

Employer Branding and Employee Retention in Saudi Arabia

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Contributor: Deemah Alzaid, Suad Dukhaykh

Employer branding is positively and significantly related to relational psychological contracts and employee retention. Furthermore, a relational psychological contract significantly mediates the relationship between employer branding and employee retention.

Keywords: employer branding ; employee retention ; relational psychological contracts ; banking sector ; Saudi Arabia

1. Introduction

Due to the rapid advancement in digitization and technological innovation, organizations and HR professionals have become more attentive to the importance of Human Resources (HR) to the long-term sustainability of their business. Mena, Kunisch ^[1] stated that firms that employ a skilled workforce with decision-making capabilities and authority have a significant role in human capital with respect to corporate competitive advantages. Indeed, employees with the required skills become an intangible source of sustainable competitive advantage ^[2]. However, attracting and retaining a talented workforce becomes one of the most critical problems for business sustainability ^{[3][4]}. According to Sadovi ^[5], in 2022, the struggle to hire talent topped the list of risks that executive managers anticipated facing, with 48% naming talent acquisition and retention challenges as their top concern, followed by supply chain disruptions and vulnerabilities (32%) and new COVID-19 mutations (29%), including Omicron, based on a survey of 678 executives conducted by PwC. Losing talented employees can lead to losing intellectual capital, putting an organization's capacity to compete in a dangerous situation ^[6]. Accordingly, organizations have made concerted efforts to attract experienced and skilled employees and prevent them from quitting ^[7]. The existing literature has emphasized that, for many organizations, attracting and retaining talented employees has become a primary HR strategy for gaining and obtaining a sustainable competitive advantage ^{[8][9]}. One HR strategy that has attracted HR practitioners and academics' interest is employer branding.

The idea of using branding is no longer limited to marketing strategies to promote products and services to customers. Nowadays, it is also used by many organizations to enhance employees' loyalty as well as productivity ^[10]. Employer branding is a combination of branding and human resources management that is characterized by unique, distinctive, powerful, and relevant aspects ^[11]. Employer branding, as a talent and attraction tool, refers to a strategy used to attract and retain talented employees by developing a distinguished employment image of the organization among other competitors ^{[12][13]}. The literature categorizes employer branding into two classifications: external and internal employer branding ^{[14][15]}. External employer branding is built around attracting prospective candidates to whom the organization is willing to assign jobs and responsibilities ^[16]. Related studies are mainly limited to employer branding's impact on organizational attractiveness ^{[6][17][18][19][20]}. On the other hand, internal employer branding focuses on retaining current employees who act as brand ambassadors for the organization ^{[15][16]}. Tanwar and Prasad ^[10] have highlighted the positive influence of internal employer branding on retaining, engaging, and motivating talented employees, which, in turn, increases productivity. However, the prior literature has paid more attention to examining external employer branding impacts on prospective employees' attractiveness rather than the role of internal employer branding in enhancing positive employee attitudes and behaviors, including job performance, engagement, and retention ^{[14][21]}. Accordingly, the present study seeks to carry out research that highlights the positive linkage between employees' perceptions of employer brand and work-related behavior.

Furthermore, although several studies have examined the impact of employer branding on certain behavioral and attitudinal outcomes, such as job satisfaction, organizational identification, and person–organization fit ^{[2][8][9][14][22]}, limited studies have been performed to understand the employee behavioral outcome mechanism through which employer branding impacts employee retention ^[10]. Accordingly, Tanwar and Prasad ^[10] introduced an employer branding model that acknowledges the psychological contract's role in influencing employee retention. Prior studies have asserted the

influence of HRM practices that aim at retaining talented employees in psychological contracts that in turn affect employee retention [23][24]. However, researchers have noted a lack of evidence about the mechanism through which employer branding enhances employee retention under the influence of psychological contracts [21][2]. Hence, in line with social exchange theory, the present study allows for a greater understanding of the role of relational psychological contracts as a mediator variable between employer branding and employee retention.

In addition, the overall development of a country is contingent upon the banking sector's positive contribution [25]. In Saudi Arabia, the banking sector is rapidly growing, leading to a competitive and dynamic environment [26]. As a result, banking companies in Saudi Arabia are increasing the demand for talented employees [27]. According to Nalband and Awadh [27], the Saudi banking sector must recognize the significance of employer branding in retaining and attracting employees. However, while various studies have investigated the influence of employer branding on employee retention across several contexts [28], to the best of the authors' knowledge, research linking employer branding to employee retention in the context of Saudi Arabia is relatively scarce.

2. Employer Branding

The concept of employer branding was first defined by Ambler and Barrow [29] as "the package of functional, economic and psychological benefits provided by employment and identified with the employing company" (p. 187). Since the emergence of the "employer branding" term, which came from applying branding principles to human resource management to attract and retain current and potential employees [14][30], the concept has evolved over time from a basic description of the features provided by an organization to a process of identifying what makes the company unique. According to Backhaus and Tikoo [30], employer branding is a process of promoting a unique and distinctive organization's characteristics to differentiate itself as an employer from other competitors. Additionally, Edwards [31] argued that employer branding involves building an image and identity for the organization as the "best place to work" among existing rivals by promoting and managing the unique aspects of the organization, such as the tangible and intangible offerings. Further, Wahba and Elmanadily [32] stated that employer branding is a strategy of externally and internally communicating the organization's unique attributes, which define its identity as an employer, to attract and retain potential and current employees.

Following Ambler and Barrow's [29] definition of employer branding, various researchers have attempted to explore and identify the dimensions of employer branding. For instance, Berthon, Ewing [33] proposed five value dimensions of employer branding that the organization can offer: social value, development value, application value, economic value, and interest value. However, their study identified and tested the employer branding dimensions from the perspective of potential employees. Researchers have argued that the view of prospective employees of the employer's brand differs from the current employees' perspective [34][35]. Consequently, to provide more comprehensive employer branding dimensions for current employees, Tanwar and Prasad [36] identified five dimensions of employer branding, including work environment, compensation, work-life balance, corporate social responsibility (CSR), and training and development. CSR assesses the effect of an organization that takes into account society's interests in terms of how its activities impact its stakeholders [9][37]. A healthy work environment reflects a positive and welcoming team spirit, as well as decent and respectful relationships between colleagues [38]. The training and development of the employees represent the development value of employer branding, as proposed by Berthon et al. [33]. Furthermore, the competitiveness of the compensation packages offered to employees helps the organization remain competitive in the market and attract and retain talent [36]. The present study adopts Tanwar and Prasad's [36] five dimensions, as they consider a comprehensive measurement for employer branding [39].

3. Employer Branding and Employee Retention

In the highly competitive labor market, where employees encounter boundless job offers, organizations have acknowledged the need to distinguish themselves from competitors by investing a considerable amount of time and effort into designing employer branding strategies to attract and retain skilled employees [9]. Das and Baruah [40] defined employee retention as maintaining or encouraging employees to stay in the organization for the longest time. Hadi and Ahmed [38] argued that a strong employer brand allows employers to retain their talented employees by building a positive image for the organization as a preferred place to work. Bharadwaj et al. [2] argued that an employer branding strategy with unique features enables employers to gain a competitive advantage in terms of high retention levels. Furthermore, according to Easa and Bazzi [39], organizations that want to retain skilled employees need to focus on employee retention enhancers that are reflected in employer branding characteristics and attributes.

Moreover, according to the social exchange theory, when reciprocal behaviors occur between two parties, employers and employees build deeper social relationships over time that produce positive feelings, including trust, loyalty, and commitment [41]. The theory is based on the assumption of giving and taking cognition, which can lead to mutually beneficial social exchanges [8]. Researchers have argued that, in exchange for attributes and facilities provided by the organization, employee intentions to leave are reduced. For instance, the organizational characteristics of CSR and work–life balance have been affirmed as strong predictors of employee retention [7][10]. Furthermore, a study conducted by Hadi and Ahmed [38] found that the branding attributes of training and development significantly predict employee retention in educational institutes in Pakistan. Additionally, the employer branding attribute of reward strategy significantly predicts employee retention [42].

While the relationship between employer branding and employee retention has been investigated in a Western context [10][38][42], there are no studies examining the link between employer branding and employee retention in the Saudi context, especially in the banking sector.

4. Employer Branding and Relational Psychological Contract

A psychological contract is known as an unwritten set of expectations based on an exchangeable relationship between the employee and employer [43]. Ever since the term was introduced by Argyris [44], scholars and researchers have shown increased interest in exploring the antecedents and outcomes of the psychological contract [45]. Rousseau [46] defined a psychological contract as “an individual’s beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party” (p. 123). According to Rousseau [46], a psychological contract comprises expectations and beliefs in fulfilling reciprocal obligations in the employment relationship. Employer obligations toward employees may include organizational practices such as training, career development, fair payment, rewards, and a sense of belonging [47][48].

Two widely used classifications of psychological contracts in the existing literature are transactional and relational psychological contracts [47]. The transactional psychological contract is a short-term relationship based on economic values and tangible rewards; the relational psychological contract, on the other hand, is a long-term interpersonal relationship based on both economic and socioemotional benefits [49][50]. According to Festing and Schäfer [23], organizations that show engagement in investing in HRM practices that focus on attracting and retaining employees could fulfill relational psychological contracts by meeting their talented employees’ expectations. Such HR practices can be reflected through an employer branding strategy with a set of unique attributes offered by the employer [10]. Moreover, Ruchika and Prasad [51] noted that employee expectations and beliefs, which are the basis of forming the psychological contract [46], can be formed through organizational branding attributes. However, in contrast to the transactional psychological contract, which involves short and limited involvement between the parties, the relational psychological contract focuses on ongoing involvement as well as employee expectations regarding stability within the organization and their personal well-being [50][52]. Therefore, when the current employee perception is induced by the organization’s branding attributes, which are distinguished by enduring, distinctive, and key characteristics [35], the relational psychological contract can be fulfilled as a result of meeting the current employee’s expectations in regard to these characteristics [23]. However, little evidence has been found associating employer branding with the psychological contract. A recent study conducted by Pimentel et al. [48] examined the differences between employee perceptions of employer branding in family and non-family firms and its relationship with the relational dimension of the psychological contract; the study revealed that family firms’ employees’ perceptions of employer branding are more positively associated with psychological contract levels than those of non-family firms’ employees.

The social exchange theory can provide a theoretical basis to establish a positive link between employer branding and relational psychological contracts. According to the social exchange theory, employees show positive behavior as a result of positive acts offered by the employer and vice versa [45].

5. The Mediating Role of the Psychological Contract in the Relationship between Employer Branding and Employee Retention

Researchers have shown an increasing interest in understanding the mediating role of psychological contracts between employer branding and employee retention. Tanwar and Prasad [10] conducted a qualitative study to explore the antecedents of employer branding from the perspective of current employees of an IT giant in India. The study revealed that employer branding dimensions, including work environment, work–life balance, CSR, and training and development, positively impact employees’ psychological contracts, which, in turn, impact employee retention. However, there is no

known research has been conducted to assess the impact of psychological contracts on the relationship between employer branding and employee retention.

The social exchange theory can be used to explain the mediating role of the relational psychological contract between employer branding and employee retention. Scholars have argued that the psychological contract is grounded in the social exchange theory [41][53]. The social exchange theory assumes that a positive relationship between two parties is formed as a result of a reciprocal process that is based on economic and socio-emotional exchanges [54][55]. Accordingly, as relational contracts establish an ongoing relationship between the employer and employee that involves monetary and nonmonetary benefits, employees will remain loyal to their employer in return for long-term gains such as job security, valuing the employer–employee relationship, and career development [50].

Furthermore, the literature has several examples concerning the positive effect of relational psychological contracts on employee behaviors and attitudes, including employees' contextual performance and job satisfaction [56], work engagement [57], and employee retention [58]. Moreover, a relational psychological contract is formed when the employee perceives positive organizational behavior, such as autonomy, compensation, organizational support, trust, and a challenging and supportive working environment [45][58]. As a result, relational contracts can be very important when it comes to retaining talented employees [4][59].

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