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Employer Brand: A New Component of Ownership Specific Advantage of Eclectic Paradigm

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Abstract:
Ownership Advantage, a sub-paradigm of OLI paradigm formulated by J.H. Dunning is a set of determinant factors of foreign direct investment (FDI) and the foreign activities of multinational enterprises (MNEs). For making a strategic decision of FDI MNEs must have some firm specific advantages compared to the enterprises in the host economy. Ownership Specific Advantage is a combination of firm's assets (tangible and intangible) and capabilities of arranging assets that provide it competitive advantage in its foreign business operation. Employer Brand is organization's intangible asset and at the same time, unique capability of attracting and retaining prospective and current talented employees. This study intends to integrate employer brand with the existing components of Ownership Advantage of OLI paradigm explaining how Employer Brand enriches a firm to enjoy competitive advantages in foreign business operation.

Key words: *Eclectic Paradigm, Employer Brand, Foreign Direct Investment, Ownership Advantage*
JEL Classification Code: *F16, F21, F23, J24, J81, M16, M51*

1. Introduction
Since Eclectic Paradigm was first put forward by Dunning in 1977 a plethora of literature has come with necessary revision and extension of this paradigm during the last three decades. Scholars, academicians and practitioners have enriched the theory of OLI with empirical literature on the paradigm. Dunning himself caused several revisions of the three sub-paradigms when he considered liberalisation of economies and global business expansion at the later part of last century. Emergence of knowledge economy made him integrate some 'knowledge intensive assets' with the components of the paradigms (Dunning, 2000).
Employer Brand is relatively a new concept in the area of Human Resource Management. With the emergence of the concept of employer branding, human resource practitioners started utilising this to make skilled and efficient candidates en route their firms. MNEs were keen to establish themselves as the best employers in their industries. Employer Brand being intangible asset is exploited by MNEs to gain competitive advantages abroad. Employer Brand is firm's competence by which it can attract talented host country nationals when a cross border investment is made either in the form of horizontal or vertical FDI.

2. Objective of the Study
The primary objective of this study is to consider Employer Brand as an element of Ownership Advantage (a sub- paradigm of OLI paradigm) with an eye to spawning empirical studies on the proposition.

3. FDI and Eclectic Paradigm
Foreign direct investment (FDI) is a kind of investment by a foreign individual or an institution in the business or production in host country with a considerable control over the capital, business and other operations. Foreign portfolio investment (FPI) is a category of investment instruments that is more easily traded, may be less permanent, and do not represent a controlling stake in an enterprise. These include investments via equity instruments (stocks) or debt (bonds) of a foreign enterprise which does not necessarily represent a long-term interest (www.imf.org, 2013). Developing nations get multi-dimensional benefits from inward FDI. It propels the economic growth of the recipient country as it is an investment of foreign assets into domestic structures, equipment, and organizations. Cross border investment made by transnational traders seeks opportunity of global business expansion or finds a room

abroad from where they can harvest cost benefits. Thus one MNE's decision of making cross border investment is greatly influenced by a set of unique advantages which the enterprise already has or has the potential of attaining in the land where it is going to invest.

Eclectic Paradigm of international production introduced, by John. H. Dunning is a combination of three sub-paradigms namely Ownership Advantages (O), Location Advantages (L), and Internalization advantages (I). The OLI model was widely applied to explain entry mode decisions and its basic ideas were supported by several empirical studies (Zhao & Decker, 2004).

Ownership specific advantage is such assets or capabilities of a firm which can be exploited by the firm to win over its competitors in global market. 'O' specific advantages include the size, technical efficiency, patent, knowledge, entrepreneurial skills, brand(s) and many other elements which became relevant over time.

The eclectic paradigm recognizes the importance of the Locational advantages of countries as a key determinant of the foreign production of MNEs (Dunning, 1998; 2000). 'L' specific advantages signify a bundle of physical, social and economic elements of the country where FDI occurs or intends to occur. The locational factors which influence FDI decision are natural and human resources, cultural and linguistic affinities, government policies, existing market structure, transportation system and industrial infrastructure, presence of business facilitators, statutory job conditions and labour wage rate, etc.

'I' specific advantages are firm's unique advantages which discourage it from making FDI in joint venture with a foreign corporation or from issuing franchisee to any foreign enterprise. 'I' advantages are interwoven with 'O' advantages as Internalization advantages encourage firms to create and exploit their core competencies.

4. Employer Brand

The term Employer Brand was first introduced to human resource management during the last decade of the last century. Employer Brand is a firm's unique identity by which it attracts and retains potential and existing employees. Employer branding is utilized by business organisations both externally to attract potential employees, and internally to increase commitment and loyalty among current employees (Jonze et al, 2012).

Globalization of trade and liberalization of economies made the world labour market competitive. Multinational corporations are trying continuously to enhance their reputation as employers. Human Resource practitioners are engaged in achieving competitive advantage in labour market by glorifying the image of the organization which offers their prospective employees attractive pay and benefits, great corporate environments, education and opportunity of career development, good working conditions, empowerment and ownership feelings, best performance appraisal and rewards. The above elements act as determinants of Employer Brand in following way;-

4.1. Salary & benefits

Multinational brands like Google, Microsoft, Apple, Ernst & Young, and Procter & Gamble offer the best salary in the industry and attract the best people towards them. Researches in the area of Human Resource Management evolve new benefits by which talents are allured. Reputed MNEs provide their employees some facilities like pick and drop, food and accommodation for expatriates and travel allowances that are much desired by workers.

4.2. Corporate Environment

Organizational culture is developed within the organization but it influences prospective employees and other stakeholders outside. Good relation between the managers and the managed, team work, dedication for achieving common goal, customer or client oriented drive, etc. enriches corporate culture of a firm. This culture catches the attraction of the employees engaged in the firms of same industry.

4.3. Education and Career Development Opportunity

Training and career development opportunity offered to the employees of an organization not only increases the productivity of the employees but it enhances the employer brand. Most of the talented employees seek a continuous development of their careers while most of the firms have a strategy of creating next generation leaders from the employees who have potential to be the same. Thus human resource development benefits both employees and employers. A special training programme launched by a firm may give it enough competitive advantage in the industry. 'Pegasus' is Coca-Cola India's flagship programme to develop functional experts each year, enhancing their skills, to take on future roles within the Company (www.cocacolaindia.com, 2014)

4.4 Working Conditions

Working condition is a variable that influences employees' productivity greatly. Apart from that, employees too prefer a good working condition which includes location of the factory or office, convenient work time, pollution free production process, etc. Candidates, irrespective of nationality, are attracted to the employers offering comfortable working conditions.

4.5. Empowerment and Ownership Feelings

One of the great strategies of retaining existing productive employees is empowerment. It is a widely practiced corporate culture to empower the employees with right to make decision related to their responsibility. A strategy of profit sharing by the way of distributing company's share as incentive makes the employees feel themselves as owners of the company. This strategy causes the existing employees to be more responsible towards their jobs and makes the candidates interested in the corporations offering these facilities.

4.6. Performance Appraisal

All who works wants his performance to be evaluated regularly. Great employer brands publish the way of appraising the performance of their employees in their website. In the recruitment advertisement they even state the way how the evaluated performance relates to the career development opportunity.

5. Employer Brand as Ownership Specific Advantage

In 1983 Dunning distinguished between asset (a) and transaction (t) – the two types of Ownership advantage of MNEs (Dunning, 1983; 1988). Ot advantages include those unique capabilities of firms which enable them to create and organize assets during their business operation in the host country. Employer brand falls under the Ot category. Employer brand is such an advantage that is utilized by investing companies, while FDI occurs both as Greenfield investment and as Merger and Acquisition. MNEs exploit this unique advantage by engaging and retaining the best human resources from the host country.

In the case of technology transfer MNEs usually depend on the efficiency of the expatriates of the home country. Employer brand plays a pivotal role here in tempting the expatriates to a challenging job in an unknown business environment. If a foreign firm introduces new product or process in their affiliates in a host country, domestic firms (and in fact also other foreign owned firms) may benefit from a faster diffusion of new technology through worker mobility between foreign owned and other local firms. The diffusion of new technology (Ot & Oa) can be prevented (to continue enjoying monopoly) if the firm who owns the technology, holds the advantage of Employer brand.

Resource seeking FDI decision takes into consideration the fact that the firm has the ability to add value to the resource available in the recipient country. But the process of value addition needs optimal use of human resources. Being an attractive employer the investing corporations can enjoy quasi-monopolistic advantage by engaging the skilled and experienced host, home and third country nationals as their employees.

In the case of market-seeking FDI the investors produce goods and services in their subsidiaries in the host country where they find a big target market or in such a location that is close to the market. Here the combination of all the three advantages (OLI) is considered as the determinant of FDI. The sole aim being to gain market share the firms need marketing personnel who are well accustomed with the culture and languages of the market in which they operate. In such cases Employer brand stands as an Ownership specific advantage for the firms and the same is experienced in the case of 'Flying Geese' FDI.

6. Conclusion

Since Employer Brand is the reflection of a firm's core competence, it is evident that Oa advantages beget Ot advantages. On the contrary, Employer brand creates assets (human capital) by collecting great talents of the land where the firm has already invested its assets. Employer brand is such a component of Ownership Advantage that is created and/or enhanced through the firm's business operation in the host country. Thus in the new era of Knowledge Economy, Employer Brand emerges as one of prime importance as a holding advantage of a firm for cross border investment. From that point of view and also in its own merit, Employer brand deserves its position in the Ownership (Ot) specific advantages of Eclectic Paradigm.

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