Digital-sector SMEs, the Eldorado of Generation Z?

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Abstract
It has always been more difficult for SMEs to attract candidates than larger organizations, whose arguments can be more convincing. This article compares the factors that influence the attractiveness of SMEs and large enterprises (LEs) in the digital sector, as perceived by members of Generation Z.
To this end, a study was conducted with young people from Generation Z as future employees in the digital sector. The results show that attractiveness factors differ between LEs and SMEs. Digital-sector SMEs are seen as employers that pay lower wages than large companies but promote creativity and innovation.
This study was conducted prior to the COVID crisis.

Key words
Employer brand; attractiveness; SMEs; large companies; GenZ.

Introduction
Being perceived as an attractive employer by young graduates is a recurring problem for any company. Recruiting in a competitive environment is an even greater challenge in sectors, such as digital services, in which small and medium-sized enterprises (SMEs) are pitted against large enterprises (LEs). The difficulty SMEs have in attracting young graduates is confirmed by the quarterly barometer survey by the Rexecode Institute, which identifies recruitment as the main obstacle to development for 59% of SMEs.

The arrival of Generation Z on the job market provides an opportunity to examine what makes a company attractive to them. Are they more attracted to SMEs than their elders?

The objective of this research is therefore to further knowledge concerning the attractiveness of companies as perceived by members of Generation Z. The underlying research question can be stated as follows: *"In a context of shortages and fierce competition, what factors could tempt members of Generation Z to join digital SMEs rather than LEs?"* To answer this question, we compared the attractiveness factors of SMEs with those of LEs, based on the Employer Brand (EB) concept proposed by Berthon et al. (2005).

1. Organizational attractiveness in the age of Generation Z
While there is nothing new about adopting a generational rather than an age-based approach (Mannheim, 1990; Attias-Donfut, 1991; Strauss et Howe, 1991), the emergence of Generation Y, followed more recently by its successor Generation Z, has led to a resurgence of interest in this strategy. The entry of generations Y and Z into adulthood poses questions for recruiters, insofar as each generation has its own characteristics, values and heroes (Attias-Donfut, 1991; Strauss & Howe, 1991), all of which are likely to influence their image of the ideal company (Parker & Igielnik, 2020) and its associated perceived attractiveness.

Organizational attractiveness, which Rampl and Kenning (2014) regard as the intention to apply for or accept a potential offer from a particular employer, is defined as a positive affective attitude toward an organization, which is considered desirable, with a view to entering into a relationship with that organization, by becoming part of its staff (Aiman-Smith et al. 2001, p. 221).

While the link between the EB and organizational attractiveness has been investigated by numerous studies for Generation Y (authors, 2019; Dalmas, 2014; Petit & Arsenault-Pelletier, 2010; Pichault & Pleyers, 2010; Erickson et al., 2009; Josiam et al., 2009; Sullivan & Heitmeyer, 2008; Yeaton, 2008; Pelton & True, 2004), little research has been conducted in relation to Generation Z (Schroth, 2019).

Our study favors the adoption of a sociological conception of generations by considering the age, history and values of their members. Inspired by the work of Mannheim (1990), Strauss and Howe (1991, 2007) define a generation according to four factors: age of birth, average age, historical markers defining a collective consciousness, and a specific identity factor (each generation has a specific dominant personality defined by its values, customs, attitudes and representations). Members of Generation Z were born into a totally different technological environment than their predecessors. According to Geck (2007), they are *"ultra-connected, pragmatic, demanding and 'entrepreneurial' in their lives"*.[1] Generation Z is also described as utopian, quite disobedient, and requiring a new management style; its energy must be channeled toward positive ends, which will require the implementation of management models that are simultaneously structuring, educational and psychological. As proposed by the Pew Research Center, an independent American association, we consider 1996-1997 to be the pivotal period between Generation Y and Generation Z (Parker & Igielnik, 2020).

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[1] La génération Z expliquée aux DRH - BNP Paribas - The Boson Project, 2015

Are SMEs low-profile employers? Their EB is often underdeveloped because the leaders of these firms tend to focus on the financial and commercial dimensions (Purusottama et al., 2019). For young graduates, several factors can skew the image of SMEs, such as education focusing primarily on LEs, or the greater media presence of Les (Chatelin-Ertur & Nicolas, 2012, p. 267). Students, who are unfamiliar with SMEs, may have a distorted perception of them and consider them to be less attractive than the LEs they think they know better.

In 2018, more than half of all SMEs (52%) reported difficulties in recruiting highly skilled professionals. This observation is much more pronounced at the regional level in France, where nearly two-thirds (60%) of companies report such shortages, than in the Paris region (Ile-de-France), where 30% of SMEs share the same difficulties in recruiting this type of staff. The situation is particularly difficult for digital service companies (DSCs). According to the *"Grand Angle ESN"* survey, 80% of firms reported that they were struggling to attract talented candidates in 2018. They mentioned the scarcity of sought-after skills in a saturated market as the main reason for this problem. These recruitment problems are exacerbated by the national or international competition between DSCs and the difficulties experienced by firms in making themselves visible to candidates. Smaller DSCs are hit particularly hard, as they face competition from their counterparts with a national or even international dimension, which benefit from a high market profile and their ability to dedicate substantial resources and make convincing arguments in order to attract future graduates. Does the salvation of SMEs in the digital sector therefore depend on the development of strong EBs?

2. Employer branding, a lifeline for SMEs in need of attractiveness

The employer brand (EB) is defined by Ambler and Barrow (1996) as the set of functional, economic and psychological benefits inherent to a job and with which the company, as the employer, is identified. The functional benefits correspond to the attractiveness of the work (Berthon et al., 2005), and the development activities. The economic benefits correspond to material and/or financial advantages, while the psychological benefits are essentially related to feelings of control and belonging (or to the social value associated with the work environment). In this way, the EB represents the company's qualities as perceived by current and potential employees (Ambler & Barrow, 1996).

An attractive EB improves the quality of recruitments, as well as the loyalty of staff (Ambler & Barrow, 1996; Backhaus & Tikoo, 2004; Davies, 2008; Gaddam, 2008; Kapoor, 2010). It therefore reduces the costs associated with staff turnover and the recruitment process (Kapoor, 2010). It improves employee engagement, satisfaction and motivation (Ambler & Barrow, 1996; Gaddam, 2008; Kapoor, 2010; Mandhanya & Shah, 2010; Priyadarshi, 2011; Roy, 2008), which in turn make it a source of organizational performance and competitiveness (Ambler & Barrow, 1996; Collins & Stevens, 2002; Fulmer et al., 2000).

The EB's role is to promote an attractive and distinctive corporate image in relation to the company's competitors (Ambler & Barrow, 1996; Backhaus & Tikoo, 2004; Maxwell & Knox, 2009; Mandhanya & Shah, 2010). The EB's image is a key factor in attracting candidates. A company with a strong EB can attract a large number of high-quality candidates (Cable & Turban, 2001) and creates a desire to join the company (Mandhanya & Shah, 2010; Collins & Stevens, 2002; Agrawal & Swaroop, 2009). Collins and Stevens (2002) found that the perceived attributes of the organization and attitudes toward the organization are positively related to the intention to apply and the decision to apply for a post. The literature provides various conceptualizations of employer branding, among which the one proposed by Berthon, Ewing and Hah (2005) is one of the most consensual (Table 1).

Table 1 - Dimensions of the Berthon, Ewing and Hah (2005) scale

Dimension	Meaning
Interest value	Stimulating work environment; new practices that use employees' creativity to

	produce innovative and high-quality products and services.
Social value	An employer that offers a good working atmosphere and team spirit.
Economic value	Attributes of an employer that offers above-average pay, job security and promotion opportunities.
Development value	An employer that offers recognition, self-esteem and confidence, combined with work experience that can act as a stepping-stone to future employment. This is about the personal development of employees.
Application value	An employer that gives its employees the opportunity to apply what they have learned and to pass it on to others in an environment that is both customer-oriented and socially responsible.

In accordance with the objective of this study, we set out to identify whether the EB as an organizational attractiveness factor influences the attractiveness of digital service SMEs and LEs to differing extents.

Figure 1. Causal model and hypotheses
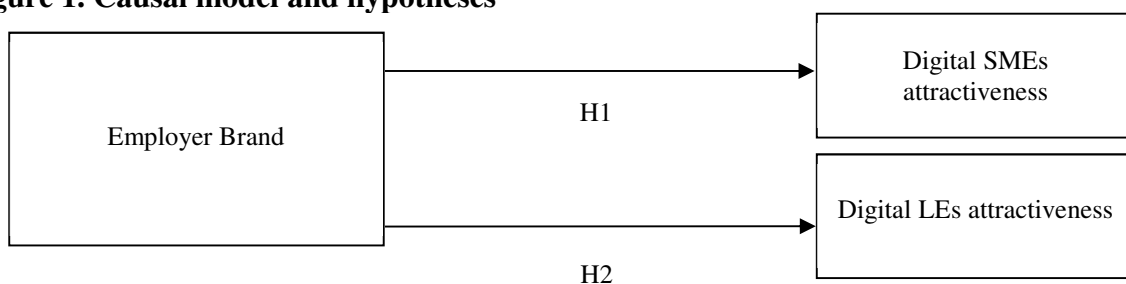
3. Research Methodology

This study focuses on DSCs,[2] a sector that covers a wide variety of firms, from micro-enterprises to LEs. Whatever their size, DSCs experience difficulties in recruiting and retaining staff (turnover rate of around 20%).

The digital economy has gradually emerged as one of the Nouvelle-Aquitaine region's fields of excellence, leading to the creation of a competitiveness cluster called "Digital Aquitaine" in 2014. This manifestation of political intent has had many consequences, which include putting the digital technology labor market under significant pressure. As a result, Nouvelle-Aquitaine-based DSCs – mostly SMEs and intermediate-sized enterprises – have found themselves in direct competition with large groups that have chosen to set up shop near Bordeaux (Betclic, Ubisoft, etc.). This regional and sectoral context is a textbook case of the talent war.

To measure the concepts, we used existing scales: the five-factor scale developed by Berthon, Ewing and Hah (2005, p. 159-160) to measure the employer brand equity and an overall measure of organizational attractiveness (Rampl & Ke nning, 2014) that we have adapted to DSCs. Each respondent rated the attractiveness of SMEs and LEs. Respondents rated their opinions on a five-point scale (from 1 = strongly disagree to 5 = strongly agree).

"Sphinx" software was used to design and publish an online questionnaire intended to collect data from a sample of future graduates of training programs that were targeted by companies' hiring departments.[3] The initial sample consisted of 179 observations, from which the responses of students who were considering starting their own businesses and those who belonged to Generation Y were removed (giving a final sample of 145 observations). The average age of the respondents was 21 years and 7 months. Students with two and more years of higher education represented 57% of the sample. 73% of the respondents were male. In 2017, 73% of

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[2] A digital service company is any company specializing in the field of new technologies and computer science.
[3] This study was conducted with the support of SYRPIN (regional professional society of IT and digital professionals).

students in these study programs were male.

4. Results

First, the structure and reliability of the scales were checked using principal component analysis (PCA), whose detailed results are not reproduced here.

- The five-factor structure of the Berthon et al. scale (2005) was verified. It explained 66% of the variance. The communalities were greater than 0.5. Cronbach's alpha ranged from 0.5 to 0.83.
- The PCA shows that the organizational attractiveness of DSCs is measured by two factors: the attractiveness of SMEs ($\alpha = 0.87$) and that of LEs ($\alpha = 0.77$). The explained variance is 75%.

Two regression models were then tested, the first for the attractiveness of SMEs and the second for the attractiveness of LEs. These models are based on the factor scores recorded during PCA. The "stepwise" method was used to optimize the regression models.

The results show that the attractiveness of the EB for SMEs stems from two dimensions: economic value, which is negatively related to SME attractiveness ($\beta = - 0.25$, $t = - 3.05$; $p = 0.003$), and interest value, which exerts a positive influence ($\beta = 0.2$, $t = 2.910$; $p = 0.004$). Although the variance explained by the model is small ($R^2 = 0.10$), the model is significant ($F = 7.77$, $p = 0.001$). The impact of the three other dimensions on the attractiveness of SMEs – namely, application value, development value and social value – is not significant.

The attractiveness of the EB of LEs is also a product of two dimensions. One of these dimensions is common to the attractiveness of SMEs, but it works in reverse. This time, economic value positively influences the attractiveness of large enterprises ($\beta = 0.18$, $t = 2.15$; $p = 0.033$). The second determinant is social value, which is negatively related to the attractiveness of large firms ($\beta = - 0.18$; $t = - 2.13$; $p = 0.035$). Although the variance explained by the model is small ($R^2 = 0.06$); the model is significant ($F = 4.33$, $p = 0.015$). The regression model of attractiveness vis-à-vis large firms shows a significant and negative impact of social value on the attractiveness of large firms. The impact of economic value on attractiveness is also differentiated according to the type of company. In contrast to SMEs, this significant impact is positive for large enterprises.

5. Discussion

The results of this research show a positive and significant relationship between the interest value dimension and the attractiveness of SMEs. This relationship reflects high expectations for a stimulating work environment and new practices that will use candidates' creativity to produce innovative, high-quality products and services. In the candidates' minds, this expectation is strongly linked to the size of the firm. This interest value does not impact the attractiveness of LEs. This result confirms the arguments put forward by Dabirian et al. (2019), who stated that certain candidates were concerned about LEs in the digital sector being highly bureaucratic and offering them repetitive tasks that would be out of step with their qualifications and without lasting interest, hence their preference for SMEs with less complex and more flexible hierarchical structures.

SMEs in the digital sector would therefore benefit from conveying a clear EB message to candidates belonging to Generation Z, in which they explicitly state that creativity, innovation and responsiveness are among the foremost values upheld by the company.

Another result relates to the fact that the relationship between social value and attractiveness is non-significant for SMEs, but negative for large enterprises. Indeed, young people who are attracted to large enterprises in the digital service sector are not expecting to find an employer that will offer them a good working atmosphere and team spirit. The explanation could come from a shared belief that in DSCs, the atmosphere and team spirit are guaranteed due to the

prevailing "start-up" culture (this belief is often illustrated by the provision of recreational facilities such as table soccer for employees).

In their research on the best employers in the digital sector, Dabirian et al. (2019) emphasize the importance of social value (collaborative work environment, relationships with colleagues), which stands out amongst the most important values perceived by employees in this sector. The authors point out that this value is not sufficiently promoted by SMEs and encourage these firms to make it a more central part of their EB communication. In this way, SMEs could make social value a key thrust of their Generation Z-oriented communication strategy. Their size, enabling the creation of stronger ties between employees, and the start-up spirit, could prove to be assets in conveying this message.

The impact of economic value on attractiveness differs according to the size of an enterprise. The effect is positive for LEs, which are likely to be perceived as more attractive due to their ability to offer newly recruited staff above-average salaries, numerous career opportunities, and ensure job security for future employees from Generation Z.

Conversely, economic value has a negative influence on the attractiveness of SMEs in the digital sector. This effect reflects a conscious choice on the part of young respondents. Indeed, by choosing an SME, they do not expect to benefit from an above-average salary, nor from the job security and promotion opportunities that LEs in the sector might offer them. For Dabirian et al. (2019), economic value remains the primary attrition factor in DSCs.

Our results show that development value does not influence the attractiveness of DSCs to members of Generation Z. One possible explanation is that future graduates are aware that their first experience, whether in an LE or an SME, is merely a stepping-stone toward a more advantageous future job: it is only a first step in their career. Regarding knowledge application value, both LEs and SMEs are seen as being likely to allow employees to put their knowledge into practice and pass it on to others. Dabirian et al. (2019) recommend that managers in DSCs of all sizes stay in tune with employees by monitoring changes of interest in these values.

The results provide some guidelines for managerial actions towards future employers. For SMEs, factors related to a stimulating work environment and practices that encourage employees' creativity make the difference, rather than the promise of highly attractive remuneration and career prospects. SMEs would find it difficult to compete with national or international companies on wages. The future employer should thus position itself as a company that puts innovation at the center of its concerns, in products and services development as well as in the work organization and in the work environment.

Given the high turnover rate (around 20%) in the digital sector, combining actions aimed at attracting young recruits with those aimed at retaining existing employees is now essential. If the company communicates different and inconsistent internal and external messages, the risk of brand fragmentation is high (Hatch & Schultz, 2009). In addition, negative perceptions of job reality, which may turn out to be different from the one that led to the decision to join the company, will hinder new recruits' identification with the organization (Moroko & Uncles, 2008) and damage the psychological contract (Backhaus & Tikoo, 2004).

6. Limitations and research avenues
Our sample size is limited, and we collected data in a specific geographical area. This sample size did not enable the performance of multi-group analyses in order to test the moderating effects of gender, familiarity with SMEs and LEs, and engagement vis-à-vis the firm's service category (authors, 2019).

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