



THE EVP IS HR'S NEW MVP

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WHITE PAPER

EXECUTIVE SUMMARY

The leanest labor market in years and an ever-increasing pace of change in the world of work has left HR leaders with more responsibility than ever. Competitive salary and benefits packages are no longer enough to attract and retain top talent.

The most sought-after global employers are treating employees like internal clients and are strengthening their employee value proposition as a strategy for attracting and retaining top performers. This white paper examines how crafting a thoughtful employee value proposition can help organizations lure top talent today.



HR AS A STRATEGIC BUSINESS DRIVER

The HR function has changed radically in the last ten years. Once simply referred to as personnel, the HR department was an overhead function responsible for hiring, compensation, compliance, and regulation. But as the world of work has been transformed, HR has gone from a “keep the lights on” function to a strategic business driver. In today’s digital economy, the most important priority for HR leaders is attracting, developing, and retaining the talent needed to support digital adaptability within an organization. To source superstar talent and keep them in the door, many HR leaders are focused on streamlining operations and improving the employee experience, but the top global employers are continually working to strengthen their employee value proposition.

GO DIGITAL OR GO HOME

Many HR leaders are working to bring HR into the digital age through various initiatives aimed to modernize the systems, approaches, and mindset that govern the function. According to the CEB, the average CHRO currently has five active digital initiatives. These include efforts to improve HR operations and services, enhance the employee experience, and increase productivity on the individual and team level. Technology is being used as a finite tool to automate day-to-day tasks and more broadly to shape intangibles like company culture and the employee experience.¹

Digital technology has infiltrated all aspects of our lives, improving, streamlining, and differentiating products and services. The impact of technology is evident in digitally-native tech behemoths like Uber and Airbnb, but digital approaches can now be found in organizations and enterprises, especially for the HR department. Take NYC's largest public service union DC 37, for example. While public service unions aren't traditionally known for having a modern technological approach, DC 37 recently deployed a new online initiative to help members with career mapping, credential tracking, and skills development. HR Technologist reports the platform will allow DC 37 to "issue digital badges, making it easier for members to demonstrate their skills, qualify for pay raises, and connect to new job opportunities."²

Consumer goods titan Johnson & Johnson uses AI and machine learning to help select the best candidates from the one million applicants for their 25,000 job openings each year. Director of Candidate Experience, Trevor Higgs, said Johnson & Johnson wants to offer the very best experience to candidates from the start — a mentality that helps J&J land the top talent to cure cancer and fight degenerative diseases. More recently, they've started using AI to scan their job postings for language that promotes unconscious bias, an undertaking the company is proud to report has helped boost female applicants by nine percent.³

¹ "The Future of HR 2018." Leah Johnson, Gartner, 2018.

² "NYC's Largest Public Employee Union Launches Digital Badge Program." The HRT News Desk, HR Technologist, July 11, 2018.

³ "3 Ways Johnson and Johnson is Taking Talent Acquisition to the Next Level." Ayn-Monique Klahre, J&J.com, August 29, 2017.

TALENT AT THE HEART OF BUSINESS STRATEGY

Creative approaches to solve for the “war for talent,” “talent shortage,” and “hiring crisis” are being placed at the heart of business strategy for organizations everywhere. Talent — acquisition and recruitment, yes — but also engagement, development, management and retention, have become the number one priority for an aligned C-suite. Concurrently, the CHRO has been thrust into the spotlight as the top expert on talent strategy, development, management, company culture, and employee experience.

For organizations hoping to influence business outcomes and increase productivity, they must excel in their ability to lure superstar talent to the door and make them stay.

The rationale for employers to create a winning employee value proposition is twofold: one, it helps attract and retain talent, and two, it forces them to audit and analyze just how well their current talent strategies are working.

We often hear about top-performers without quantifying exactly why or how they are so impactful in an organization. Their influence is obvious in the office: they tend to be good communicators, are open-minded and curious, confident in their decision making, and highly skilled. We routinely see and hear the effects of these traits without understanding their numerical value. As it turns out, top-performing employees are significantly superior to traditional employees. According to recent McKinsey research, top-performers are up to eight times as productive as traditional employees, with the rate of increased productivity rising alongside a rise in complexity of job role.⁴

Enterprises must continue to innovate exponentially to remain competitive and meet the demand for progressively sophisticated, modern products and services. Increasingly, this means organizations must fill more and more complex roles like machine learning specialists, AI engineers, and data scientists. If CHROs can work to pace top-performers in these in these dynamic, technical roles, the opportunity for organizations to improve productivity increases dramatically. This places refreshed pressure on HR to identify, secure, develop, and retain top-performers for their increased efficiency and bespoke skillset.

“The best workers do the best and the most work. But many companies do an awful job of finding and keeping them.”⁵

MCKINSEY

⁴ “Attracting and Retaining the Right Talent.” Scott Keller and Mary Meaney, McKinsey, November 2017.

⁵ “Attracting and Retaining the Right Talent.” Scott Keller and Mary Meaney, McKinsey, November 2017.

EMPLOYERS: BE READY TO IMPRESS

In today's world of work, knowledge reigns supreme. Intellectual capital is more important than physical labor or resources, and the last decade has cemented the onus on employers to attract employees. The candidate-driven market has galvanized a competitive but hugely dynamic world of work where the relationship between employer and employee has never been more mutualistic.

Talent today is all about strategy. Before anything else, business leaders must take stock of their current employee benefits and offerings and work to understand the key differentiators of their organization. Beyond a basic understanding of what they do well and where they could improve, businesses must identify where they could be great — or how they already are. Organizations are organisms in their own right, each with specific characteristics and features that make it an attractive place to work in distinct ways. Rather than looking to other business and enterprises and mirroring what they do well, organizations need deep dives into their own idiosyncratic attributes.

An outstanding employee experience and an engaged workforce are necessary, but are just a sliver of what top employers offer. Industry-leading organizations and the mavens of human capital management are formulating an employee value proposition as a tool for attracting and retaining candidates. Not to be confused with an employer value proposition, which refers to an organization's external reputation, an employee value proposition (EVP) "refers to a combination of benefits and rewards that an organization offers to its employees in return for their work and skills ... a strong EVP also includes intangible components such as culture, opportunities for personal and professional development, and more."⁶ With an EVP, employers create talent personas that cater to the specific roles they need to fill and highlight key components of the job most attractive to these personas.

For example, designers tend to be most interested in working with companies who have a strong sense of identity, brand, and aesthetic, while engineers and programmers are more likely to favor companies that prize and highlight their commitment to innovation and leading-edge technologies. Tailoring EVPs to specific roles and individuals helps organizations stand out in a big way.

Only **30%** of medium and large business and **25%** of small businesses articulate their differentiators to prospective employees.

**HARVARD BUSINESS
REVIEW**

⁶ "What is Employee Value Proposition and How to Create a Successful EVP Model." Chiradeep BasuMallick, HR Technologist, September 20, 2018.

As it turns out, many employers understand what is special and distinct about their organization, and yet most fail to communicate it to candidates; *Harvard Business Review* reports that only 30% of medium and large businesses and 25% of small businesses articulate their differentiators to prospective employees.⁷

For companies who are succeeding in communicating their employee value proposition, honesty and authenticity are key. It's not uncommon for new hires to express frustration at the gap between promise and reality, and the digital age has made fact-checking a company possible with only a few keystrokes. These online experiences often carry more weight than the words of a recruiter or other internal⁸ employee. Enlightened enterprises are always sure to ask, "Do we practice what we preach?"

EVP refers to a combination of benefits and rewards that an organization offers to its employees in return for their work and skills.

⁷ "How the Best Global Employers Convince Workers to Join and Stay." Richard Mosley, *Harvard Business Review*, October 11, 2016.

⁸ "What is Employee Value Proposition and How to Create a Successful EVP Model." Chiradeep BasuMallick, *HR Technologist*, September 20, 2018.

THE EVP: A VALUE PROPOSITION FOR INTERNAL CLIENTS

EVPs are one of the clearest and most definite ways for an employer to communicate their unique offerings to employees. As Gartner writes, “The EVP portrays how the labor market and employees perceive the value employees gain by working in an organization, across five attributes: opportunity, people, organization, work, and rewards.”⁹

With *opportunity*, EVPs are linked to professional growth and development at the company, as well as company growth in general. *People* refers to the quality of direct management, reputation of leadership, and a sense of camaraderie amongst colleagues. *Organization* is the quality of products and services provided, and a company’s commitment to social responsibility. *Work* reflects the alignment of one’s interests to their work, and *rewards* includes the components traditionally used to entice people like benefits, vacation time, and retirement matching.

While related to employer brand and employee experience, the EVP goes beyond these features to offer a holistic snapshot of how the company you’re working for works for you. The current talent landscape calls for employers to reconsider employees as “internal clients” rather than knowledge, skill, or service providers. And so, just as successful organizations are accustomed to creating value propositions for external clients who drive revenue, they must work to create EVPs for their internal clients — employees — who generate revenue, lower operating costs, lead support functions, or otherwise contribute indispensably.¹¹

Employers must remember that their organization has an EVP they are working to shape it actively or not. An EVP makes a clear statement about a company, and HR leaders must ask, “What do we want it to say?” Neglecting your EVP is a lost opportunity for HR to attract and retain top-performing employees and build positive brand awareness and ambassadors.

ACCORDING TO GARTNER, EVPs PORTRAY THE VALUE OF WORKING IN AN ORGANIZATION ACROSS FIVE ATTRIBUTES:

1. Opportunity:

Professional growth and development for the individual, as well as the company’s projected growth.

2. People: Quality of colleagues, managers, perception of upper management, and a sense of camaraderie in the workplace.

3. Organization:

Social responsibility and quality of products or services.

4. Work:

Alignment of job to personal interests and work-life integration.

5. Rewards:

Components traditionally used to attract employees like benefits, salary, and paid time off.¹⁰

⁹ “Strengthen Your EVP.” Brian Kropp, Gartner, 2019.

¹⁰ “Strengthen Your EVP.” Brian Kropp, Gartner, 2019.

¹¹ “Linking Talent to Value.” Mike Barriere, Miriam Owens, and Sarah Pobereskin, McKinsey Quarterly, McKinsey, April 2018.

Conversely, many employers have worked to create compelling employee value propositions but fail to communicate the benefits to candidates during the recruitment and hiring process. A 2018 poll of¹² Fortune 500 companies found that 59% of employers neglect to provide information on why employees would want to work for them.¹³

Highlighting the benefits offered is important but framing the value and perks of your company through a lens of differentiation is the most powerful way to harness these traits. EVPs are not only about what an employer offers to its workforce but about how these offerings make a company different from its competitors. Yet according to HBR, when it comes to articulating key differentiators in an EVP, only about 25-30% of managers said they included this information.¹⁴ With a scarce talent landscape and urgent need to foster a culture of adaptability to prepare for the future of work, companies are missing huge opportunities to attract top-tier talent.

“Deployment of a thoughtful EVP model will increase engagement, drive profitability, and transform your employees into brand ambassadors for your company.”⁸

HR TECHNOLOGIST

According to Mercer, only
2 OUT OF 5
employees believe their org has a compelling EVP.¹²

¹² “Strengthening Your Employee Value Proposition.” Mercer, 2018.

¹³ “The State of Talent Relationship Marketing.” Phenom People, 2018

¹⁴ “How the Best Global Employers Convince Workers to Join and Stay.” Richard Mosley, Harvard Business Review, October 11, 2016.

STRENGTHEN YOUR EVP

How can HR leaders seek organizational alignment to cultivate a winning EVP? It's clear that EVPs are multi-faceted and vary depending on the person, role, and industry, and they must be tailored as such. But it's helpful to know where to put your time and energy. One key piece of advice is to "focus on the 5% that deliver 95% of the value."¹⁵ Because top-performers disproportionately contribute to your organization's success, work first to tailor EVPs for the top talent you want to attract and the mission critical roles you have open.

Leading HR research firm Mercer simplifies what it means to have a compelling EVP into three components: contractual, experiential, and emotional.

Contractual rewards are basic salary and benefits like healthcare and paid time off (PTO). Most companies phrase their EVP only in terms of these contractual rewards, and these are features that make your company competitive. Yet while salary and benefits are important, they're the baseline for competitiveness in today's world, research shows that money isn't your best stronghold against attrition: For every 10% rise in pay, employees are only 1.5% more likely to remain with their employer.¹⁶

Experiential rewards "reflect how employees experience their organizations, both in and outside of work." Included under this category are wellness benefits, retirement savings and 401K plans, and social interaction in the workplace. These are benefits that help differentiate your organization.

Emotional rewards are the most meaningful, effective, and powerful components of an EVP. these rewards characterize the true level of engagement an employee feels to their employer and work. These are often intangible but are the things that make an employee feel as though their work is purposeful. Often, organizations that excel in the emotional rewards, and therefore have the strongest EVPs, are socially-oriented companies. It's the social capital of employers like this that galvanizes a sense of fulfillment and purpose in work. Organizations who work to articulate their business objectives into a larger societal purpose foster a heightened emotional connection between organization and employees. According to Mercer, these are the benefits that make an employer unique.¹⁷

¹⁵ "Attracting and Retaining the Right Talent." Scott Keller and Mary Meaney, McKinsey, November 2017.

¹⁶ "Why Do Workers Quit? The Factors That Predict Employee Turnover." Andrew Chamberlain and Morgan Smart, Glassdoor, February 15, 2017.

¹⁷ "Strengthening Your Employee Value Proposition." Mercer, 2018.

COMMUNICATING VALUE

HR leaders roles are more dynamic than ever. Only a few years ago, HR was a primarily administrative role. Today CHROs are responsible for sourcing top talent, building an attractive employer brand, and ensuring the workforce is prepared to meet the challenges of tomorrow. Tasked with bringing HR into the digital age, the average CHRO currently has five ongoing digital initiatives. HR leaders are responsible for all of this and more during the leanest labor market in decades.

It's become common knowledge that talent lies at the heart of today's business strategy, and HR leaders are working to attract, retain, and manage high-performing employees at their organization. As the employer-employee relationship has become more mutually beneficial, leading global employers and HR departments are using the employee value proposition to answer the question, "How does the organization I work for work for me?"

EVPs are comprehensive value offerings that cover the basics of compensation and benefits but extend more robustly to the heart of what makes a great employer. Increasingly, top talent want opportunities for professional development, demand alignment between personal interest and job role, and prize the chance to work for a socially conscious organization. Companies are finding it's not so much an answer of wanting a job but wanting to feel good about their job.

For success today and in the future, organizations must offer employees what they want, deliver on their promises, and most importantly, communicate the value proposition to current and prospective employees alike.

WHO CAN YOU TURN TO FOR HELP?

SumTotal has been working with organizations of all sizes across the globe to help solve critical HR challenges. Most recently, we've been keenly focused on helping HR leaders build learning, development, skills, and career growth into their corporate culture to enable them to attract and retain top talent.

Our technology solution is built around a career lifecycle learning ecosystem that brings personalized and transparent talent development functionality to your organization. By making career development and individual growth visible and attainable to your workforce, you will drive retention, which is your most critical challenge in a tight labor market. More importantly, SumTotal's solution is delivered via a consumer-grade user experience, which means your employees are more likely to engage and get value from the solutions you provide them. To learn more about how your organization can partner with SumTotal, visit our website at sumtotalsystems.com.

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ABOUT SUMTOTAL

SumTotal provides a unified, comprehensive Learning and Talent Development suite that delivers measurable impact across the entire employee lifecycle. With SumTotal, organizations can build a culture of learning that is critical to growth, success, and business sustainability. SumTotal's award-winning technology provides talent acquisition, onboarding, learning management, and talent management solutions across some of the most innovative, complex and highly regulated industries, including technology, airlines, financial services, healthcare, manufacturing, and pharmaceuticals.

Skillsoft and SumTotal are partners to thousands of leading global organizations, including many Fortune 500 companies. The company features three award-winning systems that support learning, performance and success: Skillsoft learning content, the Percipio intelligent learning experience platform, and the SumTotal suite for Talent Development, which offers measurable impact across the entire employee lifecycle.

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