



Building the Top Team

How Middle Market Firms Attract and Retain the Top Talent that Fuels Their Success

A REPORT FROM THE NATIONAL CENTER FOR THE MIDDLE MARKET WITH DR. LARRY INKS
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About This Report

Building the Top Team

THE U.S. MIDDLE MARKET

The U.S. middle market is defined by companies with annual revenues between \$10 million and \$1 billion. In addition to their geographic and industry diversity, these companies are both publicly and privately held and include family-owned businesses and sole proprietorships. While the middle market represents approximately 3% of all U.S. companies, it accounts for a third of U.S. private-sector GDP and jobs. The U.S. middle market is the segment that drives U.S. growth and competitiveness.

TALENT STRATEGIES

Talent—and especially top talent—matters to middle market firms. Top talent includes senior leaders and executives with the capabilities to fill those positions in the near future. Research has clearly shown that companies with the best talent outperform their peers. Because firms of all sizes compete for the most talented associates, middle market firms need effective strategies for identifying, attracting, and retaining qualified candidates if they wish to remain competitive and achieve their growth goals.

HOW THE RESEARCH WAS CONDUCTED

The National Center for the Middle Market conducted a national online survey of 400+ middle market C-Suite executives who share in the responsibility for human-resources activities at their firms. At the same time, The Novo Group surveyed 600+ executives who, due to their backgrounds and histories, are representative of the potential candidate pool for senior roles at mid-sized companies. The results of these two complementary surveys provided insights into how the actions of middle market firms align with or diverge from the ambitions and motivations of potential new hires for key leadership positions within the firms.

THE NATIONAL CENTER FOR THE MIDDLE MARKET

Founded in 2011 in partnership with GE Capital, and located at The Ohio State University Fisher College of Business, the National Center for the Middle Market is the leading source of knowledge, leadership and innovative research on the U.S. middle market economy. The Center provides critical data, analysis, insights and perspectives to help accelerate growth, increase competitiveness and create jobs for companies, policymakers and other key stakeholders in this sector. The Center's website, which offers a range of tools and resources for middle market companies, can be visited at www.middlemarketcenter.org.

THE NOVO GROUP

The Novo Group is a talent acquisition consulting firm that helps organizations attract top talent and implement better recruitment processes. Novo is headquartered in Milwaukee with offices in Atlanta, Chicago, Dallas, and St. Louis and the ability to serve clients nationwide. Visit www.thenovogroup.com to learn more.

Introduction

Middle market firms with top talent outperform their peers—not just marginally or for brief periods of time, but significantly and sustainably. Multiple studies conducted by the National Center for the Middle Market clearly demonstrate that the ability to attract and retain top talent is a hallmark of the most profitable and fastest growing middle market companies in both good times and bad.

Clearly, talent matters to all companies. When it comes to top talent in particular—or key leadership positions within an organization—the ability to attract and retain quality people may be even more important to middle market companies than to their larger counterparts. As middle market firms grow, they must make decisions when to add top talent. They must be especially prudent in selecting the right individuals to fit their teams and further their objectives.

However, accomplishing such a feat is no easy task. As the Center’s Middle Market Indicator reveals quarter after quarter, the ability to attract, train, and retain talent is among the top five challenges facing middle market leaders, and the most pressing struggles are related to top-tier positions.

Middle market companies face some disadvantages finding and fielding a top team. Often they lack the name recognition of their larger competitors. Additionally, because the vast majority of middle market firms are private and a third are family-owned, less information is available to curious potential employees. In some cases, the organizations have difficulty matching the diverse compensation packages offered by larger firms. As a result, middle market companies must find innovative means of attracting top caliber candidates.

In a recent national survey of C-level middle market executives, the Center found that companies that have a well-established **employer brand** and **employee value proposition (EVP)** substantially outperform companies that are less well-equipped in these areas. Companies with an employer brand and EVP in place are significantly more likely to report strong company performance and growth than their counterparts. They have greater confidence in their firms’ reputations. And they believe they have an edge over their competitors when it comes to closing the deal with top talent candidates.

The data demonstrate that, by combining employer brand and EVP with best-practice recruiting techniques, middle market firms can successfully compete with any organization for talent. They can, indeed, become talent magnets.

+ A company’s **employer brand** is the image and reputation it has with current employees, prospective candidates, and the general public as a place to work.

+ A company’s **employee value proposition (EVP)** is the sum total of the rewards and benefits (both tangible and intangible) that an individual receives in return for working at the company.

Complementary research conducted by The Novo Group revealed a complex mix of factors that attract top candidates to new opportunities—or that can persuade them to stay in a current position. While salary tops the list, candidates can also be swayed by growth opportunities, work/life balance, and promotion. Building such elements into the EVP provides an opportunity for middle market executives to better compete with their largest rivals for the market’s best talent.

While the benefits of an employer brand and employee value proposition are clear, only about a quarter of middle market firms have strong brands and EVPs in place. An opportunity exists for firms to strengthen their tools and better compete for the talent they need to grow and thrive.

Drawing on the research and best talent practices among middle market firms, this report:

+ Presents the business case for middle market firms to invest time and effort in establishing differentiated and compelling employer brands and employee value propositions;

+ Explores how employer brands and EVPs can be an effective tool in addressing the middle market’s top talent challenges; and

+ Highlights strategies and tips for creating effective employer brands and EVPs.

Key Takeaways for Middle Market Firms



A UNIQUE EMPLOYER BRAND AND PERSUASIVE EMPLOYEE VALUE PROPOSITION CAN GIVE MIDDLE MARKET FIRMS THE EDGE THEY NEED TO SECURE TOP TALENT.

Middle market firms may not be able to compete with their larger rivals in terms of name recognition or compensation. But firms with a solid reputation that offer unique benefits and rewards experience greater success in securing top talent.



COMPANIES WITH AN ESTABLISHED EMPLOYER BRAND AND STRONG EMPLOYEE VALUE PROPOSITION OUTPERFORM THEIR PEERS.

Middle market firms that have strong employer brands and EVPs are more likely to report improved company performance and higher revenue and employment growth than firms with less established brands and EVPs.



TOP TALENT CANDIDATES SEEK MORE THAN AN ATTRACTIVE SALARY.

Salary is the leading benefit to attract the attention of a “passive candidate,” i.e., a potential hire who is not actively seeking new job opportunities. But money isn’t everything. The research shows that these candidates are also interested in opportunities for growth, work/life balance, and promotion.



COMPANIES WITH THE MOST COMPELLING EMPLOYEE VALUE PROPOSITIONS OFFER ATTRACTIVE AND UNIQUE OPTIONS ACROSS THE BOARD.

Both tangible and intangible benefits are important to attracting top talent. Providing company-related or distinctive benefits—especially benefits associated specifically with a mid-size firm—is key to a successful EVP. The quality of a company’s associates, meaningfulness of the work, and the company culture are leading components of effective EVPs for middle market firms.

Building the Top Team is the second National Center for the Middle Market study to demonstrate a strong correlation between superior HR practices and superior company performance. As this study shows, companies that invest in building employer brands and company-specific employee value propositions enjoy significantly stronger overall performance, top-line growth, and job growth than their counterparts.

*Performance management—the discipline of identifying, assessing, and improving performance and aligning performance with the company’s strategic goals—has a similar impact on middle market firms. The Center’s 2014 study, *It’s About People: How Performance Management Helps Middle Market Companies Grow Faster*,¹ revealed that companies that rate themselves as proficient in performance management experience faster revenue growth and better profit margins than their competitors, and are less likely to have to reduce staff.*

¹ National Center for the Middle Market. *It’s About People: How Performance Management Helps Middle Market Companies Grow Faster*. The Ohio State University and GE Capital Corporation. 2014.

Top Talent Matters to Middle Market Firms

For the purposes of this research, top talent is defined as individuals within a company currently in senior leadership positions or considered able to backfill those positions in the near future. This includes associates in positions one to two levels below the senior leadership team, which are often seen as feeder positions for the leadership roles.

As has been evidenced time and again by research conducted by the National Center for the Middle Market, middle market firms with top talent consistently outperform their peers. The Center's report, *Pathways to Growth: Game-Changing Performance Strategies for Middle Market Companies*,² revealed that companies that grew throughout the Great Recession and beyond are skilled at both attracting and retaining top talent. More than half of these "sustained growers" rated themselves highly on their ability to attract talent. Almost seven in 10 said they are successful at retaining talented employees.

The Center's *Blueprint for Growth: Middle Market Growth Champions Reveal a Framework for Success*,³ showed similar results for Middle Market Growth Champions. Growth Champions, the fastest growing 9% of middle market firms, also report possessing exceptional talent management capabilities and the recruiting power to attract people with the skills they need.

In middle market organizations, staffing key leadership positions with top-caliber talent may be even more essential than it is for larger companies. Middle market firms tend to be leaner and need to accomplish more with fewer resources. As a result, team members—especially top team members—must assume a greater share of responsibility for the company's success, and they often juggle multiple responsibilities with comparatively less help from teams of functional specialists. This leaves little room in the upper echelon for subpar talent, and makes securing top talent even more mandatory for middle market firms with substantial growth plans.

*National Center for the Middle Market research shows time and again that **middle market firms with top talent consistently outperform their peers.***

² National Center for the Middle Market. *Pathways to Growth: Game-Changing Performance Strategies for Middle Market Companies*. The Ohio State University and GE Capital Corporation. 2013. ³ National Center for the Middle Market. *Blueprint for Growth: Middle Market Growth Champions Reveal a Framework for Success*. The Ohio State University and GE Capital Corporation. 2012.

Attracting, Training, and Retaining Top Talent Is a Significant Challenge for Most Middle Market Firms

For the vast majority of middle market firms, the ability to attract, train, and retain talent is a significant challenge.

Quarter after quarter, the National Center for the Middle Market's *Middle Market Indicator* reveals that about three out of four middle market leaders in all industries and across all middle market revenue segments list talent issues as highly to somewhat challenging. The problem is most pronounced in top positions. Recent *Middle Market Indicator* data show that 31% of middle market executives find it increasingly difficult to attract people for top-level management positions and 32% say it's more difficult to fill professional positions.

While the Center's current research reveals that most middle market leaders (65%) feel they do a good job of assessing both external and internal candidates for key leadership positions, only about half (51%) feel they have a sufficient number of people to fill those positions. That leaves the remaining half of the middle market in need of candidates to help drive their businesses forward.

Middle Market Companies Possess Both Advantages and Disadvantages When It Comes to Attracting and Hiring Top Talent

In their quest for the best, middle market firms must compete with each other and with both smaller and larger firms for people. Generally, middle market companies lack the name recognition and visibility that often help larger companies attract talent. Additionally, the Center's research shows that many middle market companies struggle to match the compensation packages offered by larger companies. They may not be able to offer the same salary, bonuses, stock options, health care benefits, retirement packages, and other financial incentives, such as reimbursement for continuing education, that their larger counterparts use to woo candidates.

Location is another challenge cited by many middle market organizations. Companies located in smaller towns or less popular locations have difficulty competing for candidates from large, highly desirable markets. Businesses in remote locations, well away from city life and major airports, face even greater hurdles.

Middle market firms that are handicapped by lack of name recognition, compensation constraints, and undesirable locations often find themselves needing to work harder to win the market's best talent.

At the same time, however, the middle market offers attractions and capabilities that big companies cannot match. Less bureaucracy, more opportunities to work directly with the CEO, a shorter path to the top, and stronger connections to the community are just a few advantages the middle market boasts.

Middle market companies that leverage these advantages, along with company-specific attributes, can create exciting, appealing employer brands and employee value propositions with the power to attract—and keep—the market's best talent. This paper demonstrates how the most successful mid-sized companies accomplish this critical goal.





Fellowes Inc.

A middle market company makes a name for itself to attract top talent.

THE CHALLENGE:

Like many middle market firms, Fellowes Inc. struggles with a lack of name recognition, which can make it difficult for the firm to attract top talent. Headquartered in Chicago, the manufacturer and marketer of business machines, records storage, and office accessories has been in existence since 1917 and is a global business with 1,400 employees worldwide.

“But we’re not yet a very well-known consumer brand. And our core business is not in a really sexy industry,” says Lyn Bulman, Executive Vice President of Global Human Resources. The company is also privately held and family-owned. “So it’s harder for people to find out much about Fellowes,” Bulman says. “Getting people interested in us in the first place has always been our problem.”

Fellowes
Brands™

THE SOLUTION:

In the past, Fellowes had a strong employee value proposition with materials to support it. Then in 2010, a major issue with a global partner took senior leadership's attention away from its talent efforts, resulting in a less well-defined and effective recruiting process. Now, Bulman says the company is renewing its focus on talent. As part of a multi-tiered effort that will include workforce planning, professional recruiting, and an integrated talent tracking software system, Fellowes plans to get the word out about its company by:

+ Redefining and consistently articulating the employee value proposition. In the past, Fellowes successfully used an FAQ-style document to clearly communicate with candidates what it's like to work for the company. Bulman says the FAQ is brutally honest and "addresses the types of things candidates are interested in, but can't easily learn about privately-held companies." The document speaks to the company's vision for the future, the culture, opportunities for career advancement, why people leave, and what keeps leaders up at night. Updating this FAQ will allow Fellowes to paint a clear picture of the organization, deliver a consistent story to all candidates, and zero in on candidates that will be a good fit.

+ Focusing on what makes Fellowes unique. Fellowes prides itself on its strong corporate values and having a leadership team that walks the walk. The company's long heritage and history provide a sense of stability for associates in changing times. A lack of bureaucracy and strong communication channels enable associates to make real contributions to the organization's success and see the impact of their work every day.

+ Taking advantage of local programs to build name recognition. Fellowes has participated in programs such as the Chicago Tribune Top Workplaces and internship programs on college campuses. Bulman says opportunities like these are doable even on a limited budget and can go a long way toward building awareness among potential candidates.

+ Leveraging social media to share the employer brand. Fellowes plans to make use of sites like Facebook, Twitter, and Pinterest to promote a consistent employer brand message across channels. The company currently does not have a social media presence specific to talent acquisition, but plans to make these tools part of a recruitment strategy moving forward.



A Good Employer Brand Is Essential to Attracting Top Talent

A company's employer brand is the company's image and reputation as a place to work as perceived by its current employees, prospective candidates, and the general public. (See tips for establishing an effective employer brand on pages 14-15.) The Center's research shows that this reputation plays a definite role in a company's talent capabilities. Nearly eight in 10 (79%) middle market executives agree that a good employer brand—one that resonates with candidates and paints the company as a desirable and rewarding place to work—is a must for attracting top talent.

Middle market firms with clear or well-established employer brands, and firms with employer brands that are in development but need continued work, are significantly more likely to express confidence in their company's reputation as a good place to work than companies with less developed brands. Furthermore, approximately eight in 10 (83%) middle market executives at companies with clear employer brands believe those brands play a role in securing and keeping top talent away from competitors. Just two in 10 executives (21%) at firms with less developed employer brands feel the same way.

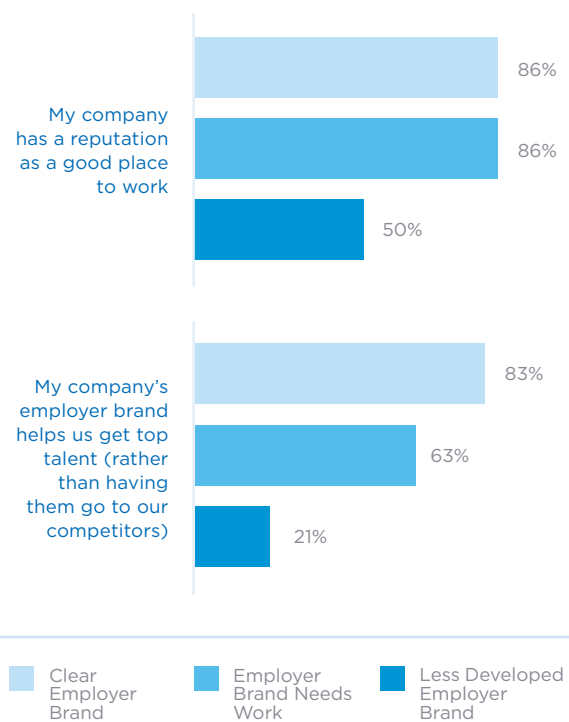
With passive candidates in particular—or candidates who are not actively looking for new opportunities (see next page)—a strong employer brand can be especially critical. Companies that lack a well-defined image or reputation, or worse, that have a poor reputation, are unlikely to turn the heads of candidates who are relatively happy in their current positions.

While a good employer brand can help middle market firms attract the attention of both active and passive candidates, and may help firms overcome the compensation and other hiring challenges with which they contend, middle market businesses that do not have a clear employer brand (or that have a negative image) are at an even greater disadvantage. These firms may have to compensate for the lack of a good reputation by offering candidates more money, something many middle market firms are financially unable to do. In such cases, the firms may be forced to settle for talent that is less than an ideal fit.

79%

*of middle market executives agree that a **good employer brand** is essential to their ability to attract top talent to their company.*

EMPLOYER BRAND ATTITUDES AGREE COMPLETELY/AGREE SOMEWHAT



Active and Passive Candidates: Who's in Your Talent Pool?

According to research by The Novo Group, passive candidates represent the vast majority of talent in the market today.

Passive candidates are people who are currently employed and either open to another opportunity or satisfied with their current job and not looking to make a career move.

In 2015, 60% of the candidate pool is considered passive.

It's highly likely that the best people to fill your top leadership positions are currently employed by somebody else. Yet, despite the fact that the vast majority of the candidate pool is passive, and that the most attractive candidates for top-level positions may not be actively looking, only one in five companies actively pursued the passive market in 2014.

In 2014, only 21% of companies modified recruiting processes with passive candidates in mind.

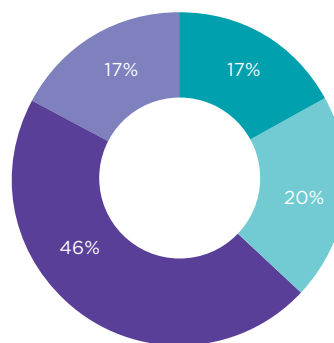
COMPANIES THAT DO CONSIDER PASSIVE CANDIDATES ARE MORE LIKELY TO GROW:

- + **63%** of companies that saw **11%** or more top-line growth in 2014 made a commitment to modify their process when recruiting passive candidates.
- + Only **25%** of companies that experienced shrinking revenue modified their recruiting processes when recruiting passive candidates.

The lesson? Considering passive candidates when identifying talent for key leadership positions can not only help you find more candidates; it can also give you a competitive advantage over other middle market firms.

Additionally, it's important for companies to remember that their own top leaders are another firm's passive candidates. A good employer brand and employee value proposition can play a key role in helping you retain the talent you already have.

2015 CANDIDATE MARKET



ACTIVE CANDIDATES

- Not employed & looking
- Not happy with job & looking

PASSIVE CANDIDATES

- Happy with job & open to other opportunities
- Happy with job & not looking



Jeni's Splendid Ice Creams

Sweetening the deal to win top talent.

THE CHALLENGE:

As a growing company that scoops out creative flavors of artisanal ice cream, Jeni's Splendid Ice Creams doesn't struggle much with name recognition in the central Ohio region where it does most of its business. But like many of its middle market counterparts, compensation gaps and location are a couple of hurdles the company has to overcome in order to win top talent.

Jeni's is headquartered in Columbus, Ohio. Because the company's approach is to seek out passive candidates who are willing to entertain the right opportunity, Jeni's often goes after talented individuals located across the country.

"If someone is located on the coast in New York or L.A., they're not always excited about the prospect of moving to the midwest. This makes it especially important to craft a compensation package that goes beyond salary to include meaningful and unique benefits."

ERIC DUERKSEN

Chief People Officer, Jeni's Splendid Ice Creams

jeni's
SPLendid ICE CREAMS

THE SOLUTION:

While Duerksen says that Jeni's rarely loses out on an amazing candidate solely due to compensation, he says the company's unique **employee value proposition** goes a long way toward attracting passive candidates, offsetting potential compensation gaps, and convincing out-of-state candidates to make the move.

He should know. Duerksen himself was a passive candidate working for a much larger firm when Jeni's recruited him last year. Although he was already located in Columbus, making the choice to move from a position where he was happy and secure came down to the many attributes that make Jeni's unique.

These are the same attributes Duerksen uses to woo other passive candidates today. Key components of Jeni's powerful EVP include:

- + **Rapid growth.** A company that's currently in a rapid growth mode, Jeni's provides candidates with opportunities to lead growth within the company and influence its vision for the future. Being part of the fabric of a growing brand was central to Duerksen's own decision to join the team.
- + **Opportunity for impact.** As a mid-size firm, Jeni's provides top talent with opportunities to contribute to the organization's direction and success more than they might in their current roles.
- + **Meaningful culture.** Duerksen describes the company's culture as "authentic and wholesome" and says the entire leadership team has strong values that clearly come through in how they interact with their people and the community around them.



+ **Active community involvement.** Jeni's genuinely cares and is active in the Columbus area through in-kind donations, philanthropy, and contributions of time. The company is also conscious of its environmental impact and makes an effort to reduce its carbon footprint and use of limited resources. Duerksen says such attributes are especially appealing to millennials.

+ **Collaborative work environment.** The office space itself is comfortable and appealing to potential new hires. Desks are configurable to allow team members (Jeni's speak for employees) the option to sit or stand while they work. The open concept provides plenty of space for team meetings and includes natural and unique gathering places for associates, such as a ping-pong table and meeting rooms with beanbag chairs.

+ **Rewarding extras.** Jeni's benefits package isn't run-of-the-mill. The company includes perks like supplemented gym memberships and paid garage parking, in addition to an onsite ice cream parlor with all the ice cream you can eat. Jeni's also provides a one-month paid sabbatical for every three years of service.

Duerksen says the total package of both tangible and intangible benefits—along with the company's commitment to clearly articulating its employee value proposition and employer brand, specifically in the digital space—gives Jeni's the edge it needs to secure top talent and continue its track record of success.



To Secure Top Talent an Appealing Employee Value Proposition is Equally Essential

A strong value proposition for employees goes hand in hand with a strong employer brand. An EVP is the sum total of both the tangible and intangible rewards and benefits that an individual receives in return for working for a company.

COMPONENTS OF AN EVP INCLUDE:

- + Base pay and salary structure
- + Benefits
- + Job security
- + Company culture
- + Meaningfulness of work
- + Quality of the work environment and associates
- + Opportunities for advancement, training, and development
- + Non-monetary incentives such as recognition and awards
- + Other unique or rewarding attributes of working for a company

Like an employer brand, a good EVP—or a unique and robust EVP that includes attractive offerings across the board—is critical for attracting top talent. (See pages 14-15 for additional details on establishing quality EVPs). When top talent turns down an offer from a middle market firm, the lack of a strong employer brand or employee value proposition is part of the reason nearly 50 percent of the time.

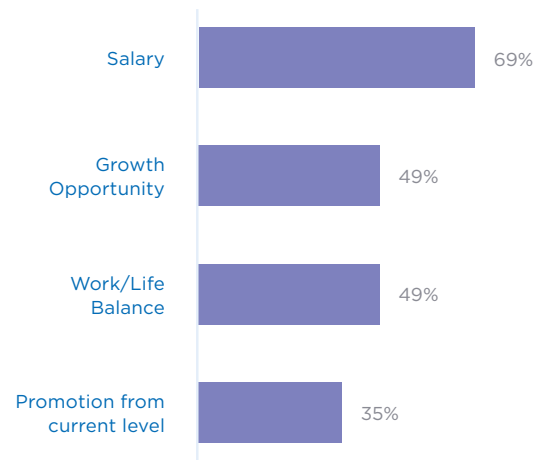
In fact, without a quality EVP, the only thing companies have to offer is money, which is something any competitor can match or beat. The right EVP, however, is much harder to duplicate. It can actually help companies reduce their payroll costs while securing the best talent.

Good EVPs can also increase employee loyalty, which will become increasingly important as market conditions improve and more companies search for talent to fill key leadership positions. Even if an organization's leaders are not currently looking for new opportunities, if the right offer comes along, middle market firms could be at risk of losing their top people. A persuasive EVP gives top talent reasons to come and to stay onboard, and it can help protect middle market firms from losing their best and brightest to potential poachers.

50%

*of the time, top talent turns down an offer from a middle market firm because of the lack of a **strong employer brand or EVP.***

WHAT ATTRACTS THE ATTENTION OF PASSIVE CANDIDATES?



While the research shows that generous salary and benefits packages are important, middle market companies obviously have much to gain by promoting opportunities for growth and advancement along with the unique attributes of their firms' cultures.

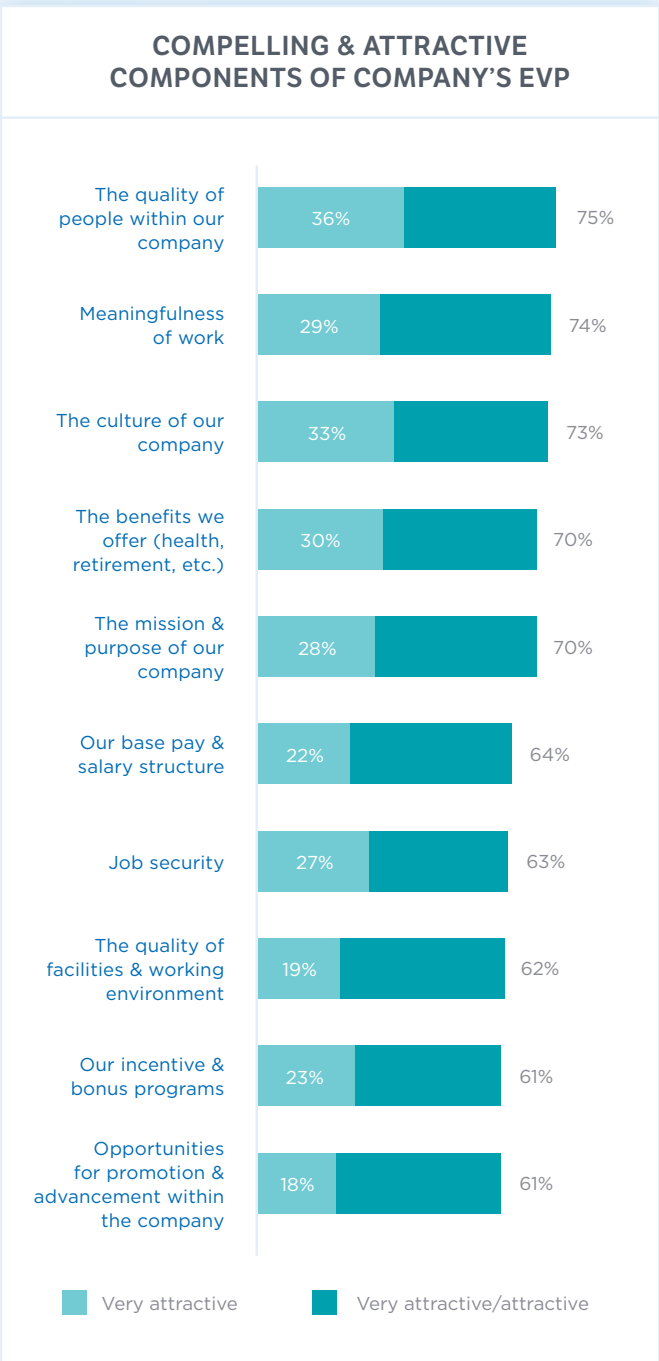
The Best Employee Value Propositions Include a Wide Range of Attractive Components

The Center’s research shows that middle market firms with the most compelling EVPs offer a wide variety of both tangible and intangible benefits, including financial incentives. However, for most middle market firms, a positive work environment plays a larger role than financial rewards.

Specifically, three quarters of executives at middle market firms feel that the quality of their colleagues is an important and attractive component of their EVP, with approximately the same percentage of executives listing meaningfulness of work and company culture as key to loyalty and engagement. Just 64% of executives cited base pay and salary structure as very attractive or attractive components of their EVP, while 61% cited incentive and bonus programs.

From the candidates’ perspective, money certainly matters. But top-talent candidates are likely to be attracted by other factors. Research from The Novo Group shows that while salary is what ignites the initial interest of passive candidates, it is rarely decisive. Nearly half of these candidates are also interested in work/life balance and opportunities for growth. For more than a third of passive candidates, opportunities for a promotion would be an attractive reason to consider a change.

3/4
of executives at middle market firms feel that the quality of their colleagues is an important and attractive component of their EVP.



Most firms feel that elements of the work environment, such as quality of employees, meaningfulness of work and company culture are more compelling than salary, job security and bonuses.

An Established Employer Brand and Compelling Employee Value Proposition Are Strongly Correlated with Company Performance

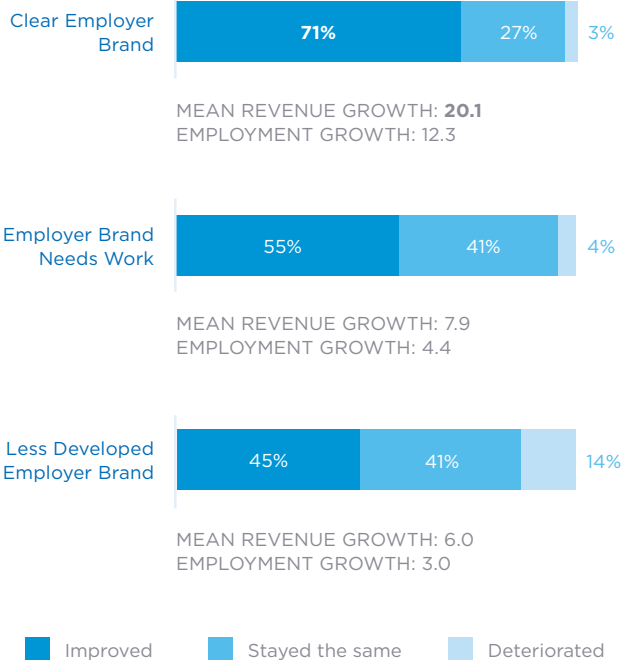
Beyond their role in attracting, securing, and retaining top talent, clear employer brands and employee value propositions are closely tied to better performance and significant revenue and employment growth in middle market firms.

Among the 25% of middle market companies with a clear and effective employer brand, 71% report improved company performance compared to just 55% of firms with employer brands that need more work, and just 45% of firms with less developed employer brands. The organizations with the strongest employer brands also report significantly higher mean revenue and employment growth over the past 12 months than their counterparts.

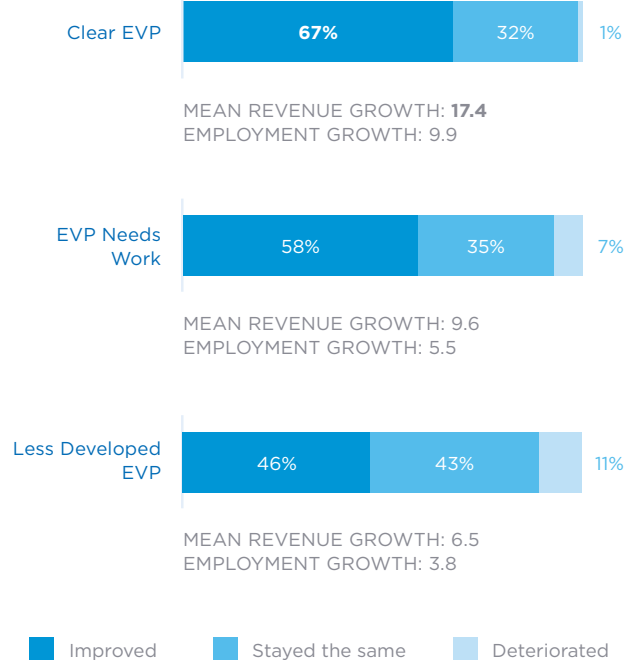
These businesses saw revenues grow by 20% and workforce grow by more than 12%. Firms with employer brands that need work experienced just under 8% growth in revenues and only 4.4% employment growth.

Similarly, the 23% of middle market companies with a strong employee value proposition significantly outperformed firms with less developed EVPs. Close to seven in 10 organizations with a strong EVP saw performance improve; these firms experienced 17.4% mean revenue growth and nearly 10% employment growth in the past year. Only 46% of companies with the least developed EVPs saw an improvement in performance, and they experienced significantly less growth.

OVERALL COMPANY PERFORMANCE BY STRENGTH OF EMPLOYER BRAND



OVERALL COMPANY PERFORMANCE BY STRENGTH OF EVP



Only about a Quarter of Middle Market Companies Have Strong Employer Brands and Employee Value Propositions in Place

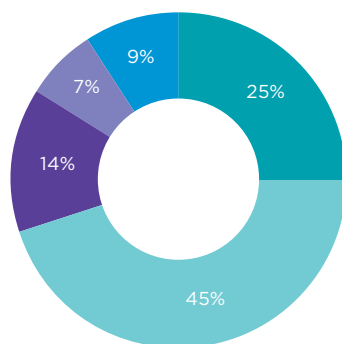
Despite the clear advantage of employer brands and employment value propositions in attracting and retaining top talent, only about a quarter of middle market firms are satisfied with their current versions. Specifically, 25% of middle market executives say their companies have a clear employer brand that works for the business and 23% say they have a compelling EVP that benefits their organization. Companies that have clear employer brands and EVPs are just as likely to be on the small end of the middle market revenue spectrum as they are to be on the large end. In other words, the size of the firm is not closely tied to where they are in developing their employer brand.

Across all middle market revenue segments, approximately four in five middle market companies have an employer brand and/or employee value proposition in place, but they need additional work to improve their effectiveness. Around 20 percent of middle market companies have made minimal to no progress establishing these resources. But only around one in 10 middle market companies has no plans to work actively on establishing an employer brand or an EVP.

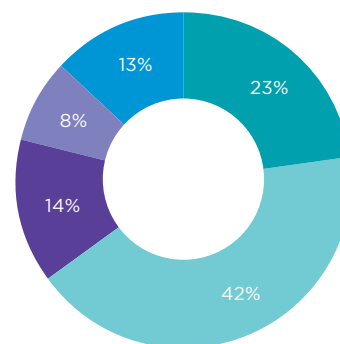
Clearly, middle market companies understand the importance of well-defined employer brands and employee value propositions. By investing the time to evolve or establish each, these businesses can gain a critical edge in the stiff competition for top talent.

FEW MIDDLE MARKET COMPANIES HAVE STRONG EMPLOYER BRANDS & EVPs

HOW STRONG IS YOUR EMPLOYER BRAND?



HOW STRONG IS YOUR EMPLOYEE VALUE PROPOSITION?



- We have a clear one that we are satisfied with and that works for us
- We have one but it is something we need to continue to work on to make it most effective
- We have started work on it but have not yet made much progress
- We have not yet started working on it but have plans to do so
- We have no current plans to work actively on it

How Middle Market Companies Can Establish an Effective Employer Brand & EVP

A great employer brand and EVP do not have to cost any money to create. However, establishing each doesn't happen overnight. The process takes time and a commitment from senior management. But the rewards more than repay the effort. Firms can take advantage of the following best practices for building the most compelling and effective employer brands and EVPs:

1. Recognize that all firms have employer brands, whether they know it or not.

Just because a firm has not defined its employer brand on paper does not mean that the brand does not exist. If you have employees, they have an opinion about what it's like to work for your company, and they have shared their opinion with others.

Before you can begin creating or fine-tuning your employer brand and EVP, take the time to understand your firm's current reputation. Start by talking candidly with employees and prospective job candidates to find out what they like about your company—and what they don't. Ask them how they describe the company to their friends. Businesses with the most compelling employee value propositions also seek out opinions from the general public.

Other good sources of information about your company's reputation include:

- + Employee surveys—anonymous surveys may encourage employees to give a more honest assessment of your firm's value and culture
- + Mentions of your company on the Internet, including employment sites such as Glassdoor (www.glassdoor.com)
- + Mentions of your company in traditional and social media, so-called “social listening”
- + What you learn in exit interviews about why employees are leaving
- + What you learn from candidates who turn down an employment offer
- + Reputation monitoring by a third-party company

Remember to have an open mind about what you learn and try not to let your own biases influence this valuable information. You may want to work with an external marketing partner to help you evaluate your existing employer brand. Such a company can distill the information you collect from employees and other sources and pinpoint the insights that are most relevant.

2. Brainstorm ways to strengthen and differentiate your brand and EVP.

Once you have a solid understanding of your company's reputation, you can build on the strengths and look for ways to overcome weaknesses to arrive at the most appealing brand and EVP. Engage your senior leadership team in an in-depth discussion, and encourage them to think creatively about what your firm can offer that will resonate with top talent candidates and set your organization apart.

Be sure to consider:

- + **What your company can do as a mid-sized firm that larger and smaller organizations cannot.** For example, you may be able to offer associates more responsibility or influence or more face time with the company's CEO.
- + **Factors that tie directly into your company's brand.** If your company is in the health and fitness industry, can you offer discounts on fitness club memberships or fitness-themed company outings? If you're in the ice cream business, do you have a cooler stocked with treats for employees to enjoy?
- + **Your growth rate.** If your company is growing faster than the industry average, that by itself is a significant attractor.

“Rapid company growth is always a draw for top-level recruits because it translates in to greater opportunities for professional development, especially if your company can offer an opportunity to get in on the ground floor and significantly contribute to developing your business or growing a new branch or division.”

ERIC DUERKSEN

Chief People Officer, Jeni's Splendid Ice Creams

- + **The intangible as well as the tangible.** Companies with the strongest EVPs offer well-rounded advantages that go beyond compensation and benefits. Is the work your company does meaningful? Is your company's purpose and mission enviable? Does your business support or give back to the community? These benefits can be as important to top talent candidates as the bottom line.
- + **Benefits or perks that don't cost money.** Sometimes the most compelling components of an EVP do not cost much or any money at all. For example, can you provide a relaxed dress code? Are you able to offer flex-time?
- + **What appeals to millennials.** Today's millennials are tomorrow's leaders, and they have distinct ideas about what makes a great employer. Consider what the new generation values—such as experiences that can help them grow, obtaining meaning from their work, access to great technology, space for socialization and collaboration, and honest feedback—and work these attributes into your brand.

3. Create an authentic and genuine brand and EVP.

The employer brand and EVP cannot feel contrived or slick. Middle market executives caution against creating a brand that's too trendy or feels like the "flavor of the week."

It's critical for each of these to be an accurate and organic reflection of what it's like to work for your company. While the brand can evolve over time as your company grows, the core elements should remain consistent and true to your firm's DNA. Keeping it real will allow your employees and senior leadership team to get behind your brand and help you promote it to potential candidates.

4. Involve your marketing people in the process.

Your marketing experts should play a role in defining your employer brand and EVP. After all, branding is their expertise. They can help differentiate your offerings and articulate them in a meaningful way. Marketing experts can also help ensure your employer brand is consistent with your company's overall corporate brand.

The senior director of human capital at a middle market healthcare technology company says her company's marketing team played an instrumental role in defining the employer brand and ensuring it was complementary to—but not the same as—the corporate brand. While the company's corporate brand emphasizes its professionalism, expertise, and authority, the employer brand stresses the cutting-edge

vibe of the company, dynamic environment, and opportunities for professional growth. The nuances in the employer brand help the firm attract the energetic and creative thinkers it needs to thrive.

5. Clearly articulate your EVP.

More than half of middle market businesses with a strong employer brand have a mission statement, documented company values, and a strong culture that they are able to articulate to current and prospective employees..

Creating a document that outlines components of the EVP and describes the benefits of working for your company can be an effective strategy. Such a document can be shared with prospective candidates, ensuring that they hear a consistent message and that you don't leave out anything important when talking with them about what it's like to work for your business.

It's also important to consider the visual aspects of your employer brand and how it comes across on platforms such as your website, a dedicated career site, social media, and tools your organization may use at recruiting or employment fairs. How your brand looks and feels should reinforce the messages you promote to prospective candidates.

6. Make use of your brand and EVP in your recruiting efforts.

The vast majority of firms with an established employer brand actively promote it in different ways, including:

- + Referral incentives
- + An enhanced interview process
- + Social media
- + Community outreach events

Middle market executives say that being able to package and deliver the employer brand message is critical to building awareness among candidates as well as existing employees.

Specifically, you should not overlook the digital space when it comes to promoting your employer brand and EVP. Just as your firm does its homework to research candidates, you can count on candidates' researching you. And they will do a lot of the legwork online. Candidates should be able to get a strong sense of your culture from your web site and social media sites and the content you publish, such as blog posts or branding videos. You may want to consider featuring real employees in these branding elements to deliver a truly authentic picture of your company.

Additional Best Practices for Sourcing, Attracting, and Retaining Top Talent

Beyond building a strong employer brand and employee value proposition, the middle market firms that are most successful at attracting, onboarding, and retaining top talent are likely to:

1. Understand the candidates they want to target.

The Center's research shows that a candidate's fit with the value and culture of the company is the leading factor considered by middle market executives when filling key leadership positions.

The fact is, not all qualified candidates are going to mesh well with your organization's culture or thrive in your environment. Determining the type of individuals you want to attract early on in your recruiting process can help you zero in on the best candidates and streamline your process.

Some middle market firms recommend working with marketing professionals to define your ideal candidate. Professionals can help you target your employer brand message to the right people and determine the best ways to reach those individuals.

2. Consider the competition.

Middle market companies that win top talent know with whom they are competing, including other middle market firms and larger and smaller organizations.

Remember, competitors come in two flavors: direct competitors and talent competitors.

DIRECT COMPETITORS

Direct competitors are your industry rivals.

TALENT COMPETITORS

Talent competitors are businesses with whom you compete for talent. They may not be in your industry, but you still must compete with them for the best of the best, because they are in your town, for example.

3. Place a premium on attracting top talent: Top performing middle market companies, what we call Middle Market Growth Champions, are nearly twice as likely as their peers to place a premium on attracting top talent.

In middle market companies that are serious about attracting the best people, senior management plays an active role in the process. If your company promotes the fact that candidates will work with the CEO, then the CEO should be a part of the interview process. By involving top leaders in recruiting and interviewing, instead of assigning HR sole responsibility, middle market companies can clearly demonstrate the value they place on securing the best candidates.

4. Be on the lookout for good people, whether you are hiring or not. Be ready to mention your company and its advantages to talented people outside your organization who could be future candidates for your top jobs. Then be sure to keep in touch with them. When a position becomes available, you will already have an established relationship with some great potential candidates.

5. Use resources for identifying top talent such as LinkedIn and professional recruiters. The Novo Group's research shows that passive candidates are open to looking for and discussing opportunities more on LinkedIn than any other source. Passive candidates also rely more on recruiters and referrals than the active market, while active candidates concentrate on LinkedIn and the top job boards.

“Our company has had success with passive candidates by taking advantage of the recruiting features and the other bells and whistles available on LinkedIn. We also invest in ensuring our LinkedIn profile speaks to and draws in the specific type of candidates we want to attract.”

ERIC DUERKSEN

Chief People Officer, Jeni's Splendid Ice Creams

6. Establish a referral program. Almost half of middle market firms count on employee referrals to help identify top talent candidates. Creating a referral program that rewards associates for bringing qualified candidates to the table can help expand your pool of potential new hires.

7. Find cost-effective ways to build awareness among top talent. It doesn't have to cost a lot of money to build awareness of your employer brand. Look for opportunities to participate in 'best places to work' programs or competitions in your area or industry.

You may also want to consider an internship program or other ways to get involved with area business schools, such as sponsoring student competitions or clubs, providing workshop space or hands-on-learning opportunities, volunteering to serve as a guest speaker or teacher, or participating in mentorship programs. Such activities create awareness while establishing solid relationships with premier business students who will ultimately become leading job candidates.

“Jeni's makes every effort to network with major universities, small business leaders, and community organizations in the area. Connecting with the community is not only central to our brand, it also pays dividends when it comes to finding top candidates. We often reach out to our network when we're looking for a specific candidate. Time and again, we receive quality referrals based on the connections we've made.”

ERIC DUERKSEN

Chief People Officer, Jeni's Splendid Ice Creams

8. Maintain an active list of top talent both in- and outside your company.

A little more than half (52%) of middle market firms currently maintain a list of top talent that could backfill key leadership positions. Larger middle market firms are significantly more likely to do this than their smaller counterparts.

“Our company makes every effort to talk to strong candidates whether the organization has a current opening or not. Maintaining a good pipeline ensures the company knows who to reach out to when the time comes to make a hire.”

LYN BULMAN

*Executive Vice President of Global Human Resources,
Fellowes Inc.*

9. Be flexible enough to work top people into the organization.

When you find a qualified candidate with an exceptional skill set that's a great cultural fit for your organization, consider finding a place for that person sooner rather than later.

“Our company has been known to modify or rework our organizational chart to make a spot for an ideal candidate. We're flexible when it comes to fitting in the right people. If we have a vision for a future position or opening, and we find a great candidate, we'll accelerate our plans so we can bring the person on board.”

LYN BULMAN

*Executive Vice President of Global Human Resources,
Fellowes Inc.*

10. Move quickly. Middle market firms that are not efficient in the interviewing and hiring process or that are unable to make quick decisions risk letting a great candidate slip away. When top talent turns down offers from middle market companies, the organization's inability to move quickly factors into the reason 63% of the time.

11. Reward Top Talent. Growth Champions are 38% more likely than other middle market firms to tie compensation to growth goals. Finding ways to reward top talent for its contributions can help keep your people engaged and working at their highest potential.

Put Your EVP to the Test

Almost a quarter of middle market executives say their businesses have a compelling EVP that works well for the company. If your organization is in this camp, ask yourself the following questions to make sure your EVP is working as hard as it should:

- + Is what your employees think and say about your firm's EVP consistent with what senior management believes?
- + Does your EVP address what's most likely to attract passive candidates—i.e., competitive salary, growth opportunities, work/life balance, and opportunities for promotion?
- + Does your EVP include elements that differentiate your business from larger companies, such as more face time with the CEO, more say in company decisions, or less travel?
- + Does your EVP differentiate you from competitors in your industry or in your town?
- + Does your EVP reinforce or leverage your company's overall brand?
- + Are your hiring managers on board with your EVP? Can they clearly articulate the unique benefits and rewards of working for your company?
- + Are you taking advantage of all the resources for promoting your EVP and employer brand, including referral incentives, your interview process, and social media?



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