



**Harvard  
Business  
Review**

**A REPORT BY HARVARD BUSINESS REVIEW ANALYTIC SERVICES**

# The Employer of Choice

How Will Corporate Citizenship  
and Sustainable Shared Values  
Create a New Competitive Edge?



In association with

**SIEMENS**

## SIEMENS PERSPECTIVE

Attracting and retaining young talent is critical to the success of any organization, and even in these financially difficult times it is challenging. As birth rates around the world continue to fall, resulting in a shortage of talent, it will become more and more challenging to recruit the talent that organizations need. Engagement and retention will become even more important than it is today. In order to become an employer that young people choose to work for, organizations need to understand what young people expect from organizations, workplaces and leaders—and then deliver accordingly.

The relationship between individuals and organizations is changing—the paternalistic model of an organization looking after an employee financially in return for work is not the model that young people look for today. They value transparency, flexibility and the opportunity to make a difference to society—and they want the organizations they work for to do the same.

As a global company that is highly engaged in sustainability matters, Siemens is committed to finding answers to the most pressing challenges of our time, and we can do this only if we are able to attract, engage, and retain the brightest minds and the young talent of today.

The challenge for Siemens, and for all organizations, is how to create a business model and a culture that delivers on this. There is no better way to understand how young talent think this could be done than to ask them, and Siemens is proud to be involved with *Harvard Business Review* and the Future Influencers community as they have debated and collaborated on this topic.

This white paper is the result of that collaboration, and we hope that the ideas and insights it offers give you food for thought as your organization strives to become an Employer of Choice for the young talent of today.

Sincerely yours,

The Siemens Future Influencers Team

\*Siemens does not necessarily share the same opinions as those of the Future Influencers.

# The Employer of Choice

## Executive Summary

**TO SUCCEED IN** today's knowledge-based global economy, companies know that creative, adaptable and engaged employees are a critical asset, not just to compete in the current market, but also to create the products and services that will ensure the company's future. Yet as corporate leaders look ahead, they are increasingly concerned about their ability to attract, retain and motivate this next generation of talent workers.

To win this new war for talent, leaders know they must become “employers of choice” so that their organizations can bring together the best and brightest people to work on the challenges and opportunities of a new era. But becoming an employer of choice isn't simple: offering financial incentives and a promise of promotion is no longer enough. Today, younger workers are looking for an additional form of compensation: an organization that allows them to do meaningful work, while offering opportunities for personal growth and autonomy.

Above all, today's younger generations seek organizations and leaders that share their values and demonstrate their commitment to ethical behavior in the workplace and in the community. The next generation is telling companies that to become an employer of choice, they must become social value creators—organizations with the products and services that can solve the challenges that face us globally.

How can organizations reshape themselves and create a new kind of partnership with their employees? How can this new approach create new sustainable value for the company and its shareholders? What are the critical ingredients for becoming an employer of choice in a global economy?

The Future Influencers, an online think tank initiated by Siemens, recently took up these challenges in a wide-ranging discussion in collaboration with *Harvard Business Review*. The conversation took many forms, pulling together insights from multiple sources. Harvard Business Review Analytic Services launched an online survey of HBR.org readers as well as Future Influencers to determine what current and future leaders perceive to be the challenges and opportunities surrounding this new world of work.

Following an online debate among the 200-member FI community, a group of FI leaders from around the world gathered in New York for an intensive workshop, followed by an interactive panel discussion that was broadcast on the web. That discussion featured

### SURVEY HIGHLIGHTS

**82%**

of respondents said a company's greatest asset is talent.

**23%**

of respondents said they are very successful in attracting and retaining high-quality talent.

**75%**

of respondents said the key to a sustainable business model relies on shared values benefiting society, the environment and shareholders.

experts on organizations and the workplace as well as a presentation of the winning proposal developed by the Future Influencers community.

This reports looks at the survey and the discussion as well as the fertile conversations that took place on the Future Influencers website.

Several common themes emerged: There are new pressures for companies to build social value into their core and transform their organizations. This transformation can help companies create new sustainable shared value through their products and services that, in turn, can give companies a competitive edge with customers. But to reach that goal, there must be a new kind of relationship between organizations and employees, a partnership that seeks to find solutions for the company and the community.

“A corporation is a license to do business with limited liability, yet what do corporations owe society in return for that license?” asked Siemens’ Peter Solmssen, member of the managing board and general counsel of Siemens AG. “I think you need to think long and hard about what you are asking of us. Are you asking enough of us as corporate citizens?”

## Becoming an employer of choice is critically important—and for most companies will require change.

Corporate leaders are grappling with what it will mean to become an employer of choice, in order to build the organization of the future.

In an online survey of global corporate leaders by Harvard Business Review Analytic Services, 82 percent of senior executives said that talent is the key asset to their organizations. These leaders said they saw a direct impact on customer satisfaction, and thus on the bottom line, when employees were highly engaged. And respondents said that a new generation of employees, as well as customers, has new expectations of organizations and their leaders, placing a high value on shared values and good corporate citizenship. [figure 1](#)

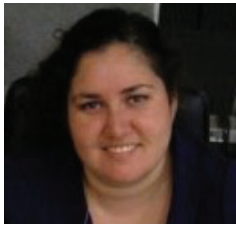
Figure 1

### Views on Organizations and Leadership

QUESTION: PLEASE RATE YOUR LEVEL OF AGREEMENT WITH EACH OF THE FOLLOWING STATEMENTS ABOUT ORGANIZATIONS AND LEADERSHIP.

PERCENT RATING 8, 9 OR 10, WHERE 10=STRONGLY AGREE





“As a corporate citizen, you have rights and privileges but also responsibilities to create solutions responsive to the challenges of the community.” —Saba Loftus, Future Influencer

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But as the increasingly knowledge-based nature of work requires companies to attract more educated employees who bring creativity, discretion and enthusiasm to their work, the traditional assumptions about attraction and retention are being challenged.

“The work today requires people who have higher levels of education, who are willing to dig deep and provide their own creative thinking to do the work, their own best discretionary effort,” said panel member Tammy Erickson, an expert in workplace and organizational behavior. “But as younger people are coming into the workforce, they’re asking for different things and looking at the world through a different lens. They’re asking, is what I’m doing today meaningful and important?”

Corporate leaders who answered the survey agreed that their organizations must change in order to become employers of choice, but many feel that they have not moved from aspiration to action. According to the Harvard Business Review Analytic Services survey, only 23 percent of the respondents strongly believed that their organizations are now attracting and retaining the best talent.

In order to become an employer of choice, the Harvard Business Review Analytic Services survey found that leaders believe companies must focus on issues of transparency and trust in the organization as well as the empowerment of employees. [figure 2](#)

But what will it take to build that trust and empowerment? What is this new vision of social value goals, and how can companies live into the vision? This is where organizations and employees must work together, panelists in New York agreed, in order to develop solutions that meet the financial goals of the organization while creating products and services that ensure a sustainable future.

Currently there is a mismatch between the traditional organizational models of most companies and the changing nature of the workforce, said panelist Gregory Unruh, director of the Lincoln Center for Ethics at the Thunderbird School of Global Management.

“The old factory model assumed workers were lazy and self-interested, so the only goal was setting financial incentives that aligned workers’ interests with the company’s,” Unruh said. “Today, younger workers want value from their work in a different way, so their compensation also comes through their contribution to the organization and the community. So companies are being asked to shift their model in a way to achieve their business goals and also meet the expectations of the talent they need and want.”

Those companies that anticipate how to transform themselves into an organization of the future, attracting employees and delivering on stakeholders’ expectations, clearly will have an advantage in the war for talent. “Creating this kind of strong company culture will be increasingly important as organizations become more global,” said Denice Kronau, chief diversity officer of Siemens AG.

“When you have employees in 50 different countries, how do you make this work?” she asked. “What companies must understand and build on is the universal truth that all of us as employees want our life and work to have meaning. We want to do our best for the company and the community. So organizations have to have a culture where people feel they can bring their whole selves to work. The company has to understand this and integrate this to make a truly global company work today.”

Figure 2

## Important Criteria in Being an Employer of Choice

QUESTION: FROM YOUR PERSPECTIVE, WHAT DO YOU FEEL ARE THE MOST IMPORTANT CRITERIA IN BEING AN EMPLOYER OF CHOICE?

### TOP 7 SELECTED



## Younger talent want to work for organizations that provide meaning and create social value.

In an online debate and then in a two-day workshop in New York, members of Future Influencers, a think tank initiated by Siemens of young talent from around the world, explored what it will mean in the future to be an employer of choice.

For a company to become an employer of choice, the work group concluded, it needs to become a “social value company.” A social value company embraces the idea of innovation focused on solving problems that confront the community, whether the problem is global warming or eradication of disease. Such a corporate mission colors how the company approaches everything: the products and services it offers, how it engages with customers and employees, the responsibilities to which it holds itself.

Social value companies hold such a different outlook from traditional profit-minded corporations that even competitors may look like allies. For example, Ford and Toyota, unlikely partners, are collaborating on developing hybrid fuel systems. In this venture, they are sharing resources in recognition that their core purpose isn’t vying for immediate car sales but providing responsible, fuel-efficient mobility that will be good for the environment and for long-term profitability. Such projects, while good for the community, are also good for the bottom line, said panelist Saba Loftus, a Future Influencer. “Companies that are developing more sustainable products, such as designing laptops with [fewer] components, are saving money and that is a smart business decision,” she said. “It’s a smart way to make money and it supports a mission.”



“I spend a lot of time working, and will throughout my life, and I want to build my work identity around a cause rather than a company.” —Jenna Woodward, Future Influencer

Companies that embrace social values and demonstrate their commitment can attract and motivate employees to deliver their best, said panelist Aditi Shekar, a Future Influencer. “When corporations ask, ‘What can we do to get you excited about working with us?’, employees are saying, ‘Start by creating a lot more value in the world,’” she said.

To better understand this framework, the team created a diagram mapping their generation’s aspirations to the values embodied in companies. The magic happens when workers find such socially minded companies that match their own desires to change the world. [figure 3](#)

Companies that reorient around a social value will go through a transformation, changing their strategy, product development and talent management processes, panelists said. The Future Influencers developed a framework for companies to become social value creators and thus employers of choice, by focusing on three levers. Each represents an area that companies can focus on to help them effect change.

Figure 3

## Organizations That Fit the Aspirations of Younger Generation Talent Are Big Social Value Creators





“When a company demonstrates leadership in creating long-term sustainable value, the conversation changes from being a shoe company to becoming a healthcare company.”  
—Aditi Shekar, Future Influencer

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#### LEVER #1: BUSINESS STRATEGY

One powerful way to reorient your business as one that creates social value is to start with business strategy:

- **Identifying a long-term social value** or purpose that will redefine what the company is trying to achieve.
- **Building this social value into the core business strategy** and embedding it deeply in the culture.
- **Building a community of stakeholders** around the social mission. Customers become not just customers but also part of the community and its culture. The trust engendered as a result builds brand equity.

“When you start to see your company differently, you start to imagine the future of your company differently and start thinking beyond your immediate current customer,” said Shekar. “You start thinking about many different stakeholders and many different alliances.”

#### LEVER #2: PRODUCT DEVELOPMENT

With a social value business strategy, you often open yourself up to entirely new markets. As a result, your products and services are the first to begin to change:

- **Focus on problems to solve, not products.** Social value creation involves seeking solutions to problems of customers as well as other stakeholder communities. “Solutions development” becomes the focus of product development. Innovation becomes the job of everyone, not just the research and development department.
- **Co-create with customers.** Co-create offerings with customers throughout product life cycles, including the end of product life. Crowdsourcing has applications for co-creation.
- **Partner with social organizations.** Social organizations can help companies enter new markets successfully or better serve existing ones, filling information and innovation gaps.

“As technology gets more advanced, ideas are the most important currency organizations have to become more organic, and the entire creative process has to be constant evolution,” said Loftus. “You don’t just push products out the door; you have to listen to what the community needs, you have to react, you have to adapt and you have to be constantly evolving.”

#### LEVER #3: TALENT MANAGEMENT

Finding and retaining talent that share the company’s values is critical. Best practices in talent management include:

- **Connect work to the social mission.** Make clear to employees how their work connects to the organization’s bigger social purpose. Everyone wants to feel that the work they do every day matters.

- **Rethink hiring practices.** Focus on hiring adaptable individuals who are experienced problem solvers—especially amid uncertainty and complexity. Seek people who share the company’s values and are passionate about its mission. But avoid hiring people who think too much alike; diversity of thought is important.
- **Restructure the workplace.** Organize the company in ways that offer motivated, passionate employees: 1) autonomy; 2) opportunities for personal growth; 3) the flexibility to innovate; and 4) “ownership” over projects. Some organizational structure is necessary, but highly hierarchical structures can impede employee engagement. Small, decentralized teams can maximize autonomy and harness passion while breaking down silos.

“When you have an employee base that really understands a mission, every single one connects to your long-term social vision and they’re going to be inspired and have so many ideas,” said panelist Jeanna Goodward. “You have a crowdsourcing effort that will offer you all sorts of new ways to think about your business. You may end up with many little pockets in the company that are developing new businesses.”

The Future Influencers drew up a framework to outline their recommended actions to help companies create social value. [figure 4](#)

Figure 4

## Recommended Actions to Help Companies Create Social Value

SOCIAL VALUE LEVER	RECOMMENDED ACTIONS
Business Strategy	<p>Create a “board of stakeholders” to help leadership understand the needs of society and potential new customers.</p> <p>Listen to critics and others who may have spotted missed business opportunities.</p>
Product Development	<p>Bring in a “social entrepreneur in residence,” to provide local market insights and facilitate co-creation.</p> <p>Create a lab where customers can bring ideas or even broken products, working together with employees and engineers on innovation brainstorming or repairs.</p>
Talent Management	<p>Crowdsource ideas from employees. Use social media tools to cultivate collaborations and communities among employees.</p> <p>Link employee incentives to purpose-oriented metrics such as impact, influence, calculated risks. Assess managers on how empowered their staff feels.</p> <p>Hold employees accountable for accomplishing a few big-impact projects.</p> <p>To find talent passionate about working at the company, make the employee experience clear to job candidates. Those who don’t benefit from this culture will self-select out.</p>

## Conclusion

In today's knowledge-based economy, a company's most important asset is not manufacturing equipment or physical capital, but the employees. These workers need to be creative, approach problems in innovative ways to help design products and services, and engage with customers in meaningful ways. To do this, however, companies must engage with their employees in a new way, so that people are excited and motivated to bring their skills to the organization. The new generation of employees seeks work that is challenging and meaningful: they want to develop innovative solutions both for the organization and for the global community. Companies that create a new partnership with these employees can transform their organizations to meet these new goals, while gaining a competitive edge as an employer of choice.

### ABOUT FUTURE INFLUENCERS

The Future Influencers are an online think tank and global community initiated by Siemens with the goal of bringing together tomorrow's thought leaders to drive action toward a sustainable future. With more than 200 members, the Future Influencers platform includes young journalists, students, engineers, architects, entrepreneurs and urban planners from around the world. Although Siemens supports the community, it does not influence its discussions.

Twice a year, the group engages in collaborations around a specific topic. The most recent collaboration, "The Employer of Choice: How Corporate Citizenship and Sustainable Shared Values Will Create a New Competitive Edge?" was the basis for this white paper.

Some 20 ideas and more than 140 comments were contributed during the initial brainstorming phase of the collaboration. Subjects covered a wide range of issues, from employees' rights to be off-line to the more complex redefinition of corporate citizenship. Aditi Shekar's idea "Build Organizations of the Future" accumulated most votes in the subsequent voting phase.

During our first global live meeting, which took place in May 2013 at the Harvard Club of New York, more than 40 members of the Future Influencers community helped to further conceptualize Aditi's idea. The result was presented during a live webcast to a broader audience. Our final summary is compiled within this report.

### PANEL PARTICIPANTS

**Tammy Erickson**, CEO, Tammy Erickson Associates

**Denise Kronau**, Chief Diversity Officer, Siemens AG

**Peter Solmssen**, Member, Managing Board and General Counsel, Siemens AG

**Gregory Unruh**, Director, Lincoln Center for Ethics, Thunderbird School of Global Management

**Jenna Woodward**, MBA Candidate, Haas School of Business, University of California at Berkeley

**Saba Loftus**, Organizing Partner, United Nations CSD Children and Youth Major Group

**Aditi Shekar**, Executive Partner, Ashoka Changemakers

## Giving Purpose to Work

BY GREGORY UNRUH

**Gregory Unruh is director of the Lincoln Center for Ethics, Thunderbird School of Global Management.**

Journalist-writer David Sirota released his new book *Back to Our Future: How the 1980s Explain the World We Live In Now* last week. It provides enlightening insight into the standard corporate work model we suffer with today. Informed by the individualism of the 1980s—a decade turbocharged by individualistic tools like “personal” computers and the Sony Walkman that allowed everyone to dance to their personal drummer—society atomized into an independent, self-interested, nomadic workforce that shunned the “job for life” loyalty their working parents believed in. The 1980s brought Gordon Gekko’s “Greed is good” and drove tides of brilliant young people into MBA programs, believing it was the ticket to an “I-Banking” job with Goldman or Merrill, guaranteeing a rich future.

As a professor at a leading business school, I can see those days are long gone. Tomorrow’s employees are abandoning the MBA degrees en masse. B-school enrollments have plummeted, falling off a cliff in 2012 with a 22% decline. Eighties individuality is giving way to community and collaboration. And as in the 1980s, technologies are turbocharging the shift through networks and social media that allow people to connect and share in ways that just weren’t possible in the days of Gordon Gekko.

In the 1980s, corporations believed self-interested individuals would pledge fealty to the highest bidder. Management theory told executives that the way to manage smart people was to align their individual financial self-interest with corporate goals, and they did so through such tools as stock options, performance bonuses, and perks like first-class air travel, luxury hotels, and expensive, exclusive dinners. Old-fashioned ideas like dedication to craft, contribution to the company good and teamwork took a backseat.

Things are obviously changing. Today’s graduates still want a financially rewarding career, but they want more out of their work. They want their work to mean something, to contribute in a larger way to society and the world. And they expect the companies they work for to want the same. Corporate recruiters that come in search of MBA graduates ask me what we’re doing to the students today. Instead of asking about corporate perks, job candidates are asking about organizational ethics and company values. While I’d like to think we’re encouraging such questions, it’s really just a generational shift that companies need to adapt to.

They are not ready. While some corporations have discovered that employees feel better about the company when it engages in “corporate social responsibility” or “business sustainability,” in most instances this is a bolt-on agenda and not a core part of business activity. Tapping into the desires for greater purpose in work is going to take deeper thinking. Employees don’t just want to make a living. They also want to make a rewarding life. How can we give it to them and by doing so reinvent work and business for a new millennium?

## The Career Success Trinity: Compensation, Contribution and Community

BY GREGORY UNRUH

**Gregory Unruh is director of the Lincoln Center for Ethics, Thunderbird School of Global Management.**

Old-school management theory says that people are self-serving and will shirk responsibilities whenever possible. This line of research tells companies that employees have to be properly motivated and incentivized to perform at their highest level and the primary management tool for doing so is compensation: a package of material benefits that rewards performance. Compensation packages designed to motivate executives often include a base salary and a substantial performance bonus usually tied to the company's stock market performance. Some executives take little or no base—Steve Jobs famously received an annual salary of just one dollar—preferring the bulk in stock and options. When the stock price rises, so does compensation. Motivational problem solved.

Out-of-date ideas about attracting and motivating talented people are giving way to a broader understanding of human drive. Compensation is still important, but the reality is that people aren't really working for money. The money is a means to obtain what they hope the money can buy, such as an Audi S model or a vacation in Fiji. But even the material goods money can buy are desired only for the way buyers hope they will feel by having them. Can companies provide a more direct route to making employees feel good? Many leaders are beginning to think so.

The young professionals that will become tomorrow's leaders still care about compensation and want to have a financially rewarding career, but they want more. Companies that ignore this miss out. One of my students received a job offer at a major consumer products company and was fast-tracked to management. He took what would be a dream job for many MBAs, but left in a matter of years to join a growing social enterprise at lower pay. When I asked him why, he said, "My business card said Manager of Spreadables and Pourables. It didn't do it for me. I was using only a fraction of my being in that job."

What my student wanted was a feeling of contribution. He wanted his work to contribute to a better world. Today, to fulfill that desire, he is now contributing to a business that provides eyeglasses to the poor and underprivileged in such countries as India and El Salvador. Tapping into the desire of employees to feel that their work serves society is a major challenge for established corporations.

In the movie *Wall Street*, when a bright ambitious Bud Fox goes seeking career advice from Gordon Gekko, he's told that success depends on having "no feelings...If you need a friend, get a dog...It's trench warfare out there, sport..." That individualist, self-interested zeitgeist has given way to a desire for connection to community. Millennials are famously collaborative, using technology, social media and other means to connect with like-minded people. I see this in my students today, who complain if there are no team assignments in my classes. Today's high-potential workers also want community in their work. How can companies effectively engage their workforce in collective effort?

The employer of choice in the future will find a way to provide the success trinity to its workers: compensating them well for their performance, allowing them to feel a sense of contribution from their work, and creating a sense of camaraderie as they work in a community with shared goals and values.

## Small Companies Are Fun, Large Companies Are Satisfying

BY TERESA COLLIS

**Teresa Collis is head of global employer branding at Siemens.**

Great Place to Work (GPTW) is a global organization, based in the US, that assesses and audits companies on whether they are a “great place to work.” GPTW surveys both employees and managers and, based on a number of criteria, gives companies a score out of 100. These scores are the basis of the annual US Fortune 100 Best Places to Work list. (See <http://www.gptw.com> for more information.)

At a recent GPTW conference I met and spoke with people from many different companies, both large and small. Conversations always started with “Are you On The List?” What was fascinating for me was that while everyone acknowledged the employer branding benefits of being On The List, there was quite some diversity of opinion regarding how achievable it really is to get On The List if your company is very large.

The overarching premise of GPTW is that being a great place to work emerges from great leadership, and that leadership is based on trust.

The key criteria for the employee part of the survey (called the Trust Index) are credibility, respect, fairness, pride and camaraderie—and this forms two-thirds of the total score. The criteria for the management part of the survey (called the Culture Audit) are inspiring, speaking, listening, thanking, developing, caring, celebrating, sharing and hiring.

Looking at these criteria, it is understandable that people think it is easier for smaller companies to excel at these criteria than for large companies—especially when it comes to the Trust Index criteria. And looking at The List, it is certainly true that smaller companies predominate. And data from GPTW does show that larger companies score significantly lower on trust questions than do smaller companies.

Scott McNealy, founder of Sun Microsystems and now founder of Wayin (about 60 employees), in his presentation compared working in a large company and a small company, and concluded that “small companies are fun, but large companies are satisfying,” implying that it is difficult to have both a feeling of being able to really make a difference in the world and work in a place where there is a true sense of fun and trust among all employees and management.

But does it have to be this way?

Or maybe the question is whether the “great place to work” component of being an employer of choice is as important to those individuals whose strongest driver is really to make a difference in the world.

Are these kinds of people prepared to not have such a great work environment, if it means they have the opportunity to change the world?

I am not suggesting that organizations should not work toward creating a culture based on credibility, respect, fairness, pride and camaraderie—in fact, I think this should be the aim of all organizations. Data from GPTW indicates that those companies that make The List outperform S&P500 companies by two to one when it comes to stock market returns. And regardless of the financial benefits, it is the right thing to do.

But I am saying that perhaps we need to accept that a company that is an employer of choice for one individual will not necessarily be an employer of choice for another individual, and that it's OK for a company NOT to be an employer of choice for everyone.



# Notes



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