



SCHOOL OF  
ECONOMICS AND  
MANAGEMENT

# Are SME-sized Organizations Able to Retain Talents of the Generation Z?

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Investigation of SMEs Retention and Engagement Practices Located in Sweden

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## **Abstract**

Human capital is the primary and most important source for building and sustaining a competitive advantage in today's increasingly complex and competitive business environment. The growing lack of skilled labor and the severe competition for talents between organizations intensifies the need for effective talent management and more specifically attractive retention practices that suit the specific demands, needs, and preferences of the individual talents. The entry of the youngest generation Z to the workforce, which differ profoundly from predecessor generations in their work-related behavioral characteristics and preferences, and the resulting effect and implications on the development and implementation of talent management and engagement practices of organizations and more so of SME-sized organizations has not yet been addressed within the literature of talent management. To contribute to the existing literature and follow the calls of different scholars, the thesis will address and investigate the perspective and context of the development and implementation of talent management practices of SMEs, more specifically aiming for the retention and engagement of talents of the new generation Z.

To fulfill this research purpose a qualitative research study was conducted. More specifically, a multiple-case study design was pursued through executing seven semi-structured interviews with HR professionals of SMEs located in Sweden. The findings of this research indicate that the resource limitations of the respective SMEs constrain the overall development and implementation of formalized and structured talent management practices and cause the main utilization of informal practices that suit the individual preferences and demands of the specific employee, as well as the organizational needs. Moreover, the findings suggest that the HR practitioners of the investigated SMEs do not take into consideration generational differences and the specific demands of the generation Z in the development and implementation of talent management and engagement practices. However, the thesis argues that even though the generational characteristics of Gen Z are not considered in the design of the talent management of the SMEs, the informal practices in place enable to some extent the retention of the new cohort. To what extent the existing practices ensure the retention and engagement of talents of the generation Z within SMEs, represents an interesting opportunity for further research.

**Keywords:** Generations, Generation Z, Talent Management, Retention, Engagement, SMEs

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# 1 Introduction

## 1.1 Background and Relevance

Throughout the last three decades, organizations started to recognize the growing importance of human capital and the respective talent management as the primary and most important source for building and sustaining a competitive advantage in today's increasingly complex and competitive business environment. The growing lack of skilled labor, the mass of employment opportunities available for individuals, and the severe competition for talents between organizations increased the awareness of the importance of the design and implementation of attractive talent management and engagement practices (Pandita, 2021; Mugayar-Baldocchi, Sharma & Schaninger, 2021; Harvey, 2014; Beechler & Woodward, 2009). Hence, firms have begun to rethink and redesign their performance improvement focused talent management and to adapt more employee-centric practices that incorporate the needs, expectations, and characteristics of employees more thoroughly, in order to better leverage the full potentials and to effectively retain talents within the organization on a long-term basis (Bassi & McMurrer, 2007; Guest, 2017).

However, several research findings have indicated that despite the growing efforts of organizations to integrate and respond to the changing expectations and needs of the employees in the design of more people-centric human resource management practices, new challenges are emerging. More specifically, the entrance of the newest and youngest generation Z to the workforce challenges organizations to readjust and adapt their retention and engagement practices more specifically to the unique demands of the generation Z in order to be able to attract and retain them (McKee-Ryan, 2021; Chillakuri, 2020; Schroth, 2019; Khan, Komm, Maor & Pollner, 2021). According to the Network of Executive Women (NEW) and Deloitte (2019) report, the new generation Z, born between 1995 and 2010, amounts to a total of 32% of the world population and is thereby the largest living generation, outnumbering other generations such as the millennials, and whose entry to the workforce is expected to change the requirements, expectations, and demand on firms significantly (Chillakuri, 2020; Pandita, 2021; McKee-Ryan, 2021). Moreover, despite the few similarities between the generation Z and the predecessor generation, they differ profoundly in

their preferences, work behaviors, mentality, aspirations, and expectations of a workplace and potential employer (Pandita, 2021; Lanier, 2017). More specifically, recent research studies identified that the new generation is less-loyal and has a strong willingness to resign if the work-related expectations are not fulfilled within the organizational setting (Wilson, Veigas & George, 2017; Wingard, 2021; McKee-Ryan, 2021). Thus, it is crucial for leaders of organizations to incorporate the distinctive work-related characteristics and demands of the newly entering generation Z in the design of tailored talent management and engagement practices, in order to be able to retain the best talents of the new cohort and thereby to remain competitive. Unfortunately, the complexity of the unique challenges that organizations are about to face with the entrance of the new generation to the workforce does not stop there. The current advancement of technology and digital communication platforms, as well as the global covid-19 pandemic influence and shape the dynamic labor market and the expectations of employees towards the corporate world and their future employers (McKee-Ryan, 2021). Therefore, it is important for organizations to recognize and account for the changing demands in the talent management and engagement practices to remain attractive as an employer and thus to maintain the organizational performance.

Small and medium sized enterprises (SMEs) are major employment generators and crucial contributors to the economy of countries (Vinten et al., 1997; Krishnan & Scullion, 2017). In Europe and particularly within Sweden the majority of all registered companies are SMEs. More specifically, Sweden has a total of 738,624 SME-sized enterprises, which accounts for 99.9% of all organizations and 65.2% of the total employment, which represents the pivotal role of SMEs for the Swedish economy (European Commission, 2019). It is important to highlight that SME-sized organizations differentiate fundamentally from large organizations, in terms of their institutional and economic contexts, as well as their overall approach to talent management (Krishnan & Scullion, 2017; Dundon et al., 2009; Rabi & Gilman, 2012). The organizational size and more so the limited resources and expertise available within SMEs distinguish them from larger organizations and limits them to strategically improving their performance and to respond to the aforementioned challenges through the design and implementation of formal talent management systems, practices, and strategies (Krishnan & Scullion, 2017). However, SME-sized companies are depending on the attraction and retention of skilled and talented employees to sustain the growth, success, and survival of the business on a long-term basis (Festing et al., 2013;

Krishnan & Scullion, 2017; Dundon et al., 2009; Rabi & Gilman, 2012; Sheehan, 2013). Thus, SMEs face the significant challenge and need to develop and implement effective talent management and engagement practices that incorporate the changing demands of the labor market and the new generation Z with limited organizational resources at their disposal.

Despite the growing research on talent management and the identification of frameworks, approaches, and best practices that promise the largest benefits for organizations and the effective retention of employees, they concentrate primarily on the organizational settings of larger organizations and thereby fail to address the unique organizational factors and operational context of SMEs (Krishnan & Scullion, 2017). Therefore, the organizations perspective of SMEs regarding the development and implementation of talent management and more so retention and engagement practices, as well as the challenges and implications resulting through responding to the generation Z specific demands, remains to be explored (Wingard, 2021; Kaplan & Kiersz, 2021; Chillakuri, 2020; Chillakuri & Mahanandia, 2018). Thus, this research aims to investigate the retention and engagement practices of SME-sized organizations in Sweden and their efforts to respond to the new generation Z and their respective demands, needs and expectations in the development and implementation of talent management practices.

## 1.2 Problem Statement and Research Gap

The introduction depicted that the importance of an employee-centric human resource management and more so of practices to increase the engagement and retention of employees, for the organizational success and survival in an increasingly complex and interconnected world, has been recognized by organizations and their talent management practices in recent years (Bassi & McMurrer, 2007; Guest, 2017; Pandita & Kumar, 2022; McKee-Ryan, 2021; Chillakuri, 2020; Schroth, 2019; Khan et al., 2021; Wilson, Veigas & George, 2017; Wingard, 2021). However, the entrance of the new generation Z to the workforce, which is defined by entirely different characteristics and work-related attributes and expectations, represents a growing challenge that firms have to account for in their talent management strategy, system, and practices. Especially SMEs have to respond to the newest demands and changing expectations to successfully manage and sustain the survival and growth of their business and thereby to remain competitive.

In the light of this consideration, we found an exhaustive range of empirical studies and academic literature that have investigated generational differences and defined unique characteristics of generations and their respective talent management needs (Pandita, 2021; Valickas & Jakštaitė, 2018; Benítez-Márquez et al., 2022; Chillakuri & Mahanandia, 2018; Srinivasan, 2012; Macky, Gardner & Forsyth, 2008; Jansen, 1974; Demeijer & Stoffels, 2019; DeChane, 2014; Harris, 2020). Moreover, we found extensive literature on the generation Z, which focus on the identification and definition of their individual behavioral characteristics, preferred working styles, and expectations at the workplace and employer, which is particularly relevant for organizations from a retention and engagement perspective (Pandita, 2021; Pichler et al., 2021; Schroth, 2019; Benítez-Márquez et al., 2022; Barhate & Dirani, 2022; Mahmoud et al., 2021; Diaconu & Dutu, 2020; Jayathilake et al., 2021; Chillakuri & Mahanandia, 2018; Sladek & Grabinger, 2014).

Furthermore, we found a magnitude of talent management models, frameworks, and practices that aim to enable the best possible performance of employees, and more so of the talents of the generation Z in organizations from an employee's perspective, thus help to ensure the overall retention of talents within the organization (Schuler & Jackson, 2005; Sheehan, 2013; Pauli & Poczowski, 2019; Yang, 2006; Verma et al., 2019; Pandita & Ray, 2018; Schaufeli, 2013; Albrecht et al., 2015; Pandita & Kumar, 2022).

However, through the analysis of the existing literature we have discovered that there is a limited understanding and research of the organization's perspective of SMEs regarding talent management and the implications on the respective practices that result from the newly entering generation in the academic discussion on multigenerational talent management (Krishnan & Scullion, 2017; Festing et al., 2017). The literature on organizational talent management concentrates primarily on the organizational settings of larger corporations and thereby fails to address the unique organizational context of SMEs that influences the development and implementation of the organizational talent management and respective retention and engagement practices (Krishnan & Scullion, 2017). Therefore, it can be argued that the organizational perspective of SMEs regarding the development of generational-specific talent management and engagement practices remains to be explored more in depth (Vinten et al., 1997; Krishnan &

Scullion, 2017; Festing et al., 2017; Collings & Mellahi, 2009; Bacon et al., 1996; Dundon et al., 2009). This belief is further supported by various scholars that state that there is a general research gap within the talent management literature regarding SME-sized companies' talent management (Sheehan, 2013; Festing et al., 2017; Pauli & Poczowski, 2019; Brewster et al., 2016; Krishnan & Scullion, 2017). More specifically, there is a lack of literature regarding talent management approaches and practices that SME-sized organizations design and implement for the retention and engagement of employees, which underlines the need for this research. Furthermore, according to numerous scholars there is still a demand for further research from different perspectives of talent management, such as the organizational perspective of SMEs and the joint consideration and analysis of generational specific talent management needs and the adaptation efforts of SME-sized companies (Pandita & Ray, 2018; Benítez-Márquez et al., 2020; Krishnan & Scullion, 2017; Festing et al., 2017). This type of research is deemed as particularly relevant in order to increase the understanding of the SMEs specific talent management approach and to identify possible implications and inefficiencies of SMEs talent management practices that aim to target new generations (Krishnan & Scullion, 2017; Festing et al., 2017).

Our research study will, unlike previous research, shed light on the organizational perspective of SMEs regarding talent management, specifically the implications and challenges erupting when designing talent management and engagement practices for the new generation Z. Thus, this research aims to fill this knowledge gap and to contribute to the existing literature by providing empirical findings that outline the talent management practices of SME-sized companies that aim for the retention and engagement of the talents of the generation Z within the organization.

### 1.3 Research Purpose and Research Question

The ultimate purpose of this research study is to contribute to the existing literature of talent management and to offer readers a greater understanding and insights of the organizational perspective of SMEs regarding talent management and the implications on the respective practices that result from the newly entering generation Z to the workforce. To fulfill the purpose of this research, the study will follow and address the overarching research question:

*How do SME-sized organizations create talent management and engagement practices specifically targeted to the generation Z and how do the existing practices fit the generation-specific needs?*

The research purpose will be fulfilled through conducting a qualitative research study. More specifically, a multiple-case study design will be pursued through executing seven semi-structured interviews with HR professionals of SMEs located in Sweden to generate valuable insights and information regarding the development and implementation of talent management and engagement practices specifically targeted at the generation Z, which are deemed as crucial for the overall resolution of the research question. The selected research approach is considered as suitable for this research study and necessary for the overall in-depth investigation of the organizational perspective and context of SMEs that influence the development and implementation of talent management practices and the contribution to the existing literature.

## 1.4 Thesis Outline

To fulfill the overall research purpose and question, the structure of this research study builds on six main chapters (*refer to Figure 1*). After the introduction of the research topic in the first chapter, the second chapter outlines a comprehensive literature review and thereby introduces the theoretical framework and foundation of this research study. More specifically it provides information about the unique characteristics and differences of generations, the generation Z, and common retention and engagement practices, more specifically of SMEs and for the generation Z.

The third chapter explains the methodological structure of the research process and choices that have been made to resolve the aim of this study. Furthermore, the validity, reliability, and ethical considerations of the research study are defined within this chapter. Thereafter, the fourth chapter focuses on presenting and describing the findings of the empirical research, as well as on analyzing the respective data to generate insights.

The fifth chapter depicts connections and relationships between the theoretical foundation and the empirical findings and represents the key findings of this study.

Lastly, the sixth chapter summarizes the main research findings and critically reflects on the stated research purpose, objectives, and the contribution to the academic literature. Finally, further research opportunities are presented.

<p><b>CHAPTER 1: INTRODUCTION</b></p> <p><i>Research Purpose, Question and Relevance</i></p>	<ul style="list-style-type: none"> <li>• Importance of Human Capital and Talent Management</li> <li>• Entrance of Generation Z to the Workforce</li> <li>• SMEs Talent Management</li> </ul>
<p><b>CHAPTER 2: LITERATURE REVIEW</b></p> <p><i>Theoretical Framework</i></p>	<ul style="list-style-type: none"> <li>• Generational Characteristics and Differences</li> <li>• Generation Z</li> <li>• Organizational Talent Management <ul style="list-style-type: none"> <li>• Retention and Engagement</li> </ul> </li> </ul>
<p><b>CHAPTER 3: RESEARCH METHODOLOGY</b></p> <p><i>Methodological Choices</i></p>	<ul style="list-style-type: none"> <li>• Qualitative Research Approach</li> <li>• Multiple Case Study Design</li> <li>• Semi-Structured Interviews</li> </ul>
<p><b>CHAPTER 4: EMPIRICAL FINDINGS</b></p>	<ul style="list-style-type: none"> <li>• Organizational Limitations and Challenges</li> <li>• Talent Management and Engagement Practices <ul style="list-style-type: none"> <li>• Development of Practices</li> <li>• Implemented Practices</li> </ul> </li> </ul>
<p><b>CHAPTER 5: DISCUSSION</b></p>	<ul style="list-style-type: none"> <li>• Talent Management at SMEs</li> <li>• Talent Management for Generation Z</li> </ul>
<p><b>CHAPTER 6: CONCLUSION</b></p> <p><i>Limitations, Implications, Future Research Opportunity</i></p>	<ul style="list-style-type: none"> <li>• Theoretical and Practical Implications</li> <li>• Limitations and Future Research Opportunities</li> </ul>

*Figure 1: Thesis Outline (Developed by researchers)*

## 2 Literature Review

The following section of the research study will provide an overview of well-established research, concepts, and theories related to the research topic and thereby aims to build a comprehensive theoretical framework and foundation to answer the research question (Saunders, Lewis & Thornhill, 2006). This chapter will highlight the existing knowledge gap and theoretical shortcomings, as well as the resulting opportunity to contribute to the academic literature with this research study. Therefore, we will explore the existing literature of the new generation Z, and more specifically their work-related preferences. In addition, the literature review will present common talent management and engagement practices that organizations apply to retain talents, and more specifically talents of generation Z, within the organization and role. Lastly, the literature review will depict the organizational context of SME-sized organizations and the overall development of talent management practices in order to successfully retain talents and avoid the risk of losing skilled labor. The methodological process that has been followed for the search and selection of relevant academic literature will be discussed in chapter 3.

### 2.1 Concept of Generations and Generational Differences

The terminology “*generation*” is often used in qualitative research studies to investigate common traits and differences between age groups (Valickas & Jakštaitė, 2018). There have been numerous attempts by scholars of diverse disciplines to define the term and concept of generations and the differences that occur between those on the basis of biological criteria such as age or the joint experience of salient socio-cultural events and demographic shifts (Jansen, 1974; Demeijer & Stoffels, 2019). One popular contribution to the vast range of generational theories comes from the sociologist Dr. Karl Mannheim's work “*The Problem of Generations*” (1952), which highlights generations as a sociological phenomenon (Pilcher, 1994; Mannheim, 1952). His definition of generations and generational differences is not emphasizing the shared genealogical aspects but the collective experience and survival of significant historical occurrences and societal development phases, that cause the development of shared behavioral characteristics that are independent from any gender, race, or socio-economic background (DeChane, 2014; Harris, 2020; Mannheim, 1952). Another important contribution to the generational studies comes from Strauss

& Howe (1997), which define generation based on three shared characteristics: the age-location in history, common beliefs and behaviors, and perception of membership. The simultaneous consideration of both theories helps to explain how generations are shaped and generational-specific characteristics emerge.

Overall, as by the aforementioned information, the differences between the generations and their respective needs theoretically arise due to significant influences and environmental changes that occur within the early human socialization stages of each individual generation. In particular, long-term changes in the socio-cultural environment or the occurrence of highly salient events, such as wars, that only a specific generation experiences within the crucial socialization years, causes the emergence of generational characteristics and differences (Srinivasan, 2012; Noble & Schewe, 2003; Twenge & Campbell, 2008). The far-reaching effects and changes resulting from such socio-cultural salient events that occur throughout the development stages, shape the respective generation and their immediate environment and cause the development of generation specific characteristics that differentiate from the preceding and following generations (Macky, Gardner, & Forsyth, 2008). More specifically, these influences shape the overall development of generational-specific characteristics such as personality traits, behavioral characteristics, expectations, beliefs, and work values of individuals, which influences their respective management needs (Srinivasan, 2012). Thus, are deemed to be particularly important for organizations and their management.

## 2.2 Generations within the Workforce

The consideration of the unique characteristics, values, and attitudes towards work of different generations' is of high importance but also more frequently experienced as a common challenge for modern organizations and their human resources management (Pandita, 2021; Valickas & Jakštaitė, 2018). Firms not only need to adjust the workplace and management practices to fit the needs of the latest emerging generation of the workforce to reduce the witnessed employee turnover among talents of the generation Z, but also to ensure an effective collaboration between generations and thereby establish an efficient work environment (Benítez-Márquez et al., 2022; Chillakuri & Mahanandia, 2018). Presently, the diverse workforce consists of four generations: *Baby Boomers, Generation X, Generation Y, and Generation Z* (refer to Figure 2), which

distinguish from one another not only through the respective birth dates but also through their unique set of characteristics, needs, and preferences towards work (Clark, 2017; Srinivasan, 2012; Pandita, 2021). According to Haeberle et al. (2009), differences between generations affect all aspects of the workplace and in particular the remuneration requirements, workplace and leadership needs, and the effectiveness of reward and recognition systems of an organization (Haeberle et al., 2009). Hence, it is crucial for corporations to understand and respond to those generational behavioral characteristics and differences related to the work-related values, in order to attract and retain the best labor, to avoid conflicts and employee turnover, and thereby to remain competitive (Gursoy et al., 2008; Singh & Gupta, 2015).

OVERVIEW OF GENERATIONS:		
↓	Baby Boomer Generation	1946 – 1964
	Generation X	1965 – 1980
	Generation Y / Millennials	1981 – 1994
	Generation Z	1995 – 2010

*Figure 2: Overview of Generations of the Current Workforce based on Kapoor & Solomon (2011)*

It is important to note that the stated birth dates of the individual generations differ within the vast range of academic literature. Therefore, this study refers to the generally accepted definition of Kapoor & Solomon (2011). According to Kapoor & Solomon (2011), it is relevant to mention that in the occasion that an individual is born between two generations, “it can adopt characteristics of either generation or a mixture of both and the characteristics of each generation do not apply across the board, as individuals are diverse and unique” (Kapoor & Solomon, 2011, p. 309). Thus, various talent management practices and approaches, as well as workplace related aspects can have similar responses from individuals regardless of their respective generation.

## 2.3 Generation Z

In the following section, existing literature will be reviewed to provide an understanding of the exclusive characteristics of generation Z, as well as the work-related preferences of the new cohort.

*“Entire industries and businesses will rise and fall in the wake of Gen Zers, yet few industries seem to be ready for it. Are you?”— (Deloitte & Network of Executive Women, 2019)*

Members of the generation Z, also known as “Gen Z” or “Digital Natives” were born between 1995 - 2010 and are the youngest and largest cohort to join the current workforce and thereby supplementing the three previously mentioned generations at the workplace (Schroth, 2019; Benítez-Márquez et al., 2022; Barhate & Dirani, 2022; Pichler et al., 2021; Mahmoud et al., 2021; Diaconu & Dutu, 2020). Even though approximately 77% of generation Z are still in education, large numbers of the cohort are entering the labor market every year and are taking over the work-related responsibilities of retired Baby Boomers (Jayathilake et al., 2021; Chillakuri & Mahanandia, 2018; Mahmoud et al., 2021). This cohort has been shaped by the experience of political uncertainty and instability, a global financial crisis, terrorism, the acceleration and effects of global warming, and recently the outburst of a global pandemic (Magano et al, 2020; Benítez-Márquez et al., 2022). Thus, unlike other generations, Gen Z grew up in times of frequent change within the political, social, technological, and economic environment, as well as hyper-technological advancement and disruption (Pichler et al., 2021).

### 2.3.1 Characteristics of Generation Z

The aforementioned experiences, technological advancements, and socio-cultural changes have influenced the development of the distinct generational characteristics and work-related attributes that differentiate remarkably from the other three generations of the current workforce (Pichler et al., 2021; Pandita, 2021; Chillakuri & Mahanandia, 2018). These unique generational traits of the Gen Z, as well as their individual work-related attributes, and values will be discussed in the following sections.

### ***Independent, Ambitious, and Well-Informed***

According to various researchers, the key characteristics of the youngest generation of the current workforce are being independent, highly achievement-oriented, confident, and more entrepreneurial than any other predecessor generation (Barhate & Dirani, 2022; Barna Group, 2018; Lanier, 2017; Benítez-Márquez et al., 2022; Chillakuri & Mahanandia, 2018; Diaconu & Dutu, 2020; Schroth, 2019). The development of the highly self-driven and autonomous behavioral traits of the generation was largely influenced by the early access to the internet and the engagement with technologies. The early and unlimited accessibility to vast amounts of information makes this generation particularly aware, open, and informed about world affairs, new topics, themes, and perspectives. Furthermore, it makes them particularly realistic and analytical in their decision-making (Benítez-Márquez et al., 2022). Gen Z places a high importance on education and individual development and utilizes technologies to educate themselves individually (Pichler et al., 2021; Alter, 2019). Moreover, this generation is characterized as being comparably more financially conscious than prior cohorts and ethically guided in their consumption choices (Sladek & Grabinger, 2014). They follow their passions, prefer to be trend-setters rather than followers, value their own freedom of choice, and thereby avoid any form of dependency (Chillakuri & Mahanandia, 2018; Diaconu & Dutu, 2020). However, even though Gen Z is the most educated generation, they lack practical work experiences, due to their young age and therefore are rather inexperienced compared to other generations (Schroth, 2019; Diaconu & Dutu, 2020). The comparably less-social nature of Gen Z causes the commonly stated interpersonal interaction and communication difficulties of the generation with others and the preference to communicate through technologies rather than personally (Pichler et al., 2021).

### ***Individualistic and Diverse***

Generation Z is more individualistic than any prior generation (Francis & Hoefel, 2018; Pichler et al., 2021; Schroth, 2019; Pandita, 2021; Chillakuri & Mahanandia, 2018). They like to define their own identity not based on a single stereotype or label but rather change and experiment with their personal characteristics, self-identity, and individual being over time (Pandita, 2021; Francis & Hoefel, 2018). Hence, many scholars call them “*identity nomads*” or the generation with the “*undefined ID*” (Francis & Hoefel, 2018). Furthermore, Gen Z is also considered to be the most racially and ethnically diverse generation and is in comparison to previous generations more

interested in race and gender related topics, beliefs, and far less tolerant to inequality issues and racism (Schroth, 2019; Pichler et al., 2021; Chillakuri & Mahanandia, 2018; Alter, 2019). The experience of the growing racial and ethnical diversity of the society makes them generally more liberal, susceptible, and open for changes within the society and to the self-expression of others. In general, they have the ability to change their own perspectives to understand others and are willing to take public stand against any form of social injustice (Francis & Hoefel, 2018; Benítez-Márquez et al., 2022; Schroth, 2019).

### ***Technology Savvy***

Generation Z grew up in the digital era, where technologies played and still plays a central role in all aspects of their life's (Chillakuri & Mahanandia, 2018). Gen Z is the first truly global and digital native generation that hasn't experienced the world without the internet and digital communication technologies (Bencsik et al., 2016; Pichler et al., 2021; Pandita, 2021). They learned how to utilize, interact, and integrate technologies and social networks within their life's from a very young age and became highly dependent on such technologies for the entertainment, social engagement, and communication with others (Benítez-Márquez et al., 2022; Lenhart, 2015; Bencsik et al., 2016). The constant engagement with technologies and access to unlimited information caused the strong ability to efficiently multitask and to process gathered information faster than previous generations (Pandita, 2021).

### ***Mental Health Challenges***

The permanent interaction and utilization of communication technologies, digital platforms, and more particularly social media has also led to the development of various negative effects and health implications. Specifically, resulting consequences such as depression, lack of sleep, addiction to technology and social media platforms, and attention deficit orders have increased and been detected more frequently within the generation Z (Pichler et al., 2021). Thus, Gen Z is commonly referred to as the most depressed generation of all times (Annie E. Casey Foundation, 2021). Especially young members of the generation who have a particularly high usage rate of social media and only few in-person interactions declared a high extent of aloneness, depression, and anxiety (Pichler et al., 2021; Schroth, 2019). However, in comparison to other generations, Gen Zers are more likely to express their mental issues and to seek professional help (Schroth, 2019).

### 2.3.2 Preferences of Generation Z at the Workplace

Even though some characterial and behavioral similarities between the Gen Z and Millennials can be depicted (*refer to Table 1*), the new cohort approaches work in a new and different way compared to prior generations, which will be discussed in the following section (Gursoy et al., 2008; Schroth, 2019; Jayathilake et al., 2021; Deloitte & Network of Executive Women, 2019; Chillakuri & Mahanandia, 2018; Pandita, 2021).

#### ***Preferred Work Styles***

Gen Z dislikes authority and prefers to work and learn solitarily and independently rather than in groups (Pichler et al., 2021). Moreover, due to their less social nature and characteristic they value the utilization and integration of digital technologies at the workplace to circumvent in-person interactions and communication (Deloitte & Network of Executive Women, 2019; Ozkan & Solmaz, 2015). Additionally, the generation Z appreciates a flexible work environment, versatile task designs, and the transparent communication of targets and expectations (Pandita, 2021). They are more interested in learning-by-doing rather than through listening and actively searching for opportunities to contribute to the workplace (Diaconu & Dutu, 2020). Furthermore, they like to challenge themselves, learn from past mistakes and experienced problems, celebrate both small and bigger successes, and to receive immediate feedback and recognition for their work (Pandita, 2021; Harris, 2020). Regardless of their preference to work and learn independently, they like to be mentored by their superiors and to engage with others to build meaningful relationships at the workplace (Barhate & Dirani, 2022).

#### ***Organizational Commitment and Motivation***

This cohort places a particularly high importance on their self-development and advancement opportunities and therefore favors multidisciplinary, meaningful, interesting, and challenging tasks, as well as entrepreneurial opportunities within the organization to demonstrate and further enhance their capabilities and innovational mindset (Benítez-Márquez et al., 2022; Pandita, 2021; Pichler et al., 2021). According to Jayathilake et. al. (2021), the newest generation of the current workforce is less loyal to their workplace and more likely to switch occupations more frequently than any other generation before (Benítez-Márquez et al., 2022). Especially in the absence of meaningful work, potential opportunities to develop their skills, and to advance in their careers at

the respective workplace, this cohort becomes disengaged and likely to seek opportunities elsewhere and therefore to take immediate actions to leave the occupation and employer (Bresman & Rao, 2017; Alter, 2019; Benítez-Márquez et al., 2022; Jayathilake et. al., 2021).

***Workplace & Career Expectations***

Generation Z evaluates and defines their opinions about an organization and base their decision to join a company on their highly diverse set of core values (Pandita, 2021). Integrity, ethical and environmental practices, and a diversity-friendly and inclusive organizational culture of a firm are particularly important for the new cohort (Pichler et al., 2021). Thus, firms have to adopt and communicate their policies and practices that will promote diversity in order to be of interest and appealing to the youngest generation Z. Furthermore, Gen Z prefers to have a workplace and position that offers them financial stability, a stable work-life-balance and personal self-actualization and fulfillment opportunities (Barhate & Dirani, 2022). Hence, are less likely to search and choose freelance or part-time work positions (Pandita, 2021). The salary, however, does not have a high importance and priority for this generation (Barhate & Dirani, 2022; Pandita, 2021).

	<b>Millennials (1981-1994)</b>	<b>Generation Z (1995-2010)</b>
<b>Key Behavioral Characteristics</b>	<ul style="list-style-type: none"> <li>• Driven</li> <li>• Questioning common beliefs and the status-quo</li> <li>• Confident</li> <li>• Optimistic</li> <li>• Comfortable with change</li> <li>• Ambitious</li> </ul>	<ul style="list-style-type: none"> <li>• Confident</li> <li>• Ambitious</li> <li>• Independent</li> <li>• Diverse</li> <li>• Realistic</li> <li>• Highly Educated</li> <li>• Inexperienced</li> <li>• Technology-natives</li> </ul>
<b>Preferred Workstyles</b>	<ul style="list-style-type: none"> <li>• Collaborative</li> </ul>	<ul style="list-style-type: none"> <li>• Independent</li> <li>• Flexible</li> <li>• Immediate Recognition</li> </ul>

<b>Organizational Commitment and Motivation</b>	<ul style="list-style-type: none"> <li>• Self-realization opportunities</li> <li>• Purposeful work</li> <li>• Contribution beyond the work-related responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Self-development and Career advancement opportunities</li> <li>• Meaningful work</li> <li>• Less loyal and more likely to switch and change jobs</li> </ul>
<b>Workplace Expectation</b>	<ul style="list-style-type: none"> <li>• Different employment forms</li> <li>• Less need for financial stability</li> </ul>	<ul style="list-style-type: none"> <li>• Diverse and inclusive culture</li> <li>• Regular employment form</li> <li>• Financial security and stability</li> <li>• Work-life-Balance</li> </ul>

*Table 1: Characteristics of Gen Y and Gen Z (Developed by researchers)*

## 2.4 Organizational Talent Management

In the following section existing literature regarding talent management and its role within small and medium sized enterprises will be presented in order to understand the organizational perspective, context, and benefits of the development and implementation of talent management and respective practices for corporations. In addition, existing research on talent management practices, more specifically retention and engagement practices will be reviewed to provide an understanding of the role of engagement for the retention and performance of individuals within the organization. Finally, the specific needs generation Z has regarding the retention and engagement will be highlighted.

*“Human capital has been established as the most important asset for any organization. It is widely accepted that in the long run, the organization with the best people wins.”*  
(Pandita & Ray, 2018, p. 186)

The management of talents has been recognized as an important source for building and sustaining a competitive advantage and as a key driver for the survival of an organization within the complex business landscape, that largely depends on the organization's ability and capability to efficiently manage, leverage, and retain talents (Egerová et al., 2015; Phillips, 2008; Tafti et al., 2017; Schuler & Jackson, 2005). Thus, talent management has become a key dimension of today's business

management and is of significant strategic importance and thus, emerging as top priority for ensuring the organization's success (Phillips, 2008).

Even though the terminology “*talent management*” has been excessively used within reports, articles, and books on the topic and attracted much attention from scholars within the last three decades, the precise meaning of talent management remains controversial, inconsistent, and inconclusive within the human resource management (HRM) literature (Painter-Morland et al., 2019; Lewis & Heckman, 2006; Maurya & Agarwal, 2018; Gallardo-Gallardo, 2019). Hence, the literature on talent management is not well grounded in research and defined by a rather limited theoretical and conceptual depth (Krishnan & Scullion, 2017; Sparrow et al., 2014; Collings & Mellahi, 2009).

The term was arguably first used in the late 1990ths in the work of McKinsey consultants, who delineated the connection of the occurring “*war of talents*” between organizations with the experienced growing interest of firms in the topic *talent management* (Gallardo-Gallardo, 2019; Swailes, 2016; Maurya & Agarwal, 2018). Since then, the various assumptions made by scholars and the wide application of the term within different HRM-related areas resulted in a rather broad description of talent management that contains all kind of organizational efforts and activities that are concerned with the attraction, recruitment, selection, development, engagement, and retention of those talented employees that are of interest for the organization's value creation and success (Gallardo-Gallardo, 2019; Tafti et al., 2017; Lewis & Heckman, 2006; Collings & Mellahi, 2009; Maurya & Agarwal, 2018). According to Tafti et al. (2017), talented employees are commonly described within the literature as those who have outstanding capabilities that enable them to be successful in different activities or fields and are therefore specifically attractive for companies. Moreover, individuals that will occupy a management or a higher non-managerial position within an organization and that are expected to perform above average within the role and are motivated to develop and advance, are also commonly described as “*high-potential talents*” within the HRM literature and defined as particularly important for the organizational talent management and performance of large multinational enterprises (MNE) (Pauli & Poczowski, 2019; Krishnan & Scullion, 2017).

The main objective of talent management is to attract, select, engage, and retain these skilled and talented employees within the organization and thereby to reach the organizational performance-related objectives with the support of specifically designed and formalized talent management systems and practices (Pandita & Ray, 2018; Gallardo-Gallardo, 2019; Tafti et al., 2017; CIPD, 2006). Even though the attraction and selection of talents is crucial for the organization's short-term survival, the engagement and retention of employees is identified as the key for the development of a competitive advantage and long-term success (Saks & Gruman, 2014). According to Sheehan's study (2013), there is a significant correlation between the investment in the design of organizational-specific talent management, and more so retention and engagement practices such as feedback, remuneration, and training with increased profitability, innovation of the organization, as well as the retention of employees. In comparison to other management disciplines, several researchers argue that organizational talent management is thereby not just a cyclical process that ensures that talented employees are able to perform at their best and within the right role but also an important mindset that is influenced by the organization's culture (Redford, 2005; Creelman, 2004; Cheloha & Swain, 2005; Lewis & Heckman, 2006; Pandita & Ray, 2018).

Presently, talent management and the development and design of respective practices is strongly influenced by dynamic changes of the business landscape such as industry 4.0, or the fourth industrial revolution, the use of virtual reality, artificial intelligence (AI), robotics, cloud computing, and big data which is expected to create faster connection and an intertwined web of communication that disrupts current business models, and the way organizations work (Verma et al. 2019). The technological advancements, economical, environmental, and political changes, as well as the resulting evolution of the relationship between talents and organizations challenges individuals and employers equally to adapt to the expected changes and new working conditions (Hauptmann et al., 2019). Employees are expected to collaborate and engage more frequently with advanced technologies, AI, and machines at the workplace with the overall aim to improve the organizational productivity and growth, which will require organizational talent management to support this transition in order to leverage the desired benefits (Verma et al. 2019). This change was pushed towards a faster development by the covid-19 pandemic that demanded organizations to apply and implement digital technologies faster and to a greater extent than expected

(Jayathilake et al., 2021). In addition, the emergence of younger and more digitally-savvy generations to the workforce and business world is further accelerating the experienced adaptation needs of talent management to the new workforce and business environment (Verma et al. 2019).

#### 2.4.1 Talent Management in SMEs

Small and medium sized enterprises are major employment generators and crucial contributors to the world economy (Vinten et al., 1997; Krishnan & Scullion, 2017). According to the Organization for Economic Co-operation and Development (OECD) study (2015), over 99% of the organizations within the 38 countries of the OECD, G20 countries, and 90% within developing countries are SME-sized firms, which illustrates the strong role and importance of SMEs within the global economy. The definition of SMEs varies between countries and industries. However, several researchers and institutes regard the employment size as the main measure and identification criteria of SMEs (Krishnan & Scullion, 2017). Within Europe a SME is defined as an organization that engages in economic activities, with up to 250 employees and a total annual turnover of maximum EUR 50 million (European Union, 2022).

Effective talent management is of particular importance for the organizational performance and success of both larger-, and SME-sized companies and for the generation of a competitive advantage (Sheehan, 2013; Pauli & Poczowski, 2019). The growing awareness of the importance of talent management within organizations for their long-term success led to the growth of research on talent management frameworks, approaches, and best practices specifically targeted at large organizational settings (Krishnan & Scullion, 2017). However, the limited theoretical research and focus on the organizational settings of SMEs, led to the uniform application of the identified best practices of large organizations within smaller and medium sized enterprises (Festing et al., 2013). Nonetheless, the universal application is incongruous as SME-sized companies differentiate fundamentally from large organizations, more specifically in regard to their institutional, resource, and economic contexts, as well as their overall approach to talent management (Krishnan & Scullion, 2017; Dundon et al., 2009; Rabi & Gilman, 2012). The organizational size and more so the scarce resources available within SMEs are important aspects, which are in comparison to larger companies, limiting them to strategically improve their performance through the design and

implementation of formalized talent management systems, practices, and strategies for the recruitment, retention, and engagement of employees (Krishnan & Scullion, 2017). Additionally, the “greater degree of instability in the structural forms and management processes” (Krishnan & Scullion, 2017, p. 432) due to fast growth and organizational changes and therefore the need for managerial flexibility and agility of SMEs, results in a strong application of informal talent management approaches, rather than specific formalized strategies, systems, and practices (Dundon et al., 2009; Sheehan, 2013). The informal approach to talent management is thereby strongly influenced and connected to the strategic intention of the founder for the firm and the overall culture and does not specifically target “*high-potential*” talents as in large MNEs but rather all employees equally (Festing et al., 2017; Collings & Mellahi, 2009). Notably, several researchers have found out that the informality of talent management approaches and practices within SMEs is a fundamental source for the development of a competitive advantage for SME-sized organizations (Bacon et al., 1996; Dundon & Wilkinson, 2009). This depicts that talent management practices do not need to be formalized in order to elicit the intended benefits and performance-related outcomes (Harney & Nolan, 2014).

The retention and engagement of new and existing employees represents a common challenge for SMEs, due to the limited resources available for the design and implementation of numerous specific and appealing talent management practices (Krishnan & Scullion, 2017). Especially young-talents that are characterized as less loyal and committed to an organization and who specifically search for self-development and learning opportunities, as well as attractive compensation packages and a stable work-life balance within an organization are therefore hard to retain for SME-sized organizations (Ferri-Reed, 2014). In comparison to large MNEs, that have standardized, sophisticated, and formalized systems and strategies in place and that invest in the development of a large pool of versatile practices for the talent management of employees, SMEs have limited practices in place, that evolve and are adapted to the present needs and requirements of the business (Cappelli, 2010; De Kok & Uhlaner, 2001; Heneman et al., 2000). Furthermore, the strong focus on the organizational performance and the commonly limited budget allocated to talent management within SMEs, as well as the organizational cost-pressure, results in rather unconventional approaches and retention practices that rely on a close relationship between the

managers and employees and informal on-the-job training (Festing et al., 2017).

#### 2.4.2 Retention of Talents

Talent retention generally refers to the organization's ability to keep employees within the organization, through creating and providing an attractive work environment, conditions, and retention practices (Kamalaveni et al., 2019). Retention became a topic of interest broadly in the 1990's when organizations faced internal challenges and organizational costs of voluntary dysfunctional turnover of employees (Kamalaveni et al., 2019; Cappelli & Keller, 2015). The importance of retention is particularly high for organizations due to necessary initial investments that occur for the recruitment and development of talents. Moreover, the growing *war of talents* between organizations, places the design and implementation of suitable retention practices as the primary concern of talent management and one of the most important and difficult challenges HR practitioners face in the fast paced and dynamic environment of the 21st century (Kamalaveni et al., 2019; Saks, 2006; Poorhosseinzadeh & Subramaniam, 2013).

Organizations tackle retention through talent management activities such as designing recruitment practices, selecting talents, providing training and development opportunities, designing attractive positions and tasks, evaluating work performance, and offering feedback, as well as setting wage standards and compensation packages (Kamalaveni et al., 2019; Cappelli & Keller, 2015; Holtom et al., 2008). The aim of organizational retention practices is to motivate desired behaviors of employees, such as to have interest in learning, to perform at their best, and to increase the engagement within the organization and the commitment towards the organization. Thus, the overall objective is to form a bond between employees and the company and thereby to increase the performance and commitment of employees, which favors the overall organizational performance and success (Pandita & Ray, 2018; Albrecht et al., 2015; Saks, 2006).

The retention practices recommended within the existing literature are connected to all dimensions of the employee's interaction with the organization; from when they are hired, to the personal development, and overall interaction with the organization. More specifically, the talent

management practices that are recommended broadly within the literature for better retention are based on creating an environment for employees where they feel psychologically taken care of and connected to the organization (Holtom et al., 2008; Pandita & Ray, 2018). Hence, one of the key functions of HR practitioners within organizations is to ensure that employees feel motivated, appreciated, and recognized from peers and the management in order to perform sufficiently. This includes conducting regular surveys measuring the satisfaction and engagement of employees, as well as feedback conversations, and exit interviews with employees leaving voluntarily to gain knowledge about the specific reasons (Kamalaveni et al., 2019; Cappelli & Keller, 2015). In addition, trust and the sense of belonging, as well as a sense of meaning should be ensured by the HR practitioners and overall management to ensure the effective retention of talents (Cappelli & Keller, 2015). Promoting and ensuring equality and fairness within the organization is also relevant for the effective retention of talents (Kamalaveni et al., 2019).

Furthermore, the available work conditions and practices for the development and learning within an organization are crucial for the retention of employees. Especially, roles and tasks need to be designed carefully to avoid monotony of tasks and increase the engagement and motivation of employees and attention to the social and psychological needs of talent must be paid, for example through a proactive job design approach where the employee can shape their role objectives and responsibilities partially individually in correspondence with the management and HR department (Cappelli & Keller, 2015). Moreover, companies that are able to work digitally should encourage employees to work remotely, which is also connected to the positive work-life balance that organizations need to enable for better retention. Finally, designing practices that ensure training and development opportunities is particularly relevant for the retention of employees (Kamalaveni et al., 2019; Cappelli & Keller, 2015).

### 2.4.3 Role of Engagement

The retention literature addresses more specifically the role of engagement within the organization as an important factor for the commitment and voluntary turnover of employees. Thus, highlighting the connection of employee engagement, with the overall commitment of the

employee to the organization, its positive effects on performance, and the potential risk of employee turnover (Holtom et al., 2008; Pandita and Ray, 2018; Saks, 2006).

Within the existing literature of talent management, engagement has been described in several different ways, with many definitions overlapping with other terms such as organizational commitment (Saks, 2006; Christian & Slaughter, 2007). Nonetheless, the foundation of engagement literature was arguably set by Kahn (1990), as he first described personal engagement as the psychological state of being physically, cognitively, and emotionally present during the performance of work and within the organization. Thus, engaged employees connect themselves to their role at work, while disengaged organization members withdraw and do not connect emotionally with their work, role, and performance. Moreover, Schaufeli (2013) describes work engagement from a scientific perspective and defines it as a work-related state of mind that is characterized by vigor, dedication, and absorption. However, Schaufeli (2013) also states that this perspective on engagement is possibly not broad enough since it does not include and emphasize the drivers of engagement or its consequential nature, which is important from a practical business point of view. Hence, it should include employee behavior that is aligned with common organizational goals, since employees might feel engaged in their individual work, but the engagement might be badly focused and thus, not contributing to organizational success (Schaufeli, 2013). Furthermore, according to Christian & Slaughter (2007), engagement is associated with task-specific motivation, which means that the level of engagement is connected to the task performance. Thus, engaged individuals are more likely to have a higher task-related performance, than disengaged employees. Furthermore, this means in other words that engaged employees go beyond their own task and work towards other organizational goals and thus, benefit the organizational success (Christian & Slaughter, 2007).

Due to these significant organizational benefits, managing work engagement; how involved, committed, enthusiastic, and passionate employees are, is defined as a top priority within the talent management of firms (Berry & Morris, 2008; Attridge, 2009; Saks, 2006). Hence, employee engagement should be an integral part and consideration of the HRM efforts and practices of organizations and the engagement needs, need to be a central focal point in all the dimensions of the employer-employee relationship and across the employee lifecycle (Albrecht et al., 2015).

Moreover, it is important that the individual talent management practices of corporations emphasize the engagement of employees, through inflicting favorable psychological and physical conditions and thereby try to avoid the disengagement of employees and thus the risk of employee turnover (Berry & Morris, 2008; Saks, 2006). According to Kahn (1990), favorable psychological conditions that benefit the retention and engagement of talents are (1) *psychological meaningfulness*, which is connected to the provision of incentives to personally engage and of challenging and well defined task, (2) *psychological safety*, that can be provided through designing a predictable and safe social environment and context, through ensuring favorable management styles, teamwork dynamics, fair organizational norms, and (3) *psychological availability*, which is associated with avoiding distractions and ensuring confidence (Kahn, 1990). By purposefully implementing HRM practices and procedures that ensures and enhances the engagement of employees, engagement can deliver vast organizational benefits, such as an increased performance and productivity, and thus help to develop a competitive advantage and to maintain the organizational success (Albrecht et al., 2015; Kim et al, 2012; Xanthopoulou, Bakker, Demerouti, & Schaufeli, 2009; Berry & Morris, 2008).

#### 2.4.4 Engagement Practices

Due to the aforementioned organizational and performance-related benefits of employee engagement, companies are increasingly focusing on designing practices to increase engagement of employees within the organization (Wollard & Shuck, 2011).

Overall, according to Wollard & Shuck (2011), antecedents of employee engagement, the functions that lead to better engagement within an organization, are constructs, strategies and conditions that need to be fostered within an organization to reach the benefits of employee engagement (Wollard & Shuck, 2011; Saks, 2006; Christian & Slaughter, 2007). These can be divided to individual antecedents, which are constructs, strategies, and conditions applied directly to or by individual employees, and organizational antecedents (*refer to Table 3*) which are those applied on a systemic level within the organization (Wollard & Shuck, 2011). Hence, talent

management practices of an organization should ensure and provide both individual and organizational antecedents for better engagement of employees.

Individual antecedents for engagement within an organizational setting are defined as having a meaningful work environment and a sense of meaningful work, as well as the feeling that tasks that are connected to the organizational goals and therefore to a greater purpose (Wollard & Shuck, 2011; Saks, 2006; Christian & Slaughter, 2007). In addition to this, a safe environment in an emotional, cultural, and physical manner is also connected to engagement, as well as having a balance between personal life and work enabled by the employer. Certain personality traits are also connected to ushering engagement (Wollard & Shuck, 2011; Albrecht et al., 2015), which cannot be directly affected through organizational actions, but can be considered and incorporated within the design of talent management practices (Albrecht et al., 2015).

Organizational antecedents of engagement are connected to fostering a supportive organizational culture with opportunities to develop and learn, as well as to receive recognition and feedback. In addition, having an overall open and positive environment and fair work conditions increase the engagement of employees (Wollard & Shuck, 2011; Saks, 2006). Finally, the mission and vision need to be authentically, transparently, and sufficiently executed in all levels of the organization to foster engagement.

As the aforementioned antecedents are factors that encourage the engagement of employees to develop and thus not directly connected to specific processes and practices organization can implement, organizations are able to create employee engagement through different ways (Wollard & Shuck, 2011). Nonetheless, to foster the engagement of employees, organizations need to implement different practices that incorporate both the individual and organizational antecedents for engagement. Moreover, as seen in the literature regarding engagement models, the recommended practices vary according to the organizational context and targeted group, though often still anchoring to the same antecedents.

<b>Individual antecedents:</b> <i>applied directly to/by individual employees</i>	<b>Organizational antecedents:</b> <i>applied on a systemic level</i>
Safety ( <i>emotional, cultural, and physical</i> )	Opportunities to develop
Work-life balance	Sense of fair reward
Sense of meaningfulness ( <i>work, environment, task connection to common goals</i> )	Supportive environment ( <i>recognition and feedback</i> )
	Mission and vision implemented on all levels

*Table 2: Individual and Organizational Antecedents of Engagement based on Wollard & Shuck (2011)*

An example of an organizational retention model targeting engagement would be Pandita and Ray's (2018) 4E's model, which presents a cyclical approach to retention through talent management; the starting point is a competitive employee value proposition (EVP), in other words what the organization offers to employees, which includes fair internal policies, interesting job description, and access to learning which aims to attract talents. The second step of the model focuses on the development of talents and thereby to create a satisfactory experience as an employee within the organization. The third step contains the design of specific practices to engage the organizational talent pool and thus, to form a committed workforce. Finally, these engaged employees are more likely to stay, as their needs are met through specifically designed talent management practices (Pandita & Ray, 2018). Hence the model is based on individual engagement antecedents such as creating a sense of meaningfulness and a position that is connected to the organizational goals. In addition, it builds on the organizational engagement antecedents in the form of learning opportunities and designing a culture that fosters a self-development.

Similarly, Albrecht et al. (2015) present a model constituted by four key HRM practices: (1) *personnel selection*, (2) *socialization*, (3) *performance management*, and (4) *training and development*, which all together have a positive effect on organizational engagement of employees. The model highlights individual characteristics of employees, job levels, and organizational levels as factors that explain how the four engagement-centered key HRM practices create employee

engagement and further, how this engagement leads to better performance and to the development of a competitive advantage. First, the personnel selection dimension aiming for engagement includes selecting employees partly based on personality traits, such as conscientiousness, emotional stability, and extraversion, which are connected to motivation, and engagement and commitment to organization goals (Albrecht et al., 2015). Second, socialization practices that create the experience of *psychological meaningfulness, psychological availability, and feeling of safety* specially for new employees, are connected to creating engagement. HRM practices that inflict psychological meaningfulness are for example creating interesting task characteristics with skill variety, autonomy, and performance feedback, as well as having clear organizational mission, vision, and values. Practices creating psychological safety are those offering social support, and psychological availability is built through development practices such as orientation and training and enhancing self-efficacy. Third, performance management practices that are connected to increased engagement are based on a properly designed and managed performance management process, such as performance agreements, engagement facilitation, and the provision of appraisal and feedback. Lastly, training and development practices that ensure employee engagement include optimizing job demands and resources, improving personal resources through training, and encouraging employees to job craft (Albrecht et al., 2015).

Furthermore, Christian & Slaughter's (2007) developed a conceptual model that emphasizes the role of the *job characteristics, leadership style, and dispositional characteristics* as particularly important for fostering the engagement of employees within an organization. In their study the most significant job characteristics that affect engagement is task variety and the perceived task significance, as well as the provided autonomy and feedback. This means that the work engagement of employees can be influenced through the job design and that work engagement is specially aligned with the perception of meaningfulness related to work (Christian & Slaughter, 2007).

#### 2.4.5 Engagement of Generation Z

As talent management practices that foster and build engagement are based on positively stimulating and influencing employees' emotions, it is relevant to consider possible generational differences and common variations between the needs and preferences of different generations.

Pandita & Kumar (2022) studied the key drivers that affect the engagement of the generation Z, with the aim to reveal best ways to engage and retain the talent of the generation Z. According to the study, generation Z appreciates mentoring from management, feeling cared for, and included within an organization, and finally, they appreciate teamwork and co-worker support with the freedom to express themselves. Jayathilake et al. (2021), made similar findings regarding the interpersonal and development needs generation Z has, when studying talent retention of generation Z talent. The identified three practices that target generation Z's need for training and development are: (1) *democratizing learning*, (2) *reverse mentoring*, and (3) *intrapreneurship*, when fulfilled and provided within an organization, can affect the retention of the talents of the new cohort positively. First, democratized learning refers to the teaching and learning of skills in a flexible manner through using technologies. Second, in reverse mentoring, older and younger employees share skills both ways and create social relations and networks valuable for the younger generations to enter and settle in the organization. Finally, intrapreneurship refers to innovation opportunities for the talents of the new cohort within the organization to develop new ventures or products.

Furthermore, based on generation Z's preferences and characteristics, Pichler et al. (2021) have developed a talent management model called "DITTO", acronym for *diversity, individualism and teamwork, technology, and organizational support*, which includes all the dimensions that need to be incorporated into the talent management of organizations to ensure the retention of generation Z (Pichler et al., 2021). The diversity dimension of the framework focuses on the importance of preparing for the diverse generation Z through implementing internal policies that foster diversity and creating generationally diverse teams. The individualism and teamwork aspect of the framework refers to implementing internal programs that enhance socialization and

meaningfulness. The technological dimension entails implementing more virtual and digital working methods and opportunities to work remotely, as well as to use technologies for the performance management and employee development. Finally, the organizational support is constructed by implementing formal financial benefits and compensation packages, improving the experience of support by recognition, and facilitating social support through digital communication solutions (Pichler et al., 2021).

The aforementioned models and practices have a positive effect on the engagement and retention of the youngest cohort as they respond to the generational-specific needs and preferences and thus, favor the organizational performance and success (Jayathilake et al., 2021).

## 2.5 Concluding Summary

The existing literature regarding talent management and its role within small and medium sized enterprises presented throughout the literature review, emphasizes that talent management is an important source for building and sustaining a competitive advantage and a key driver for the survival of an SME-sized organization within the complex business landscape, that largely depends on the organization's ability and capability to efficiently manage, leverage, and retain talents. The growing demands of the labor market and more so of the newly entering generation Z to the workforce represents a growing challenge for organizations to retain them within the organization through the development of attractive retention and engagement practices. Various scholars have investigated the distinct characteristics of the youngest generation Z and their work-related attributes and preferences that need to be accounted for in the development of talent management and engagement practices in order to successfully retain the new cohort. However, it became apparent that the development and implementation of talent management and engagement practices of SME-sized organizations varies significantly from larger corporations, more specifically due their unique institutional, resource, and economic contexts, as well as their overall approach to talent management. Moreover, the resource limitations constrain SMEs in the overall development and implementation of formal retention and engagement practices for employees, as well as for the talents of the youngest generation Z.

The growing literature on talent management and the development of frameworks, approaches, and best practices that promise the largest benefits for organizations and effective ways to retain talents, concentrates primarily on the organizational settings of larger organizations and thereby fails to address the unique organizational factors and operational context of SMEs that influences the development and implementation of retention and engagement practices. Furthermore, the overall suitability and effectiveness of the talent management and engagement practices of SMEs for the retention of talents of the youngest generation Z remains to be explored. Thus, the qualitative exploration and investigation of SME-sized organizations, their respective operating context, and their development and implementation process of retention and engagement practices aims to contribute to the identified research gaps. The previous literature review represents the theoretical basis for the qualitative research study that will be discussed throughout the next sections.

### 3 Research Methodology

The following chapter will outline and describe the selected methodological framework of this research study and thereby aims to provide the readers with a better understanding of the overall research process. More specifically, the first sections will portray the research approach and design. Thereafter, the data collection and analysis process will be explained in depth to transparently illustrate how the data has been selected, assembled, and evaluated. Finally, the remaining sections will emphasize the validity, reliability, and the overall ethical considerations of the study.

The selected research methodology of this study is visualized in the following modified version of the “*research onion*” by Saunders, Lewis & Thornhill (2007) that illustrates once more the various choices that were made to fulfill the research purpose and overall objective of this study.

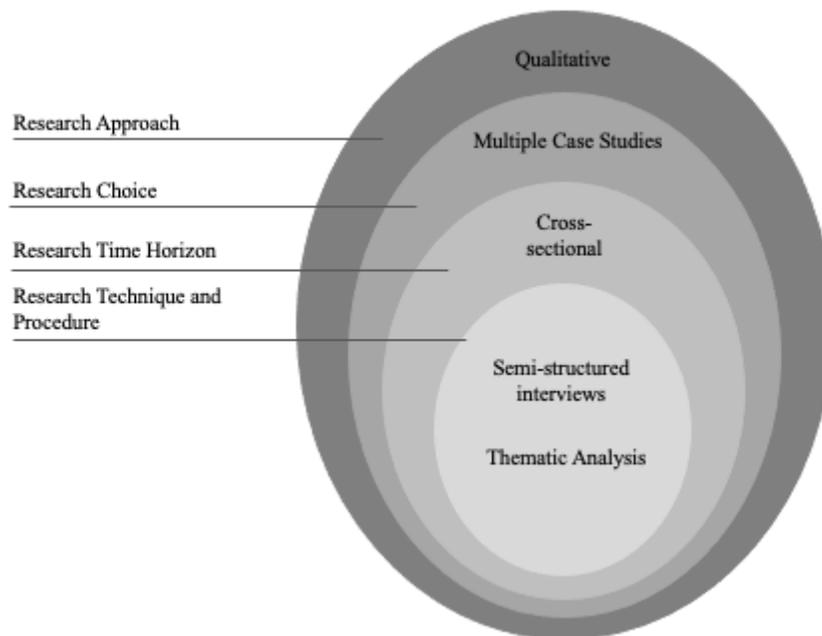


Figure 3: Selected Research Methodology based on Saunders, Lewis & Thornhill (2007)

### 3.1 Research Approach

Researchers commonly choose between a qualitative, quantitative, and a mixed-method approach for conducting a research study (Bell, Bryman & Harley, 2019; Creswell & Creswell, 2018; Newman & Benz, 1998). A qualitative research approach is used to explore and understand a specific phenomenon or event in its natural settings and generates data and information in a non-numeric form, through mostly observations or interviews (Hammond & Wellington, 2020; Creswell & Creswell, 2018; Hair, Page & Brunsveld, 2020; Hammarberg, Kirkman & Lacey, 2016). In contrast, a quantitative research approach is used to test and analyze theories and relationships between variables, whereby measurements are applied, and numerical data and information generated (Bell, Bryman & Harley, 2019; Creswell & Creswell, 2018). Lastly, a mixed method approach aims to offer additional insights and findings through the application and integration of both quantitative and qualitative methods for the collection, assemblment, and analysis of data.

Referring back to the purpose of this research study, which is to develop a comprehensive understanding of the organizational perspective of SME-sized companies of the implications and challenges that emerge when designing talent management and engagement practices for generation Z, an inductive qualitative approach was chosen. The qualitative approach was selected for two main reasons. First, it helps to develop a deep understanding of the individual underlying factors of the organizational talent management and retention choices of selected SMEs, as well as the unique and complex business context that influences the development efforts of the retention practices, specifically targeting the youngest generation Z, which cannot be detected through the application of quantitative methods (Hammarberg, Kirkman & Lacey, 2016). It is of particular interest to understand the business-specific context in which the choices and decisions regarding the talent management design take place in order to gain a deeper understanding of the implemented practices of SME-sized organizations (Bell, Bryman & Harley, 2019). Second, the respective approach was chosen, as it helps to generate new practical insights of SMEs specific development and implementation processes of talent management and engagement practices through asking “why” and “how” questions (Weick, 1996; Saunders, Lewis & Thornhill, 2007).

Thus, this approach helps to understand the phenomenon more in depth and allows one to view and understand the specific research topic through the unique lense of the selected SMEs, which might differentiate from the perspective of experts on this topic and thereby offers new valuable insights (Bell, Bryman & Harley, 2019).

The inductive approach is emphasized and followed within this qualitative research study, as the formulation and generation of conclusions and theories will be conducted through the discovery, collection, and analysis of empirical data (Saunders, Lewis & Thornhill, 2007; Bell, Bryman & Harley, 2019; Antwi & Hamza, 2015). This approach was selected, as the overarching research aim is to contribute to the existing literature and fill the respective gap by discovering new insights regarding the talent management of generations of SMEs, rather than to confirm already existing theories (Dubois & Gadde, 2002). The sole inclusion of a deductive approach would have been inefficient within this research study, as it focuses on testing an existing, chosen theory or hypothesis and thereby limits the possible scope of the discovery, the exploration, and development of a broader understanding and insights of the organization's talent management efforts in its unique business context.

## 3.2 Research Design

According to Creswell & Creswell (2018), researchers can undertake different research design strategies, to collect and analyze the required data, with the aim to efficiently answer the overarching research question and thereby to fulfill the overall purpose and objectives of the respective research study. Therefore, the selection and application of the research design can be referred to as the core foundation for the collection and analysis of data, as well as for the resolution of the research question (Bell, Bryman & Harley, 2019). Amongst the five most common qualitative research choices are “narratives, phenomenology, ethnography, case study, and grounded theory” (Creswell & Creswell, 2018, p. 292). After the analysis of the requirements and limitations of the individual research designs, as well as of the research question of this study, a case study design was identified as the most appropriate choice for this research. Applying a case study design, offers the advantage to empirically investigate the SMEs organizational implications and challenges that erupt when designing talent management and engagement practices for the

new generation Z within their real-life operating context more in depth and to gain valuable practical insights (Hammond & Wellington, 2021; Saunders, Lewis & Thornhill, 2007; Robson, 2002). Understanding the respective business context is particularly important for this research study, since talent management practices within SME companies strongly rely on informality. Further, this research design enables the collection of rich empirical data and thereby the comprehensive exploration of the underlying factors that stimulate the organizational behavior and choices regarding the development and implementation of retention practices, which allows to produce new theoretical insights and thereby to contribute to the limited research regarding SMEs talent management practices (Eisenhardt & Graeber, 2007; Saunders, Lewis & Thornhill, 2007).

Even though a single case study was considered for this research study, a multiple case study approach was selected. The reasons for this decision are twofold. First, this approach allows to generate wide-ranging empirical data through the simultaneous investigation of various SME-sized organizations, which enables the development of a stronger, broader, and more convincing empirical foundation for the elaboration of new insights within the respective research field than a single case study would (Yin, 2003; Eisenhardt & Graeber, 2007; Bryman & Bell, 2011). Thus, a multiple case study design generally allows to build robust as well as testable theories about the respective research topic and to gain a deeper understanding of the SMEs organizational perspective of the development and implementation of talent management and engagement practices. Lastly, a multiple case study design helps to determine the overall transferability of the gathered findings, as well as whether findings iterate continuously within cases. A single case study would have not offered the opportunity to elaborate on the overall transferability and replication of the findings, as well as on the overall generalization of the research results (McLeod, 2019). As the development and implementation efforts and actions of talent management and engagement practices are expected to differentiate between SMEs, more specifically due to the unique business context that influences the decisions and actions regarding talent management, the overall comparability to depict commonalities and differences and thereby to build robust theories and insights seemed crucial for this research. However, the overall generalizability of the findings is still limited in regard to the specific research context and selected cases, and thereby its important to acknowledge that findings are not entirely generalizable. For this research, the

multiple case study is based on the design and execution of semi-structured interviews with relevant talent management managers of SME-sized organizations in Sweden.

### 3.3 Data Collection

The collection of data is the key point of any research project and therefore crucial for the resolution of the overall research purpose and for the contribution to the literature (Bryman, 2012). In general, researchers can choose from a multitude of different instruments to collect primary and secondary data. For this research study, the primary data was gathered through conducting seven semi-structured interviews with managers in the field of talent management within SMEs in Sweden. In this section we will motivate the choice to conduct semi-structured interviews, as well as share specific details on how the interview guide was created and how the interviews were conducted.

Collecting data through semi-structured interviews was regarded as appropriate for this research study for various reasons. First, it allows us to collect more nuanced information of the investigated research topic and chosen case organization through the lens of the selected participants, as participants get to speak in their own voice and to express thoughts and feelings in a freer manner (Berg, 2007; Bryman, 2012). Second, according to Saunders, Lewis & Thornhill (2007), semi-structured interviews help to enhance the understanding of the relatively new phenomenon of the entrance of new generation Z to the workforce and the implications on the design and implementation of retention practices within the specific organizational context of SMEs and thereby is contributing to the overall research aim. Moreover, semi-structured interviews support the overall exploration of the organizational capability to retain the new cohort with their current talent management, more so the retention and engagement practices in place (Creswell & Creswell, 2018). Lastly, these types of interviews are more flexible and allow us to reach detailed and comprehensive insights, as the semi-structured format of the interview allows us to freely ask follow-up questions and expand on the responses (Rubin & Rubin, 2005; Bryman, 2012). Quantitative data collection methods, such as surveys, were deemed inappropriate for this research study, due to the informal nature of talent management practices within SME and the resulting difficulty to investigate the extent and the way in which the specific practices are implemented,

especially due to the occurring overestimation that results when using qualitative methods in this context (Sheehan, 2013).

Before the execution of the interviews, a research-specific interview guide was designed on the basis of the selected theoretical framework and foundation of this research study (*refer to chapter 2*). The aim of creating an interview guide was to ensure that all of the conducted interviews follow the same thematic structure and thus, relevant patterns are detectable from the collected data throughout the analysis process, which is especially relevant for this multiple case study (Dumay & Qu, 2011; Bryman, 2012). The interviews were structured around the developed interview guide (*refer to Appendix A*) and contained open ended questions, as well as a series of follow-up questions in case the interviewees needed help to reframe the question or to elaborate. By adding follow-up questions to the interview guide we were able to standardize the questions to get comparable data and to avoid guiding the interview and affecting the answers (Dumay et al., 2011; Bryman, 2012). The open-ended questions enabled us to see how the participant frames the issues and phenomenon themselves, which fits the exploration of the organizational point of view of our research question (Bryman, 2012). The semi-structured interview guide, enabled the interviewees to answer the questions freely, letting them connect the answers to other themes, and thereby to occasionally change the order of the questions to suit the flow of the conversation. The questions were written in a comprehensive manner to ensure that the participant does not need theoretical knowledge and we are able to capture their practical insights correctly (Bryman, 2012).

The individual questions of the research guide were based on the theory presented in the literature review (*refer to chapter 2*). We clustered the findings from this existing literature and structured the interview guide into four main themes: talent management, talent management for generation Z, engagement, and generation Z and finally what effects the covid-19 pandemic had on talent management, to ensure that all future changes in the development of practices that may affect the generation are captured. The interview started with casual starting questions about the participants' role and team to establish a comfortable environment for the interview. Moreover, at the end of each interview all participants had the chance to add additional thoughts, information, and insights, as well as to ask questions, which helped to contextualize the answers (Bryman, 2012). Before the interviews, participants were sent a consent form for them to sign, where the purpose of the study

was stated, as well as the individual and organizational anonymity throughout the process (*refer to Appendix C*).

The pilot interview with an expert in the field of talent management, enabled us to test the interview guide and to make potential adjustments to the order of the questions prior to the execution of the interviews, and thus, to ensure that the questions help to fulfill the research purpose. More specifically, we decided to add follow-up questions for the occasion that the interview participants need further explanation or guidance within a specific field. We added the insights of the pilot interview to the interview guide and used the enhanced version for the execution of all seven interviews with the selected HR practitioners of SMEs in Sweden.

For the overall research purpose, a total of seven interviews were conducted, each with one representative of the talent management department of a SME-sized organization located in Sweden. Each interview had an average length of 45 minutes. The interviews were conducted via video call (Zoom), which is a natural way of conducting an in-person interview after the covid-19 pandemic. Both researchers were present in all the interviews to further standardize the interviews, as well as to capture verbal and non-verbal communication equally and to avoid the formation of biases. Before booking the interview, the participants were informed about the scope and purpose of the study and later signed a participation agreement that stated once again this information as well as how the data was going to be handled since the conversation would be recorded. The automatic recording and transcription of the interview helped us to focus on the interviewees and to create a comfortable atmosphere throughout the duration of the interviews. Overall, after conducting seven interviews we were able to spot various patterns and therefore were able to conclude that the collected data was enough to sufficiently resolve the research question of this study.

In addition to the primary data gathered through the semi-structured interviews, we also acquired secondary data from the company's own websites such as annual reports and press releases which saved us time during the interviews since some relevant information could be found through those sources more efficiently rather than at the start of the interview. Moreover, we used secondary data

in some cases to contrast data gained from the interviews to understand better what the interviewee meant or whether the information they gave matched what the company had shared externally.

### 3.4 Case Selection and Sampling

According to Merriam (2010), case study objects are selected based on their uniqueness, typicality, or relevant success. Furthermore, since multiple case studies provide an opportunity to compare and further deduct whether the findings are replicated or simply idiosyncratic to a specific case, cases should be selected based on the possible extension of theory, replication or contrary replication, and elimination of alternative explanations (Eisenhardt & Graebner, 2007; Yin, 1994). To ensure that the selected cases are relevant and contribute to the overall research purpose and therefore help to solve the research question of this study, a theoretical sampling strategy has been applied for the case selection. According to the theoretical sampling strategy the cases are selected due to being particularly illuminating when it comes to relationships and logic between constructs (Eisenhardt & Graebner, 2007). More specifically, to decide what organizations would be of interest for this research study and thereby to gain comparable and relevant results, as well as to contribute to the existing literature, we defined three sampling criteria: 1) SME sized companies must have an HR practitioner or HR team, 2) the HR team must be located in Sweden and the company must operate in Sweden, 3) the company must operate within the technology industry. This criteria was then applied to the LinkedIn search function as a filter to find the correct organizations and people to contact, and later confirmed by contrasting with other external resources to make sure the filtering had worked in accordance to our criteria.

Regarding the first criteria, as stated in the literature review, talent management is especially relevant for SME sized companies and the practices within those companies commonly vary from larger companies and existing models and best practices. Furthermore, due to the lack of literature as well as research regarding talent management and engagement practices specifically targeted at the operational context of SMEs, and therefore the selected research aims to fill the existing literature gap, this criterion has been chosen. Following the EU's definition of SME companies, which are companies with 50-250 employees and turnover below 50m euros (European Commission, 2022), we contacted only companies that fit this description.

According to the second criteria, we limited the study to those companies with HR teams or at least on specific HR practitioners in order to gain enough and reliable information about their talent management practices, since some of the smaller SME companies might not have a dedicated team or person for HR which would make achieving the purpose of this study more difficult. In addition, the companies with HR practitioners tend to have more employees hence they are more likely to have a multigenerational workforce. Since there might be some cultural variation and to produce replicable data due to the multiple case study approach chosen, we limited our study to those companies operating in Sweden. Moreover, in the case of an internationally operating company we looked at those who's HR team operates from Sweden so that the practices still represent the Swedish perspective. In addition, we chose Sweden since the reputation of Lund University could be beneficial to get interested participants and to build trust.

Finally, with the third criteria we limited the study to technology companies based on the multiple case study approach mentioned above, so that the findings could be comparable between each other, and this way patterns observable (Eisenhardt & Graebner, 2007). Moreover, we believe these types of companies are especially suitable for this study regarding talent management practices due to their digital business model which makes them agile to adapt new ways of working such as remote work if they choose so. In addition, this industry attracts the younger generation, so the companies have experience working with a multigenerational workforce.

On the basis of the aforementioned case criteria, 70 suitable SMEs located in Sweden, and more specifically their respective HR practitioners were chosen for the interviews and contacted through LinkedIn. The selected HR practitioners of the SMEs work directly in the teams responsible for talent management, which means that they have a wide knowledge of talent management, their specific talent management strategies, and practices, from how it is formed to what type of challenges are related to multigenerational talent management at their company. The participants were anonymized in order to have an open and truthful conversation; hence they are referred to as cases 1-7 in the following discussion. Conducting seven interviews with seven different SME-sized organizations provides insights from various perspectives and angles, offering more analytic power than a single case study (Eisenhardt & Graebner, 2007). In addition, due to the possibility

to compare between several cases the theoretical findings are more robust and generalizable than in the case of a single case study. Since the case selection was conducted as a theoretical sampling, seven cases were enough to find reliable patterns (Eisenhardt & Graebner, 2007). Furthermore, after five interviews we experienced a saturation point after which no new data was gathered, confirming that the number of interviews was enough to later analyze all relevant findings (Bryman, 2012). The following table presents all the cases anonymized with only relevant information to validate our findings but also details that are deemed as relevant for the analysis.

<b>Case Nr.</b>	<b>Participants Role</b>	<b>Size</b>	<b>Location</b>	<b>Interview Date</b>	<b>Interview Duration</b>
<b>1</b>	People & Culture Manager	70	Sweden	14.04.2022	40 mins
<b>2</b>	Talent Acquisition Manager	50	Sweden	20.04.2022	45 mins
<b>3</b>	Chief Human Resources Officer	80	Sweden, operates globally	20.04.2022	45 mins
<b>4</b>	Global Human Resources Business Partner	250	Sweden, operates globally	21.04.2022	50 mins
<b>5</b>	Employer Branding Specialist	120	Sweden	22.04.2022	40 mins
<b>6</b>	Global Human Resource Director	250	Sweden, operates globally	25.04.2022	50 mins
<b>7</b>	Head of HR	80	Sweden	26.04.2022	40 mins

*Table 3: List of Interviewees (Developed by researchers)*

### 3.5 Data Analysis

The analysis of the generated data is according to various scholars the most challenging but also the most important part of the research study (Eisenhardt, 1989). The overall process thereby aims

to generate a better sense and understanding of the gathered findings by separating and segmenting the data in a structured and ordered manner with the objective to resolve the overarching research question (Creswell & Creswell, 2018; Bell, Bryman & Harley, 2019; Saunders, Lewis & Thornhill, 2007). In this research study, the analysis process followed the general set of procedures for the analysis of qualitative data as advised by Saunders, Lewis & Thornhill (2007) and the thematic analysis framework of Bell, Bryman & Harley (2019) as an overall guideline. Analyzing the data this way, helped to organize the mass of qualitative data into a manageable form and thereby to depict meaningful categories (Saunders, Lewis & Thornhill, 2007). Furthermore, the analysis process was of iterative nature, meaning that we went back and forth between the collected data and the analysis stage. The first preparational step of the data analysis process contained the manual transcription of the audio-recorded interview data, with the goal to use the written information as well as citations for the further analysis and research process and to generate a better understanding and familiarization with the empirical data (Saunders, Lewis & Thornhill, 2007). Thereafter, the transcribed data was broadly filtered, to ensure that the transcribed data reflects a coherent structure, irrelevant information is detracted from the abundant amount of generated information, and emerging commonalities highlighted by color coding. This helped to avoid including recurring and nonessential information in the further analysis and discussion process and to detect potential categories, as well as to gain an overview of the abundant amount of data.

After the review of the transcribed data, the first activity involved to classify and code the empirical data in respective categories (Saunders, Lewis & Thornhill, 2007). The categorization and coding procedure followed an inductive approach, as it was guided by the empirical data. To assure that the categorizations allow us to build an overall well-structured and analytical framework to pursue the analysis and thereby to answer the overall research question, we ensured that the categories fulfill the external and internal aspect described by Dey (1993). This means that the categories are meaningful in relation to the data and to other categories, which limits the risk of selecting inadequate codes (Saunders, Lewis & Thornhill, 2007; Dey 1993). The categorization process was conducted simultaneously to the data collection process to ensure that the researchers are unbiased within the process from other interviews. After the data collection process was finalized, we manually went through the initial identified categories and the transcriptions of the empirical data

to connect each category with more relevant units of data of the respective interviews. This selective process was conducted on Excel, using color coding, which enabled us to reorganize the large amount of data into a manageable and more comprehensive structure, as well as to display the data into a well-arranged matrix to detect emerging patterns that support the further analysis (Saunders, Lewis & Thornhill, 2007). The second and final step of the analysis process contained the review of the identified categories, and more specifically the identification of commonalities, differences, as well as key themes and linkages between the data and initial identified categories of the individual interviews (Yin, 2003). This led us to iteratively reflect and redefine previously identified categories and thereby to recognize and determine valuable, common, and consistent key themes of the organizational implications of SMEs that erupt when developing talent management and engagement practices that were applied as a foundation for the further research process (*refer to Appendix B*). Overall, our finalized main themes and empirical findings that were used for the further progress of the research study and the resolution of the research questions were the identified *(1) organizational limitations of SMEs, (2) development process of talent management practices, (3) implemented retention and engagement practices, as well as the overall (4) understanding and consideration of generational characteristics and differences in talent management of SMEs.*

Ultimately, using the framework of Saunders, Lewis & Thornhill (2007), as well as the framework of Bell, Bryman & Harley (2019) as a overall guide for the analysis of the data has been appropriate for this research, as it allowed us to manage the data in a structured manner and thereby to determine key themes to further the research process.

### 3.6 Validity and Reliability

The validity and reliability of a research study are crucial factors that need to be ensured by the researchers within all stages of the research process, and more specifically within the execution of interviews (Creswell & Creswell, 2018; Bell, Bryman & Harley, 2019). According to Creswell & Cresswell (2018), the validity of a study is defined by the overall accuracy and trustworthiness of the process and generated research results, whereas reliability measures the overall consistency of the research approach, design, and the collected research results. In order to ensure both the validity

and reliability of our research results, we first tested the developed interview guide with a respective expert in the field of talent management and retention. Conducting a test interview, before the first scheduled interview with a representative of the human resource department of a SME company in Sweden, helped us to evaluate the quality of the interview guide and the overall relevance of the selected interview questions in regards to the research question, as well as to increase the familiarity and comfortableness with the interview procedure. Furthermore, we were able to ensure that the interview questions are simple to understand and answer, as well as that the time for answering the selected questions would remain within the communicated interview time frame of approximately 45 to 60 minutes.

To further ensure the validity and reliability throughout our qualitative research process and of our research results we followed a validity and reliability strategy on the basis of the two alternative criteria *trustworthiness* and *authenticity* suggested by Bryman (2012). According to Bryman (2012), the overall *trustworthiness* of a qualitative research study can be measured and judged by the *credibility, transferability, dependability, and lastly confirmability* of the research results.

Credibility is accounting for the internal validity of a research study and rates the quality of the gathered data, and more specifically how believable the gathered information is (Bryman, 2012). To ensure the credibility of our research, we performed the study by following best practices, by conducting the research process in a structured manner and by transparently describing and documenting each step of the research process, as well as the research results. This offers the readers a better understanding of the overall research process, as well as the opportunity to individually evaluate the generated research results. Furthermore, we incorporated triangulation within the research process (Creswell & Creswell, 2018). Triangulation refers to the reinforcement and justification of the generated data by utilizing further complementary data sources that support the identified information of the research (Creswell & Creswell, 2018; Bryman, 2012). Thus, we supplemented and cross-checked the empirical data with secondary sources of data to increase the credibility of our findings (Deacon et al., 1998).

Transferability is concerned with whether the generated data can be generalized to other contexts beyond the performed case studies (Bryman, 2012). However, since the main objective of case studies is to develop a deeper understanding of the specific research topic, the concentration is on generating a *thick* description rather than to offer statistical comparability and transferability of the research data (Bryman & Bell, 2011). This means that the thick description of research data resulting from the deep analysis of a small number of cases, is considered as sufficient to judge the possible transferability of findings beyond the specific case contexts (Bryman, 2012). Additionally, the selected multiple-case study design offered compared to a single-case study a robuster and more compelling foundation and framework for the overall generalizability of the research data (Yin, 2003).

Dependability is a synonym for reliability and is concerned with the possible reapplication and replicability of the research (Bryman, 2012). This was ensured throughout the research process of this study by adapting a structured approach, more specifically when collecting and analyzing research data. This entailed that all essential research stages and procedures have been transparently described and documented within this methodology section of the study paper and the respective documents, notes, transcripts, interview audio-records have been collected and stored, and therefore in an appropriate and accessible manner for all readers. However, the unstructured nature of qualitative research studies and more specifically the characteristics of the individual researchers makes it difficult for later researchers to replicate such a study entirely (Bell, Bryman & Harley, 2019).

Confirmability refers to the overall objectivity of the researchers and therefore describes the internal reliability of a research study (Bryman, 2012). To ensure the overall objectivity of both researchers throughout the whole research process and especially within the data analysis stage, we intensified the collaboration and performed the interviews together as thesis partners in order to avoid bias during interviews.

Lastly, with ensuring the above-mentioned criteria of trustworthiness throughout the research process and of the research findings the authenticity of the research has been secured.

### 3.7 Ethical Considerations

The consideration and anticipation of ethical issues is important throughout all stages of the research process and thereby requires researchers to be attentive and prescient in order to be able to protect the relationship with the participating members of the research, as well as to secure the overall reliability and validity of the study (Creswell & Creswell, 2018). Therefore, this research study was designed and performed on the basis of the ethical principles defined by Bell, Bryman & Harley (2019): (1) *avoidance of harm*, (2) *informed consent*, and (3) *privacy*. To avoid harming the participants of this research study in the form of creating negative consequences for their professional career or the feeling of stress and uncomfortableness, the participants were offered the opportunity to skip questions that they don't prefer to answer, as well as to set a timeframe for the interview that best suits their schedule (Bell, Bryman & Harley, 2019). Furthermore, to ensure that the participants are fully informed of the research purpose, aim, and process before their agreement of involvement, the research participants received detailed information from the researchers when they were first contacted. Lastly, to protect and guarantee the confidentiality and anonymity of the information of research participants in the study, a consent agreement (*refer to Appendix C*) was designed and distributed to all attendees of the research (Bell, Bryman & Harley, 2019). Thus, the names of the individual talent management managers as well as the organizations names were anonymized within this research study. Additionally, the researchers offered all participants the opportunity to receive the final research results for their own personal use, as a token of appreciation.

## 4 Empirical Findings

The following chapter will outline the findings of the empirical research. The respective data has been collected through seven semi-structured interviews and analyzed on the basis of the framework of Saunders, Lewis & Thornhill (2007), as well as of the framework of Bell, Bryman & Harley (2019) (*refer to chapter 3*). First, a short introduction of each individual case of this research study will be provided in order to establish a better understanding and overview of the organizational specific context and operating environment that influences the respective talent management design and implementation. Thereafter, the findings of the interviews will be presented through the identified main themes that derived within the analysis process of the gathered primary data. Presenting the findings of the empirical research on the basis of the generated data within this section will help the readers to make sense of the vast amount of information and to draw their own interpretations.

### 4.1 Case Description

The following section will provide short case descriptions of each case anonymously in order to set the context and background for the findings. The descriptions are based on the data gathered from interviews as well as publicly available information of the companies. We will present a summary (*refer to Table 4*) regarding each company describing relevant information such as the size, age, operating markets, and the current situation the company is facing, that further represent factors that influence the talent management of the respective SMEs.

Case 1 is a company founded in 2018, with one office located in Sweden and around 70 employees, mostly between 25-35 years old. Their HR team consists of three people, and we conducted the interview with the head of the team. Case 2 is also a company with a single office in Sweden and 50 employees, also mostly between 25-35 years old, founded in 2014. Their HR team consists of one person, but is about to be supplemented by a newly hired performance manager starting within May 2022. Overall, the company has experienced rapid growth during the past year and is therefore

currently enhancing their talent management practices. Case 3 was founded in 2015 with offices in Sweden and Asia and currently has 80 employees. Their HR team consists of three people, and we interviewed the head of the team. Based on the interview we found out that most employees are between the ages 25-35 and they have a significant number of expats at the Swedish office. Case 4 is a company that recently separated from a multinational group and has 250 employees in its office in Sweden. Due to this separation, they are going through internal restructuring when it comes to talent management practices and culture. In addition, the company is one of the oldest from our sampling, being founded in 2001. The HR team contains five people, which collaborate closely with the US office and HR department for the overall management of employees. The average age at the office is 40 and they also have a significant number of expats working at that office. Case 5 is a Swedish company founded in 2012. They have gone through rapid growth, doubling their employee-size within one year and currently having a total of 120 employees. They have offices also in other European countries and are about to open further offices in Latin America. They have the largest HR team from the cases chosen for this study with 16 employees and the average age group at the company is between 28-38 years old. Case 6 is a company founded in 1993. The company was recently bought by a competitor and hence was going through an integration and restructuring period. The company has a total size of 250 employees and has several small offices globally with an HR team of six people. The major age group within the organization is above 40 years old and another under 30. Lastly, Case 7 is a company that is currently going through restructuring of internal processes and talent management due to recent layoffs. The company has around 80 employees and was founded in 2001 with offices in Sweden. They do not have a HR team but a single practitioner who is currently designing a new talent management system.

<b>Case nr</b>	<b>Size</b>	<b>Size of HR</b>	<b>Nr. of Gen Z</b>	<b>Dominant Age group</b>
<b>1</b>	70	3	4	25-35
<b>2</b>	50	1	Yes, not specific but	25-35

			minority	
<b>3</b>	80	3	20	25-35
<b>4</b>	250	5	Yes, not specific but minority	40+
<b>5</b>	120	16	11	28-38
<b>6</b>	250	6	Yes, not specific but minority	30 and 40+
<b>7</b>	80	1	0	30-35 and +40

*Table 4: Case Descriptions (Developed by researchers)*

#### 4.1.1 Organizational Limitations

The following section will present findings that emerged during the interviews regarding the resource limitations and thus challenges that the SMEs and more so the HR practitioner commonly face when developing and implementing talent management and engagement practices, further elaborating on the context of the investigated SME-sized organizations. The data analysis revealed that most interviewed SME-sized organizations have limited resources at their disposal for the overall talent management within the firms, which commonly included having small teams, limited time specially to perform changes and adaptations of the talent management, and limited budgets and financial resources for the design and development of talent management and engagement practices. Further, most of the investigated companies were also going through structural changes at the moment of the execution of the interviews.

Six of the interview participants expressed to have limited resources available for their existing talent management and development of formal retention and engagement practices. For example, when asked about the budget and if it was enough for the development of talent management practices, the interviewee from case organization 1 responded: *“No, I don’t think it is ever enough,*

*but we have had a good retention rate so in that sense it has been enough. It has been more about limited time and resources to improve our processes and practices*". In addition, the interviewed participant of the case organization 2 described the challenges with the limited resources available for talent management as follows *"I know that 90% of the stuff that we do is operational and the other things we do with our left hand... there are many things we try to do but not generational things."* Moreover, the interviewee of the case organization 7 stated that the budget allocated was enough due to limited time that they have vacant within the HR team and for the overall management of talents *"...I would guess that it will be enough (budget) because there is not enough time in this kind of company ... Of course, you can't compare to Spotify and those types of companies where you have all the time and money."* In addition, the size of the HR team was on average 4 people, with the one exception company 5 having an exceptionally large people and culture team with 16 employees, constituting 10% of the total number of employees. The participant from company 7 described being the only HR practitioner at the company and stated that *"In this size of company, you are used to being more or less alone in this role"*. Hence, these findings show a pattern of limitations affecting the HR practitioners and therefore the overall talent management and the design of formal retention and engagement practices at the studied companies.

When it comes to the budget, most cases did not have a specific budget for talent management. The financial resources available for the talent management, were mainly used for the recruitment and onboarding of new employees. Furthermore, the interviewees stated that the available financial resources were used informally and were either team or employee specific. The interviewed participant from company 2 described how the informal talent management and budget allocation works at their organization *"We don't have a special budget, but we have budgets of course and if we understand that something needs to be done, we will allocate to that. It can be education and training... things that employees want to attend for potential next steps and in general we are saying yes to that if they make a case out of it"*. Also, the interviewee of case organization 3 had a similar experience and said that *"I would not say that it's not super strict basically for me. It's like*

*I pitch an idea and if the management thinks that the idea is great, then our board will essentially put that money aside. I'm in a very good situation for that. In general, the management understands that our employees are the most important thing that we have". Overall, the companies that rely on informal resource allocation described that their ideas usually go through, although most interview participants would prefer more financial resources for the talent management of the organization and therefore the development of formalized practices. Furthermore, two interviewed participants mentioned that they commonly have a lack of budget for salary negotiations and increases. The interviewee of company 3 described it as "We need to do something on our end to make sure that we keep them and for that there is not a budget, and that is a tricky thing... Sometimes it's about us being proactive and saying we really appreciate your job, and we would like to give you a raise or give you another type of benefit, ...and that is a hard thing to set aside a budget for."*

In addition, five of the studied companies were going through a time of restructuring their talent management practices either due to rapid growth, acquisition, or layoffs. The interviewed participants of the studied companies 2 and 5 had more than doubled their size the past year, which meant that the HR teams were growing and were setting structures to facilitate the growth of the organization. Furthermore, both organizations developed and implemented new practices for the talent management and retention of employees. The interview participant of company 5 elaborated *"We have grown a lot last year or since 2020 really. In the beginning of 2021, we were around 35 employees, and we are today around 160, so the need for that type of structure has really started in the past year and the people and culture team has also grown a lot the past year ... Now we are working on setting up that type of structure, setting up performance reviews and career paths and employee branding"*.

## 4.2 Talent Management of SMEs

The following section will outline findings of the analyzed data regarding the development process of talent management and more so of the retention and engagement practices of SMEs, more specifically practices targeting the new generation Z and the organizational-specific context that influences the design of the respective practices. Furthermore, talent management and engagement practices that the interviewed SMEs implemented will be depicted to get a general overview of common talent management practices and efforts of SMEs and thereby a better understanding of the organizational perspective regarding talent management and engagement opportunities of talents of the new cohort. Finally, the section will present relevant findings in regard to the understanding and consideration of generational characteristics and differences of the generation Z in the development process of talent management and engagement practices.

### 4.2.1 Development of Talent Management Practices

The analysis of the generated data presented that the interviewed SMEs and respective HR management teams develop the talent management and engagement practices, without the consideration and incorporation of generation Z specific characteristics, preferences, and needs, thus aim for the retention and engagement of all employees equally and not specifically of the members of the generation Z. Furthermore, the analysis of the interview data depicted that all investigated SMEs and therefore their talent management teams are aware of the newly entering generation Z to the workforce and their workplace related characteristics and needs, but do not consider it as an eminent challenge that would require immediate attention and preparation, as well as adaptation of their talent management and engagement practices.

### **Multigenerational Talent Management and Engagement Practices**

All interviewees stated that they design and develop talent management and engagement practices with the consideration and focus on all employees individually and without the accentuation of a specific generation such as the generation Z. For example, the interviewed participant of the case organization 3 stated that *“it's hard to say that all we do (in terms of development of talent management and engagement practices) is just for the new generation, but we generally focus much more on the individual to see what that person wants and needs”*. Additionally, she mentioned that they don't consider the characteristics of the generation Z specifically in the design

of new practices and said that *“I think it (our practices) goes rather in hand with everything else that's changing (in the world and labor market)”* such as the changes resulting through the covid-19 pandemic. Moreover, the interviewed participant of organization 5 highlighted the importance of taking into account the individual preferences and differences that naturally occur between employees when designing talent management practices. Furthermore, the interviewee of the case organization 4 outlined that *“when we set new policies, practices or structures we want to fit as much of the organization as we can and we want to address everyone's wants and needs into the decisions (...) I would rather say we focus more on setting up structures and cultures that fit as many (employees) as possible, rather than being more attractive to the younger generations”*. The interviewee of the case company 7 supplements this approach and explained that *“We do think on how we can act as a more modern company and how to be more attractive, but I would not say that will be thinking on the generation under 25. It will be thinking of all the generations”*.

### **Awareness and Consideration of Gen Z in the Talent Management of SMEs**

Six of the interviewed participants stated that they had experienced generational differences at their organization, while five described being aware of them. However, most of the participants did not see specific differences when it came to generation Z but instead recognized differences within a larger frame of younger employees in the 20's and 30's compared to the older generations at the companies. When describing the generation Z and the differences to other generations, three participants said that their information was more based on seminars and professional literature, or even experiences with their own children, than their experience at the company. Overall, there were some clear patterns that emerged from the findings when the interviewees described their view and understanding of the generation Z. The main characteristics of the generation Z that were mentioned throughout the conducted interviews were amongst others: having *higher expectations* of the workplace, role, and employer. Four interviewed participants were using the word *entitled* to describe the generational-specific expectations more directly. Furthermore, the interviewees stated a *higher need for flexibility* and *personal development* at the workplace, as another important characteristic of the generation Z. For example, the interviewed participant of the case company 3 described the need for flexibility as follows *“We see that these people (members of generation Z) want not necessarily salary but a lot of flexibility. Maybe more vacation and it shouldn't be strict as they believe that the rest of us live... Not only regarding office hours, but also flexibility in what*

*you want to do. If you get assigned for a specific role ... you would like the opportunity in the contract to have some sort of education or are allowed to take office hours to go in depth to something that you are very interested in.*” In addition, the *need for more feedback* and for *purposeful work* were mentioned in several interviews, as identified needs of the new cohort. Moreover, two of the interviewed participants added that generation Z expects different types of leadership and questions authority within organizations.

Notably however is that four of the interviewed participants did not see the entry of the new generation Z to the workforce and workplace as a significant challenge, while three of the participants said that it could be a challenge in the future. For example, the interviewee from the case organization 6 regarded the organizational culture within the SME as a challenge *“I find it very challenging because the whole group identity is more traditional, more preference towards office working, which I have already said that if that’s one of our selling points then we will have a hard time finding candidates (of the generation Z)”*. The interviewed participant from company 3 described the challenge further *“The challenge is for us to navigate through this, to make sure that we are a relevant employer, to make sure that we do handle this the way it is expected, so I think the hard part is knowing how to adapt to it (the new generation Z) because honestly, we don't always know. Sometimes it's just a trial and error and sometimes it's just asking people”*. Moreover, three of the interviewees said that they do talk about the subject with their team and do spend time thinking about the possible challenges and thus changes that are required in order to attract and retain the new generation Z within the organization. However, as the interviewed participant from company 2 described, they react to new erupting challenges whenever they appear to be important for them and when they face consequences rather than through foresight and planning. He said *“There have always been challenges but not sure if connected to a specific generation, every generation has things they carry and care about and how they want things to be depending on ... when they grew up and how they were raised, and their school education varies. We constantly need to adapt to the always changing society and environment. We haven’t really seen it as a challenge but if it turns out that this generation is super hard to hire and retain and keep happy, then we need to address it and make it work.”*

In addition, three of the interviewed participants stated that their practices are already effective for the engagement and retention of generation Z, especially because of their remote work policies, overall flexible working style, as well as having an open and diverse culture and strong organizational purpose that would be appealing for generation Z. Hence, the interviewed participants don't consider the new generation Z as a challenge that needs to be accounted for in the development and implementation of generational-specific talent management and engagement practices. As the interviewee of the case organization 2 stated *“I don't foresee that (generation Z entering the workforce) as a very big problem. Without being too braggy, I think we are doing quite well and being progressive.”* Additionally, the interviewed participant of the case company 5 argued that due to their young workforce that constituted mostly of millennials, the existing practices and work environment suits the generation Z as well, as they have strong similarities with the millennials. More specifically she said that *“...a lot of us are millennials, so we are pretty similar to the Gen Z generation even though they are probably even more aware and digitally savvy”*.

#### 4.2.2 Factors Impacting the Development of Talent Management Practices

The analysis of the generated data revealed that the interviewed SMEs and respective HR management teams develop the talent management and engagement practices on the basis of three main factors and considerations: (1) top management's input, (2) employees' input, and (3) average market conditions regarding salaries, bonuses, etc., with the overall goal to support the organizational objectives, as well as to sustain the growth and performance of the firm through the acquisition and retention of talents.

##### **Top Management Input**

Six of the seven interviewed HR practitioners disclosed that the expertise and knowledge of the management team gained throughout their previous positions at various organizations, including the chief executive officer (CEO), are vital and the core foundation for the development of talent management initiatives and practices within the organization. The interviewed participant of the

organization 5 states that *“a lot of information and insights into what a people team (talent management) will need and how we should structure everything and what processes we need to be able to not take advantage of but use the talents that we have in like the best possible way, comes from the top management and the chief people officer of the organization”*. More specifically, due to the limited resources as well as the low hierarchical structure within these SME-sized organizations, the management and CEO are often strongly involved in the design of talent management and engagement practices and new processes and responsible for the implementation of the respective practices. The interviewee of company 2 stated that the development of talent management structures and practices is a joint responsibility of managers and that *“they (managers) look at the team they have today and the company goals, what our objectives are and what we need from the talent perspective to reach those targets”*. The input of the managers is then used to design talent management practices for the individual employees that enable the overall attainment of the organization's objectives. This is further supported by the interviewed participant of the company 3, who argues that talent management practices are commonly created through *“our management sharing best practices, like what they used to do in other companies that worked well”* and then implement it in the design of new practices and procedures. Additionally, she highlighted the central role of the CEO in the design of talent management practices and in particular onboarding processes and stated that the *“founder and CEO and he is very passionate about this company which means that he still cares a lot when it comes to the onboarding of new employees. He's very hands on, in painting the picture of us and what we do, and we have seen that that is really one of our key success factors of our talent management and onboarding; people really enjoy that he takes the time to talk to everybody to introduce himself and the company.*

### **Employees Input**

Three interviewees mentioned the open and continuous input and feedback of employees as an important source for the development of talent management and engagement practices. The interviewed participant of the company 1 stated that their talent management is majorly influenced and designed by the feedback of their employees, which is gathered through *“their one-on-one 30 minutes every week with their team members and their performance reviews every quarter, as well*

*as a monthly survey where we get a lot of anonymous insight from different teams in terms of what is working well and what they are missing in career opportunities or development and well-being*". Moreover, the interviewee of company 3 delineated that *"what people expect from a manager and also from a company changes a lot"*, therefore it is important to collect the input of employees to successfully meet the expectations of the individuals within the organizations, and thereby to increase the satisfaction of the employees with the management and with the organization itself, which is crucial to limit the risk of employee turnover. Further, the interviewees of company 1, 3, and 5 stated that they utilize digital engagement platforms and culture apps to continuously keep track of the employee satisfaction and engagement, in order to be and remain agile and reactive to the changing demands and feedback of the employees. Moreover, according to the interviewed participant of the organization 5, yearly surveys are considered as a pivotal instrument for the overall monitoring of *"how everyone is doing and what we can do better, how they feel about our culture, workplace, and everything like that"* and for the comparison of the satisfaction of employees in prior years and in relation to other organizations. This has been further emphasized by all other interviewed participants. More specifically, all seven interviewees mentioned the utilization of surveys as one of their main instruments for the overall engagement of employees and for the collection of employee feedback and inputs.

### **Market Conditions**

Three of the interviewed participants stated that they refer to market benchmarks of salaries, allowances, and additional compensation and benefits offerings for the overall design of roles, remuneration packages, and retention practices. For example, the interviewed participant of company 3 pointed out that it is important to keep an eye on the market conditions and to know what employees would be offered in terms of salary and additional benefits at other organizations. More specifically she said that if employees would check the market for new opportunities and *"they would get a much higher salary (...) that probably means then that we also need to do something on our end to make sure that we keep them"*. Additionally, the interviewee of the company 1 highlighted that *"the main part (of our job in the HR team) is to keep our employees for as long as we can (...) and to ensure that employees keep developing and feel that they can stay in our company as well as salary reviews and increases so that we are matching what could be typically (offered) for them if they would have changed roles or companies instead of going*

*away, they are staying with us*". Furthermore, two of the interviewees stated that they cooperate with vendors for the collection and analysis of market-related information and benchmarks. The interviewed participant of the organization 4 outlined that they use this data and *"transfer our own career levels to the salary benchmarks to get good benchmarks when deciding the salaries for each specific position and role"*. Both interviewees of the company 1 and 3 expressed that it is important to be proactive, open, and flexible when it comes to the determination and offering of compensation packages and benefits *"(...) and not only react when someone is asking for it"* (interviewed participant of case organization 3). According to the interviewed participant of the organization 1, it is particularly important to *"have good compensation and benefits and to research what the new generation wants"* in order to be able to attract and retain talents generation-independently.

#### 4.2.3 Implemented Retention and Engagement Practices

This section will outline the findings of the analysis of the generated data regarding the implemented talent management and engagement practices of the interviewed SMEs. The talent management practices of the respective SMEs are characterized by (1) informality and defined by the (2) culture of the respective organization, and organizational nature of SMEs, as well as (3) majorly depending on the management and leadership for the overall implementation. Furthermore, the analysis of the data revealed that implemented talent management practices primarily (4) target key employees and managers of the respective SMEs.

##### **Informal Practices**

Five of the interviewed participants stated that they don't have a formalized and structured talent management system of practices in place and thus rely on informal practices for the retention and engagement of employees. Nonetheless, the interviewed participants are aware of the importance and need of creating organizational-specific and formalized talent management structures, practices, and systems for the effective retention and engagement of employees. Two interviewees mentioned that due to limited resources and other organizational priorities such as internal reorganization, many talent management related projects and the development of new formalized practices had to be put on hold. For instance, the interviewed participant of the company 1 stated that *"since we are a startup with 80 employees and we are trying to get into new markets, we have*

*a lot of focus on the business and business purpose and sometimes we have to focus on that before doing other parts within talent management*". However, one interviewed organization is due to the significant growth within the last two years currently in the process of formalizing and implementing a talent management system, as structures are regarded as crucial for maintaining operational success and performance.

Furthermore, the interviewees outlined that particularly formal career development systems are absent within the SME-sized organizations and learning and development practices are mostly informal and rather provided through the job and organizational culture itself. For example, the interviewed participant of the case organization 5 explained that *"we always keep learning and growing from everything that we do, not only like taking a course or doing some type of education but also trying new things and daring to fail and learn from our mistakes and share the mistakes that we made and share the learnings that we have done internally for the whole organization"*. Additionally, the interviewee of the case organization 2 stated that the development of an employee depends on himself/herself and his/her own motivation and drive and is not confined by specific career development plans and formalized structures provided by the management and HR department of the organization. Further, he said that *"career advancement and your development can be as fast as you want ... you can do whatever you want and move to different areas of the organization, you can swap roles every six months, but you still need to make results in the role you have ... It's more individually depending on the candidate or employee"*.

Moreover, most learning and development practices and opportunities are designed and provided to each employee's needs and preferences individually and primarily offered when the employee actively asks for it. For example, the interviewed participant of the case organization 2 explained that within the feedback and performance reviews the managers have *"a conversation (with the individual employee) about near future goals and ambitions and what they want to do and (discuss) what we can do to make that happen"*. Furthermore, the interviewee of company 1 stated that the organization is lacking formalized benefits offerings, more specifically concerning the well-being of the employees but that they are rather flexible in the offering of other development opportunities as long as it suits the organizational goals. She argued that *"we have separate budgets for what we want our teams to develop but also for individually choosing and it can be pretty much anything,*

*but it has to be connected somehow to the company's success or their team's environment".* Nonetheless, six of the interviewed participants stated that they have implemented a structure and to some extent formal procedures for performance reviews and feedback, as well as for the recruitment and onboarding of employees.

### **Importance of Culture**

All seven interviewed participants highlighted the pivotal role of their culture for the retention and engagement of employees, and the strong influence the culture has on the development and implementation of respective practices. Six interviewees mentioned that an open, transparent, and supportive culture and working environment are particularly important and fundamental for their organizational success, as well as for the retention and engagement of employees. For example, the interviewed participant of the case organization 2 delineated that *"we try to foster a culture where it's easy to speak your mind, (...) we want an organization where you feel safe as in you know what you are supposed to do in your role and what your target is and to have the support of managers"*. Based on that they *"try to nurture a positive and transparent culture (...) (through) monthly "all hands" meetings where we discuss what we are doing and where we are heading, and we try to have team sessions with transparent discussion regarding the company and teams and how we do things or could do better"*. Thus, the organizational culture itself is often stated as an informal and unofficial part of the general talent management and engagement practices and efforts of firms and a key reason why talents stay within the organization.

Furthermore, the interviewee of company 3 stated *that "open communication and transparency is the key (...) to have people who are engaged (within the organization), which means that we try to keep all employees as involved or informed as possible"*. Additionally, the interviewed participant of the case organization 5 stated that nurturing a culture that gives the employees the trust, freedom, responsibility, and ownership of their work is crucial to increase the engagement and satisfaction of employees with the organization. Moreover, she said that for the performance of the organization *"working in teams, in cross functional teams and working together is very important just to get all the different perspectives and best solutions for everything that we do"*. Therefore, they have a *"lot of projects that involve pretty much all the teams of the organization as well as (...) supportive tools and ways of working to be able to work as a team and as cross functional*

*teams*”. One interviewed participant also mentioned that compared to bigger organizations that are able to offer higher salaries, compensations, and additional benefit packages, the culture and work environment of SMEs are used as a strong selling point for the attraction, acquisition, and retention of talents. The interviewed participant of the case organization 5 said that *“since we are a scaleup we are not able to provide the best salaries as maybe another bigger company could provide but instead, we make up for it in culture and scaling and being part of a growing company and expanding company”*. Furthermore, the interviewee of the case organization 4 outlined that the overall business, sector, and product of the organization as an important factor for the overall attraction and retention of employees and said that *“we have a lot of things working for us just because of the types of products we have and what we work with”*.

### **Importance of Management**

Five interviewees stated that what kind of practices are used and to what extent the developed and implemented talent management practices are followed through, depends on the individual managers, and therefore often varies between teams within the organization. For example, how managers schedule and set performance reviews and feedback sessions with employees is often left to the managers own sentiments. The interviewed participant of the case organization 6 explained more in detail that *“it is manager dependent, really department-wise (...) some people have one-on-one feedback meetings once per year and nothing in between, which means it is quite unclear how targets are set and sometimes it's based on the responsibilities and ownerships employees take”*. Furthermore, three interviewees argued that it is the responsibility of managers to detect what their employees individually need and to respond to it through the application of adequate management styles, methods, and practices. The interviewee of the company 3 declared that *“a manager has to be able to handle that (individual employees and their needs) and (...) to focus much more on the individual to see what that person wants, needs and to realize that the management style needs to be adapted after the individual”*. Therefore, the individual managers and leadership team is crucial for the overall retention and engagement of employees within SMEs. The interviewed participant of case organization 4 put it in a nutshell and said, *“usually people don't leave a job but a manager”*.

### **Target of Practices**

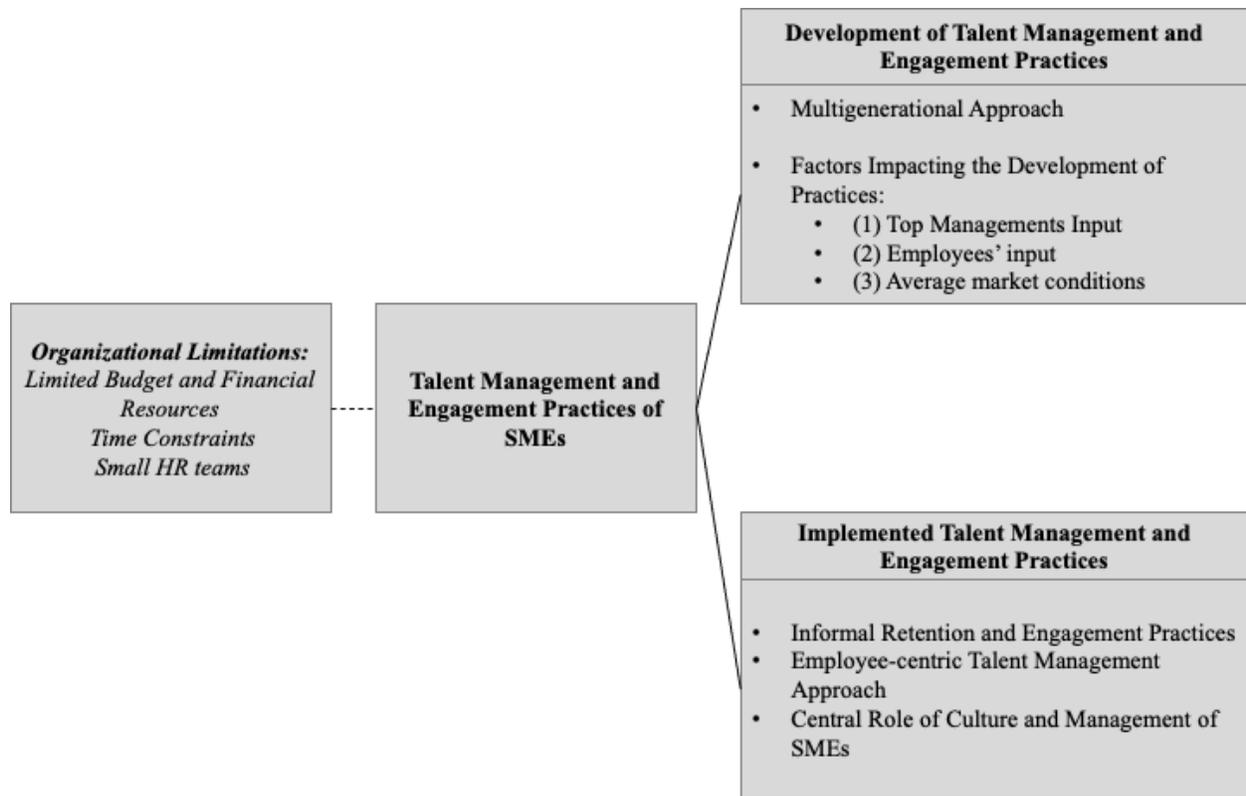
Four of the interviewed participants mentioned that most of their informal learning and development practices are targeted and offered to their managers and so called “*key players*” within the organization. This has been largely due to the significant importance of the managers for the management, retention, and engagement of employees and therefore for the overall performance of the organization. For instance, the interviewed participant of the case organization 4 stated that “*our main (learning and development) processes have been manager centered. The philosophy used to be that good managers keep employees happy*”. Furthermore, the interviewee of company 3 stated that they “*identify key players in the organization (and) make sure that we know who they are... and what they are looking for, making sure that they don't feel the need to look outside organization ... because we are still quite a small company which means that our key people are still very important for us*”. She further clarified that all employees are important and considered within their talent management and development of engagement practices but that they have a strong focus on the identified key players and to fulfill their individual needs, as they are particularly hard to replace and due to the limited resources at hand.

Furthermore, two interview participants stated that the expectations of managers changed and increased significantly recently, especially with the new generation Z entering the workforce. To overcome these challenges and to be able to offer the required management and competent leaders for their current and future employees, the interviewed participants stated that they focus on preparing their managers, for instance through offering specific leadership programs. The interviewed participant of case company 3 explained that “*so it's for us a lot about preparing the managers for this kind of leadership, which they're not used to. That means ... that we prepare our managers to be more flexible, more creative, more open, and not kind of you know stuck in their ways or not expecting everybody to kind of fall into the same mold because that's not really the situation that we have right now*”. This has been further supported by the interviewee of the case organization 6, as she said that “*I think the important areas for companies to focus on is not how to create opportunities or attract the younger generation, it is about what kind of management you have in place*”. However, both interviewed participants of the case organizations 4 and 6 mentioned that the focus of the talent management efforts will shift also towards the employees in the future. The interviewee of organization 6 said “*I think we are seeing a difference in the future,*

*we also want to have an employee development program, so the employees get a chance to develop in their role or other roles they want to grow into. But it's still in a theoretical phase.*” However, this shift is expected to depend majorly on the resources available and allocated for the talent management teams and thus, for the development of formalized practices.

### 4.3 Concluding Summary

Overall, the analysis of the generated data revealed the main findings regarding the organizational limitations and challenges that the HR practitioners of the investigated SMEs commonly face when designing and implementing talent management and retention practices and provided important insights into the development process and common implemented practices of the selected SMEs (*refer to Figure 4*). This chapter also depicted the overall understanding and consideration of generational characteristics and differences within the talent management of the interviewed SME-sized organizations. Figure 4 is showcasing the main findings of the interviews and the influence of the organizational limitations on the overall development and implementation of talent management within SMEs. The identified findings of this section will be further used and explained within the following discussion section of this thesis and are therefore crucial for the overall resolution of the research purpose.



*Figure 4: Key Empirical Findings (Developed by researchers)*

## 5 Discussion

The following chapter is building on the previous analysis of the empirical findings and will delineate and assess the findings in the context of the existing literature concerning talent management and engagement practices, as well as specifically for the generation Z (*refer to chapter 2*). Thus, the most relevant findings of this research, for the resolution of the research question and fulfillment of the overall research purpose, presented in *figure 4*, will be discussed in a structured and comprehensive manner. The following discussion is aligned with the key empirical findings overview (*refer to figure 4*) and highlights our contribution regarding the organizational perspective of SME of the development and implementation of generational-specific talent management and engagement practices to the existing talent management literature. This approach is deemed appropriate as it allows us to discuss the main findings of the empirical study more in depth and thereby to generate important insights and create connections to the previous literature review (*refer to chapter 2*).

### 5.1 Talent Management of SMEs

This section will discuss the findings of the interviews concerning the development and implementation of talent management and engagement practices with references to existing literature presented in the literature review (*refer to chapter 2*). More specifically the impact of the limited resources that the SMEs have at their disposal for the design of talent management and engagement practices, as well as the informal and employee-centric approach that SMEs utilize for their talent management will be assessed. Lastly, the importance and role of the culture and management for the development and implementation of talent management practices will be highlighted.

#### 5.1.1 Impact of Limited Resources on Formal Talent Management

The analysis of the findings of the empirical study illustrates that the scarce resources available within SMEs for the overall talent management and retention of employees can be viewed as a vital constraint and challenge to retain and engage new and existing employees, as well as talents of the generation Z through the development of formalized practices. The impact of the limited

resources on talent management of SMEs and the development of formal practices is thus considered as the first important insight of this study.

The findings show that the existence of small talent management teams and in some cases the sole existence of one talent management generalist with the overall responsibility for the entire human resource management of the organization, including the recruitment and retention of employees, affects the talent management and development of formal engagement and retention practices within SMEs to a large extent. More specifically, the vast range of responsibilities and tasks that the small HR teams or individual HR generalists are responsible for, as well as the necessity to support the general operations in challenging occasions and thus, the limited time available to perform those tasks, causes the need to prioritize certain assignments and processes that are deemed as most crucial for the present organizational performance.

Moreover, the findings present that the limited financial resources and budgets available for talent management and the retention of employee's forces HR teams to further prioritize projects and tasks that support the operational performance of the organization rather than to build resource-intensive and formal talent management systems, practices, and processes. Thus, the scarce financial resources hinder them to formalize and structure talent management practices and processes concerning the retention and engagement of all employees equally. The finding confirms with the respective literature of Krishnan & Scullion (2017), who emphasize the severity of the scarce resources of SMEs on the overall design of formalized talent management systems, practices, and strategies for the recruitment, retention, and engagement of employees and thereby underlines the organizational context of SMEs that influences the design of talent management and engagement practices. More specifically it accentuates the common need of SME-sized organizations to prioritize emergent projects and to allocate resources respectively to ensure and secure the overall performance and growth of the business.

Specifically, the recruitment and onboarding of new employees to support the operational work and thus, the growth and performance of the organization is often considered as one of the main priorities of the respective HR teams of the investigated SMEs rather than the design of formal talent management and engagement practices for the retention of employees (Cappelli, 2010; De

Kok & Uhlaner, 2001; Heneman et al., 2000). Even though, the prioritization and focus on the recruitment and onboarding of new employees is important for the short-term performance and survival of the organization, the overall retention and engagement of employees is regarded as the main factor for the development of a competitive advantage and the maintenance of the long-term success of an organization, as stated by Saks & Gruman (2014). Thus, this prioritization potentially elicits a risk for the investigated SMEs to neglect the importance and thus the prioritization of the development of formalized retention and engagement practices for the overall long-term success of the organization. However, it can be argued that due to the small size of the interviewed organizations and number of employees, and thus the resulting strong interpersonal interaction and engagement between employees and managers, the need to prioritize the design and implementation of formal talent management and engagement practices is not deemed as crucial for the retention of employees as it is for larger organizations to manage the ample amount of workers. The significant and active role of the management in the design and implementation of talent management practices and processes in SME-sized organizations, enables them to detect and respond to the needs and demands of the talents more flexibly and effectively, without the need to rely on formalized and structured talent management and engagement practices (Festing et al., 2017). Furthermore, the findings indicate that the continuous communication and interrogation of employees' demands, needs, and satisfaction with the workplace and the incorporation of those insights into the design of informal and employee-centric talent management and engagement practices, seems to further ensure the overall retention of talents within the SMEs without the formulation of structured retention and engagement practices. Thus, the resulting application of informal talent management and more so retention and engagement practices that rely on a close relationship between the managers and employees, as proposed by Festing et al. (2017), ensures the overall retention of the employees within SMEs. This finding is thus aligned with Dundon et al. (2009) and Sheehan (2013), who state that the resource limitations and the need for managerial flexibility to respond to the changing business needs of SMEs results in a strong application of informal talent management approaches, rather than formalized strategies, systems, and practices. However, even though Harney & Nolan (2014) state that informal practices can elicit the intended talent management benefits and ensure the effective retention of talents, it can be argued that the sole application of informal retention and engagement practices that strongly rely on the individual managers can result in various negative effects such

as dissimilar treatments and favorization of employees without formal and structured talent management practices in place. Hence, such negative effects could challenge the overall retention of employees.

Overall, the finding is closely aligned with the research regarding talent management of SMEs presented in the literature review and underlines that the informal approach to talent management and the reliance on informal practices for the retention and engagement of talents within SMEs do not interfere or prevent the overall performance of the organizations and do support the organizational success (Harney & Nolan, 2014; Bacon et al., 1996; Dundon & Wilkinson, 2009). This is further supported by the recent growth and success of some of the interviewed SME-sized organizations. Nonetheless, the sole application of informal practices that rely on a close relationship between the managers and employees might enable but also prevent the retention of employees, as it is largely dependent on the individual capabilities of managers.

### 5.1.2 Employee-Centric Talent Management Approach

The analysis of the empirical research study further revealed that the HR practitioners develop the respective talent management and engagement practices without the consideration of generational specific characteristics and differences and rely on the implementation of informal practices that specifically target the needs and demands of the individual employee. The informal and employee-centric approach to talent management of the SMEs is thus considered as the second important insight of this study.

Even though the findings indicated a strong awareness of generational differences, the responsible HR practitioners do consider the overall individualism of employees as more important and as a crucial factor that needs to be accounted for in the talent management of the organization. As previously mentioned, the application of informal talent management and engagement practices that rely on a close relationship between the managers and employees enable the SME-sized organizations to specifically provide talent management and engagement practices that suit the demands, needs, and preferences of the individual employee more directly (Festing et al., 2017). Hence, it could be argued that the management of SMEs is able to create a work environment and

conditions that suit the individuals specifically and to create an atmosphere that supports the psychological well-being and overall performance of the individual employee through showing the understanding, appreciation, and consideration of the individual's needs. This finding is further acknowledged by Holtom et al. (2008) and Pandita & Ray (2018), who emphasize that organizations can ensure a better retention through creating an environment for employees where they feel psychologically taken care of, receive the feeling of belonging, and thereby to be connected to the organization. Thus, the informal and employee-specific approach to talent management of SMEs arguably favors the overall retention of employees and the development of the sense of personal belonging and explains the overall successful retention rate of the SMEs. Moreover, the informal and employee-specific approach to talent management further has a positive impact on the engagement of the employees and their performance (Christian & Slaughter, 2007; Albrecht et al., 2015). However, the employee-centric approach, requires and depends on the employee to proactively ask for the wanted changes and benefits. and the resource limitations at the companies limit the possibilities to fulfill each individual request of employees. Moreover, the strong focus on growth of the SME-sized organizations and thus the expected rise of the number of employees, could threaten the effectiveness of the informal practices that rely on the close engagement between the management and employees and hence, indicates a potential risk for the informal talent management of SMEs and the detection of employee's needs. Thus, expanding the perspective and supplementing the informal, employee-centric approach with formalized talent management and more so retention and engagement practices would arguably help to secure the retention and engagement of employees and decrease the significant effect of the management, especially in the occasion of organizational growth.

### 5.1.3 Role of Culture and Management

Another important finding resulting from the analysis of the empirical data, is the significant role and importance of the culture and management for the development and implementation of talent management and the overall retention of employees within SME-sized organizations.

The findings show that the informal and employee-centric approach to talent management and retention of the interviewed SMEs is supplemented and influenced by the established culture of the organization (Festing et al., 2017; Collings & Mellahi, 2009). More specifically, the findings

illustrate that the interviewed HR practitioners view the culture within the organization and the established open, collaborative, and welcoming work environment as crucial factors for the retention of the employees within the corporation and for the security of the satisfaction with the workplace. Moreover, the culture of the organization is often referred to as one of the main reasons why employees choose and remain within SMEs. The role and importance of the culture for the retention is further fortified due to the limited resources available for the design of attractive talent management practices and for the formation of enticing compensation packages. Thus, the management of the SMEs and the respective HR departments focus their attention and overall efforts on maintaining their specific culture and work environment, particularly for the attraction and retention of employees. This finding is aligned with Kamalaveni et al. (2019) discussion about the importance of the organization's ability to create an attractive work environment and conditions for the effective retention of employees.

Furthermore, the central role of the management for the development and implementation of talent management and engagement practices and therefore the overall retention of employees within SMEs has been highlighted throughout the empirical research as an important finding. The limited expertise and resources available for the development of formalized talent management within SMEs, centralizes the management and the respective knowledge and experiences from past positions and organizations as the foundation and source for the development of talent management and engagement practices. Further, the management plays a central role for the overall interaction and engagement with employees and thereby for the overall awareness and detection of employee's specific talent management needs. Moreover, the manager is responsible for the provision and implementation of the specific informal and employee-centric talent management practices, in collaboration with the respective HR practitioner, that target the individual needs, demands, and preferences of the employee, due to the missing establishment and application of formalized talent management practices, systems, and processes. This finding of the research study is aligned with Festing et al. (2017) and Collings & Mellahi (2009), who emphasize the importance of the management for the informal approach to talent management. Nonetheless, the interviewed HR practitioners mentioned that the reliance and importance of the management for the overall talent management and retention of employees within SMEs has to be seen critically, as it helps to reduce the responsibility and workload of the talent management team but

also presents potential risks, as the management commitment varies between teams. Hence, as previously mentioned, the strong involvement of the management in the development and implementation process and the strong independence when it comes to the management of employees and thus the resulting risks of inadequate provision of retention and engagement opportunities for the individual employees, arguably enhance the need to formalize specific talent management practices to decrease the respective risk.

## 5.2 Talent Management for Generation Z

The following section will discuss the findings of the interviews concerning the talent management of the interviewed SMEs in the context of the selected literature regarding generation Z specific characteristics and work-related needs. This section aims to assess the overall understanding of the SMEs regarding the new generation and their ability to retain talents of the generation Z with their present talent management in place.

### 5.2.1 General Understanding of Generation Z

The analysis of the empirical research study revealed that the HR practitioners have a general view and understanding of characteristics and work-related preferences typical for the generation Z. Interestingly the main characteristics of the generation Z that were mentioned throughout the interviews were being *entitled* or having *higher expectations* towards the employer, role, and workplace, expressed with light frustration based on the difficulties the selected companies have when trying to respond to those demands. Specifically with the limited resources available for the development of retention and engagement practices, as well as for attractive compensation and benefits packages, HR practitioners of the investigated SMEs are constrained in meeting the high demands of the new generation Z. Moreover, in comparison to the other generations of the current workforce and workplace of the investigated SME the higher expectations of the generation Z are perceived as less appropriate, due to the limited experiences and expertise that the talents of the new cohort can provide. Thus, the HR practitioners maintain their overall approach, neglect the special consideration of the generational-specific demands of generation Z.

Other characteristics that were familiar to several interviewees were the *need for flexibility*, *particular interest in self-development* and the *importance of values and purpose* as a source of motivation, while also describing the individualistic mentality the generation has. Hence these characteristics are in line with the existing literature on generation Z characteristics, which describe the generation among other things as eager to develop, appreciating flexibility and a stable work-life balance, strong importance of values particularly when it comes to sustainability but also diversity, and an individualistic mentality (Pichler et al., 2021; Schroth, 2019; Pandita, 2021; Chillakuri & Mahanandia, 2018). Notably, most interviewees brought up the characteristics negatively and as a difficulty for the talent management rather than as opportunities for the organization, hence a finding of its own is also the lacking positive attitude towards the generation Z. More specifically, various attributes distinctive for the generation Z, such as being highly achievement-oriented, confident, and more entrepreneurial than any other predecessor generation, can be leveraged by the talent management team and individual managers for the attainment of organizational goals and the maintenance of the organizational success (Barhate & Dirani, 2022; Lanier, 2017; Diaconu & Dutu, 2020; Schroth, 2019). Thus, the narrow and relatively negative perspective of HR practitioners of SMEs and the overall negligence of the advantages when leveraging the distinctive nature and characteristics of the talents of generation Z, can result in missed opportunities that could benefit the organization, their competitiveness, and long-term survival.

In addition, the findings further showed that other important characteristics and work-related preferences of the generation Z, such as the independent and entrepreneurial work tendencies, were not considered within the development of talent management practices and possible consequences and implications of the recent talent management disregarded (Benítez-Márquez et al., 2022; Chillakuri & Mahanandia, 2018; Alter, 2019). Moreover, the technological maturity and expertise of the generation was clear for the interviewees but in most cases, there was no further reflection of what this could mean for the company. This also meant that the participants did not express any concerns regarding the negative effect of the high usage of social media and technology, such as

resulting mental health issues, or the positive effects it could have for the performance of the individual in its role and the organization.

Moreover, due to their young age and the recent entrance to the labor market, generation Z still forms a minority within companies and today's corporate world. This means that many of the interviewed HR practitioners have not been able to gather insights and a better understanding of generation Z work-related characteristics and needs from their company and had to refer to general knowledge or experiences from their personal life for the overall identification of generation Z specific characteristics. Arguably this is part of the reason, as presented in the empirical findings section (*refer to chapter 4*), why the new generation was often not considered as significantly different and thus, that it is important to adjust the retention practices for them. Hence, the new cohort was not seen as a potential challenge for the business operations and the long-term success. Despite that some interviewees did express their concerns about retaining generation Z in the future, they tended to cluster them with millennials and could not specify differences between them that would justify the need to change their current talent management. However, according to the existing literature there are some notable differences in the work preferences and needs, as presented in the literature review (*refer to chapter 2*) between the two generations (Schroth, 2019; Jayathilake et al., 2021; Chillakuri & Mahanandia, 2018; Pandita, 2021). Thus, the narrow perspective of the interviewed HR practitioners arguably indicates an underestimation of the generational differences and the overall need to incorporate the distinctive demands and preferences of the individual generations in the development of talent management practices for the effectiveness of the retention.

### 5.2.2 Suitability of Existing Practices

The analysis of the empirical research study further suggested that when it comes to the engagement of generation Z, as presented before, the companies opted for practices fitting most of the current workforce and the employees individually, instead of trying to specifically target and incorporate the demands and preferences of the generation Z. This organizational approach and finding is acknowledged by Benítez-Márquez et al. (2022), and Chillakuri & Mahanandia (2018),

who state that companies need to design multigenerational practices to ensure overall retention and collaboration of talents within organizations. However, as most of the investigated companies did not take into account generational-specific characteristics of the youngest working generation Z when designing informal talent management and engagement practices, a proper multigenerational approach is absent. This is arguably connected to the generation being a minority age group within the corporations, the recent entrance to the workforce, and the scarce resources available for the overall talent management at SME-sized organizations. Leaving the youngest generation out of the design of multigenerational talent management practices can however lead in the long term to a weaker engagement of the youngest talents and potential difficulties to retain them within the organization, and thus an overemphasis of older generations within the organizational talent management. In the light of the expected retirement of baby boomers throughout the next years and thus, the growing importance of talents of younger generations and more so of the generation Z, the strong focus on older generations within the talent management and development of informal practices can have severe consequences for the overall effectiveness of the attraction and recruitment of new employees, as well as the retention and therefore the overall performance of the organization.

Although the investigated SME-sized companies did not yet implement specific practices focusing on the youngest generation, the findings indicate that some of the existing practices of the SME-sized organizations are deemed as suitable for the effective engagement and retention of individuals of the generation Z. More specifically, the recent talent management related changes companies had to make in order to mitigate the effects of the covid-19 pandemic and to respond to the changing expectations of the workforce after the social distancing period, favor the retention and engagement of generation Z. Especially the increased use of technologies, amount of remote work, and flexibility favors the retention and attraction of members of the generation Z. Furthermore, the strong emphasis on the open culture, diverse work environment, and collaborative work style of the investigated SMEs is suiting the preferred preferences of the generation Z and therefore support the retention of the generation Z within the SME-sized organizations. This finding is aligned with Pichler 's et al. (2021) DITTO model, which

emphasizes the fulfillment of the four key dimensions *diversity, individualism and teamwork, technology, and organizational support* for the overall effective retention of talent of the generation Z within organizations.

However, the findings suggest that most companies lacked a range of formalized practices that would help to ensure the effective engagement and retention of the generation Z specifically. For example, only a minority of companies had understood the generation's need for more coaching styled management and saw the development of managers as one way to answer to the distinctive needs. Further, according to Pandita & Kumar's (2022) model on generation Z engagement, academics have highlighted mentoring from management, feeling cared and included within an organization, teamwork and co-worker support with the freedom to express themselves as crucial for the engagement and retention of Gen Z. According to the findings, transparency and collaboration is something that all participants brought up, finding it as central to their way of working or at least understanding its importance for employees. However, none of the participants mentioned mentoring, although some had a one on one meeting scheduled multiple times a month between employees and managers, with the execution relying on managers. When it comes to training and development Jayathilake et al. (2021) present three practices that are central for the engagement of talents through ensuring development through *democratizing learning, reverse mentoring, and intrapreneurship*. The findings suggest that although all interviewees recognized development and learning as a primary need and interest of the new cohort, most HR practitioners were limited to either offer a budget for training opportunities or were still thinking about adopting an internal generalized learning platform and thus, not fully able to respond to the growing interest of self-development of the new cohort. In addition, none of the participants mentioned chances to innovate and express themselves and their entrepreneurial nature at the organization as a possibility for young employees. Hence, the central finding here is that most companies do not have enough formalized practices, specifically for the learning, development, and self-expression, to effectively engage and retain talent of generation Z, mainly due to the lack of resources and nuanced understanding on generation specific needs.

Thus, it can be concluded that the existing informal talent management and engagement practices and more so the culture, strong managerial engagement with the employees, and work environment of the SME-sized organizations are, even without the intended aim to target the generation Z, to some extent suitable for the retention of the new cohort. Nonetheless, the lack of formalized retention and engagement practices for the learning and development, and the missing opportunities to innovate and express their inherent entrepreneurial nature within the SME-sized organization, indicate potential weaknesses and difficulties of SMEs informal talent management for the engagement and retention of the youngest employees.

## 6 Conclusion

The overall purpose of this thesis was to explore the organizational perspective of SMEs regarding the development and implementation of generational-specific talent management and engagement practices, more specifically targeting the new generation Z. To fulfill this purpose, the following research question was formulated and followed throughout the execution of the research study:

*How do SME-sized organizations create talent management and engagement practices specifically targeted to the generation Z and how do the existing practices fit the generation-specific needs?*

To resolve the overarching research question of this thesis and thereby to gain important insights regarding the talent management of SME-sized organizations and the consideration of generation-specific characteristics in the development of retention and engagement practices a multiple case study with seven HR practitioners of SMEs located in Sweden was performed. The findings of the research study discussed in the previous sections resulted in five important insights regarding the development and implementation of talent management practices of SMEs, specifically targeted at the generation Z.

First, the findings suggest that the resource limitations faced by the respective talent management team's constraint the overall development of formalized talent management and engagement systems, strategies, and practices for the retention and engagement of employees. More specifically the limited financial resources and budgets available for the development and implementation of formal talent management and engagement practices causes the utilization of informal practices that largely depend on the individual managers for the overall design and implementation. Second, the findings of the research study indicate that the HR practitioners of the investigated SMEs develop the respective talent management and engagement practices without the consideration of generational-specific characteristics and differences but with the consideration of the individual characteristics, demands, and needs of the specific employee with the aim to ensure their engagement, satisfaction, and overall retention. Thus, the investigated

SMEs do not design and implement specific practices for the overall retention and engagement of particular generations and therefore the generation Z, but for the employee individually. Nonetheless, employees of SMEs are required to actively ask for the required and demanded practices that are often constrained through the overall resource limitations. Third, the informal and employee-centric approach to talent management of the SMEs is supplemented and supported by the established culture of the organization. Especially due to the limited resources available for the design of attractive and formal talent management practices and for the formation of enticing compensation packages, the role of the culture and an entrancing work environment is considered as particularly important for the attraction and retention of employees within SMEs. Fourth, the findings of the research study indicates that the HR practitioners of the investigated SMEs are aware of the generation Z specific work-related characteristics, expectations, and needs and therefore the differences to other generations. However, they do not observe the need to adjust their current talent management more directly to the new generation to be able to retain and engage them within their organizations. It seems that the interviewed HR practitioners of the selected SMEs consider their present informal and employee-centric talent management practices, as well as the specific culture and work environment as sufficient factors for the overall retention and engagement of employees, regardless of the corresponding generations. Lastly and most importantly this thesis argues that even though the interviewed HR practitioners of the chosen SME-sized organizations do not specifically develop and implement formal talent management and engagement practices for the sole purpose of retaining the newest generation of the current workforce, the majority of their informal practices, culture, and conditions do suit the work-related characteristics, needs, and expectations of the generation Z. Specifically, the strong utilization of technologies for the communication and collaboration between employees, the continuous engagement between managers and talents, as well as the flexible work environment and transparent communication of the management favors the retention of the talents of the generation Z (Pandita & Kumar, 2022; Pichler et al., 2021; Jayathilake et al., 2021). Hence, it appears that the investigated SMEs are, with their present informal talent management practices, culture, and work environment in place, to some extent able to retain the talents of the generation Z. Nonetheless, to fully ensure an effective retention and engagement of the new generation Z within the workplace, HR practitioners of SMEs have to invest more specifically in formalized training, learning, and development opportunities to fulfill the needs and demands of the generation Z.

Overall, this thesis argues that the development process of talent management of SMEs and the implemented informal and employee-centric practices do not specifically target the talents of the generation Z and it is expected that the resource limitations remain to be the main challenge for the overall retention and engagement of employees of all generations within SMEs. Moreover, to what extent the existing informal practices, organizational-specific culture, and work environment enable the effective retention and engagement of employees of the generation Z, as well as other generations, depends largely on the organizational setting of the SMEs and their management and thereby requires a more nuanced investigation.

## 6.1 Theoretical Implications

This thesis has two main theoretical implications, as previously described in the introduction section (*refer to chapter 1*) and contributes to the existing literature of talent management through the resolution of the identified research gap. First, this thesis redounds to the scarce literature of SMEs specific talent management, through the execution of a qualitative research study and thus the in-depth analysis of the organizational perspective and context of SMEs regarding talent management, as well as the development and implementation process of respective practices (Sheehan, 2013; Festing et al., 2017; Pauli & Poczowski, 2019; Brewster et al., 2016; Krishnan & Scullion, 2017). The qualitative approach enabled us to specifically look through the lens of the HR managers of the selected SMEs and therefore to exploratively generate a comprehensive understanding of the SME-specific context and perspective that influences the development of talent management and engagement practices, as well as to develop a greater understanding of potential erupting challenges when designing new practices. The findings of this research study suggest that the various resource limitations represent a strong constraint for the overall development and implementation of formal talent management practices within SMEs that limits the overall retention approach. Lastly, the thesis investigated and assessed the development process and implemented talent management and engagement practices of the selected SMEs in connection and joint consideration of the generation Z specific characteristics and work-related preferences and thus, highlighted the overall suitability and effectiveness of the informal practices for the retention of the new cohort and thereby contributed to the scarce literature on this phenomenon which was called upon by Pandita & Ray (2018), Krishnan & Scullion (2017), and

Festing et al. (2017). The findings of this thesis support and build on previous research about the overall talent management approach of SMEs and adds the important role of the culture and management for the overall management and retention of talents, as well as for the development and implementation of retention and engagement practices within the SME-sized organizations. Moreover, this thesis challenges the research of various scholars that emphasize the need to adjust and develop new talent management and engagement practices to the specific characteristics and work-related preferences of the generation Z in order to be able to retain and engage them. Instead, the findings of this study suggests that SMEs are able to retain the new talents of generation Z through their employee-centric and informal approach, as well as through the open culture and collaborative work environment, without necessarily formalizing specific talent management practices.

## 6.2 Practical Implications

Supplementary to the aforementioned theoretical implications, the findings of this thesis indicate a series of practical implications for HR practitioners and their respective SME-sized organizations.

First of all, the existing literature regarding organizational talent management and retention emphasize the importance of specifically designed and formalized talent management systems and practices for the attraction, selection, engagement, and overall retention of talented employees within the organization and thereby to reach the organizational performance-related objectives. Nonetheless, it appears that the development of informal retention and engagement practices that rely on a close relationship between the managers and employees, as well as a supportive culture and work environment ensures the overall retention of the employees within SMEs. Thus, HR practitioners within SMEs can by ensuring the managerial attendance towards the employees and the overall communication with employees specifically develop and offer the practices that suit the specific needs, preferences, and demands of the individual employee and thereby increase the overall effectiveness of the retention and engagement of talents within the organizations. Furthermore, this study reflects on the importance of recognizing and incorporating the specific

generational characteristics and differences in the design of organizational retention and engagement practices and indicates that to some extent existing informal practices favor the retention of the new generation Z at SMEs. Specifically, the recent outbreak of the covid-19 pandemic and the resulting effects on the corporate world and the adaptations made by organizations, such as the increased usage of technologies, simplifies the overall attraction and retention of the youngest generation Z of the current workforce. Nevertheless, HR practitioners of SMEs are advised to remain aware and informed of changing demands and preferences of employees generational-independently and to proactively provide suitable and to some extent formalized retention and engagement practices, specifically for the learning and development of employees internally, to ensure the long-term satisfaction of employees, and more so the talents of the new generation Z, with the role, workplace, and employer and therefore their retention.

### 6.3 Limitations of the Study & Future Research

This thesis acknowledges some limitations that provide interesting chances for further research, which will be presented in this section.

This research study followed a qualitative research approach for the overall resolution of the research aim and the fulfillment of the research gap. The methodological approach was selected to explore the perspective and context of the development and implementation process of talent management of SMEs, and more specifically their retention and engagement practices for the youngest generation Z. Therefore, the study did not intend to probe specific correlations between the talent management of SMEs and their effectiveness of retaining talents of the new cohort. Hence, future research can adapt a quantitative approach to test the aforementioned correlation between SMEs specific talent management and the retention of talents of the new cohort.

Furthermore, the qualitative study relies on the practical insights of seven selected SME-sized companies of the tech industry in Sweden for the resolution of the research purpose. The limited scope and selection of companies might restrict the findings to the specific industry and/or the

market of Sweden and hence, limits the opportunity to widely generalize insights across industries or markets. Future research can proceed with investigating the phenomenon within different industries and markets, and thereby analyze the overall applicability of the findings of this study.

In addition, the selected interview participants of the investigated SME-sized case organizations represent another important limitation. It can be suspected that the HR practitioners of the selected SMEs that agreed on taking part in the study, might have been the ones that have a specific talent management in place for retaining talents of the generation Z or found the subject more interesting, hence feeling comfortable discussing it. Moreover, the generated findings of the interviews are subject and limited to the specific perception and opinion of the interviewed HR practitioners regarding the talent management of their SME. This can partially affect the reliability of the gathered data and limits it to their respective view on the topic. Nonetheless, the practical insights are still deemed as valuable for the research aim and thus for generating a comprehensive understanding of SMEs talent management and retention efforts targeting the youngest generation Z. Future research could include a broader selection of interviewees of SME-sized organizations, such as individual employees of different generations to produce a more in-depth understanding and holistic view of the talent management, retention and engagement efforts and the overall effectiveness within SMEs.

Finally, the limited number of interviews represents another limitation of this study and was due to the limited time frame of the research and the difficulty to reach a bigger sample of companies willing to participate. Hence, it poses an opportunity for future research targeting a larger sample of different industries and markets, in order to see to what extent specific industries are prepared to retain generation Z talent.

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# Appendixes

## Appendix A: Interview Guide

### 1. Introduction of the research

This study is part of the master's program in International Strategic Management at Lund University, conducted by Nicole Faupel and Amalia Kantasalmi. The subject of the research study is talent management within SME-sized companies, more specifically the engagement strategies and practices for the newly entering generation Z employees. To get a broad insight of the current talent management system, strategies, and practices, we are investigating the SME-sized companies in Sweden. This will enable us to depict the current talent management efforts and challenges from an organizational perspective and thereby, to formulate potential suggestions and recommendations.

### 2. Introductory Questions

- Could you describe your current role in the organization and your main tasks/responsibilities?
- Could you give us some information about your HRM/Talent management?
  - Do you have a special team dedicated to talent management?
  - What is the size of the team?
  - Are you working with other departments/teams or people?
  - How is the collaboration and how are the responsibilities divided within the team?

### 3. Thematic questions

#### 3.1 Talent Management

- Do you have a talent management system in place? (a system of practices)

<p>If yes:</p> <ul style="list-style-type: none"><li>● How did you create it?</li><li>● How did you come up with the system/practices? (<i>based on employees opinions/feedback or based on best practices</i>)</li><li>● What type of practices do you have in</li></ul>	<p>If no:</p> <ul style="list-style-type: none"><li>● What type of practices do you have in place? (bonus, job rotation, etc.)<ul style="list-style-type: none"><li>○ (<i>Role design</i>)</li><li>○ (<i>Remuneration</i>) salary for the role</li></ul></li><li>● How did you come up with these</li></ul>
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<p>place?</p> <ul style="list-style-type: none"> <li>○ <i>(Role design)</i></li> <li>○ <i>(Remuneration) salary for the role</i></li> <li>○ <i>(Learning &amp; Development)</i></li> <li>● How would you describe the role of talent management in your company, what is the goal?</li> <li>● How important is it to retain employees for you? <ul style="list-style-type: none"> <li>○ How long would you like them to stay?</li> </ul> </li> <li>● Do you have a specific budget/resource allocated to talent management? <ul style="list-style-type: none"> <li>○ Is this enough in your opinion?</li> <li>○ Does this show the importance that the company places on the TM</li> </ul> </li> </ul>	<p>practices?</p> <ul style="list-style-type: none"> <li>● Do you have a specific budget/resource allocated for this? <ul style="list-style-type: none"> <li>○ Is this enough?</li> </ul> </li> <li>● How do you ensure your employees are and remain happy in the organization and role? <ul style="list-style-type: none"> <li>○ What do you do to “make them happy” from an organizational/HRM perspective?</li> </ul> </li> <li>● How important is it to retain employees for you? <ul style="list-style-type: none"> <li>○ How long would you like them to stay?</li> </ul> </li> </ul>
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### 3.2 Talent Management and Gen Z

- Do you have a dominant age group represented in your company?
  - *Do you have already people under 25 years old working?*
  - Do you have people of different age groups within the organization?
- Do you see differences in preferences at the workplace between age groups within the organization?
  - *For example: leadership style, work style and environment, remuneration*
  - *Does this have consequences?*

- How much importance and consideration do you put on generational differences in the design of your talent management system and practices?
- The newest generation entering companies is the generation Z; is this something you are aware of and you discuss within your team?
- According to your understanding, what are the preferences of generation Z? (Such as workstyle, work environment, mentorship/collaboration)
  - *What is important to them at an organization?*
- Do you think there would be any difficulties when responding more directly to the new generation?
  - *Or when not responding to it at all?*
  - *Have you faced any obstacle/difficulty before?*

### **3.3 Engagement and Gen Z**

- How would you describe the working style and culture at your company?
- What type of values does your organization follow?
- What practices do you implement in order to satisfy the needs and preferences of Gen Z employees, engage them, and ensure that they stay?
- More specifically what do you do to:
  - Manage the performance of employees?
  - Design (interesting and attractive) roles and tasks?
  - *Enable and ensure learning and development of individuals within the organization?*
  - *Create a work-friendly environment and culture?*
  - Do you do anything else to engage the employees of Gen Z?
- What type of technologies do you use internally, and more specifically to
  - communicate?
  - and learn?
  - *Surveys?*

### **3.4 Pandemic**

- Did the effects of the covid-19 pandemic have an impact on the talent management system and practices in place?
  - What did you do?
  - Have you changed the way you use technologies?
  - Did you find new practices that worked well?
  - When returning back to “normal”, are you facing new challenges? (Did the pandemic have consequences that now need to be fixed)
- Did you see (behavioral) differences between age groups?
  - During the pandemic?
  - And while returning to the new “normal”?

### **4. Closing questions**

- Do you have anything else to add or would like to mention?
- Do you have any questions?

## Appendix B: Data Analysis - Main findings

1	2. TM Practices of SMEs		3
Organizational Limitations & Challenges	2.1 Development of TM Practices	2.2 Implemented practices	Understanding and Consideration of Generational Characteristics and Differences in TM
Limited Budget (resources, staff, time)	Due to growth structured TM is regarded as more important and is getting developed	Informal practices: role of managers, Culture and values, and working style	
Small team HR teams: 1. responsible for all HR processes 2. No specific talent management team/responsible person - therefore often seen as a responsibility of all managers	Practices developed based on managers expertise and knowledge	Retention is seen as central but there are no formal practices in place. Focus on key players - key players are particularly valuable (hard to replace) for such a small company.	Understanding on gen z: entitled, higher expectations, more need of flexibility, personal development, important to grow and learn, more feedback, purposeful work, knowing "bigger picture"
Growth and structural changes (i.e. challenges within globally operating companies)	No focus on one generation but overall changes of the expectation and labour market. Importance of diversity and individualism - try to be proactive; focus more on setting up structures and cultures that fit as many as possible	Focus is on managers; to create competent leaders for new employees (employees leave managers not firms); Focus on developing good managers and transparency/trust	Only a few Gen Z employees - most are millennials, no interaction with the generation, seen as same as millennials. Or no Gen Z in organization.
Differences between skilled/unskilled workers. Differences due to expats	Performing employee surveys and 1 on 1 conversations	Structured feedback - Reliance on surveys and one-on-one	Treatment of Gen Z is up to and depending on managers
	Strong comparison with market - trying to stay updated in order to remain attractive	Implementation of new practices is largely depending on managers support	Not see it as a challenge (that new generation is entering workforce)
	Focus on performance and growth. Strong focus mainly on recruitment & onboarding of employees (often have structures for this) due to strong growth (retention not yet a problem, as many are onboarding) Focus of TM: education is offered based on needed competences	Learning and Development not provided by additional practices but rather through the job design and nature of SMEs - Learning and development is focused on competences and the organizations needs	
	Covid - hybrid work, culture and communication	Integration of Technology: something to remain attractive, implementation unstructured in learning and communication.	
		Lack of purposeful role design	

## Appendix C: Consent Form sent to Interview Participants before Interview



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### **Information about participation in study and agreement**

This study is part of the master's program in International Strategic Management at Lund University, conducted by Nicole Faupel and Amalia Kantasalmi. The subject of the study is talent management within SME companies, more specifically the engagement of generation Z employees.

We will be interviewing a number of HR practitioners of SME sized companies within the tech industry in Sweden. The data collected from the interviews will only be used for the purpose of this master thesis, and all the participants and companies will be anonymous in the thesis.

The interviews will be audio recorded and the audio will be used only by the students performing the study. The data will be handled according to EU data protection regulations as well as Swedish legislation.

**The participation in this study is voluntary and by signing this agreement you consent to be part of it and for the students performing the study to use the data as mentioned above.**

#### **Research participant**

Name:

Signature:

Date and place: