Chapter VI

Empirical Model of Employer Branding
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EMPIRICAL MODEL OF EMPLOYER BRANDING

6.1 Structural Equation Model of Employer Branding and its Impact on Employee Retention
6.1.1 Model Derivation
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CHAPTER VI

EMPIRICAL MODEL OF EMPLOYER BRANDING

Having made a detailed analysis and interpretation of the results of the study in the previous chapter, the researcher presents the relationship between employer branding and employee retention through structural equation modeling in this chapter.

6.1 STRUCTURAL EQUATION MODEL OF EMPLOYER BRANDING AND ITS IMPACT ON EMPLOYEE RETENTION

Structural Equation Modeling (SEM) is a multi-variate statistical analysis technique to analyse structural relationships. It is a comprehensive statistical approach to testing hypotheses about relations among observed and latent variables (Hoyle, 1995). It estimates the multiple and inter-related dependence in a single analysis. It is a methodology for representing, estimating and testing a theoretical network of (mostly) linear relations between variables (Rigdon, 1998). It tests hypothesized patterns of directional and non-directional relationships among a set of observed (measured) and unobserved (latent) variables (MacCallum & Austin, 2000). The primary goal of Structural Equation Modeling is to determine and validate a proposed causal model. Structural Equation Modeling evaluates whether the data fits a theoretical model. It takes a confirmatory approach to the multi-variate analysis that stipulates causal relationship between variables.

Structural Equation Modeling is used to evaluate the validity of substantive theories with empirical data. Statistically, it represents an extension of General Linear Modeling such as ANOVA and Multiple Regression Analysis. One of the primary advantages of Structural Equation Modeling is that it can be used to study the relationships among latent constructs that are indicated by multiple measures.

In Structural Equation Modeling, two types of variables are used, namely endogenous variables and exogenous variables. In SEM, endogenous variables correspond to dependent variables and exogenous variables correspond to
independent variables. Structural Equation Modeling consists of two types of models namely Measurement model and Structural model. Measurement model represents the theory that specifies how measured variables come together to represent the theory and Structural model represents the theory that shows how constructs are related to other constructs.

Structural Equation Modeling makes certain assumptions such as multivariate normal distribution, linear relationship between endogenous and exogenous variables, data being free of outliers, cause and effect relationship between endogenous independent variables and exogenous dependent variables, observed covariance to be true, models should be more than the parameter or exactly equal to the parameters, large sample size, uncorrelated error terms and usage of interval data.

6.1.1 Model Derivation

The variables used in the structural equation model are

I Observed, endogenous variables

1. Employment Encounters

2. Work Environment

3. Values and Culture

4. Career Progression, Learning, Training and Development

5. Reputation of Employer

6. Compensation and Location

7. Work Life Balance

8. Communication

9. Fair and Consistent Management Practices

10. Leadership
11. Creativity

12. Diversity in Work Place

13. Corporate Social Responsibility

14. Employee Identification with the Organisation

15. Employee Satisfaction

16. Employer Brand Loyalty

17. Employee Retention

II Unobserved, exogenous variables

1. Employer Brand

2. e1: Error term for Employment Encounters

3. e2: Error term for Work Environment

4. e3: Error term for Values and Culture

5. e4: Error term for Career Progression, Learning, Training and Development

6. e5: Error term for Reputation of Employer

7. e6: Error term for Compensation and Location

8. e7: Error term for Work Life Balance

9. e8: Error term for Communication

10. e9: Error term for Fair and Consistent Management Practices

11. e10: Error term for Leadership

12. e11: Error term for Creativity
13. e12: Error term for Diversity in Work Place

14. e13: Error term for Corporate Social Responsibility

15. e14: Error term for Employee Identification with the Organisation

16. e15: Error term for Employee Satisfaction

17. e16: Error term for Employer Brand Loyalty

18. e17: Error term for Employee Retention

Hence, the number of variables in the SEM are

Number of variables in this model: 35

Number of observed variables: 17

Number of unobserved variables: 18

Number of exogenous variables: 18

Number of endogenous variables: 17
Fig. 6.1 Structural Equation Model on Employer Branding and its Impact on Employee Retention in IT Companies in Chennai city with unstandardized regression weights
Fig. 6.2 Structural Equation Model on Employer Branding and its Impact on Employee Retention in IT Companies in Chennai city with standardized regression weights
Table 6.1.1 Variables in the Structural Equation Model Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Unstandardized coefficient</th>
<th>S.E.</th>
<th>Standardized coefficient</th>
<th>t value</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Encounters</td>
<td>1.627</td>
<td>0.107</td>
<td>0.754</td>
<td>15.241</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Work Environment</td>
<td>1.778</td>
<td>0.118</td>
<td>0.745</td>
<td>15.112</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Values and Culture</td>
<td>2.160</td>
<td>0.137</td>
<td>0.796</td>
<td>15.807</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Career Progression</td>
<td>0.835</td>
<td>0.068</td>
<td>0.562</td>
<td>12.233</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Reputation of Employer</td>
<td>2.267</td>
<td>0.154</td>
<td>0.717</td>
<td>14.706</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Compensation and Location</td>
<td>0.757</td>
<td>0.060</td>
<td>0.589</td>
<td>12.699</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Work Life Balance</td>
<td>0.364</td>
<td>0.046</td>
<td>0.336</td>
<td>7.833</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Communication</td>
<td>1.028</td>
<td>0.073</td>
<td>0.678</td>
<td>14.138</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Fair and Consistent Management Practices</td>
<td>1.116</td>
<td>0.072</td>
<td>0.769</td>
<td>15.444</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Leadership</td>
<td>1.695</td>
<td>0.110</td>
<td>0.762</td>
<td>15.353</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Creativity</td>
<td>0.316</td>
<td>0.031</td>
<td>0.445</td>
<td>10.075</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Diversity in Work Place</td>
<td>0.081</td>
<td>0.018</td>
<td>0.189</td>
<td>4.540</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Corporate Social Responsibility</td>
<td>1.000</td>
<td>–</td>
<td>0.598</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Employee Identification</td>
<td>2.059</td>
<td>0.114</td>
<td>0.992</td>
<td>18.085</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Employee Satisfaction</td>
<td>1.568</td>
<td>0.087</td>
<td>0.984</td>
<td>18.012</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Employer Brand Loyalty</td>
<td>0.278</td>
<td>0.090</td>
<td>0.413</td>
<td>3.105</td>
<td>0.002**</td>
</tr>
<tr>
<td>Employer Brand Loyalty</td>
<td>0.244</td>
<td>0.117</td>
<td>0.278</td>
<td>2.087</td>
<td>0.037*</td>
</tr>
<tr>
<td>Employee Retention</td>
<td>0.910</td>
<td>0.032</td>
<td>0.909</td>
<td>28.225</td>
<td>&lt;0.001**</td>
</tr>
</tbody>
</table>

Note: ** denotes significant at 1% level
* denotes significant at 5% level

Here, the coefficient of Employment Encounters is 1.627 which represents the partial effect of Employment Encounters on Employer Brand, holding the other variables as constant. The estimated positive sign implies that such effect is positive.
that Employer Brand would increase by 1.627 for every unit increase in Employment Encounters and this coefficient value is significant at 1% level. The coefficient of Work Environment is 1.778 which represents the partial effect of Work Environment on Employer Brand, holding other variables as constant. The estimated positive sign implies that such effect is positive that Employer Brand would increase by 1.627 for every unit increase in Work Environment and this coefficient value is significant at 1% level.

The coefficient of Values and Culture is 2.160 which represents the partial effect of Values and Culture on Employer Brand, holding other variables as constant. The estimated positive sign implies that such effect is positive that Employer Brand would increase by 2.160 for every unit increase in Values and Culture and this coefficient value is significant at 1% level. The coefficient of Career Progression, Learning, Training and Development is 0.835 which represents the partial effect of Career Progression, Learning, Training and Development on Employer Brand, holding other variables constant. The estimated positive sign implies that such effect is positive that Employer Brand would increase by 0.835 for every unit increase in Career Progression, Learning, Training and Development and this coefficient value is significant at 1% level.

The coefficient of Reputation of Employer is 2.267 which represents the partial effect of Reputation of Employer on Employer Brand, holding other variables as constant. The estimated positive sign implies that such effect is positive that Employer Brand would increase by 2.267 for every unit increase in Reputation of Employer and this coefficient value is significant at 1% level. The coefficient of Compensation and Location is 0.757 which represents the partial effect of Compensation and Location on Employer Brand, holding other variables as constant. The estimated positive sign implies that such effect is positive that Employer Brand would increase by 0.757 for every unit increase in Compensation and Location and this coefficient value is significant at 1% level.

The coefficient of Work Life Balance is 0.364 which represents the partial effect of Work Life Balance on Employer Brand, holding other variables as
constant. The estimated positive sign implies that such effect is positive that Employer Brand would increase by 0.364 for every unit increase in Work Life Balance and this coefficient value is significant at 1% level. The coefficient of Communication is 1.028 which represents the partial effect of Communication on Employer Brand, holding other variables as constant. The estimated positive sign implies that such effect is positive that Employer Brand would increase by 1.028 for every unit increase in Communication and this coefficient value is significant at 1% level.

The coefficient of Fair and Consistent Management Practices is 1.116 which represents the partial effect of Fair and Consistent Management Practices on Employer Brand, holding other variables as constant. The estimated positive sign implies that such effect is positive that Employer Brand would increase by 1.116 for every unit increase in Fair and Consistent Management Practices and this coefficient value is significant at 1% level. The coefficient of Leadership is 1.695 which represents the partial effect of Leadership on Employer Brand, holding other variables as constant. The estimated positive sign implies that such effect is positive that Employer Brand would increase by 1.695 for every unit increase in Leadership and this coefficient value is significant at 1% level.

The coefficient of Creativity is 0.316 which represents the partial effect of Creativity on Employer Brand, holding other variables as constant. The estimated positive sign implies that such effect is positive that Employer Brand would increase by 0.316 for every unit increase in Creativity and this coefficient value is significant at 1% level. The coefficient of Diversity in Work Place is 0.081 which represents the partial effect of Diversity in Work Place on Employer Brand, holding other variables as constant. The estimated positive sign implies that such effect is positive that Employer Brand would increase by 0.081 for every unit increase in Diversity in Work Place and this coefficient value is significant at 1% level.

The coefficient of Employer Brand is 2.059 which represents the partial effect of Employer Brand on Employee Identification with the Organisation, holding other variables constant. The estimated positive sign implies that such effect
is positive that Employee Identification with the Organisation would increase by 2.059 for every unit increase in Employer Brand and this coefficient value is significant at 1% level. The coefficient of Employer Brand is 1.568 which represents the partial effect of Employer Brand on Employee Satisfaction, holding other variables as constant. The estimated positive sign implies that such effect is positive that Employee Satisfaction would increase by 1.568 for every unit increase in Employer Brand and this coefficient value is significant at 1% level.

The coefficient of Employee Identification with the Organisation is 0.278 which represents the partial effect of Employee Identification with the Organisation on Employer Brand Loyalty, holding other variables as constant. The estimated positive sign implies that such effect is positive that Employer Brand Loyalty increase by 0.278 for every unit increase in Employee Identification with the Organisation and this coefficient value is significant at 1% level. The coefficient of Employee Satisfaction is 0.244 which represents the partial effect of Employee Satisfaction on Employer Brand Loyalty, holding other variables as constant. The estimated positive sign implies that such effect is positive that Employer Brand Loyalty would increase by 1.568 for every unit increase in Employee Satisfaction and this coefficient value is significant at 5% level.

The coefficient of Employer Brand Loyalty is 0.910 which represents the partial effect of Employer Brand Loyalty on Employee Retention, holding other variables as constant. The estimated positive sign implies that such effect is positive that Employee Retention increase by 0.910 for every unit increase in Employer Brand Loyalty and this coefficient value is significant at 1% level.

Based on the standardized coefficients, Values and Culture (0.796) is the most important factor influencing Employer Brand followed by Fair and Consistent Management Practices (0.769), Leadership (0.762), Employment Encounters (0.754) and Work Environment (0.745). Employer Brand Loyalty is predicted by Employee Identification with the Organisation with standardized coefficient of 0.413 as compared to Employee Satisfaction with standardized coefficient of 0.278.
Employee Identification with the Organisation is more important than Employee Satisfaction to build Employer Brand Loyalty.

The conceptual model, tested empirically by the application of Structural Equation Modeling using AMOS software resulted in the findings given below:

Table 6.1.2 Model Fit Summary

<table>
<thead>
<tr>
<th>Indices</th>
<th>Value</th>
<th>Suggested Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square value</td>
<td>468.841</td>
<td>-</td>
</tr>
<tr>
<td>Df</td>
<td>117</td>
<td>-</td>
</tr>
<tr>
<td>Chi-square/df</td>
<td>4.007</td>
<td>&lt;5.00 (Hair et al., 1998)</td>
</tr>
<tr>
<td>GFI</td>
<td>.964</td>
<td>&gt;0.90 (Hu and Bentler, 1999)</td>
</tr>
<tr>
<td>AGFI</td>
<td>.921</td>
<td>&gt;0.90 (Hair et al., 2006)</td>
</tr>
<tr>
<td>CFI</td>
<td>.943</td>
<td>&gt;0.90 (Daire et al., 2008)</td>
</tr>
<tr>
<td>RMR</td>
<td>.046</td>
<td>&lt;0.08 (Hair et al., 2006)</td>
</tr>
<tr>
<td>RMSEA</td>
<td>.039</td>
<td>&lt;0.08 (Hair et al., 2006)</td>
</tr>
</tbody>
</table>

From the table, it is found that Chi-square/df is 4.007 which is less than 5.00 (Hair et al., 1998), indicates a good model fit. Here, GFI (Goodness of Fit Index) value of 0.964 and AGFI (Adjusted Goodness of Fit Index) value of 0.921 are greater than 0.90 (Hu and Bentler, 1999, Hair et al., 2006), the acceptable range of model fit, indicating that the model is a good fit. The calculated CFI (Comparative Fit Index) value of 0.943 denotes that the model is a good fit as it is greater than 0.90 (Daire et al., 2008) and it is found that RMR (Root Mean Square Residuals) and RMSEA (Root Mean Square Error of Approximation) value is 0.046 and 0.039 respectively which are less than 0.08 (Hair et al., 2006) indicates that it is a good fit.

As all the above values are statistically significant, the conceptual model developed is accepted as a good fit model.
6.1.2 Utility and Uniqueness of the model

This model is useful to identify the relationship between employer branding, employee identification with the organisation, employee satisfaction, employer brand loyalty and employee retention. Organisations can use this model to improve retention of their employees.

This model is unique as it estimates employer brand loyalty, employee identification with the organisation and employee satisfaction as antecedents of employee retention and consequence of employer branding of an organisation. This model justifies the relationship between employer branding and employee retention.

Having established the relationship between employer branding and employee retention through structural equation modeling in the current chapter, the researcher presents the findings, suggestions and conclusion of the study along with scope for further research in the next chapter.