP study. While there were some consistencies across the organization, there were many instances where attributes were not applicable or were not as important in specific groups or locations.

A third problem is that organizations are not differentiating their EVP from competitors (CLC, 2006). Generally speaking, looking across organizations, the labor market views EVP attributes very similarly – there is little perceived variation in the offerings and what is gained in return from one organization to another.

Lastly, many organizations do not dig into EVP because they have limited funds to develop their EVP and support their employees. Moreover, the economic conditions of the past several years have placed significant constraints on many organization’s and their ability to adjust base compensation, provide merit increases, invest in training and development, and to invest in other important work programs, processes, and systems. However, there are many other factors aside from ‘hard’ attributes (e.g., pay) that can make a big difference in the EVP and how employees perceive it. Building a competitive EVP does not have to be constrained by limited monetary resources. Thoughtful, strategic research focused on employee feedback and a careful linkage to the talent and business strategy is essential to creating a unique EVP that drives important organizational outcomes.

EVP THROUGHOUT THE EMPLOYEE LIFECYCLE

EVP can and should be leveraged throughout the employee lifecycle, from recruitment to retention. In terms of recruitment, organizations should accurately portray their EVP message into recruiting materials. Organizations can start capturing the attention of high performers in the marketplace by answering the question “what’s in it for me?” prior to the interview process. Additionally, ensuring staffing consultants and recruiters are honest and accurate about what they are

saying to candidates is critical. It is important to ensure that potential employees receive a realistic preview of what comes with the job because if they don't it could be costly to the organization in terms of immediate turnover, absenteeism, disengagement, or low morale. EVP should also be incorporated into HR programs so that they are internally marketed appropriately. For instance, if career opportunities are a key EVP attribute, make sure employees know about them and how to obtain those experiences. In addition, it is important to educate managers in what to emphasize as they meet one-on-one with employees –what is available to employees, what is most important to them, how can employees access and take advantages of those important factors. When employees know what is available to them in the organization and how they are supported, they are more likely to be engaged and have an emotional connection to the work and organization. Managers are a conduit to helping create an engaged workforce and one way they can accomplish that is to connect employees to what the organization has to offer. In turn, the more engaged and participative employees are, the more committed they are likely to be and subsequently are likely to stay longer. Employees see the link between their effort and work, how they contribute, and what they get in return.



Consultant's Corner

Organizations need to be intentional about how they think about the actual “deal” and the implied psychological contract they offer employees. As the economy continues to strengthen and more employment opportunities become available, it is even more critical for organizations to ensure that their EVP is competitive to retain their top talent. And for organizations (re)building their workforce to consider how they will be competitive in attracting new talent. Additionally, as organizations become increasingly concerned about the extent to which employees are engaged in their work and committed to the organization, they will need to pay more attention to their EVP. In any case, HR professionals and organizations need to ask two questions: first, are we clear about why our employees want to work here, and second, what does our organization offer our employees and are they the things that they really value?

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