Retaining high potentials: A concept for successful retention strategies

Regina-Viola Frey*
heilbronn business school, Heilbronn, Germany
Email: frey@hn-bs.de

Denise Steckstor
heilbronn business school, Heilbronn, Germany
Email: steckstor@hn-bs.de


Profile: Regina-Viola Frey is a PhD student and research assistant at heilbronn business school in Heilbronn, Germany. She was awarded her master’s in business education by the Johann Wolfgang Goethe-University Frankfurt Main in 2006. She further developed her expertise in HRM and executive search at an international HR consultancy working both in Germany and the UK. Her research interests focus on retention management, gender studies, innovations in HRM and talent management.
RETAINING HIGH POTENTIALS:  
A CONCEPT FOR SUCCESSFUL RETENTION STRATEGIES

ABSTRACT  
Since the ‘war for talents’ has grown more and more severe, companies compete for high potentials. Therefore, and in order to prevent an outflow of intellectual capital, retention management is gaining higher importance on managers’ task lists. Drawing on a double-round Delphi technique survey, interviewing 12 senior German HR Managers of large international companies, our research shows that the common retention tools differ greatly in their impact on retention of high potentials. Combining both qualitative and quantitative methods, we found that retention tools can be assigned to three groups: ‘must-have’, ‘optional’ and ‘trend-setting’ retention tools. Building on these findings, a dedicated retention strategy for high potentials is derived considering the particular impact of the three types of retention tools. Finally, the transferability of this study to other types of employees than high potentials and other sectors is proposed.

Keywords: Human resource management and organisational performance, Strategic human resource management, Work life balance, Skills shortages, Employee relations, Human resource development

RETAINING THE BEST IS A MAJOR CHALLENGE

Over the last ten years companies have been experiencing a shift in talent availability towards intensification of skills shortage. Thus, the costs for replacement and filling of vacancies have increased remarkably (Hirschfeld 2006; Meifert 2005; Seebacher & Wiegel 2003; Steel, Griffeth & Hom 2002). Since more and more employees choose boundaryless careers (Smith & Sheridan 2006), companies expect replacement costs as high as an annual salary, disregarding opportunity costs for turnover losses etc. (Seebacher & Wiegel 2003). Moreover, due to low birth rates and an ageing, thus retiring society, a new war for talents is about to break out (Horx-Strathern 2002). Actions against poaching talented employees therefore need to be undertaken. Such actions can be subsumed as retention management. In order to achieve an effective retention management, a dedicated, theory-based strategy consisting of different retention tools is necessary. Therefore, retaining the best will constitute a major challenge for companies in the near future to prevent firms from an outflow of intellectual capital. Hence, this work contributes to the extant HRM literature by giving a dedicated retention strategy incorporating the different retention tools available. We focus on the retention of high potentials, i.e. employees who dispose of professional
**competence, problem-solving ability and social skills plus high performance potential.** We omit the factor age in this definition since we focus on all high potentials, not only on young graduates.

When it comes to retention, companies have to divide their workforce into ‘under performers’, ‘average performers’ and ‘high potentials’. Hence, the latter should be the most focused in retention management. However, dedicated retention management is a minor priority in most companies. Only about 20 percent of German enterprises have an explicit budget to retain valuable high potentials. Moreover, these budgets are mostly spent on payment and working time measures. This shows that concepts for comprehensive and multi-lateral retention strategies are not yet explored or implemented well. However, according to Scholz’s (1999) concept of ‘Darwiportunism’, there is an urgent need for sophisticated retention strategies.

The Darwiportunism concept is based upon a certain relationship between the company and their talented employees. Darwinism can be observed among the competing companies and opportunism, in turn, becomes apparent especially among the younger high potentials of Generation Y. On the one hand, companies compete with each other and try to achieve their ‘survival of the fittest’ according to Darwin and only companies with the best know-how and the smartest employees can survive (Scholz 1999). On the other hand, high potentials want to maximize their utility in an opportunistic manner, seeking for personal development, fun, social recognition and rewards (Dinnel 2007; Scholz 2002). Companies now face high potentials leaving their jobs ‘not because there is a compelling reason to leave, but because there is no compelling reason to stay’ (Dinnell 2007). Career paths have become more flexible and the ambitious Generation Y high potentials expect to accelerate their careers through changing their jobs and more diverse job descriptions. Based on this phenomenon, we develop a retention strategy for high potentials.

Research on retention management is based on various definitions of what retention is. According to Meifert (2005), legal boundaries on the one hand, and a subjectively felt bond between employer and
employee on the other hand, have to be distinguished (Meifert 2005). However, this survey focuses on the latter, which is defined by Meifert as ‘the result of anti-fluctuation measures’ (Meifert 2005). In contrast, Bertrandt defines retention management as the aim of keeping certain employees or groups of employees within the company in the long run and to maintain their performance (Bertrandt 2004). Since these definitions consider mainly the formal criteria of retention management, they abandon the emotional dimension of this concept. Vom Hofe (2004) defines: ‘Retention management examines the connection perceived by the employee and his bondage to the company and comprises all actions of a company to make an employee stay and to stabilize the connection’ (vom Hofe 2004). Furthermore, retention management can be seen as the necessity to retain high-performers in the company. Based on this, a retention process can be designed. This process consists of four phases: attracting, selecting, integrating and coaching (Szebel-Habig 2004).

Combining these different understandings of retention management, we developed the following definition of retention for this survey: **Retention management is tying those employees in the long run which are both high-performing and high-potentials for the company.** Therefore, a retention strategy, consisting of an arbitrary number of retention tools, is required. These retention tools can be classified by different criteria. In this survey, we focus on the incentive-related classification which is illustrated in Figure 1, since these retention tools concentrate on keeping employees voluntarily.

[Insert Table 1 here]

Most of the retention elements shown in Figure 1 are self-explaining and therefore we only define the retention tools ‘facilities’ and ‘job tailoring’. In this case, ‘facilities’ represent special facilities a company can provide for the convenience of its employees, such as gyms, in-house kindergartens, or best-boy services (Knoblauch 2004). Especially in Germany, there is a huge demand for childcare provided by the employer, as particularly for children younger than three years, there is by far not enough capacity in public day care institutions. Moreover, establishing an in-house childcare often is financially supported, e.g. by the German government (Bundesfamilienministerium 2006). Establishing child care in the
company can not only help to retain skillful employees, and especially women, it can also improve the employer’s brand as a social responsible company (Tiefert & Alonzo 1998).

Job tailoring is a synonym for job sculpting (Butler & Waldrop 1999; Schein 1992) and is a concept of how employers can find a suitable job within the company for their high-performers, on the one hand, and how to tailor their current job according to their talents and personal interests, on the other hand. Therefore, employers have to discover their high-performers’ ‘deeply embedded life interests’ (DELI) or ‘career anchors’ as Schein labels them. Butler and Waldrop (1999) suggest a classification of eight DELIs: Application of technology, quantitative analysis, theory development and conceptual thinking, creative production, counselling and mentoring, managing people and relationships, enterprise control and influence through language and ideas. Having examined an employee’s DELI, the employer ought to shape their high potentials’ jobs accordingly. For example, an employee with the DELI ‘teaching and mentoring’ who is in actual fact working in accounting could be assigned with mentoring trainees. Shaping jobs according to an employee’s interest and talent does not only show that the employer really cares, but can also make people more contented in their jobs and therefore keep them from leaving the company. As the most important terms have been defined above, data and methodology are outlined briefly below.

**DATA AND METHODOLOGY**

Since we wanted to discover if and how high-potentials are retained in practice and how they can be retained best, we used a two-round Delphi technique. The Delphi technique is a method for obtaining estimations and opinions from a panel of independent experts (Haeder 2000). After each round of consulting experts, an independent facilitator provides an anonymous summary of the experts’ estimations. The survey is then terminated at a defined point of time. In this case, twelve experts, i.e. senior German human resources managers of both medium-sized and large multinational enterprises were surveyed through telephone interviews.
In the first round, the experts were interviewed exploratively to gain insight into their practice of retaining high potentials. Subsequently, they rated the 13 retention tools shown in Figure 2 on a 5-point Likert scale. After evaluating these results, the experts were given indirect feedback via a new questionnaire to clarify the findings of the first round. Thus, the experts were supposed to compose their own, specific retention strategies by choosing 5 out of 13 retention tools which they found most effective in retaining high potentials.

The main objectives of the qualitative interviews were to find out (1) how the experts retain these employees, (2) what damage a leaving high-performing employee causes, (3) whether tangible or intangible retention tools seem to be more effective and (4) which future developments of retention management the experts anticipate.

**RESULTS**

**Results of the first Delphi round**

General attitudes towards retention vary greatly. Whereas some experts see the loss of a knowledge worker as a crucial damage to the company, two experts stated that their companies did not have retention tools at all and do not foster retention. A real retention strategy could not be found in any of the twelve companies surveyed.

The effects of leaving high potentials were also differently estimated among the experts. Indeed, nearly all experts realised the negative effects like problems in business processes, missing successors and also the costs of replacing an employee. However, some experts saw it as a fact, which has to be accepted. ‘Companies are obliged to train and develop their employees. Thus, they have to accept that good people leave if the company can not offer them a suitable career opportunity’ stated one interviewee. Two further experts stated that the damage of a leaving employee could be absorbed by a well-planned succession scheme.
The loss of a highly-specialised employee who is an expert in a certain field is especially unfavourable, which was proven by all experts interviewed. However, only two experts monitored and calculated the costs for a leaving employee.

The experts widely agreed on tangible incentives being only a basis but not the determining factors to make people stay. As long as remuneration is adequate, it depends on career opportunities, challenges and the corporate culture whether or not a company succeeds in keeping their talented employees. Moreover, the experts agreed that, with tangible incentives, employees can be retained at most in the short run. ‘If you have to close down a site and people hear this through the grapevine, the best leave the sinking ship first. Thus, only a pay-to-stay bonus keeps them onboard for the last half year. But to keep them in the long run, they have to be offered good training and development, a pleasant corporate culture and so on’, stated one expert.

The estimations of the future development of retention management again varied widely. The experts agreed only on the fact that there will be a shortage in highly skilled employees in the coming years due to the retirement of the baby boomers and low birth rates in the recent past. The conclusions they drew from this, however, were rather different. One expert stated: ‘We already compete with other companies for the highly talented graduates. Our problem is that we are no shiny car producer or cool FMCG company since we produce large industrial constructions. But as graduates may choose, they often decide to join the more consumer-oriented firms. Thus, we have to actively recruit talent and build a strong image as a preferable employer’. Another interviewee expected that employments will have to be much more flexible in the future. Moreover, he suggested that employees would be more willing to dedicate themselves to the company when they anticipate investments into their human capital by the company. A female expert suggested that it will be vital for companies to enhance the work life balance of their knowledge workers. ‘As most of the employers offer competitive salaries, we have to differentiate ourselves with creative solutions to improve the work life balance of our employees. Home offices, part time solutions etc. will be necessary.’
In contrast to that, one expert focussed on the company’s financial success and therefore argued that companies should not care about ‘unimportant’ things such as a nice culture and ‘pampering’ their employees but rather concentrate on earning money. Another expert saw the key to future employee retention in maintaining their employees’ employability. ‘We suppose that the average time an employee stays with the same company will decline. Thus, lifelong employments will become absolutely obsolete. We try to discern it realistically: We cannot grant an employee paternal protection from unemployment or other accidents. But we can promise to do everything we can to keep him up to date. We can offer interesting challenges, provide training and development etc. We do everything to keep him or her desirable on the job market. We do not yet communicate that officially, but in the near future we will, certainly’. This statement suggests that in spite of better job opportunities, helping maintain a better employability, might well improve retention.

In order to render the results more concrete and precise, the experts were asked additionally to estimate how powerful the 13 retention tools, presented in figure 1, function to retain high potentials on a 5-point Likert scale. The results of these estimations, i.e. the mean ratings are shown in Figure 1.

[Insert Figure 1 here]

This figure shows clearly that career opportunities are seen by the experts as the most effective retention tool. Feedback, corporate culture and training and development are also seen as highly effective. Hence, rank 1-4 are occupied by intangible retention tools which again proves their high importance for retention management.

**Results of the second Delphi round**

In the second round, the experts were sent a questionnaire. They were asked to choose 5 out of 13 retention elements to model their ideosyncratic retention strategy for high potentials. We slightly modified two retention tools according to our previous findings. Therefore, we left out employer branding as this is not a retention tool which can be established easily but needs a longer process of development. Also, we omitted work life balance as this is more a concept and less a tool and we therefore replaced it by the item
home office as this is a measure which can be implemented concretely. As a few experts mentioned coaching as a possibly relevant retention tool, we added it to the list for the second round. Figure 2 shows the results of the second round.

[Insert Figure 2 here]

Combining figure 2 and 3, clear trends can be observed and three groups of retention tools can be identified which are illustrated in figure 3.

[Insert Figure 3 here]

We assume that facilities and tele-working in a home office will probably become more important in the near future since high potentials face difficulties combining their work and family life. Job tailoring, too, may grow more important when talents become more wanted, partly, due to retirements, because they will become more demanding regarding their daily work. Employers will therefore probably have to adjust work environments to their high-performers, not vice versa. However, in order to prove that, further studies have to be conducted and high potentials themselves have to state to what extent which retention tool is capable of keeping them with the company. Comparing the experts’ and the high potentials’ estimations, weights could be developed to build a retention strategy based on the following equation:

\[
\text{retention strategy} = \sum \text{‘must-have’ tools} \times \text{weight} + \sum \text{‘optional’ tools} \times \text{weight} + \sum \text{‘trend-setting’ tools} \times \text{weight}
\]

**CONCLUSIONS AND IMPLICATIONS**

This double-round survey analysing the effectiveness of retention tools offers several key contributions for academics and practitioners. First, we add to the body of retention management literature (Bertrandt 2004; Bröckermann & Pepels 2004; Butler & Waldroop 1999; Hewitt Associates 2006; Szebel-Habig 2004;
Towers Perrin 2006) by using qualitative and quantitative methods to discover the perceived effectiveness of the most common retention tools.

Thus, twelve senior German HR executives of multinational enterprises were interviewed and we discovered how they retain their talented employees and how they appraise the most common retention tools. Our quantitative data provides a palpable overview of how effective the particular retention tools were estimated. With the second round of the study, we tested the importance of the retention tools by requesting the experts to compose a retention strategy for knowledge workers by choosing 5 out of 13 retention elements.

We therefore could distinguish three groups of retention tools with differing relevance for retaining highly qualified employees which are shown in figure 3. We defined ‘must-have’ retention tools like performance-related payment, career opportunities and rich training and development, as well as ‘optional’ tools such as job rotation, retirement provisions and coaching. However, the third group, ‘trend-setting’ tools, might grow more important in the near future. Working from home, enjoying a corporate kindergarten or gym might be something that high potentials are keen on, since they are highly demanding and will be in the superior negotiating position sooner or later. As a result, employers will have to engage in these new retention tools.

Summing up, we provide both an overview and an estimation of the common retention tools as well as a strategy how to apply them effectively. Moreover, we suggest several ‘trend-setting’ tools to be considered more strongly in the retention management for high potentials.

Although this study provides a first conceptualization for successful retention strategies, there are several limitations to the results. This survey should be regarded as a pre-study due to its small sample size of 12 experts. Additionally, all HR experts interviewed were German, so that we cannot be sure that results are
also valid for companies outside of Germany. Before drawing more general conclusions it is necessary to analyse a larger sample including more interviewees from different parts of the world.

Moreover, to gain a more comprehensive understanding of the composition of a successful retention strategy, it is necessary to explore the opinions of high potentials themselves additionally to the HR experts’ estimations. We expect that their perspective would give an important and highly relevant input to further explore the results of this study. This seems to be a highly relevant factor, since research has shown that employees are extremely aware of HR practice and are able to identify problems and their solutions (Browning & Edgar 2004).

Further research could also include exploring the transferability of these results to special industries or other types of employees. It could be interesting to look at industries such as higher education, sports business or the public sector e.g. we also suggest research of differences among employees such as gender, age, educational background, hierarchy level etc.

Despite these limitations, we believe that our approach gives a first dedicated retention strategy which can serve as a basis for more detailed research and practical testing.

Table 1: Incentive-related classification of retention tools (Knoblauch, 2004)

<table>
<thead>
<tr>
<th>Retention Tools</th>
<th>tangible retention tools</th>
<th>intangible retention tools</th>
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<tbody>
<tr>
<td>• performance-related payment</td>
<td>• retirement provisions</td>
<td>• training &amp; development</td>
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<tr>
<td>• stock options</td>
<td>• facilities</td>
<td>• work life balance</td>
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<td>• career opportunities</td>
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<td></td>
<td></td>
<td>• employer branding</td>
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<tr>
<td></td>
<td></td>
<td>• feedback &amp; supervision</td>
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<td>• job rotation</td>
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Figure 1: Results from Delphi-stage 1

- career opportunities
- feedback
- corporate culture
- training & development
- performance-related payment
- job rotation
- employer branding
- mentoring
- stock options
- retirement provisions
- facilities
- jab tailoring
- work life balance

Figure 2: Results from Delphi-stage 2

- performance-related payment
- career opportunities
- feedback
- corporate culture
- coaching
- retirement provisions
- mentoring
- training & development
- stock options
- job rotation
- jab tailoring
- facilities
- home office
Figure 3: The three groups of retention tools

- **“trend-setting” tools**
  - facilities
  - home office
  - job tailoring
  - stock options

- **“optional” tools**
  - job rotation
  - retirement provisions
  - coaching
  - mentoring

- **“must-have” tools**
  - performance-related payments
  - feedback
  - good corporate culture
  - training and development
  - career opportunities
REFERENCES


