

CHAPTER I

INTRODUCTION

1.1 Background of the Research

In today's highly competitive business world, companies are striving for sustained competitive advantage. In addition, competitive advantages of differentiation have shifted from product and process into human capital (Barney and Wright, 1997). It shifted as the products and services are more easily replicated, and the technological development results in the needs of business for fresh innovation and rapid adaptation, which requires a qualified workforce that can deliver superior performance. Thus, a company could achieve an advantage if it can find and retain qualified employees better than its competitors (Boxal, 1995; Sivertzen et al., 2013). Moreover, reputation is an intangible asset that can contribute to the achievement of sustainable competitive advantage of differentiation for the organization (Walsh and Beatty, 2007). According to Sivertzen et al. (2013), reputation is described as what job seekers emphasize when they are considered applying for a job.

World Education News + Review (2019) stated that Indonesia is only had 9% of people over the age of 25 years that at least had attained bachelor's degree in 2016, which make Indonesia labor force unequipped for several occupations. Moreover, there is only a small percentage of Indonesia's best universities produce optimally qualified graduates each year (Otto, 2013). According to Ewing et al. (2002), a

shortage of skilled workforce is an upcoming problem of possibly permanent nature. As to the lack of proper education in the country, Indonesia is predicted to have a talent shortage by the year 2020, specifically for middle and senior management positions (Euromonitor International, 2015). As a consequence of the shortage, companies need to deal with the war over talent, where competition in attracting a talented workforce has become fiercer than the competition for customers. Thus the companies need to reconsider the strategies for attracting and retaining talented employees and companies will need strong employment brands (Ewing et al., 2002).

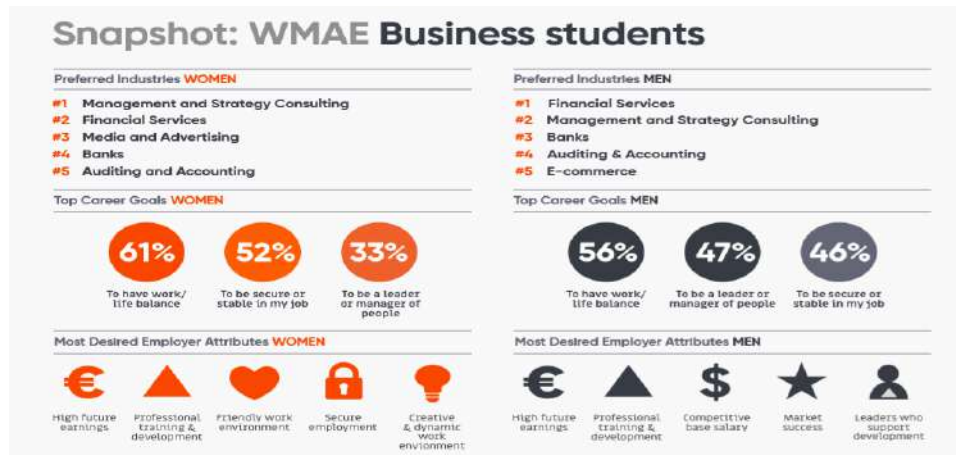
The term of employer branding was first introduced by Ambler and Barrow in 1996, they defined it as the package of functional, economic and psychological benefits provided by employer and identified by the employees (Amble and Barrow, 1996). Employer branding aims to create the positive image of the company as a great place to work for in the minds of potential employees (Ewing et al., 2002) and a concept that is closely related to that is employer attractiveness (Berthon et al., 2005). Employer attractiveness is the envisioned benefits that a potential employee sees in working for a specific organization (Berthon et al., 2005). Employer attractiveness is used by the company as a new way to create and communicate its employer brand to potential employees within the intention to attract talented and superior applicants (Larsson and Rosell, 2014). The fundamental condition of attracting and retaining superior employees is an important factor that companies should consider as it can help to improve efficiency and enable differentiation (Wright et al., 1994).

Companies are striving to be attractive to attract potential employees, in order to successfully compete in attracting employees, companies need to understand what factors that potential employees finds attractive from the company and what is the potential employees want from the company. The attraction stage in the recruitment process is crucial because in this stage, it generates the intention of the targeted applicant to apply for a job vacancy. So, when the applicant found a company is attractive, they will have the intention of applying for a job in a specific company and having the possibility to continue for the next process of recruitment (Gomes and Neves, 2011). Moreover, potential employees are more likely to apply for a job at a company that has a positive company reputation, and the better reputation the company has, the more attractive it is perceived to by potential employees (Edwards, 2010).

According to International Labor Organization (2016), the larger proportion of Indonesian students were studying business and finance compared to other countries in Association of Southeast Asian Nations (ASEAN). Moreover, according to a survey of “World Most Attractive Employers 2019” conducted by Universum - a global employer brand research, strategy, and communication firm found that banks became the four most preferred industries according to business students (Universum, 2019).

Figure 1.1

Most Preferred Industries According to Business Students



As shown in figure 1.1, male business students most often choose careers in banks rather than female business students, and male business students rank banks in the 3rd rank of their preferred industry while women business students rank banks in the 4th rank of their preferred industry. This is because they put greater interest in work-life balance and job stability to their career goals, and they believed banks can provide their interest.

Faculty of Economics of Andalas University established in 1957 and located in Limau Manis, Padang City, West Sumatera Province. To prepare its graduates to become qualified and ready to compete globally, Faculty of Economics has International Accreditation of The Alliance on Business Education and Scholarship for Tomorrow, a 21st-century organization (ABEST21) and the three major of the undergraduate program which are Accounting, Management, and Economic Development in Kampus Limau Manis has been awarded “A” accreditation by Badan

Akreditasi Nasional Perguruan Tinggi (BAN-PT). Moreover, the Management Major and Economic Development Major are in the process to obtain international accreditation from ASEAN University Network-Quality Assurance (AUN-QA). Many of the Faculty of Economics' alumni have been working in several industries and companies from local to multinational. In addition, according to the data of Career and Counselling Centre Andalas University, banking becomes one of the most preferred industry among alumnae of Faculty of Economics' alumni.

Table 1.1
Faculty of Economics' Alumni who work in Banking Sector

Year	Total Respondent	Frequency	Percentages (%)
2017	121	26	21,48%
2018	202	43	21,28%
2019	251	32	12,75%

Sources: Career and Counselling Centre Andalas University, 2019

By the data above, among Faculty of Economics' alumni who have followed the survey, found there are 21,48% of Faculty of Economics' alumni works in the banking sector, and in the year of 2018, the percentage is decreasing into 21,28% but for the frequency is increasing, and for the year of 2019, the percentage of Faculty of Economics' alumni works in the banking sector is decreasing into 12,75%, but the frequency is not much different from the previous year. The data shows that the Faculty of Economics' alumni still have the highest interest to work in the banking

industry, which also means that the bank is found attractive by the Faculty of Economics' alumni.

According to Forbes (2018), PT Bank Mandiri is listed in 11th ranks of World Best Employer in 2018, the survey was analyzed more than 430.000 top global companies, employees were asked to assess the company they are employed to see how much the employees admired their employers and also assess the extent to which employees will recommend their employer to their families and friends. In this survey, PT Bank Mandiri becomes the only Indonesian company that occupies the top 20 positions. In addition, a survey conducted by Universum in 2017 listed PT Bank Mandiri in 20 Most Attractive Employers in Indonesia, the survey asked Indonesia university students to assess which employer characteristics are most influential as they consider future employment and which employer brands they most admire (Universum, 2017). This achievement has indicated that PT Bank Mandiri is found as an attractive employer in the minds of current and potential employees, this is because PT Bank Mandiri has their desired attributes, which it makes the bank has a good reputation in the eyes of current employees and potential employees.

PT Bank Mandiri is a state-owned bank that operates in the commercial banking service and has been established in 1998. The bank was formed by the merger of four state-owned banks that has a history in contributed to the beginning of the Indonesian banking sector. PT Bank Mandiri has become the largest bank in Indonesia in terms of assets, loans, and deposits and became the first bank in Indonesia that achieves the status of an international bank according to the Indonesian

Banking Architecture with Capital reached Rp 62.7 trillion or equivalent to USD 6.9 billion in 2011. Moreover, PT Bank Mandiri is actively recruiting employees. The bank has a program for fresh graduate students called Officer Development Program (ODP), the program is basically required fresh graduates with business or economic background to fill several Officer Development Program (ODP) opportunities in the company. The program is to prepare fresh graduates for leadership positions by training them in a challenging environment and intensive training and job rotation across the different departments of the banks (Bank Mandiri Website, 2020).

An issue mentioned regarding the need for superior employees to the prediction made by Ewing et al. (2002), that a shortage of skilled workforce is an upcoming problem that will result in high competition for talent. Banks is promising in Indonesia, Ernst and Young Global Limited (2017) stated that the rapid growth of the Indonesia banking sector in recent years has made it very competitive, including the search for a talented workforce. In the matter of skilled potential employees, Ewing et al. (2002) mention final-year undergraduate university students.

This study would like to identify the concept of employer attractiveness through corporate reputation from the perspective of potential employees and their intention to apply for a job. Final-year undergraduate students of the Faculty of Economics of Andalas University are represented as potential employees and PT Bank Mandiri represents as an employer in this study. Therefore, this study is purposed to identify, analyze, and elaborate on the causes of the student's intention to apply for a job into research entitled.

“The Mediation Role of Corporate Reputation on the Relationship between Employer Attractiveness and Student’s Intention to Apply for A Job at PT Bank Mandiri”

1.2 Problems Statement

Based on the research background, the researcher believes it important to understand the mediating of corporate reputation towards employer attractiveness and students’ intention to apply for a job.

Therefore, the researchers hypothesize four research questions to analyze the problems:

1. How does the employer attractiveness influence corporate reputation?
2. How does corporate reputation influence students’ intention to apply for a job?
3. How does employer attractiveness influence students’ intention to apply for a job?
4. How does employer attractiveness influence students’ intention to apply for a job mediated by corporate reputation?

1.3 Objectives of the Research

According to problem identification, the objectives of the study are:

1. To analyze the influence of employer attractiveness on corporate reputation
2. To analyze the influence of corporate reputation on the student’s intention to apply for a job
3. To analyze the influence of employer attractiveness on student’s intention to apply for a job
4. To analyze the influence of employer attractiveness on student’s intention to apply for a job mediated by corporate reputation

1.4 Contribution of the Research

1.4.1 Theoretical Contribution

This study aims to provide a theoretical contribution of factors that influence student's intention to apply for a job in order to help employers to be a success in attracting potential employees, as it becomes fiercer because of the war over talent in the banking industry. The study also aims to be a reference by providing information that could be used for future research of those who are interested in investigating the same research topic.

1.4.2 Practical Contribution

The result of this study can be useful for the banking industry as guidance to attract more potential employees by providing information that can improve its attractiveness by having a good corporate reputation.

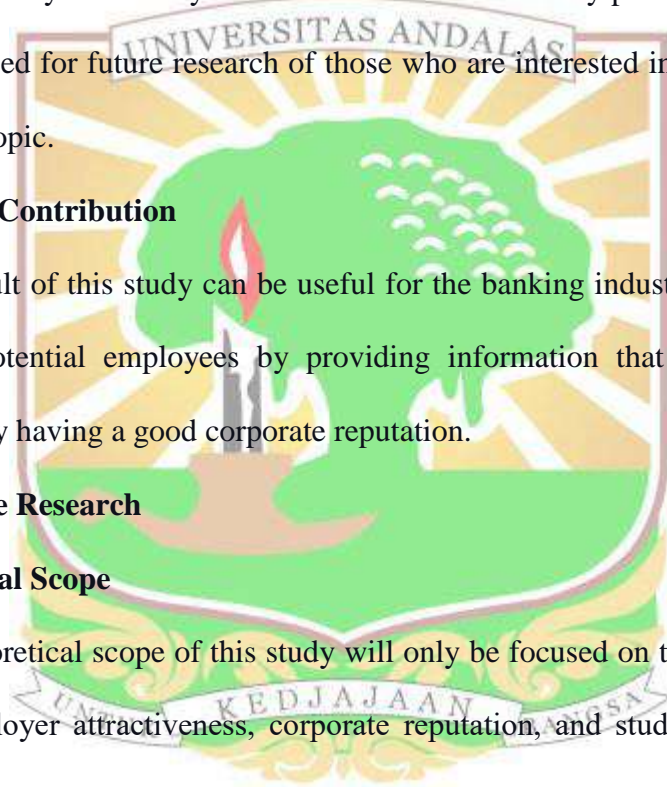
1.5 Scope of the Research

1.5.1 Theoretical Scope

The theoretical scope of this study will only be focused on the three variables which are employer attractiveness, corporate reputation, and student's intention to apply for a job.

1.5.2 Contextual Scope

In the contextual scope of this study will be focused on final-year undergraduate students of the undergraduate program (Accounting, Management, and Economic Development) of Faculty of Economics Andalas University.



1.6 Research Organization

To analyze the problem of the research above, this research will have to be organized and divided into five chapters as followed:

Chapter I: Introduction

The first chapter of this study will contain the background of the research, the problem statement, the objective of the research, the contribution of the research, the research scope, and the research organization.

Chapter II: Literature Review

The second chapter will support this study by using theories that are related to this research and previous studies that are relevant to the topics raised in this study. The previous studies can also be used to support the hypothesis generation for this study.

Chapter III: Research Method

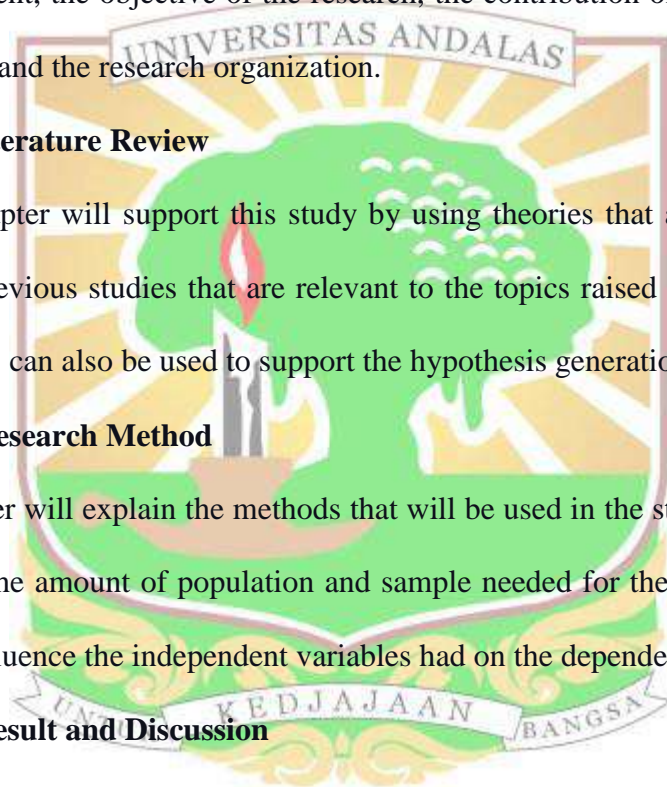
The third chapter will explain the methods that will be used in the study. This chapter also identifies the amount of population and sample needed for the study in order to generate the influence the independent variables had on the dependent variable.

Chapter IV: Result and Discussion

The fourth chapter contains the result of the analysis of the study, the description of the respondent, and the descriptive analysis.

Chapter V: Conclusion

This chapter will present the conclusion from the analysis and research that has already been conducted which will show a positive or negative relationship between



each variable, the implication of the research, the limitation of the research, and suggestions for future research.

