Talent Retention Strategies in Different Organizational Contexts and Intention of Talents to Remain in the Company

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Abstract: This article presents a case study of two companies operating in the Brazilian market; one in the electrical energy sector, and the other in the pharmaceutical sector, both of which appeared on the list of 150 Best Companies to Work for in Brazil in 2012, and have stated that they consider retaining talents to be essential to their Human Resources strategies. These companies identified the professionals they considered to be talents, through the application of a questionnaire to the employees, with 51 statements, the results of which were used to analyze the link between retention factors and intention to remain in the company. Together with the application of the multiple regression technique for associations between the variables, the retention factors, measured by means of the employees’ perceptions, were qualitatively linked to the practices of talent retention adopted by the companies. Among the results, it is highlighted that the retention factors explained 86% in company A, and 83% in company B, of the variation in the variable “intention to remain in the company.” It was observed that the talents are determined by the management model of each company, and that the employees who were considered talents based on their current performance, together with those with potential to be considered talents in the future, represent 20% of the company’s staff. Based on the results, we believe that before implementing a talent retention strategy, companies need to understand the influence of the macroeconomic scenario on the job market; the social influences that impact on employees’ career expectations; and the individual personalities of the talents.

Keywords: retention, strategy, talent

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INTRODUCTION

The resource-based view of the firm (RBV), a term coined by Edith Penrose (1959), provides support for understanding the present-day search to retain talents in companies, which are increasingly finding it necessary to maintain talented people, capable of occupying strategic positions in the organizational hierarchy (Holtom, Mitchell, Lee, & Eberly, 2008). It can be assumed that the mobilization and retention capacity of these companies can guarantee sustainable competitive advantage for companies.

In the literature on talent management, it is difficult to find definitions, concepts and processes that assist in the creation and adoption of effective practices in companies seeking to manage their talents. Authors like Lewis and Heckman (2006), Huang and Tansley (2012) mention the lack of integration between talent management and strategic management, both in the area of Human Resources and in the company as a whole.

According to Lewis and Heckman (2006) this is a major problem that needs to be resolved for the proper planning and management of employees, and various articles have described talent management as a new way of thinking within Human Resources management. One of the main challenges for the theoretical and practical advancement of talent management is the need for a theory, or principles that can provide guidance on the group of talented people the company should look for, and the areas its retention strategies should focus on.

According to Allen, Bryant and Vardaman (2010), research into the effects of the industry, the competitive and organizational environment, as well as the national culture, would be of great value for understanding talent retention in different work contexts.

In a scenario where the importance of managing and retaining the skills of employees that are valuable to the company is increasing (Wright & Snell, 1991), the question that remains is how Human Resources management can provide a working environment that will encourage employees to remain in the company (Allen et al., 2010; Holtom et al., 2008).

For 57% of Brazilian employers, the current difficulties in filling job positions are related to the candidates’ lack of qualification. To resolve the challenge of this deficiency in the workforce, the main initiative of companies has been to apply training and development actions for their staff (Manpower, 2011).

Brazilian human resources professionals, when questioned about the challenges and trends for this area over the coming years, generally mention talent management as an underlying concern (Barreto, Silva, Fischer, Dutra, Veloso, & Amorim, W., 2010). According to these authors, HR professionals mention, among these challenges, the need to stimulate young professionals, and the imminence of loss of professionals’ knowledge when they retire, among other factors related to the use and retention of valuable people for the company.

This article, which seeks to understand the search to retain these professionals and ensure they remain in the companies, begins by discussing the approaches adopted in the talent management, and the challenges involved in retaining them. It then presents the conceptual model that formed the basis of the analyses, and finally, a discussion of the results in regard to talent retention strategies.
THEORETICAL FRAMEWORK: STREAMS OF THOUGHT IN TALENT MANAGEMENT

According to Collings and Mellahi (2009), there are four main streams of thought in relation to the concept of talent management. According to the authors, in the first stream of thought, talent management is described in the literature, and in the business world, as a new label for the area of Human Resources management, since in this line of reasoning, managing talents means ensuring that these individuals carry out their actions with greater efficiency.

The second stream of thought found in the literature focuses on “pockets of talents,” and defines the process of talent management as being practically the same as that of personnel management. The objective here is to plan for future needs (leadership, or in general) for which it is necessary to map the professionals, considering their present and future needs. This stream of thought reinforces well known practices of succession management, and also of forecasting demands versus actual offer, the costs involved, growth of the company, and mergers and acquisitions, for example (Lewis & Heckman, 2006). Therefore, the contribution of this approach in the literature does not show the strategic role of talent management for the company (Collings & Mellahi, 2009).

The third stream of thought defines the idea that all the functions within the company should be filled by professionals with high performance and potential, and affirms that the talent management should concentrate on managing these professionals. While this approach appears not to favor the employees with average or low performance, Collings and Mellahi (2009) recognize limitations to this reasoning, and argue that it is neither desirable nor appropriate to fill all the positions of the company with talents.

Huselid, Beatty and Becker (2005) add that few employees work in positions considered strategic: approximately 20% of the entire staff. Thus, it is only to these positions that talent retention would apply. Accordingly, if the talent management system is applied in the same way to all the employees of a company, it becomes difficult to differentiate talent management from traditional Human Resources management. Following this reasoning, the fourth stream of thought in talent management relates to the identification of key positions, which have the potential to impact on the competitive advantage of the company. In this case, the talent management strategy involves activities and processes aimed at systematically identifying strategic positions that contribute to the company’s competitive advantage.

With this in mind, research on turnover and retention has been replacing a focus on understanding “why people leave” with a focus on “why they stay” in companies (Holtom et al., 2008). Our study considers this trend, and puts the focus back on professionals who are more highly appreciated by companies, and who, according to the reasoning developed here, are called “talents.”

Challenges to talent retention

Talent retention strategies should adapt to the assessment of how critical the employees’ competencies are for the company; the employees, in turn, depend on the organizational competencies, and vary from one company to another (Ortlieb & Sieben, 2012). We can therefore assume that the definition of a talented employee will also vary from one company to another.

However, one thing that all companies have in common is the existence of direct costs arising from loss of talents, due to interruptions in the work, generating a loss of knowledge associated with these employees. However, even if a company makes substantial investments
in talent retention, a portion of these employees may still leave the company voluntarily (Trevor, 2001; Allen et al., 2010). These are factors over which the company has little or no control, such as health issues, or questions of double career. These authors also suggest that the start of the process of leaving the company is generally initiated by some shock or event that prompts someone to consider leaving their current job.

STRATEGIES FOR TALENT RETENTION

Ortlieb and Sieben (2012) developed a taxonomy of five talent retention strategies associated with the level of criticality of the employees’ competencies. In this study, the criticality of the competencies was defined by the human resources managers of the companies analyzed. Thus, two taxonomies emerge: 1) competencies associated with internal knowledge of the company (technical skills, leadership, or knowledge of aspects of the product or process); 2) competencies associated with external knowledge (of the consumer market, and negotiation with other stakeholders). The retention strategies are mentioned below:

- Incentives (monetary and non-monetary): salary increases and variable remuneration, responsibilities and career opportunities.
- Norms and values: involvement with the company’s objectives, and a sense of belonging.
- Coercion: job regulation contracts, with penalties for leaving the company.
- Recruitment of new professionals: recruitment of new professionals and managers (internal or external).
- Knowledge management: obtaining know-how through manuals and guides, use of information technology or specialized systems, and exchange of experiences.

Regardless of the competencies involved, in the study of Ortlieb and Sieben (2012), the retention strategy based on norms and values was considered the most effective one, followed by a strategy based on incentives, and then on recruitment of new professionals. Knowledge management was in fourth place, and coercion was the least frequently adopted strategy.

We therefore consider that in a model that seeks to involve people in the goals and values of the company, there is an influence of perception on the human resources management practices to retain employees, according to the reasoning of Yamamoto (2012). We therefore link the retention strategies (Ortlieb & Sieben, 2012) with the factors that prompt employees to remain in the company (Hausknecht et al., 2009) and, as shown in Table 1, we present the structure that will be used in this article to analyze the results.

Table 1: Relationship between retention strategies and talent retention factor

<table>
<thead>
<tr>
<th>Retention strategy of the company</th>
<th>Retention factor, according to employees’ perceptions</th>
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<tbody>
<tr>
<td>Incentives</td>
<td>Extrinsic rewards</td>
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<td></td>
<td>Flexible work arrangements</td>
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<td>Norms and values</td>
<td>Organizational prestige</td>
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In the description of the retention strategies, there is no consideration of external factors, which are unexpected and are not related to the job (Allen et al., 2010). Therefore, in the coercion strategy, besides considering the formal contractual aspects for staying in the company, we also considered the informal influences that are not under the company’s control, such as family situations, employees’ propensity to invest in their career in a company, job alternatives in the job market, and the ease with which the employee can travel from their home to their job.

The incentive strategies were linked to the extrinsic rewards, and to the employees’ desire for flexible work arrangements. In norms and values, we considered prestige, commitment to the company, and job satisfaction. And in knowledge management, we considered the constituent attachments between colleagues, leaders and clients of the company, from a perspective of turning tacit knowledge into explicit knowledge (Nonaka & Takeuchi, 1997).

In short, based on the above reasoning, we present the objective of this study, which is to link the talent retention strategies of two companies, operating in different business contexts, to the employees’ intention to stay in the companies.

**METHODOLOGICAL PROCEDURES**

The case study is a research strategy that seeks to understand a particular dynamic in unique configurations. More than one case can be analyzed, in a so-called multicase study, or a single case, with more than one level of analysis. Case studies can fulfill various objectives, which may be either descriptive, or to test or generate some theory (Eisenhardt, 1989).

Therefore, this research can be classified as a multicase study (two companies), with more than one level of analysis (employees and the area of Human Resources management).

Yin (1995) states that when carrying out a case study, it is necessary to establish a protocol, which besides presenting the common content of a collection tool, establishes the procedure and rules to be followed during its use. Once the protocol is defined, the research is initiated, based on the following variables: strategies for talent retention, perception of talent retention factors, and intention to stay in the company.

The case study was carried out using both qualitative and quantitative methods, i.e. adopting the multi-method of data triangulation (Eisenhardt, 1989; Yin, 1995). Following the research protocol, the stages described below were followed.

The first stage of the study involved the selection of the companies, which represent the units of analysis of the case study. This selection was based on document analysis of descriptive reports of human resources management strategies and practices.
These reports were prepared by the people responsible for the areas of human resources of the two companies operating in different sectors: one in the electrical energy sector, and the other in the pharmaceutical sector, which were included in the list of the 150 Best Companies to Work for in Brazil in 2012. These two companies were selected by the researchers because they had stated, in the above-mentioned reports, that they considered talent retention to be essential for their Human Resources management strategies. Also in this stage, the descriptions were selected, of Human Resources practices adopted by these two companies that could be linked to the talent retention strategies described by Ortlieb and Sieben (2012).

The choice of this database for the selection of the units of analysis was based on the fact that this group of companies contain information on major companies operating in Brazil, and which can be considered references in Human Resources Management.

It is important to mention that the initial requirement to take part in this survey, which involved 500 companies, was that it must have 100 employees, a criterion that ruled out a number of smaller companies that may have similar practices to those presented.

The second stage of the study consisted of asking the two selected companies to indicate which employees they considered talents. After this indication, the third stage consisted of the application of a questionnaire to these employees, with responses on a 5-point Likert scale to measure “perception of retention factors” and “intention to remain in the company.” The 51 statements (Appendix 1) were elaborated based on the categories identified by Hausknecht et al. (2009), and were used to analyze the relationship between the retention factors (independent variables) and intention to remain, among the people considered to be talents by the company (dependent variable).

The interpretation of the results followed the recommendations of Miles and Huberman (1994), which guide the researcher in the identification and comparison of standards, and is presented below.

ANALYSIS AND DISCUSSION OF THE RESULTS

In the analysis of the cases presented here, to preserve their identities, we have called the company in the electrical energy sector company A, and the one in the pharmaceutical sector company B. First, we present the challenges to talent retention, which were described by Human Resources professionals of the companies, in the reports indicated in the first stage of this study. This is followed by the statistical validity of the measuring model used, and finally, the retention strategies adopted by the companies, and their results in terms of the intention of talents to stay with the company.

Measurement model

According to the employees’ perceptions, lower mean values were found for coercion strategy: lack of alternatives (2.49), nonwork influences (2.77), investment (3.30), and location (3.96). The highest mean values were found for the strategy knowledge management: constituent attachments (4.48); and for the strategy norms and values: organizational prestige (4.10), job satisfaction (4.16), organizational commitment (3.57) and organizational justice (3.19). The Cronbach’s Alpha reliability indices were satisfactory; only the factor flexible work arrangements (0.60) did not reach the reference value of 0.7.
We conducted a confirmatory factorial analysis (CFA), applying the estimate of maximum likelihood to the Analysis of Moment Structures software (AMOS) v. 18. The main absolute fit index of the model is the chi-squared ($\chi^2$). Other commonly used absolute fit indices are the Goodness of Fit Index (GFI), an index that is less sensitive to sample size, whose reference value is 0.9, and the Root Mean Square Error of Approximation (RMSEA), a measurement that seeks to correct the trend of the chi-squared index by rejecting models with large samples or a high number of observed variables, with a reference value of 0.08 (Hair, Black, Babin, Anderson, & Tatham, 2009).

Although the chi-squared statistic presented a significance value, when considered on the degrees of freedom ($\chi^2 / df$) = 1.77, it attests to the quality of the model, with values below 3 being considered good (Hair Jr. et al., 2009; Kline, 1998).

The other indices also show that the adjustment of the measuring model obtained satisfactory fit to the data $\chi^2 (1314, N = 141) = 742, p < 0.01, \chi^2 / df = 1.77, GFI = 0.90, RMSEA = 0.07$.

The standard factor loading of forty-three statements used in the measurement model were between 0.5 and 0.93, all significant ($p < .01$). The results demonstrate the fit of the statements to the constructs that the researchers sought to measure. However, eight statements presented loads lower than 0.5, and were therefore excluded from the model (Hair et al., 2009).

Below, the retention strategies adopted by the two companies studied here, and the relationship between these strategies and employees’ intention to remain, are described.

**Strategy of Incentives**

Although practices of job flexibility, with home-office and flexible working hours, were mentioned, in both companies the adoption of flexible work arrangements was not a statically significant factor in influencing the talents’ desire to remain (Company A: $\beta = -0.10, p > 0.01$ / Company B: $\beta = -0.21, p > 0.01$).

Company A seeks to attract and retain professionals through the adoption of best practices in the market, remunerating the employee by the market average, which is checked periodically by salary surveys. The remuneration consists of a fixed part and a variable part. The fixed part consist of the funds of a habitual nature, and the variable part is performance-based, whether through the performance bonus, or parcels allocated by the profit sharing program, based on Profits and Results.

Meanwhile, Company B has limitations in relation to the promotion of speed of career and salary practices aligned with companies in the same sector and of a similar size. The question of salary, particularly when compared with the large pharmaceutical companies, is described as the main motive for employees leaving the company.

**Recruitment strategy**

In Company A, talents are included in a succession plan, and their development is monitored in the talent management program. The performance matrix is the main factor that guides the actions of development, recognition and retention. The employees are assessed once a year, based on their competencies and goals, and depending on their position, specific actions are analyzed and implemented for each group.

The selection processes of Company B, meanwhile, seek to identify candidates whose
professional expectations are aligned with the value proposal of the company, analyzing, in particular, their priorities in relation to salary, job position and quality of life. Another of the actions adopted is the use of indication of new employees by employees of the current staff, to fill vacant positions. In both companies, no significant relationships were found between the advancement opportunities (Company A: \( \beta = -0.15, p > 0.01 \) / Company B: \( \beta = 0.17, p > 0.01 \)), through its programs for recruitment of new professionals, and talents’ intention to remain in the company.

**Strategy of norms and values**

New recruits in Company A go through an induction period, and are received by a host. This corporate training path consists of three stages. First, the employee is received by a work colleague, who introduces him to the other members of the team, shows him around the workplace, and accompanies him during the first few days. In this stage, the new employee is also informed of the company’s benefits. The new recruit then learns a bit more about the history of the company, the communication channels, his rights and duties, Human Resources policies and management programs, the strategic guidelines, and the certification processes, among other things.

**Strategies to mitigate coercion**

In both Company A and Company B mechanisms of formal coercion, such as minimum-term contracts, were not mentioned as talent retention methods. The external factors of coercion and continuance of the employee in the company are considered, and the company seeks to mitigate them. The working environment is used to improve the employees’ quality of life. In both companies, the quality of life programs are based on the pillars of physical, emotional, social, environmental, and spiritual well-being, as well as security, and financial health.

**Knowledge management strategy**

Little information was found on strategies and practices of knowledge management of talents. Likewise, only one mentoring program for young executives was mentioned in Company A. A structured program for specialist professionals with high expertise was also mentioned. In it, the key knowledge of the company is mapped, and professionals responsible for disseminating knowledge are identified. Based on this, the tutoring process of older to younger is begun, taking advantage of the experience of one and the youth of the other, to translate and retain the knowledge within the company.

Company B presents a more critical situation, because when it loses professionals, particularly at management level, it offers, where possible, funds or better salary proposals than those it offered to the previous occupant of the position to be filled, in a bid to attract highly qualified people. Management of the total payroll is used as a means of managing knowledge.

**THEORETICAL IMPLICATIONS**

Based on the findings of this study, we hope to contribute to understanding of the relationship between the company and its employees, particularly those wishing to remain in their current jobs. The retention factors explain 86% in Company A, and 83% in Company B, of the variation in the variable “intention to remain in the company.” It is noted that there is a
need to contextualize both the times the company is going through in the dispute for qualified professionals in the job market, and its sectoral and internal context (Allen et al., 2010).

We hope that the Brazilian scenario will contribute to demonstrating strategies for talent retention in two companies facing the same challenge in different ways. For this reason, the concept of competencies (Barney, 1996), derived from the resource-based view of the firm (Penrose, 1959), offers support for a detailed analysis between companies, particularly in relation to the key positions, which should be filled by individuals with certain profiles and competencies.

It was observed, in the analyses, that the talents are identified by the management model of each company (Ortlieb and Sieben, 2012). Although the talent management is different in each of the two companies studied, we could see that the employees who are considered talents for their current performance, together with those with potential to be considered talents in the future, represent 20% of the total employees.

The remuneration was deliberately considered as a factor of balance in the retention strategy in Company A, and the same could be said of Company B in terms of the involvement of the employees, with their objectives and values.

The proposal of this study to consider coercion caused by external, non-contractual influences, such as financial and family commitments, proved to be valid because employees who stay merely out of a sense of obligation tend not to be as physically, psychologically or socially healthy to carry out their jobs or add value to the company (Allen et al., 2010). Thus, neither of the two companies used coercion by means of contracts as their main retention strategy, on the contrary, they sought to mitigate the employees’ sense of obligation to remain in the company arising from nonwork influences, through their quality of life programs. It is, then, the responsibility of talent management to interfere only in factors related to the working environment.

However, one factor that deserves attention is the profile of the employee who invests much of his time in his career in a company. Thus, some people are easier to retain, because they have a more conservative profile than others, who are more averse to dedicating their career to a single company (Hausknecht et al., 2009).

**PRACTICAL IMPLICATIONS**

We believe that companies, rather than creating a talent retention strategy, need to understand certain factors: the influence of the macroeconomic scenario on the job market; the social influences that generate an impact on the career expectations of the employees in relation to companies, and the personalities of the talents.

The success of the talent retention strategies is generally measured by organizational turnover (Holtom et al., 2008). We believe this indicator is too delayed, implying a reactive attitude on the part of the company. Measuring intention to remain is an indicator that other observable behaviors, such as absenteeism, precede the employee’s departure. In other words, the company needs to take a proactive stance, before the talent leaves.

As a suggestion for the companies, the use of talent recognition management is recommended. Stimulating the sharing and explanation of knowledge of these professionals about the company and clients, through cooperative relationships, can help shift of focus of from retaining the individual to retaining their skills.
LIMITATIONS AND SUGGESTIONS FOR FUTURE STUDIES

There are limitations in relation to the number of people who responded to this survey. On the other hand, considering that talent management is considered strategic in the companies, few of them agreed to take part in the survey, enabling the application of questionnaires to their talents. The difficulty of many of the companies in defining who their talents are meant that some companies that wanted to participate in the process were not able to do so. We therefore opted for a convenience sample.

For future studies, we suggest consolidating detailed talent management and retention models for different organizational contexts. It is also important to determine whether talent retention involves discriminatory behaviors and lower added value for the company.

REFERENCES


Appendix 1

Description of the 51 statements allocated to thirteen research factors: Extrinsic rewards, Flexible work arrangements, Organizational prestige, Organizational commitment, Job satisfaction, Organizational justice, Lack of alternatives, Investments, Nonwork influences, Location, Advancement opportunities, Constituent attachments and Intention to remain (all five point Likert scale).

Extrinsic rewards
- The value of the salary I receive at this company is very important to me
- I believe my remuneration (salary, benefits, variable remuneration) to be very gratifying.
- My status in the hierarchical structure is satisfactory for this stage of my career
- The salary and benefits I receive encourage me to stay in this company

Flexible work arrangements
- I have the opportunity to carry out my work from a distance
- The company offers the possibility of flexible working hours.
- Whenever I have an important personal commitment, I am released from my professional activities.
- I have the freedom to take part in conferences during normal working hours.
- The company offers me sufficient flexibility to reconcile my personal life with my job.

Organizational prestige
- My company is highly regarded and respected in society
- My friends are proud of me because I work for this company
- I am appreciated in the job market because I work for this company

Organizational commitment
- I am proud of my company
- The values of this company are in line with my own
- I am involved in, and influence decisions relating to my work
- I am strongly committed to the results of my work
- I wouldn’t leave this company, because I am faithful and loyal to it.

Job satisfaction
- I am satisfied with the work I do in this company
- I feel happy working for this company
- I find my work very interesting and challenging
- I enjoy the work I do, it gives me incentive to continue working for this company

Organizational justice
- I have never considered myself unfairly treated at this company
- I believe in the promotion criteria adopted in this company
- Recognition in this company is based on the merit of each employee
- At this company, decisions are taken in a fair way
Lack of alternatives
- I wouldn’t be able to find another job easy if I left
- There are few professional opportunities in the area where I work
- I consider the job market too competitive to change jobs

Investments
- I have invested a lot in my career at this company
- I think it would be disadvantageous to change jobs at the moment
- I don’t plan to leave the company at the moment because I have a solid career here
- changing jobs would represent a high cost for my career

Nonwork influences
- I need to keep working at this company because I have a family to support
- I have financial commitments that prevent me from leaving the company
- My personal situation is not favorable for me to look for another job at the moment

Location
- I live in a place that gives easy to access to the company where I work
- It is easy for me to travel from my home to the company is easy
- The location of the company is in keeping with my personal interests
- The time it takes me to drive to the company meets my expectations

Advancement opportunities
- At this company there are various opportunities to further my career
- I am developing my career in this company
- I am gaining better positions in the hierarchical structure
- I have an opportunity to grow professionally in this company

Constitute attachments
- I have a good relationship with the majority of my work colleagues
- My boss is someone with whom I have a very good relationship
- I get on well with the clients of this company
- The relationships I maintain with my work colleagues, bosses and clients encourage me to remain in this company.

Intention to remain
- I hope to continue working in this company for at least another three years
- I’d like to spend my whole career in this company
- I do not see any reason to change the job I am in now
- I would only leave this company if I were dismissed