

FUNDAÇÃO GETULIO VARGAS
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EVDOKIYA NIKOLAEVA SOTIROVA

**ATTRACTING AND RETAINING TALENT:
A Comparison between Social Enterprise and Commercial Startups in Brazil**

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Thesis presented to Escola de Administração de Empresas de São Paulo of Fundação Getulio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).

Knowledge Field: Gestão e Competitividade em Empresas Globais

Adviser: Prof. Dr. Edgard Elie Roger Barki

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Committee members:

Prof. Dr. Edgard Elie Roger Barki

Prof. Dr. Ana Luisa Villares Da Silva Vieira Pliopas

Prof. Dr. Graziella Maria Comini

To my parents, who are always there for me.

ABSTRACT

The aim of this paper is to identify the challenges and coping practices for attracting and retaining talent in the specific cases of social enterprise and startups which do not have a clearly stated social purpose (which are referred to as “commercial startups” in this paper) in Brazil. The two types of companies are comparable because most social enterprises in Brazil are startups and both types face similar problems.

The central focus of the research are the questions “What are the challenges of attracting and retaining talent for social enterprise and commercial startups in Brazil and what are the similarities and differences between the two types of companies on that matter?” In order to develop and answer them, existing literature on a number of related topics was reviewed with an emphasis on the subject of “Challenges in Attracting and Retaining Talent”.

A qualitative research approach was adopted. Ten companies were interviewed, being five social enterprise startups and five commercial startups in varying stages of development; six of the startups are headquartered in the city of São Paulo and four - in Salvador, Bahia. Twelve in-depth interviews with founders, key actors in the area of talent management of the companies, as well as current and former employees at the two types of startups were conducted. An exploratory research approach was applied to the end of analyzing the data.

The analysis revealed a multitude of similarities between social enterprise and commercial startups in Brazil on the matter of attracting and retaining talent. Both types of companies do not consider attracting new employees as particularly challenging, provided that they are known in the environment where young talent is active. However, a common difficulty for both types of startups is finding people with specific hard skills. The limited budget for salaries was pointed out as problematic for attracting talent in commercial startups.

Furthermore, “financial security” was quoted often by founders of both kinds of startups as a substantial challenge for talent retention. The severity of the consequences of people leaving depends on the stage of development that the startup is in. The central finding is that the inherent, most significant factor for successfully selecting and retaining the right people at both social enterprise and commercial startups is the factor of the “fit”. Namely, the fit between the company and the candidate/employee on three instances: 1) personality, 2) goals i.e. career goals and 3) ways to achieve these goals.

The results of the research are expected to be useful to social enterprise and commercial startups in overcoming the challenges they face when dealing with talent management.

Key words: social enterprise, startups, talent attraction, talent retention, talent management

RESUMO

O objetivo deste trabalho é identificar os desafios e as práticas de enfrentamento para atrair e reter talentos nos casos específicos de empreendimentos sociais e startups que não têm um propósito social claramente definido (que é referenciado como "startups comerciais" neste estudo) no Brasil. Os dois tipos de empresas são comparáveis porque a maioria das empresas sociais no Brasil são iniciantes e ambos enfrentam problemas semelhantes.

O foco central da pesquisa são as perguntas “Quais são os desafios de atrair e reter talentos para empresas sociais e startups comerciais no Brasil e quais são as semelhanças e diferenças entre os dois tipos de empresas?”. Para respondê-las, foi revisada a literatura existente sobre vários tópicos relacionados com ênfase no tema “Desafios em Atrair e Reter Talentos”.

Foi adotada uma abordagem de pesquisa qualitativa. Dez empresas foram entrevistadas, sendo cinco startups de empresas sociais e cinco startups comerciais em diferentes estágios de desenvolvimento; seis das startups estão sediadas na cidade de São Paulo e quatro - em Salvador, na Bahia. Foram realizadas doze entrevistas em profundidade com fundadores, atores-chave na área de gestão de talentos das empresas, bem como funcionários atuais e antigos nos dois tipos de startups. Uma abordagem de investigação exploratória foi aplicada para análise dos dados.

A análise revelou uma quantidade significativa de similaridades entre empresas sociais e startups comerciais no Brasil no que diz respeito à atração e retenção de talentos. Ambos os tipos de empresas não consideram o processo de atrair novos sócios particularmente desafiador, desde que sejam conhecidos no meio em que jovens talentos estão ativos. Contudo, uma dificuldade comum para ambos os tipos de startups é encontrar pessoas com habilidades específicas. O orçamento limitado para salários foi apontado como fator problemático para a atração de talentos em startups comerciais.

Além disso, a "segurança financeira" era frequentemente citada pelos fundadores de ambos os tipos de startups como um desafio substancial para a retenção de talentos. A gravidade das consequências das pessoas que saem depende do estágio de desenvolvimento em que a startup se encontra. A conclusão central é que o fator inerente e mais significativo para selecionar e reter com sucesso as pessoas certas tanto nas empresas sociais quanto nas startups comerciais é o fator de “compatibilidade”. Ou seja, a compatibilidade entre a empresa e o candidato / empregado em três instâncias: 1) personalidade, 2) objetivos, ou seja, objetivos de carreira e 3) maneiras de atingir esses objetivos.

Espera-se que os resultados da pesquisa sejam úteis para empreendimentos sociais e startups comerciais na superação dos desafios que enfrentam ao lidar com a gestão de talentos.

Palavras-chave: empreendimento social, startups, atração de talentos, retenção de talentos, gestão de talentos

ABBREVIATIONS

GEM Global entrepreneurship monitor

HR Human resources

OECD Organization for Economic Co-operation and Development

SB Social business

SE Social enterprise

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1. INTRODUCTION

Finding the right people with the right skills is becoming an ever more difficult task in an aging and globalized world with a changing global economy that creates new jobs demanding new capabilities (Frank & Taylor, 2004; Allen, 2008; Manyika, Woetzel, Dobbs, Remes, Labaye & Jordan, 2015; Korn Ferry Institute, 2017). According to a study by McKinsey & Company (2001), who was first to predict the “the war for talent”, talent is the most significant source of competitive advantage (Axelrod, Handfield-Jones & Welsh, 2001). Employee turnover, associated with costs like managers’ time, delays in production and customer service, hiring inducements and on-the-job training, is expensive (Boushey & Glynn, 2012). Furthermore, it brings defeat of skills and company knowledge, low morale, poor customer satisfaction and thus impacts overall business performance (Boushey & Glynn, 2012). As talent appears to be the most important asset for startups (Miguel, 2018) but at the same time, as they usually have limited funding at their disposal, they cannot offer salaries and job security at the same level as established companies can (Burton, Dahl & Sorenson, 2017). This is why attracting and retaining talent is increasingly relevant for startups.

Many companies, established and new ones, have tackled the issue through different strategies. In the case of commercial startups, employee share options are often involved, especially in countries like the USA and the UK (Meeuwenoord, 2014). But how do startups in other countries, and in particular, in Brazil, approach the problem? It has become clear that large and mature companies are having difficulties retaining workforce, especially the millennial part of it (Alsop, 2008; Hay Group, 2012). But is this the same for startup companies? Many of the professionals who choose to join such companies are millennials, seeking meritocracy and the chance of compensation and promotion according to their skills and commitment, and not to seniority in the given firm (Alsop, 2008, Burton et al., 2017). However, for professionals who choose to work at a SE, the perspective might be different. As the definitions of social entrepreneurship, SE and SB are still forming, especially in the case of an emerging economy like Brazil (Comini, Assad and Fischer, 2012), growing compensation and bonuses cannot be expected as a rule. According to Yunus (2010) earnings of social businesses (SBs) aren’t distributed to the shareholders, they are only reinvested and employees don’t receive more than their salary – for them, it is the morally rewarding work that counts. Other scholars (Chu, 2007), state that dividends may or may not be distributed to shareholders. The SEs interviewed for the purpose of this paper follow the concept of Artemisia (2017) – a São Paulo based “social impact business” (free translation from Portuguese) startup-accelerator, which does not refute the distribution of dividends to shareholders. A detailed definition is exhibited in section 2.1.3. Social Enterprise.

The main objective of this paper is to understand the challenges in attracting and retaining talent, faced by social enterprise (SE) and commercial startups in Brazil, as well as the strategies they employ in order to overcome them. The primary questions that this paper seeks to answer are: What are the main challenges of attracting and retaining talent at commercial and SE startups? What are the similarities and differences between the two types of companies regarding this matter? How are these challenges being dealt with? What are the good practices that startups have enacted? Where are the differences between SE and commercial startup talent management strategies?

In order to study these questions, a qualitative research approach was employed. As the questions are rather open, the following types of interviews were conducted:

- Interviews with key actors involved in attraction and retention of employees in startups (usually the founders);
- Interviews with current employees in commercial and SE startups;
- Interviews with professionals who have worked in commercial/SE startups in the past.

The information gathered from the interviewees as well as further company-related data are central for this research. By understanding the challenges and best practices at people development, this work is intended to begin filling the research gap around talent management for new ventures. Its aim is to be useful to both social and commercial startups in successfully approaching the challenging millennial workforce.

The paper is divided in seven chapters. The first chapter, the current “Introduction”, is followed by the “Literature Review” which consists of five topics: “Defining Social Entrepreneurship, SB and SE”; “Defining Commercial Startups”; “The Startup Environment in Brazil”; “Challenges in Attracting and Retaining Talent” and “Literature Review Summary”. Two of the topics (“Defining Social Entrepreneurship, SB and SE” and “Challenges in Attracting and Retaining Talent”), due to their centrality to the aim of this paper, have additional subtopics. Chapter three, “Methodology”, explains the methodological approach adopted in this research in three topics: “Research Design”, “Data Collection and Analytical Strategy – Data Analysis and Coding”. Chapter four, “Analysis” presents the findings of the research divided into the topics: “Attracting Talent in Startups”; “Talent Retention in Startups”; “Strategies for Talent Retention in Startups” and “Fit – A Main Element in Attracting and Retaining Talent in Startups”. Chapter number five, “Final Considerations” contains the topics “Conclusions”, “Implications” and “Limitations” and is followed by chapter six – “References” and finally, chapter seven “Appendix”.

2. LITERATURE REVIEW

2.1. Defining Social Entrepreneurship, Social Business and Social Enterprise

In the following, definitions and explanations of the notions of social entrepreneurship, SB and SE are exhibited.

2.1.1. Social Entrepreneurship

Social entrepreneurship, SE and SB are intertwined terms and “the lack of an established epistemology that partly contributes to and/or stems from a conflict of discourses” (Rahdari, Sepasi, & Moradi, 2016, p. 347) poses a significant scholarly challenge (Rahdari et. al, 2016). Interest towards social entrepreneurship has been growing steadily in the developed, as well as the developing world (Lepoutre, Justo, Terjesen & Bosma, 2013; Defourny & Nyssens, 2008). In 2010, a dedicated journal – *Journal of Social Entrepreneurship* - was established and two years later, special issues on the topic were created, e.g. *Journal of Business Ethics and Academy of Management Learning and Education* (Smith, Gonin, & Besharov, 2013). Increasingly endorsed by political and business leaders (Defourny & Nyssens, 2008; Seelos & Mair, 2005) and organizations like Ashoka, Aspen Institute, the Skoll Foundation and the Schwab Foundation (Lepoutre et. al, 2013), social entrepreneurship has become omnipresent (Mair & Noboa, 2006).

Despite the significant development of the international literature on the topic during the last two decades (Defourny & Nyssens, 2008), academics are still not conclusive about what exactly social entrepreneurship entails (Martin & Osberg, 2015). In the period 2011 – 2016, over 500 new articles on social entrepreneurship have appeared (Bosma, Schøtt, Terjesen, & Kew, 2016). However pronounced the interest from various sides like practitioners, policymakers, and scholars, research remains quite nascent and based mostly on case studies (Lepoutre et al., 2013; Bosma et al., 2016).

Conceptualized more precisely in the late 1990s, the social innovation processes, undertaken by social entrepreneurs, were central to the notion of social entrepreneurship (Defourny & Nyssens, 2008). In more recent years, the concept of social entrepreneurship is changing and various authors are applying it more broadly (Defourny & Nyssens, 2008). According to Seelos and Mair (2005), the term “...is used to refer to the rapidly growing number of organizations that have created models for efficiently catering to basic human needs that existing markets and institutions have failed to satisfy” (Seelos & Mair, 2005, p.241). Furthermore, in his article *The Meaning of “Social Entrepreneurship”*, Dees suggests that unlike the term “social entrepreneurship”, the phenomenon itself is not new (Dees, 2001). The author states the following definition:

“Social entrepreneurs play the role of change agents in the social sector, by:

- Adopting a mission to create and sustain social value (not just private value),
- Recognizing and relentlessly pursuing new opportunities to serve that mission,
- Engaging in a process of continuous innovation, adaptation, and learning,
- Acting boldly without being limited by resources currently in hand, and

- Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created” (Dees, 2001, p.38)

Which is underpinned by the publications on the topic of entrepreneurship by Say, Schumpeter, Drucker and Stevenson (Dees, 2001).

Rahdari et al. (2016, p. 347) employ “concepts of corporate citizenship, social entrepreneurship, corporate social responsibility, social enterprise, and sustainable development to form a robust conceptual understanding of the field”.

Lastly, social entrepreneurship can be characterized “as the innovative use of resource combinations to pursue opportunities aiming at the creation of organizations and/or practices that yield and sustain social benefits” (Mair & Noboa, 2006, p.122). This definition aims to imply a broad notion of “helping behavior” and to not limit the term to initiatives in the nonprofit sector (Mair & Noboa, 2006).

The following section discusses SB, which “can be seen as a subset of social entrepreneurship” (Yunus et al., 2010, p. 311).

2.1.2. Social Business

When defining SB, the “Banker to the Poor” (Kickul et al., 2012, p. 453), the “father of microfinance” (Cheney, 2017, para. 2), Muhammad Yunus and his work and research in the field cannot be omitted. After earning the 2006 Nobel Peace Prize, together with the microfinance institution Grameen Bank he founded, the Yunus Centre and Grameen Creative Lab were founded with the purpose to promote and spread Yunus’ philosophy and notion of SB to the next generation of social innovation leaders (Kickul et al., 2012). His book *Building Social Business: The new kind of capitalism that serves humanity’s most pressing needs* (2010) aims at fostering “a new kind of organization” (Schwartz, 2010, para. 1) – the SB, with the following traits:

“[While] its primary purpose is to serve society, a social business has products, services, customers, markets, expenses and revenues like a ‘regular’ enterprise. It is a no-loss, no-dividend, self-sustaining company that repays its owners’ investments” (Yunus et al., 2010, p. 311). SBs’ positioning in comparison with not-commercial organizations and profit-maximizing businesses, according to Yunus, is depicted in Figure 1. (Yunus et al., 2010):

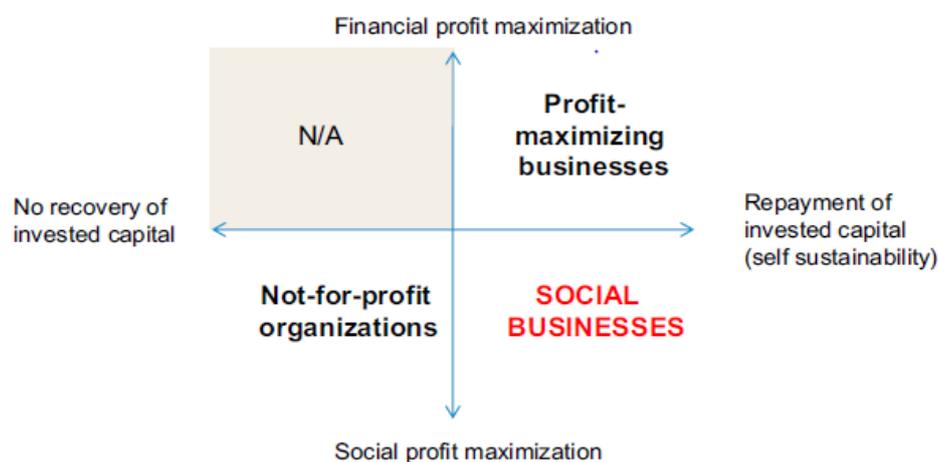


Figure 1. Social business compared to profit maximizing business and not-for-profit organizations

Source: Yunus et al., 2010, p. 310

SB differs from NGOs in the way it is financed – while most not-for-profits rely on donations to cover their operational costs and need to spend time and effort on raising money, SB sustains itself, it needs only an initial investment (Yunus et al., 2010). As Yunus mentions in several interviews “Charity money has one life, but social business money has endless life” (Cheney, 2017, para. 7; Forbes, 2010, para. 3; Yunus & Johnson, 2017, para. 9). Compared to conventional business entrepreneurship, where social impact is a by-product of the economic wealth generated (Mair & Martí, 2006), SB prioritizes social wealth creation (Yunus et al., 2010; Kickul et al., 2012).

While Yunus is not against profit making, his definition of SB stands out with its strictness towards the way that profit is treated (Schwartz, 2010; Kickul et al., 2012). Yunus distinguishes two types of SB – type one, where all profit is reinvested in the SB, and type two, where profit is distributed among the shareholders, who are the poor and the disadvantaged (Yunus, 2007).

However influential Yunus’s ideas (Cheney, 2017; Schwartz, 2010; Kickul et al., 2012), his definition of SB and micro-financing have provoked criticism (Cheney, 2017; Schwartz, 2010). Scholars like Smith, Gonin and Besharov have worked on categorizing the types of tensions and ethical dilemmas that emerge in organizations that seek to fulfill a social mission through business ventures (Smith et al., 2013).

The notion of “social business” has been gaining popularity and definitions, differing from Yunus’s, have appeared (Comini, Barki & Aguiar, 2012). Comini, Barki and Aguiar (2012) for instance, have distinguished a European, an American and an emerging countries view on SB that are similar, yet contain significant differences that are not solely geographical.

2.1.3. Social Enterprise

In connection with the previously discussed broad definition of what social entrepreneurship entails, that a number of scholars subscribe to, the terms “social enterprise” and “social business” appear. Mathew (2008) defines SEs as “dynamic enterprises with a social purpose” (Mathew, 2008, p. 22) - entities that are not “non-profit”, but rather “not for profit”, as profit maximization is not their central objective (Mathew, 2008). The duality of the SEs’ purpose is emphasized and highlighted as the main difference from a traditional corporation – SEs have both social and business goals and the “social dimension is built into the firm’s purpose” (Mathew, 2008, p. 22). Similar to this definition of SE, is Wilson and Post’s (2013, p. 715) definition of SB as a “hybrid phenomenon [...] that is, both a form of organization and a practice that deliberately harnesses market dynamics to address deeply rooted social issues through the design and implementation of a core product or service”. The authors address the blend of the social purpose, typical for non-profit organizations and the profit maximization purpose, inherent to commercial companies (Wilson & Post, 2013).

For the purpose of this research, SE is defined in accordance to Artemisia (2017), a São Paulo based “social impact business” (free translation from Portuguese) startup-accelerator. Namely, SEs are companies that intentionally offer scalable solutions to social problems of low-income population. The main characteristics of such companies are:

- Focus on low-income population: they are designed to the needs and characteristics of the low-income population;
- Intentionality: their explicit mission is to achieve social impact and are led by ethical and responsible entrepreneurs;
- Potential for scalability: they can grow and expand based on their core activities [...];
- Profitability: they have a robust business model that guarantees profitability and independence of donations and subsidiaries;
- Social impact related to the core business: the product or service offered generates directly social impact [...];
- Distribution or not of dividends: the distribution of dividends to the shareholders of a company or the lack of it is not a criteria for the definition of social enterprise.

This definition of SE highly correlates with definitions by scholars like Yunus (2010), Mair and Martí (2006) and Martin and Osberg (2007) who emphasize the value proposition of social impact as the main characteristic of SEs except for the point of distribution of dividends to shareholders. While the above mentioned authors deny profit distribution as an instrument for SEs, Chu (2007) suggest that in order to attract more investments and reach a higher impact, the profits from SEs should be distributed among the shareholders.

2.2. Defining Commercial Startups

As for startups, or commercial startups - as this paper refers to startups without a clear mission statement that involves alleviation of a social problem, varying definitions and uses have been appearing since the beginning of the century (Robehmed, 2013). According to Neil Blumenthal, cofounder and co-CEO of Warby Parker, U.S. American company founded in 2010, “A startup is a company working to solve a problem where the solution is not obvious and success is not guaranteed” (Robehmed, 2013, para. 2) and for Adora Cheung, a cofounder and CEO of Homejoy – a U.S. startup founded in 2013 - a startup is “ [...]when people join your company and are still making the explicit decision to forgo stability in exchange for the promise of tremendous growth and the excitement of making immediate impact” (Robehmed, 2013, para. 4). Key characteristics of a startup are the focus on growth, an age of commonly under five years (although not necessarily) and a dynamic atmosphere (Robehmed, 2013).

A list of recurrent themes that are characteristic for a software startup (Giardino, Unterkalmsteiner, Paternoster, Gorschek, & Abrahamsson, 2014) is presented in Table 1. Five out of the ten startups in this research have a software solution as their product.

Time-pressure	The environment often forces startups to release fast and to work under constant pressure (terms sheets, demo days, investors' requests).
Third party dependency	Due to lack of resources, to build their product, startups heavily rely on external solutions: External APIs, Open Source Software, outsourcing, COTS, etc.
Small team	Startups start with a small numbers of individuals.
One product	Company's activities gravitate around one product/service only.
Low-experienced team	A good part of the development team is formed by people with less than 5 years of experience and often recently graduated students.
New company	The company has been recently created.
Full organization	Startups are usually founders-centric and everyone in the company has big responsibilities, with no need of high-management.
Highly risky	The failure rate of startups is extremely high.
Not self-sustained	Especially in the early stage, startups need external funding to sustain their activities (Venture Capitalist, Angel Investments, Personal Funds, etc.).
Little working experience	The basis of an organizational culture is not present initially.
Theme	Description
Lack of resources	Economical, human, and physical resources are extremely limited.
Highly reactive	Startups are able to quickly react to changes of the underlying market, technologies, and product (compared to more established companies)
Innovation	Given the highly competitive ecosystem, startups need to focus and explore highly innovative segments of the market.
Uncertainty	Startups deal with a highly uncertain ecosystem under different perspectives: market, product features, competition, people and finance.
Rapidly evolving	Successful startups aim to grow and scale rapidly.

Table 1. Recurrent themes in software startups
Source: Giardino et al., 2014, pp. 28-29

2.3. Further Definitions

The following section contains definitions of notions that are central to the topic of this paper, starting with the title. According to Tansley (2011), an exact or universal definition of “talent” in organizations doesn’t exist and its meaning depends highly on the organization and the nature of the work it does. The development of the term in managing people with unique knowledge and skills was strongly influenced by management consultants (Tansley, 2011). For the purpose of this paper, the term “talent” encompasses the current employees at the interviewed startups. According to the founders, as resources are limited, they only hire people when hiring is a pressing necessity. Furthermore, founders perceive these new hires as people who possess “talent” (defined as “competence, commitment, contribution” by Ulrich (2006). According to Bethke-Langenegger, Mahler and Staffelbach (2011, p. 527), talent can

be defined as “those persons who have the potential to provide competitive advantage for a company”.

Another term that is often used in this paper is “motivation”. According to Ryan and Deci (2000, p. 54) “To be motivated means to be moved to do something. A person who feels no impetus or inspiration to act is thus characterized as unmotivated, whereas someone who is energized or activated toward an end is considered motivated.”

The questionnaires applied in the research mention the term “values”. Schwartz and Bilsky (1987, p. 551) suggest five features of values that are common to most definitions in the literature, namely that values are “(a) concepts or beliefs, (b) about desirable end states or behaviors, (c) that transcend specific situations, (d) guide selection or evaluation of behavior and events, and (e) are ordered by relative importance”. Research suggests that organizational values directly influence an individual’s behavior to support organizational goals and objectives (Meglino, Ravlin, & Adkins, 1989).

Furthermore, the questionnaires aim to understand the personality of the interviewees and ask the founders about the personality of their companies. Thus, a key term in the analysis part of this paper is “personality” that is defined as “those characteristics of the person that account for consistent patterns of feelings, thinking, and behaving” (Pervin, Cervone & John, 2005, p. 6).

Finally, the term “trust”, which appeared with a significant role to the subject of attracting and retaining talent in startups needs to be defined. Its importance is acknowledged by scholars as what “makes cooperative endeavors happen” and “a key to positive interpersonal relationships in various settings” and “a central component in effective working relationships” (McKnight & Chervany, 1996, p. 3). Trust is vital in organizations, especially during periods of uncertainty and crisis (Mishra, 1996; Weick & Roberts, 1993). The following definition of trust was proposed by Mayer, Davis & Schoorman (1995, p. 712): “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party”.

2.4. The Startup Environment in Brazil

The startup environment in Brazil is in a unique position: according to a yearly research carried out by the Global Entrepreneurship Monitor (GEM) which gathers and analyses data about entrepreneurial activity in 64 countries, Brazil ranks 19th in the category “Entrepreneurial intentions” (p. 43) regardless of the economic recession and political instability that the country has been experiencing in the past five years. Although Brazilian people have an entrepreneurial mindset (GEM, 2017), a number of limitations and obstacles to founding and financing new companies are present. One of the main factors are the Brazilian regulatory policies and the difficulties that they bring (Arruda, Nogueira, Cozzi & Costa, 2014). The Brazilian government has taken steps towards adopting private equity and venture capital public policies aimed at fostering new businesses (Ramalho, 2010), but extremely high interest rates and difficult access to capital markets for small companies are still common (da Silva, 2009).

Another challenge that Brazilian startups face is related to the education gap of the workforce due to inadequate and/or low quality higher education prevailing in the country. Due to the rapid expansion that Brazilian higher education has experienced during the 1990s and early

2000s, the quality of the education has suffered (Schwartzman, 2004) and thus attracting the right people is more difficult and the need to retain them – more evident.

Relevant to the context of the Brazilian entrepreneurial environment is the rise to popularity of a specific type of new company - the SB (Comini, Assad and Fischer, 2012). Even though “the social business movement in Brazil is booming” (Comini et al., 2012, p. 13), a clear definition of what it entails and what is its focus, is not present (Comini et al., 2012). In their 2012 study, Comini et al. have found that terms such as “NGO”, “cooperative”, “platform”, “enterprise”, and “social business” are being used describe the institutional structure for this type of companies. Furthermore, the foci of these companies vary among e.g. fair trade, consulting, tourism and production, which characterizes the SB movement as still seeking its identity (Comini et al., 2012). The concept of SB still being under construction, the multiple identities of the movement in Brazil and “the lack of legal definitions appropriate for social businesses” (Comini et al., 2012, p. 12) is inhibiting the formation of a clear definition among practitioners and scholars.

On another note, regarding the characteristics of the startup environment in Brazil, according to Bosma, Schøtt, Terjesen and Kew (2016) in Latin America and the Caribbean, 42% of nascent and 34% of operational social entrepreneurs are between the ages of 18 and 34 years old. For commercial entrepreneurs the corresponding figures are 46% and 34%. Since millennials are the upcoming generation which is already representing the above mentioned shares of the entrepreneurial population, some relevant characteristics of this demographic group are described in further detail in the next chapter.

2.5. Challenges in Attracting and Retaining Talent

2.5.1. Significance of Talent Management

Attracting talented employees, as well as their retention, is of great significance for the overall organization success (Chapman, Uggerslev, Carroll, Piasentin, & Jones, 2005). Unplanned, voluntary turnover is linked to high labor costs, defeat of skills and company knowledge, low morale, decreased customer satisfaction, and financial losses (Frank, Finnegan & Taylor, 2004; Boushey & Glynn, 2012). Business performance has been associated to variations in the performance of executives (Chambers, Foulon, Handfield-Jones, Hankin & Michaels, 1998) and talent has been distinguished as the most important source of competitive advantage in a study by McKinsey & Company in the beginning of the century (Axelrod et al., 2001). Talent is becoming increasingly important with the transition from an industrial economy, based on physical inputs to “[...] an “information economy,” an “internet economy,” a “technology economy,” a “high-tech economy,” a “knowledge economy,” or even a “post-industrial society” (Florida, 2006), based on intellectual inputs in a “creative economy” (Florida, 2006). The new jobs created by the changing economy require new skills, which is what makes attracting the right people vital for organizational success (Manyika et al., 2015).

Since the beginning of the century, companies have increasingly been struggling to hire the right people with the right set of skills, to the point that a “war for talent” has been declared and is not letting up (Axelrod et al., 2001; Fernández-Aráoz, Groyberg, and Nohria, 2011). According to a global study by Fernández-Aráoz et al. (2011), less than 30% of European companies and only 15% of companies in Asia and North America consider the amount of talent that they have in their pipelines adequate. Retaining talented employees that are going to

succeed key positions is not a simple and clear task (Fernández-Aráoz et al., 2011). Quite on the contrary – best practices for selecting and developing a company’s future leaders have proven difficult to synthesize due to the confusing character of the selection criteria, the demoralization of solid contributors who were not included in the process and development programs often are removing high potential managers from daily operations (Fernández-Aráoz et al., 2011).

Companies often claim that people are their most important asset (Fernández-Aráoz et al., 2011; Guthridge, Komm & Lawson, 2008) and building and sustaining a strong talent pipeline is one of the biggest challenge they face (Stahl, Björkman, Farndale, Morris, Paauwe, Stiles & Wright, 2012), but few of them actively practice talent management (Cappelli, 2008). What is more, various scholars note that the term “talent management” is unclear and does not have a standard definition (Cappelli & Keller, 2014). According to Lewis and Heckman (2006), the term is often used to rebrand different activities that typically belong to HR (Cappelli & Keller, 2014). Cappelli and Keller (2014) define talent management as “the process through which organizations anticipate and meet their needs for talent in strategic jobs” (p. 307). Collings and Mellahi (2009) go on to define talent management strategy as “activities and processes that involve the systematic identification of key positions which differentially contribute to the organization’s sustainable competitive advantage, the development of a talent pool of high potential and high performing incumbents to fill these roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents and to ensure their continued commitment to the organization ” (p. 306). Both definitions revolve around the challenge of filling in strategic, key positions.

According to Cappelli (2008) companies tend to face this challenge in one of the two ineffective manners: most commonly - they either don’t do anything (do not anticipate needs and make plans how to meet them) or, in the case of large, older companies - they rely on complex, bureaucratic, legacy systems for forecasting and succession planning, developed in times when business was predictable, much unlike the volatile environment of the 21st century (Cappelli, 2008). In his 2008 article Cappelli suggests a different take on talent management that is further explained in his 2009 book *Talent on demand—managing talent in an age of uncertainty*. Namely, he approaches the talent management problem by employing the learnings and best practices from another, well known model for forecasting and meeting demand – operations and supply chain management (Cappelli, 2008). A wide gap between the prevalent practitioner interest and the feeble interest from the side of academics on the topic of talent management is present (Cascio & Aguinis, 2008; Rynes, Gylu & Brown, 2007). Although other authors claim that academic interest to talent management is significant, they agree that the topic is underdeveloped (Collings & Mellahi, 2009; Tarique & Schuler, 2010). Meanwhile, the war for talent is about to pick up again as a result of the imminent demographic time bomb (Frank & Tylor, 2004; Frank et al., 2004) and the matter of attracting and retaining talent in the modern, globalized labor markets is proving to be a pressing challenge for companies (Cappelli & Keller, 2014).

2.5.2. Characteristics of Talent in the 21st Century

Increased global competition, volatile markets and unpredictable political and economic events are typical characteristics of the business environment of the 21st century (McCauley & Wakefield, 2006; Tarique & Schuler, 2010). Generational diversity that currently spans over three generations working side by side - the Baby Boomers, Generation X and the Millennials

(also referred to as Generation Y), adds pressure to the above mentioned challenges (Kaifi, Nafei, Khanfar & Kaifi, 2012). Millennial work ethic differs greatly from the work ethic of previous generations (Kaifi et al., 2012), and it is evident that “organizations and researchers are just now beginning to address issues related to generational differences that may have a significant impact on the leadership and success of the organization” (Salahuddin, 2010, p. 1).

Regarding their generational traits and motivations, the current new entrants in the workforce differ distinctively in their behaviors and attitudes from their predecessors, the baby boomers, with the element of competitiveness – instead of competing, millennials tend to aim for collaboration (Murray, 2011). Due to this generation’s connection with mobile technology, Millennials are more inclined to multitasking than the previous generations (Murray, 2011). Since, according to Gordon (2006) “much of what comprises a ‘generation’ is its members’ shared experience of defining events and formative experiences” (p. 37) and the millennial generation has been exposed to unique educational, economic, social, and political contexts, compared to previous generations, millennials also greatly differ in their qualities and understandings from the other generations that they work with (Thompson & Gregory, 2012). Empirical research has indeed confirmed an evident difference in attitudes, preferences, and expectations of millennials in comparison with other generations (Myers & Sadaghiani, 2010; Ng, Schweitzer, & Lyons, 2010).

Authors of both popular and academic press have been depicting millennials as needy, disloyal, projecting a sense of entitlement and an overly casual work ethic (Thompson & Gregory, 2012). Managers from other generations have also admitted that they find it challenging to engage and motivate their employees from this generation Y (Thompson & Gregory, 2012). This is no surprise, taking into consideration that the generation “has been shaped by, among other things, helicopter parents, frequent positive feedback and reassurance, significant leaps in technology, and political and economic turmoil” (Thompson & Gregory, 2012, p. 238). How to attract, retain and engage this new generation in organizations remains unclear (Hershatter & Epstein, 2010; Twenge, 2010). Although high Millennial loyalty and retention has been linked to good work–life balance (Twenge, 2010), meaningful work (Lancaster & Stillman, 2002; Ng et al., 2010; Yang & Guy, 2006), and sufficient attention and recognition (Hershatter & Epstein, 2010; Ng et al., 2010), research is increasingly demonstrating that relationships at work are crucial to millennial job satisfaction and retention (Thompson & Gregory, 2012). It has been proven that people tend to leave their managers, not their jobs (Buckingham & Coffman, 1999; Eisenberger, Stinglhamber, Vandenberghe, Sucharski & Rhoades, 2002). However, this is especially pronounced for millennials who are inclined to change jobs more than previous generations (Pew Research Center, 2010). Good relationships with immediate managers may play a significant role in motivating and retaining millennials (Hershatter & Epstein, 2010; Lancaster & Stillman, 2002; Ng et al., 2010) while a failure at establishing such, can lead to more employee turnover than ever (Thompson & Gregory, 2012).

2.5.3. Challenges in Attracting and Retaining Talent

Given the above discussed significance of attracting, retaining and overall talent management, as well as the characteristics of 21st century talent, some challenges become distinctively evident. According to the Guthridge, Komm, and Lawson (2008), the growing challenges in attracting and retaining the talent, that is best suited for the needs of an organization, have two types of sources: external and internal.

Developed markets are characterized by falling birthrates and thus – struggle to supply new talent (Manyika et al., 2015) but emerging markets can offset this imbalance with an abundant supply of young talent (Guthridge et al., 2008). Nevertheless, in practice, HR professionals at multinational companies in emerging markets report that “dubious educational qualifications, and cultural issues – such as lack of experience on teams and a reluctance to take initiative or assume leadership roles”, the quality of candidates varies highly and selecting suitable talent becomes problematic (Guthridge et al., 2008, p. 51).

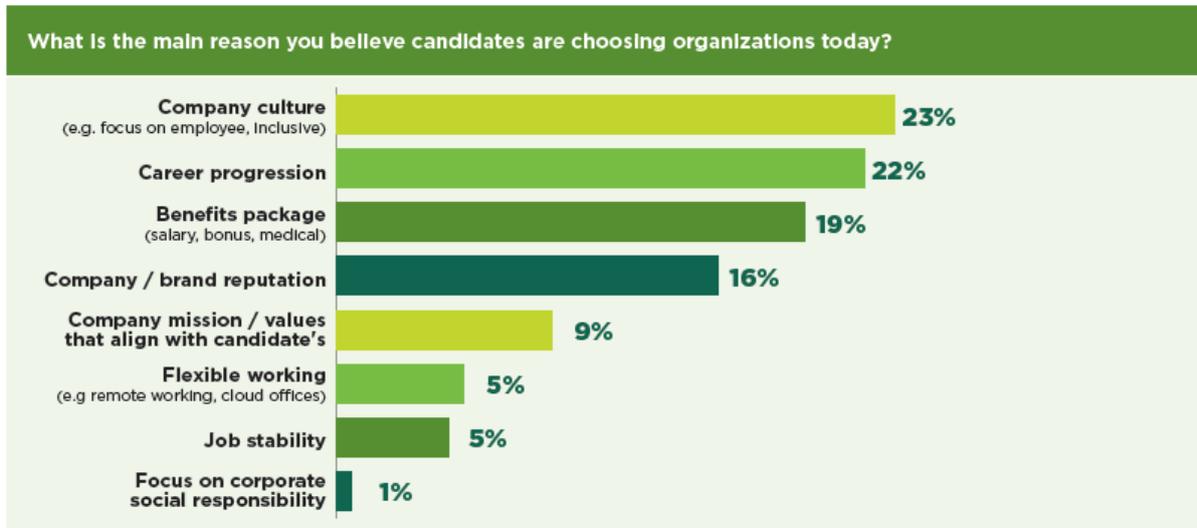
Millennial demands and expectations from their employers, such as “more flexibility, meaningful jobs, professional freedom, higher rewards, and a better work-life balance” (Guthridge et al., 2008, p. 51) have been identified as a further challenge in attracting and retaining talent.

Moreover, knowledge workers, who represent the “fastest growing talent pool in most organizations” (Guthridge et al., 2008, p. 52), contribute to profit up to three times more than other employees and whose work requires minimum oversight, have their idiosyncrasies, too (Guthridge et al., 2008). Some knowledge-intensive companies have difficulties extracting value from their workforce, considering the varying performance of different firms in the same industry (Guthridge et al., 2008). And with rapidly developing information technology that supports knowledge workers’ performance, demand for such workers and their potential impact become more important for organizations (Guthridge et al., 2008).

On the other hand, when taking a look within the organizations, it becomes evident that managers tend to forsake long-term goals regarding talent sourcing and career development in order to achieve short term goals (Guthridge et al., 2008). Another barrier to effective talent management is the declining impact of HR departments and the attitude of senior executives towards HR managers, considering them unable to provide valuable insights and demonstrate business knowledge (Guthridge et al., 2008).

According to Korn Ferry, a global people and organizational advisory firm, the current talent acquisition environment is highly competitive, where to identify people with the suitable skills in a quickly changing market constitutes the most significant challenge impacting recruiting (Korn Ferry Institute, 2017). Further challenges identified in the Korn Ferry Institute’s 2017 report are economic conditions and uncertainty, rapid growth, millennial expectations, digital transformation and globalization.

A major shift in candidate priorities has occurred – while five years ago benefits packages was the top reason for a candidate to choose an employer, now company culture is pointed as the most important factor for deciding on a job offer, as shown in Graph 1 (Korn Ferry Institute, 2017).

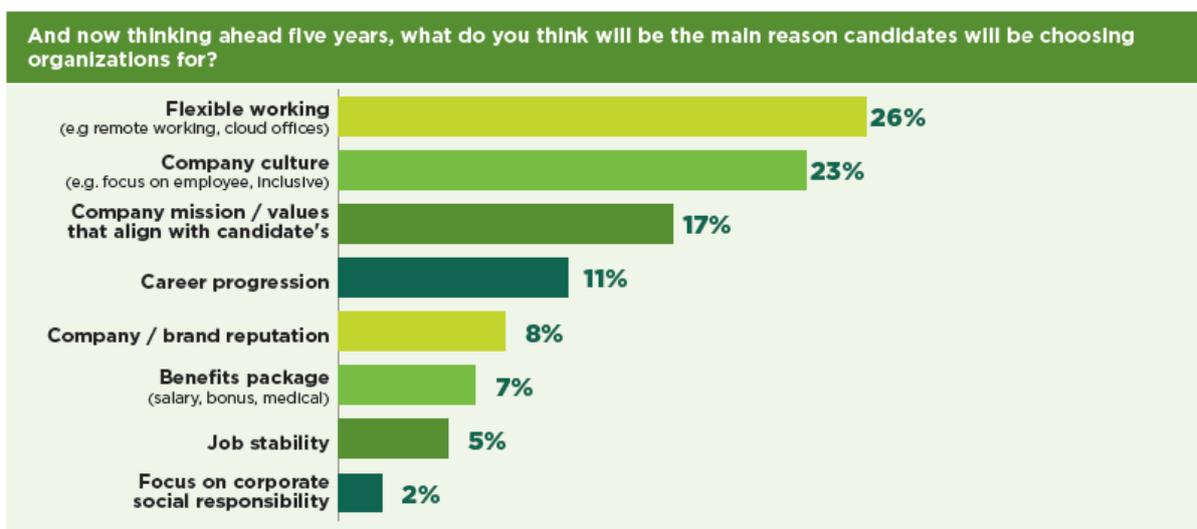


Graph 1. Talent acquisition professionals' responses to the 2016 Korn Ferry Futurestep global survey

Source: Korn Ferry Institute, 2017, p.4

However, it is not only the employees that are looking for the right fit with the company culture. According to Bill Sebra, Global Operating Executive at Korn Ferry's RPO & Professional Search business, when recruiting, companies should concentrate not only on the experiences and the hard skills that a candidate brings, but also on the softer skills, motivations and drivers of the candidate, in order to guarantee a long-term fit into the organization (Korn Ferry Institute, 2017).

The next candidate demand that companies will have to adjust to is flexible working such as remote working and cloud offices (as seen in Graph 2) in order to be able to attract the best talent and increase its productivity and retention (Korn Ferry Institute, 2017).



Graph 2. Talent acquisition professionals' responses to the 2016 Korn Ferry Futurestep global survey

Source: Korn Ferry Institute, 2017, p.6

Five retention factors that are critical to employee commitment and can become challenges in retention when not addressed have been identified by the Hay Group (2012).

- Confidence in the organization and its leadership – employees need reassuring that their firm is well-led
- Room for growth – growth opportunities on the job are vital for talent retention
- A fair exchange – the feeling of being valued contributes to productivity
- An environment for success – employees need to be both engaged and enabled to perform
- Authority and influence – uncomplicated decision making and an environment of creativity and innovation is valued by talented employees

By not addressing them thoroughly, companies are in risk of facing increased challenges in retaining their best talent when job markets are improving (Hay Group, 2012).

2.5.4. Strategies for Talent Retention

A strategy to tackle the above described challenge of retaining talent is for employers to actively seek to partner with their employees to align their individual career aspirations and the company goals (Gaffney, 2005). Companies which apply such practices have better retention rates, because employees who experience personal and professional growth are more likely to stay longer in their organizations (Gaffney, 2005). It is also important that the employees stay connected to the organization's vision, so they can align their personal objectives with to the organization's needs which leads to creating a mutually beneficial environment (Gaffney, 2005).

Another initiative that employers can undertake in order to improve their retention rates is to monitor work life balance (Deery & Jago, 2015). The latter has become a significant variable when solving issues of employee management and retention and since employees do not consider work life balance being a problem until it is too late, companies should come up with methods for assessing the appearance of such problems (Deery & Jago, 2015).

Furthermore, organizations which aim at improving their retention rates, should concentrate on offering learning opportunities to their employees (Govaerts, Kyndt, Dochy & Baert, 2011). Learning more about what employees excel at keeps them motivated and decreases the probability of them leaving the organization (Govaerts et al., 2011).

Lastly, the deliberate use of the concept of “psychological ownership” can influence positively talent retention and productivity rates (Olckers & Du Plessis, 2012). Psychological ownership is “a state in which individuals feel as though the target of ownership or a piece of it is ‘theirs’ (that is ‘It is mine!’)” and has six theory-driven components: Self-efficacy, sense of belonging, self-identity, accountability, autonomy and responsibility (Olckers & Du Plessis, 2012, p. 2585). Employees who experience it demonstrate increased effectiveness and stay longer in their organizations (Olckers & Du Plessis, 2012).

2.6. Literature Review Summary

Social entrepreneurship, SE and SB are often intertwined terms and scholarly opinions on the topic are still not in accord (Rahdari et al., 2016). One of the most influential definitions of SB

is Muhammad Yunus' view of no-loss, no-dividend, self-sustaining company that repays its owners' investments" (Yunus et al., 2010, p. 311). On the other hand, SE is characterized by the duality of its purpose – it aims at both social and economic wealth creation (Wilson & Post, 2013). This paper adhered to the definition of SE according to Artemisia (2017) - a São Paulo based “social impact business” startup accelerator, where SEs are companies that intentionally offer scalable solutions to social problems of low-income population.

This paper refers to startups without a clear mission statement that involves alleviation of a social problem as commercial startups. Some of their key characteristics are the focus on growth, an age of commonly under five years (although not necessarily) and a dynamic atmosphere (Robehmed, 2013).

The environment, in which the startups interviewed in this paper operate, is characterized by specific factors, inherent to the emerging economy that is Brazil. Although Brazilians have an entrepreneurial mindset (GEM, 2017), founding startups is difficult due to conditions like the extremely high interest rates and difficult access to capital markets for small businesses (da Silva, 2009). Nevertheless, a specific kind of startup is rising to popularity in Brazil – the SB (Comini et al., 2012).

Furthermore, the literature review explored the existing literature regarding the challenges in attracting and retaining talent in organizations. Main takeaways here were that talent management is an increasingly important but often neglected topic for companies (Cappelli, 2008, Cappelli & Keller, 2014); millennial character traits and preferences, who differ significantly from their preceding generations, change and shape the way that companies attract and retain talent (Korn Ferry Institute, 2017). This is connected to some of the challenges of attracting and retaining talent discussed above – companies need to adjust to these new expectations and preferences in order to capture talent amongst the aging population and volatile economy (Korn Ferry Institute, 2017).

3. METHODOLOGY

3.1. Research Design

The methodological approach employed for the purpose of this paper is qualitative with the central data source being twelve in-depth interviews. Since the topic of the study is very new and the questions it seeks to answer – rather open – a qualitative approach with its nature of exploratory research, is assisting the understanding of the problem and provide insights that could lead to ideas or hypotheses for potential quantitative research.

An exploratory research approach was chosen as the appropriate research design method for this paper. The aim was to acknowledge prior research on the topics of attracting and retaining talent in organizations, as well as the challenges and best practices in the area in order to triangulate measures on which to ground the analysis and observations emerging from the gathered data on the specific context of Brazilian SE and commercial startups. Since the number of the interviews conducted was rather small and the research had an exploratory character, a complete theory was not formulated. However, the gathered data was carefully analyzed and the findings were represented in a concise manner.

3.1.1. Questionnaires

The interviews were of rather unstructured nature with open questions. Two types of basic questionnaires were applied, depending on the type of interviewee. The questionnaires can be seen in Appendix B.

The interviews aimed at revealing the challenges in hiring and retaining talent in startup companies but also where these challenges stem from. To this end, the research focused on the company and the people working there and explored the environment where these problems appear and what is their impact on the company, what are the consequences for the companies. This is why the questionnaire is divided in question groups, starting with exploring the personality of the interviewee, regardless of his or her position in the company. Studies suggest that personality plays a role in the emergence and success of entrepreneurs (Zhao, Seibert & Lumpkin, 2010).

On the topic of traits like intellectual capital and business startup success, researchers (Peña, 2002; Van Praag, Thurik & De Wit, 2004) have examined the relationship between intellectual capital assets and new firm survival and growth. The results of the research confirm the existence of a positive correlation between the qualities linked to the intellectual capital of the entrepreneurs and venture performance. Following up, the link between the values of the company and the profile of the people who are hired was examined in the group “Exploring the organization” and “Exploring the hiring process”. Since clearly articulated company values influence employees’ attitudes and company performance (Posner, Kouzes & Schmidt, 1985) and startups pay close attention to their company culture (Robehmed, 2013), the interviews aimed at examining this connection.

The questions in the “Exploring the hiring process” section also aimed at understanding the evolution of the hiring process of the company (in the case of interviewing founders) and furthermore, how the hiring process is experienced by the employees. The interviews aimed at

identifying the development and the learning curve in the hiring process that characterizes the processes in a startup.

The questions in the group “Exploring the challenges in retention” explored the nature of the challenges of retaining talent in startups and also the extent of the negative impact of employees leaving the organization since this is the immediate consequence of the challenges in retention. According to Axelrod et al. (2001) 70% of what employees need to know in order to do their job, they learn on site, which makes informal learning more powerful than formal learning and thus, retaining the people a company hires and grows - imperative. And in companies characterized by fast growth and small employee numbers (Robehmed, 2013), the knowledge that employees gather by working on the job is even more significant. The interview questions aim at exploring the depth of the negative impact of an employee leaving. The questionnaire was open to changes as the interviewing process evolved and trends became evident.

3.2. Data Collection

Twelve people from ten companies were interviewed, being five SE startups and five commercial startups in varying stages of development; six of the startups are headquartered in the city of São Paulo and four - in Salvador, Bahia. Three of the interviews were conducted in Portuguese and nine – in English but the interviewees were always prompted to use Portuguese whenever they felt that they could express their thoughts more accurately in their native language. In total, twelve in-depth interviews with an average length of 53.2 minutes were conducted with founders, current and former employees, as well as with key actors involved in the hiring process and talent management. Therefore, one person was interviewed from each company, with the exception of one SE and one commercial startup. The latter two companies are rather established and have been operating for more than two years. Two persons from each of these companies were interviewed – one founder and one employee. The sample was built through a snowball technique.

Table 2 presents an overview of the profiles of the interviewees, as well as the codes for their names. These codes appear in the analysis part of this paper to mark which quotation belongs whom. The type of startup is marked with “SE” for social enterprise and “C” for commercial startup. “Experience abroad” might refer to studies, internship, volunteering or work experience outside of Brazil. “Exp. in large, profit-oriented organization” might refer to internship or work in such company. “First time startup” refers to whether an interviewee has had previous experience with founding or working at a startup. Furthermore, the interviews were conducted in the period between June 2017 and November 2018. Presented data corresponds to the moment of the interviews.

Name Code	SE/C	Sector	Startup age	10+ people? Y/N	Position	Gender	Age	Education	Exp. in large, profit-oriented organization? Y/N	First time startup? Y/N
SE1	SE	Recycling	1 year	N	Founder	F	29	Bachelor Intl. relations	N	Y
SE2	SE	Water	3 years	N	Founder	F	21	Student Engineering	N	Y
SE3	SE	Water	3 years	N	Volunteer	F	23	Student Engineering	Y	N
SE4	SE	Media	1 year	N	Founder	F	25	Graphic Designer	Y	Y
SE5	SE	Professional services	2 years	Y	Founder	M	29	Bachelor law/business	Y	N
SE6	SE	Media	5 years	Y	Employee	M	24	Bachelor business	Y	Y
C1	C	Finance	1 year	N	Founder	M	29	Bachelor Finance	Y	N
C2	C	Accounting	5 years	Y	Founder	M	33	Bachelor Engineering	Y	N
C3	C	News Media	1 year	Y	Employee	F	30	Bachelor Business	N	N
C4	C	E-commerce	1 year	N	Former empl.	M	28	Master Law	Y	Y
C5	C	E-commerce	2 years	N	Founder	M	25	Bachelor Business	Y	Y
C6	C	E-commerce	2 years	N	Employee	M	26	Bachelor Business	Y	Y

Table 2. Interviewee profiles

Source: Elaborated by the author

Ten of the interviews took place via video chat applications like Skype and Google Hangouts, according to the preference of each interviewee, in order for them to feel at ease. Two of the interviews took place at the office of the company, or at a place appointed by the interviewee. Furthermore, qualitative data was collected when applicable. An example for qualitative data of interest to this research are online documents related to the hiring process and information about the company and its mission and values.

The interviews were audio recorded and manually transcribed. Notes were also taken during the interviews and interview protocols were prepared, for the case of failure of audio recording.

3.3. Analytical Strategy – Data Analysis and Coding

The data analysis and interpretation began after the first interview was conducted and continued throughout the interviews. Line by line coding was applied, while iteratively moving back and forth between new data analyzed and previous interviews coded. The coding process consisted of two main stages: open coding and selective coding (Corbin & Strauss, 2008). For the open coding phase, a list of codes was created and being expanded with every further interview conducted and coded; analytical remarks and ideas for possible interpretation were being added to the codes as more and more quotes were appearing. Each code was reviewed multiple times and was open to changes and addition of observations and qualitative data, adjacent to each further interview throughout the open coding phase. While reviewing and adding new codes, analysis was concentrated on how each code related to the others until categories began forming.

Initially the intended sample was of six interviews, where one person (founder or employee) was interviewed per company. However, as key concepts began appearing, the number of interviews was increased to twelve, including interviewing two people from the same company

for a SE and a commercial startup. This method of theoretical sampling (Glaser & Strauss, 1967, p.45) refined, elaborated and exhausted the forming conceptual categories.

Corresponding to the themes that were appearing in the interviews, codes were divided in the following five categories: 1) attracting talent and what startups are looking for; 2) retaining talent and the impact of people leaving; 3) strategies for coping with the impact of people leaving; 4) surrounding factors; 5) recurring themes. Each category is comprised by the codes that appear relevant and descriptive of it. Some codes appeared only with one interviewee, some appeared mostly for either SE or commercial founders and employees. The codes that appear relevant for more than one category and usually with quotes from both SE and commercial startups, are considered “Recurring themes”. The column “Recurring themes” contains not only codes but also some words or expressions that SE and commercial entrepreneurs and employees used often as well as remarks on the analysis of a given code. The resulting table can be viewed in Appendix A.

After completing the open coding phase with a final count of 128 codes and dividing them in the aforementioned table, a deeper analysis of the column “recurring themes” was conducted through comparison with the coding notes, interview notes and interview protocols. In the final stage of this selective coding phase (Corbin & Strauss, 2008), 8 codes were selected as most significant and omnipresent. Each of these codes had appeared at least once in at least ten of the interviews. After carefully considering the meaning of these codes in the context, in which they appeared, one final core category became evident as the central narrative, describing and connecting all of the other most significant codes. The story line of the analysis part of this paper was built around this one central core category.

4. ANALYSIS

In the following section the key findings from the gathered data are highlighted. It is divided in the main topics Attracting Talent, Retaining Talent and Strategies for Talent Retention.

4.1. Attracting Talent in Startups

4.1.1. The Startup Environment Context

Contrary to what larger, established companies are experiencing, startups interviewed – both SE and commercial, do not consider it difficult to attract talented employees, interns or even volunteers (in the case of SE):

I don't find it [attracting talent] difficult because of my environment. I am surrounded by young people with a different vision. It is a sphere that is very close to mine. I am often visiting co-working spaces that are open to the public and where there are people producing different things and leaving their business cards.– SE4, a SE founder explained.

We participate in the community of developers, in events, we give lectures, we support. I went to an event last week, where everyone knew me - people I did not even know. So we are known in the community. – C2, a commercial startup founder commented.

So long as the founders are in an environment where young talent is active, like co-working spaces and universities, attracting enthusiastic employees is not perceived as difficult. However, the low budget for salaries in commercial startups was quoted as problematic about finding quality talent, as explained by C5, a commercial startup founder:

Since we are a startup, budget for salaries is not a lot. So when you find a good person, a good professional who is proactive and working, you probably need to pay him or her a better salary. So this is one of the difficulties of being a startup and trying to hire people that are good, proactive employees.

Two trends, in which startups manage to gain talent can be observed – active (when talent approach the startup) and passive (when founders use connections and social media to find the employees that they need).

On the one side, talent may actively look for a startup with a specific purpose that he or she identifies with. Some SE startups need not even begin to search for volunteers or even partners. University students, wishing to engage in socially impactful businesses contact the founders, asking if they can contribute:

We have volunteers working with us. The most recent one found me on LinkedIn asked me if she could help. – SE2

Young people want to work for more than money, they want to work for a cause. This desire for meaningful work has already been noted by scholars (Lancaster & Stillman, 2002; Ng et al., 2010; Yang & Guy, 2006). According to SE4, a São Paulo-based SE founder:

In São Paulo, which is a big city, I see a youth different from the generation of our parents, I see a giant gap. I see a youth that is much more disturbed about everything, nothing is supposed to be in a certain way just because it has been like that for 30 years. We are a youth that has practiced a lot of self-knowledge. So people today are very interested in finding out, in understanding what they really like... they are not willing to tolerate working in a bad company because they have a good salary. So I see today a generation of young people that are restless, so I think it's easier [to attract talent to a SE].

Furthermore, she highlighted:

Many people today work for the satisfaction of doing something that helps someone. This I see in all of them, all the people who work with me here. It is much more satisfying to meet the needs of people than to meet the needs of a company and earn your money just for it.

SE5, a founder with significant experience in the Brazilian SE eco-system commented that “the bottom line, in my opinion is that the human kind is going through an expansion of consciousness”. Echoing Frederic Laloux (author of the 2014 book *Reinventing Organizations: A Guide to Creating Organizations Inspired by the Next Stage of Human Consciousness*), he stated that he has been witnessing such development among millennial Brazilians seeking to found or join companies that have “people” as their core value, who do business in a different way and achieve true social impact. What is more, an increasing number of established companies are looking for ways to utilize their core competencies for solving social problems—

[...] organizations will have to change the way they operate. Our generation is changing mostly how companies are operating. First of all, they are trying to employ our talent. It has been really challenging for them to find something that connects us with the purpose of the company, so we would work there. The millennial generation is not willing to work for money, there are a lot of studies about it. So these multinationals are having a tough time recruiting and keeping the talent in their organization. – SE5

The trend of “growing consciousness” becomes evident not solely among millennial talent. In the case of one of the SE startups interviewed, it was an experienced professional who joined the cause:

He hadn't worked in the field of social entrepreneurship before. But he wanted to do this. He was searching for a project like ours. He has already accomplished what he wanted professionally and now he wants to give back to society. He wants to do something good for the world now. – SE2

On the other side, a passive trend of attracting talent in startups can be observed. This is the more common case, when founders need to turn to their connections and social media in order to attract suitable candidates for an already existing job opening. Some founders of commercial startups voiced their concerns about finding people with the right qualifications for positions where hard skills are vital – like software developers, sales positions and highly productive writers:

We were getting a lot of people whose CVs are better than what they could actually do. They say they can do a lot of things but when they come to the code challenge, they can't even run the software. – C1

The latter can be contributed to the troubled Brazilian education situation (OECD Education GPS, 2018).

When looking for new talent, startups give special attention to two conditions that candidates might exhibit – having experience in large organizations and being trust-worthy.

Both founders and employees in SE as well as commercial startups agree that it is important and of great advantage for employees to have experience in a large corporation:

I think it's very important to have experience in a big company because you're going to learn a lot and then bring it to the SB. – SE5

Our biggest problem is productivity. Our founder was a journalist in one of the biggest Brazilian magazines where he worked under a lot of pressure. And the people we hire in general haven't had this work experience, so they don't have this tempo. – C3

Many of the aspiring startup employees lack this experience and compensate with a personality fit, willingness to learn and devotion to the company. Founders commented that most of their current employees were interns or even volunteers in the beginning. This is not only due to the need of the companies to “teach them and form them as professionals” but also in order to establish trust.

The notion of “trust” is central for both SE and commercial startups to their processes of finding suitable talent. All founders agreed on their preference to hire people who have been recommended to them by people who they trust – friends, partners, mentors. Also, most of the employees interviewed, had landed their jobs at a SE or commercial startup through a connection.

This is especially important for founding partners. In the cases where there was more than one founder, the founders had a close personal relationship for a long period of time before starting the company. And in the cases where a founding partner was invited to the team after the company was formed, a trial period of at least a year was agreed upon, before the added founder could receive his or her share of equity.

In the cases when a position could not be filled through connections and recommendations of trusted sources, founders report posting the job description on social media websites like Facebook and LinkedIn, and in some cases when specific hard skills were vital for the position (software engineers and developers), job portals were used.

Matter is valid for:	SE	Commercial	Both
Attracting talent is not considered difficult when founders active in the environment of the potential employees.			X
Talent with sufficient level of hard skills is difficult to find.			X
Low budget for salaries is problematic for attracting talent.		X	
Desire for meaningful work makes attracting talent easy.	X		
Enthusiastic candidates approach founders, asking if they can participate.	X		
Candidates with experience at large companies are desirable.			X
Connections and trust are very important for forming a founding team and further hiring.			X
Job descriptions are posted on social media.			X

Table 3. Comparison between SE and commercial startups regarding their environment for attracting talent

Source: Elaborated by the author

Table 3 shows that, regarding the matters in this section, SE and commercial startups interviewed differ in “Desire for meaningful work makes attracting talent easy” and “Enthusiastic candidates approach founders, asking if they can participate”, which are valid only for the SE startups. “Low budget for salaries” was pointed as problematic for attracting quality talent in commercial startups.

4.1.2. Selection process in Startups

Regarding the structure of the selection processes in SE and commercial startups interviewed, it became evident that it is highly dependent on the stage of development of the specific company. Interviews are often held in a rather “relaxed” atmosphere, for example in cafés and co-working spaces and on a more personal level, concentrating on the motivation and soft skills.

While all founders have thought of a standardized selection process and made an attempt to apply one, only the larger, more mature startups had an established process in place. This selection process was the result of applying trial and error methods until reaching a specific process, tailored to the individual needs and personality of the company. The larger, rather established startups, both SE and commercial, view the selection process as very important. Founders who have had experience and success, believe it is vital for their companies to hire the right people and are willing to put the time and effort into the process:

If we don't invest time [in the selection process] in the beginning, we are risking wasting time afterwards, when the wrong person starts working with us. We need to balance it out. [...] It is worth it, investing time in the selection process. – C2

For example, a successful commercial startup that values highly its open, collaborative environment, included a step in its selection process where the candidate spends a day in the office, working with the team and is then evaluated on his or her compatibility. Furthermore, founders of already established startups, still insist on new entrants meeting at least one of the founding partners during the interviews. SE6, key actor in talent management at a SE startup explained:

We create a form in Google forms with a series of questions, much to evaluate the profile of the person [...]. We evaluate basic skills, determination, proactivity, affinity for collaboration and we create a filter with colors - green (the people who are aligned well with our values and we will call for an interview), then yellow, and red. The interview is with either one of the founders, or a manager, or the person who is responsible for HR i.e. with someone who has a critical overview of the people who were hired in our company before. In the interview we try to understand how the person deals with different situations and see if there is anything we need to be aware of – e.g. if there is lack of experience, or if there is a problem with deadlines. And then we introduce a challenge - for example in the field of content marketing - the candidates have to write a text as the last step of the process. So in a nutshell: we have a form, an interview and in some cases – a challenge.

Matter is valid for:	SE	Commercial	Both
Structure of selection process depends on the stage of development of the company.			X
“Relaxed” atmosphere interviews on a rather “personal level”, concentrated on motivation and soft skills.			X
Mature startups have established, tailored to their needs selection processes.			X

Table 4. Comparison between SE and commercial startups regarding their selection processes
Source: Elaborated by the author

Table 4 shows that it seems that there are no significant differences between SE and commercial startups interviewed regarding how they view and execute their selection processes.

4.1.3. Personality fit as the most significant factor

The most significant factor when hiring in both SE and commercial startups is the personality of the candidate. Although hard skills still matter, all founders and employees involved directly in the hiring process stated that the fit between the values of the company and the values and aspirations of the candidate is the crucial condition about whether or not a candidate will be selected. Two examples of statements of respectively a commercial and a SE founder are:

I consider 80% the personality of someone and 20% technical knowledge and the skills of this person. Because I believe that if you have the personality that we want, we can improve your skills throughout the years. – C5

The human skills are most important. Of course you need some hard skills but everything that is not human will be replaced with machines very quickly, so we are looking for soft skills. We want people who know themselves. I love talking to someone who is trying to make a deep dive inside themselves, someone who knows their strengths and what they are not good at. – SE5

Even though some executives at multinational companies agree that candidate personality matters (Korn Ferry Institute, 2017), all interviewees saw the strong consideration of personality as a main difference between hiring talent in a large company and in a startup. This is connected to the fact that startups, with their limited resources, only hire people when truly needed while at the same time – always looking for employees that are there to stay.

Some of the personality traits that founders often named most significant are: desire to learn, creativity, honesty, determination, proactivity and strongly believing in the project. Five out of the eight founders and key actors in talent management in this study pointed out that they find team work skills indispensable, which matches the millennial affinity for collaboration (Murray, 2011).

A further finding about the desirable character traits of employees is linked to the personality of the company. All founders in this study were asked the question “If your company was a person, what kind of a person would it be?” in order to nudge them to talk about the personality of their companies. The answers described specific character traits that corresponded to the character traits that founders are looking for in candidates. For example, SE4, a SE founder, told about the personality of her company that “[...] it is a person who is not an egoist, a person

who contributes to the future of the entire community”; and when asked about the profile of a person she would hire, she said “[...] also, want people who are looking after the good of the collective, the community.”

On the side of the candidates, employees at SE and commercial startups reported to have been enjoying the selection process, affirmed that they would not have changed it and that they made sure to be open and honest about their personality and career goals throughout the interviews:

I tried to be honest with myself and with the evaluators. I tried to show who I really am. I wanted to show my profile and find out if I fit with the company, so I did not force anything to simply get the position. I said everything that I wanted to talk about and I would not change anything, because it worked out well. – SE6

Matter is valid for:	SE	Commercial	Both
Personality fit between candidate and company is considered the most important.			X
The main difference between hiring processes in startups and large companies is the close consideration of personality.			X
Desire to learn, creativity, honesty, determination, proactivity and strongly believing in the project and team work skills are most desirable.			X
Desirable character traits for candidates correspond to the personality of the startup.			X
Hard skills still matter.			X
Employees find the selection process they went through adequate.			X

Table 5. Comparison between SE and commercial startups regarding the most significant factors for attracting talent

Source: Elaborated by the author

Table 5 highlighted that there are no significant differences between SE and commercial startups interviewed regarding the most significant factors for attracting talent.

4.1.4. Outline of Strategies for Attracting Talent in Startups

As mentioned above, SE and commercial startups do not struggle to attract motivated millennial talent. This is mainly due to the fact that founders are often integrated into the talent environment. Actively engaging with that environment through e.g. holding lectures and talks in co-working spaces, events and university campuses, was pointed as a strategy for keeping close to potential future employees.

Whenever they do need to add another person to their teams, both types of startups rely primarily on their founders’ and teams’ connections for recommendations in order to find suitable people. At the same time, and especially in the cases when they cannot recruit a suitable candidate through personal connection, startups use social media websites like Facebook, LinkedIn and University platforms to post job descriptions about their openings.

Matter is valid for:	SE	Commercial	Both
Being integrated into the environment of the talent they seek as a strategy for talent attraction.			X
Another strategy is to rely on connections for finding suitable talent.			X

Social media websites are often used to find talent.			X
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Table 6. Comparison between SE and commercial startups regarding their strategies for attracting talent

Source: Elaborated by the author

Table 6 summarizes the strategies used by startups interviewed for attracting talent and highlights that it seems that there are no significant differences between SE and commercial startups on this matter.

4.2. Talent Retention in Startups

4.2.1. The Startup Environment Context

Even though challenges in retaining talented employees in SE and commercial startups became evident, the interviewed founders did not comment on talent retention as being particularly difficult, when asked directly:

It [talent retention] is not difficult, because we are doing what we believe in and it is relevant. We are changing a lot and we are growing. Doing something relevant really motivates people to continue. – C2, a commercial startup founder commented.

In fact, both founders and employees identify strongly with their companies and have a firm sense of ownership of the company. As mentioned above, psychological ownership is linked to higher retention rates (Olckers & Du Plessis, 2012).

SE founders and employees further demonstrate a distinctive sense of responsibility towards the cause that they are working for, and take pride in their work. They often used expressions like “We want to bring these new ideas and concepts into the city.”- SE1, and “I think there are very few large companies that cause such a big impact and work with innovation so closely”- SE4, and considering their previous volunteering and leadership experience, they strive to be agents of change in the Brazilian society, through innovation. Commercial startup founders and employees also demonstrate pride in creating and delivering innovative products of high quality that their clients praise. The startup environment and purpose are seen by millennials as a way to achieve their aspirations for meaningful work (Lancaster & Stillman, 2002; Ng et al., 2010; Yang & Guy, 2006).

On a more mundane note, employees of both types of startups enjoy the open, flexible environment and learning opportunities. Some affirmations of SE and commercial startup employees are:

And in the startup you have the flexibility, the autonomy, the possibility to bring new ideas. – SE3

So that's why I like the startup environment. It's way more flexible. And I believe you learn way more, too. Because if you don't do it, things are not going to happen. You are in five, six only in your group. You've got to do everything, learn everything. – C6

Furthermore, millennials working at startups value also the attention and recognition (Hershatler and Epstein, 2010; Ng et al., 2010) that they receive there:

An advantage is the flexibility. I like the spirit, I feel people are very motivated. [...] In a startup there is a lot of visibility of what you're doing. – C3

A subtle difference in how SE and commercial startup employees and founders view their work became evident: when talking about why they chose the startup environment and why they want to stay in it, commercial startup people use the word “opportunity”:

At first, our model was completely different. But I saw the huge opportunity and the gap in the market, so I quickly jumped on board. – C1

While the SE people use more often the word “potential”:

I still wanted to work on the project because I saw the potential that it has to improve people's lives all over the world. – SE2

Startups are in danger of losing talent when their employees stop seeing these opportunities and potential in the company and in particular – in its management. This finding corresponds to previous research (mentioned in section 2.4.2. Characteristics of talent in the 21st century), according to which the relationship with immediate managers is important for retaining Millennials (Hershatler & Epstein, 2010; Lancaster & Stillman, 2002; Ng et al., 2010). C4, a former startup employee commented on the main reason for him leaving the organization:

It's complicated because, at some point, the startup wasn't under the right leadership. It wasn't about the idea itself, but how it was managed. From the discussions that I had with the CEO and trying to see her vision and what she was expecting, and how she was aiming to get there, I started to have a lot of doubts about everything she said.

Although SE employees want to stay for the cause:

I want to stay [in the SE startup], because I want to help, because it's what I believe. Even if I found another startup, with my own idea, I will be here to help. – SE3

... SEs are not immune to losing talent when the founders cannot manage to keep employees and volunteers engaged and interested in the project:

Maintaining people interested in the project is difficult sometimes. I often have so many things to do and I don't have time to talk to them and help them with their activities. It's easier for me to do myself what I wanted them to do, instead of giving them the activity and teaching them how to do it. – SE2

This is also the case when employees fail to see development or when the development comes too slow, for both SE:

The greatest difficulty is scalability. For a large company it is much easier to reach its goals. For us, we have to prove 10 times that we are capable before achieving a goal. So a person that is not persistent enough, who does not understand our reality and is not willing to try again and again, will leave. – SE4

And commercial startups:

I definitely thought we could have made some money. Even to get some profit for us, but we didn't and that was very bad. – C4

Also, the lack of structure of tasks and not accompanying new employees might lead to disengagement with the company and ultimately, loss of talent:

We understood that we did not give attention [to the interns], we just gave them very complicated activities and did not support and guide them. It was our fault. – C2, a commercial startup founder commented.

Matter is valid for:	SE	Commercial	Both
Strong sense of ownership of the company among employees.			X
Employees demonstrate sense of responsibility towards the cause that they are working for.	X		
Pride in delivering an innovative and high quality product.		X	
Open, flexible environment and learning opportunities are important for talent retention.			X
Attention and recognition in startups support retention of millennials.		X	
Retention becomes problematic when employees stop seeing opportunities and potential in the company/management.			X
Employee guidance and engagement is important for retention.			X

Table 7. Comparison between SE and commercial startups regarding their environment for retaining talent

Source: Elaborated by the author

Table 7 shows that it seems that talent retention differs in a number of factors for SE and commercial startups. Specific for the SE startups is the matter that “Employees demonstrate sense of responsibility towards the cause that they are working for.” At the same time, the matters of “Pride in delivering an innovative and high quality product.” and “Attention and recognition in startups support retention of millennials.” are typical for commercial startups.

4.2.2. Financial Security as an Issue

The central issue of keeping talent in SE and commercial startups is the financial aspect. The lack of financial security (“employees don't know how much longer we'll be able to pay their salaries”) and often lower than market level salaries tend to become a problem for talent in startups, especially when a managerial conflict arises or project development is slow. SE2, a SE founder shared:

Money is the biggest challenge in retention. And my colleagues also tell me this. My last partner, he wasn't working anywhere else and didn't have any income and he needed it. So he needed to search for another job.

Another case when a talented employee decides to leave a startup is when he or she had been offered a better paid job or a scholarship somewhere else:

This great journalist that we had, she left a month ago for the US because she got a great opportunity there and we couldn't match it. – C3.

However, if the employee truly believes in the company, its values and what it does, even an offer as attractive as a competitive examination¹ position is not enough to make the person give up on the startup, as C2, a commercial startup founder told:

We have an employee who gave up his position as a civil servant, after passing the competitive examination, where he was going to earn a lot more benefits. But he said "I believe in the project that you are doing and I prefer to work with you."

A different type of problem in retention arises for SEs, namely the phenomenon “ditadura do propósito”, or “the dictatorship of the purpose” (free translation from Portuguese). While it is clear to commercial startup founders and employees that they have a chance of immense financial gain if their company is successful, the before mentioned phenomenon is widely spread among Brazilian SE enthusiasts:

In the Brazilian social impact sector, I see something that is really harmful, we call it in Portuguese, “ditadura do propósito” - the dictatorship of the purpose. It basically means that if I offer you meaning and purpose, I can pay your very low salary and that’s OK. – SE5

This is a problem because it inhibits talented people, who are willing to contribute to SE, to fully concentrate on their work and development in the field. Often such people have a second job that pays for their living expenses and consider their work in SE is not their career and is something that they cannot dedicate themselves to over a long period of time. They do not realize that they can align their values and aspiration to work for a cause, with their ambition to make a decent living. Ultimately this leads to a substantial loss of talent and know-how for the SE ecosystem.

Matter is valid for:	SE	Commercial	Both
Financial security – main issue for retaining talent in startups.			X
Lower than market level salaries can become problematic when conflicts arise.			X
A better paying job offer can make an employee leave.		X	
“Ditadura do propósito” (“the dictatorship of the purpose”) impedes talent retention.	X		

Table 8. Comparison between SE and commercial startups regarding the significance of financial security for employees

Source: Elaborated by the author

Table 8 highlights two different factors for SE and commercial startups regarding the problematic topic of financial security and talent retention. In the case of commercial startups, “A better paying job offer can make an employee leave.” And for SE the matter of “the dictatorship of the purpose” is significant in making talent retention difficult.

¹ concurso público

4.2.3. Effects of Talent Leaving a Startup

On the topic of the effect of talent leaving a startup, founders and employees, involved in talent management, agreed that it puts strain on the company. However, the severity of the situation depends on the stage of development the startup is in, and the importance of the position that was left vacant for the operation of the company.

It was really hard for me, I was really stressed about the situation. He [the person who left] was dealing with some partners and clients and finances and he started to leave whatever he needed to do. And then I needed to do it, but was delayed or late. And it was really hard. – SE2

It [people leaving the organization] happens. It had an impact, it did, but such things happen. It was a shock for us, but it was at the beginning and we survived. – C2

As startup companies are small, each team member bears a great and often unique responsibility, so finding an adequate substitute in a short time frame is challenging. It is even more difficult for startups when they have invested ever scarce resources into the training of an employee and the person leaves soon after.

Especially important is the timing of an employee leaving a startup. Unplanned, voluntary turnover causes a most challenging situation:

The less planned the exit - the greater the impact, because we do not have the time to prepare a selection processes and look for a new person. Sometimes we have no way of meeting demand because of this, especially for the roles that are unique and there are no other people doing this role. Besides the loss of time for the selection process for a substitute, it is a great financial cost of time. – SE6

In our current phase, if, for example, our lead developer left, it would be horrible, it would be a complete stand still of production. – C1

Matter is valid for:	SE	Commercial	Both
Degree of predicament of talent leaving depends on stage of development of startup and position of person leaving.			X
Small teams, each person bears significant responsibilities			X
Unplanned, voluntary turnover – most challenging			X

Table 9. Comparison between SE and commercial startups regarding the effects of talent leaving

Source: Elaborated by the author

Table 9 highlighted explained that it seems that there are no significant differences between SE and commercial startups regarding the effects of talent leaving.

4.3. Strategies for Talent Retention in Startups

Keeping employees, interns and volunteers happy with their work and environment was pointed out as central by all startups in this study. Founders and employees recognize that productivity is at its highest when the team works well together and the environment is open and collaborative and fosters growth:

For us it's very important for the people to have fun. If they don't, you'll feel it in their work. We need them to be fully accomplished, fully happy. – C3, a startup employee involved in talent management affirmed.

According to other employees:

I believe I'm learning a lot, I'm growing with the company and having a lot of opportunities here to do what I really believe is right for this company. – C6

I feel that I'm learning new things, doing different tasks every day. – SE3

As mentioned in the previous section, employees who are experiencing learning and development on their job are less likely to leave (Govaerts et al., 2011).

A specific good practice for retaining talent was highlighted by some commercial startup founders, namely the importance of transparency about the availability of financial resources:

We try to keep this very transparent. Between the four partners we have gathered enough burn money to keep us for two years without getting any capital. So this is a reassurance for our employees. – C1

Founders of respectively one mature SE and one commercial startup shared that since they have had people leaving in earlier stages of the startup because the work was too intense e.g. working for 10 hours per day and on weekends, they are now paying close attention to work-life balance and aiming to create an atmosphere of efficient, concentrated work, rather than excessively long working hours.

So we worked hard, also at night, worked on the weekend, it was a very difficult time. And recently, at the end of the previous year, we started trying to work more effectively instead of working 10 hours a day. – C2

This practice corresponds to the previously mentioned research by Deery and Jago (2015), monitoring work-life balance increases retention rates.

Lastly, as startups of both types mature and go through some employee turnover, it becomes evident that monitoring and managing company and employee goal alignment is crucial to preventing unplanned turnover. The latter corresponds to the aforementioned research by Gaffney (2005). Also in the case of startups, people tend to leave whenever they receive a job offer that fits their current and mid-term career aspirations better. SE6, an employee involved with talent management at a larger, mature SE startup explained:

We are trying to align our people's career goals to ours, we talk to them about their mid-term goals, e.g. one or two years from now. We still do not have a structured process for this, and this is a flaw we need to attend. We are trying to align the goals of the company to each employee and to see if it makes sense for the person to stay. But we need to improve this process.

Matter is valid for:	SE	Commercial	Both
Keeping employees, interns and volunteers content with their work and environment – very important for retention.			X
Learning and growth opportunities foster talent retention.			X
Transparency about the availability of financial resources as a talent retention strategy.		X	
Monitoring work-life balance as a talent retention strategy			X
Monitoring and managing company and employee goal alignment as a talent retention strategy.			X
Fit between company and employee goals and vision of how to achieve these goals – imperative for talent retention.			X

Table 10. Comparison between SE and commercial startups regarding the strategies for talent retention

Source: Elaborated by the author

Table 10 shows that, regarding the matters in this section, SE and commercial startups seems to differ only in “Transparency about the availability of financial resources as a talent retention strategy”, which is valid only for commercial startups.

4.4. Fit - A Main Element in Attracting and Retaining Talent in Startups

The topic of personality and value fit between startup and employee kept recurring throughout the interviews. The more subtle but still intuitive fit between company and employee goals and vision of how to achieve these goals, was omnipresent as well. Ultimately, it is the fit between the company’s personality and ways to achieve goals and the person’s personality and ways to achieve goals that is central to successfully attracting and retaining talent in both SE and commercial startups. It is imperative to select carefully among the candidates only those who demonstrate a true personality fit and a desire to work for the common purpose. And as long as employees believe that their company is achieving this common purpose in the best way possible, they will continue contributing with high motivation:

People work at our company for the cause, because our cause is very strong. Also, our solutions are truly innovative. My colleagues see our company as a real solution, they want to work for it. They identify the problem that we are solving as a very big thing and identify our startup as a very good solution for it. – SE4

We have a big dream – we are a company that created something new; we are not working just for money, we are doing something significant [...] We know that we could pay higher salaries and are working towards it. We have a lot of responsibility towards our company and our team. We share a dream [...] and we have a lot of trust in one another. – C2

Figure 2 summarizes the most important topics discussed in the current chapter. It also illustrates the connections between these topics and the central notion of “fit” that became evident in this research. The figure explains the process of attracting and retaining talent in SE and commercial startups from the point of view of the startups.

The most significant matters are highlighted in bold. Two vital factors were mentioned on various occasions by the interviewees whenever the topic of ways or strategies for attracting talent were discussed – namely that attracting talent is not difficult when the startup is known by young talent and embedded into their environment; the second most important factor was

that founders prefer using their connections in order to find suitable candidates for a vacancy in their companies.

Startups apply selection processes that focus on getting to know the candidate and assessing the personality fit. Here the importance of building trust is central – whether only through the selection process or also through the recommendations from mentors, colleagues and friends that the candidate begins the process with.

The candidate is hired once the founders have found the right fit between company and candidate 1) personality, 2) goals and 3) ways to achieve goals.

Whenever this “fit” on one of the above mentioned three instances is incomplete, the startups are in risk of losing the employee. The factor of financial security while working in the startup grows problematic for retention and other offers, opportunities or aspirations may become attractive for the employee.

The strategies for talent retention that more mature startups have derived from their experience with losing talent address the instances of “fit”. Strategies pointed in the interviews were “monitoring and managing company and employee goal alignment” and “managing vision of how to achieve these goals”.

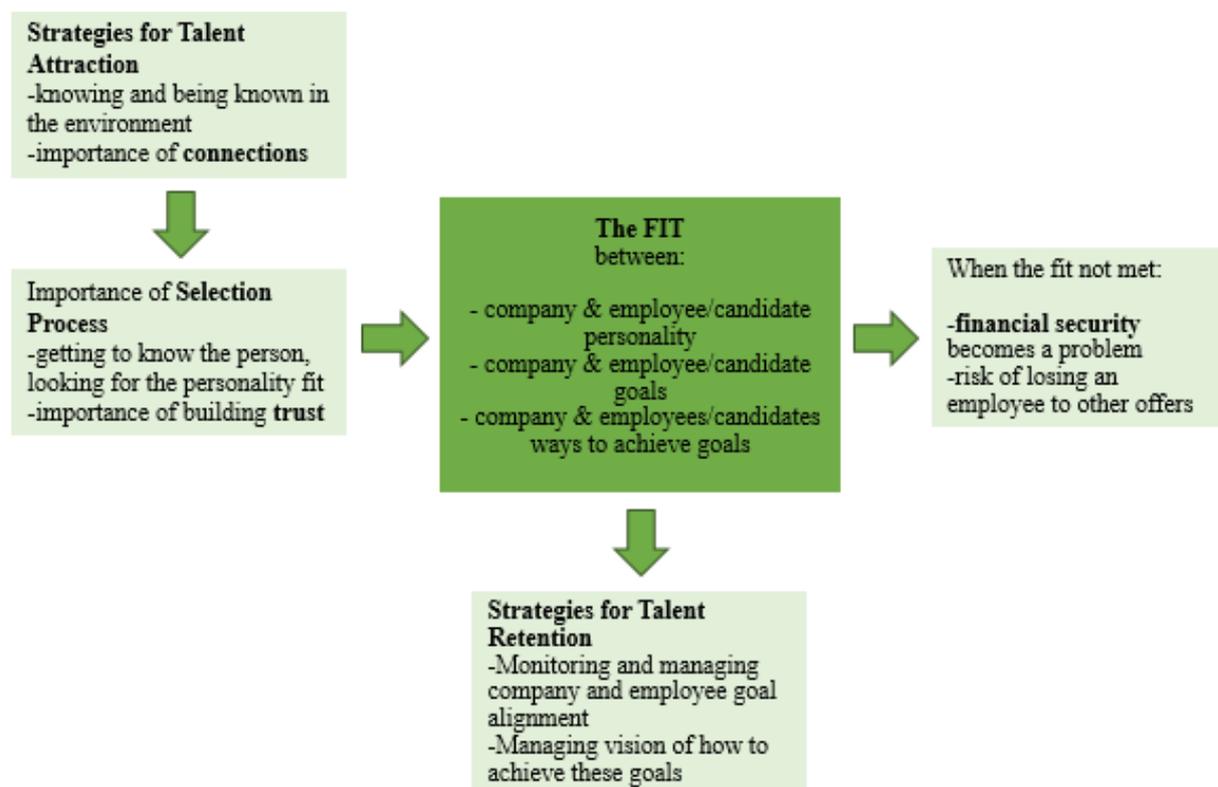


Figure 2. An overview of the central notion of “fit” in connection to other main topics discussed in the chapter

Source: Elaborated by the author

5. FINAL CONSIDERATIONS

5.1. Conclusions

The main objective of this research was to explore the challenges that SE and commercial startups in Brazil face at attracting and retaining talent and what are the similarities and differences between the two types of companies. To this purpose, it reviews existing literature on the topic of SE and commercial startups with a focus on the Brazilian scenario; it also reviews literature on the topics of attracting and retaining talent as well as the characteristics of millennial talent. Past academic papers were screened in order to guide the formation of question groups and specific questions for the in-depth interviews. The twelve in-depth interviews conducted with founders, key actors in talent management, current and former employees of SE and commercial startups provide an insight into the challenges around hiring and retaining talent at said companies.

Although attracting talent in both types of startups in Brazil is not perceived as difficult by founders and key actors in talent management, some challenges became evident in this research. Finding people with specific hard skills like software engineers and sales people was pointed as problematic; for commercial startups, the low budget for salaries was pointed as an adversity. The factor that founders and key actors in talent management consider most important when hiring new employees, interns and volunteers, is the personality – whether it fits the personality of the company; preferred personality traits are: desire to learn, creativity, honesty, determination, proactivity and strongly believing in the project.

The differences in attracting talent in SE and commercial startups lie rather in the motivation and goals that employees in each type of company have. SE startups can employ volunteers, since their cause attracts millennial talent that is restless about the present social problems and aspires to deliver social impact and change the status quo. Commercial startups employ full-time, freelance as well as intern talent, who want to bring and execute their own ideas in an innovative company; they seek opportunities for growth, quick career advancement and financial gain.

The impact of people leaving these companies varies in severity depending on the stage of development of the company and the type of position that is left vacant. More mature startups of both kinds tend to view employee turnover as a source of learning and improvement. A substantial challenge for retention, quoted often by the founders of both kind of startups was “financial insecurity”. Often people leave because they cannot afford not earning, or earning under market level salaries. Another reason for leaving is when the motivation of the employee changes – whenever the employee’s belief in the project or the management diminishes, or his or her career goals change or are no longer aligned with the goals and ways of the company, the employee leaves.

The rather mature startups have enacted the following good practices for talent retention and management: 1) keeping the employees feeling happy and fulfilled by their work was valid for both types of company 2) keeping transparent about resource availability – which is a strategy mentioned only by commercial startup founders; 3) more mature startups of both kinds pointed out that monitoring and managing company and employee goal alignment is vital for employee retention.

Ultimately, the analysis revealed that the inherent most significant factor for successfully selecting and retaining the right people at both SE and commercial startups is the fit. Namely, the not so obvious fit between the company's personality and ways to achieve goals, and the person's personality and ways to achieve goals. Employees in both types of startups need to believe that their company is delivering an innovative solution to an important problem, in the best possible way; they need to believe in the project, the team and the founders while applying their ideas and growing together with the company.

5.2. Implications

This research begins to fill a gap in the literature on the topic of SE and commercial startups in the context of Brazil in its quality of a developing country. Since the research found that for our sample attracting talent in Brazilian startups is not perceived as difficult, contrasting to the predominant in the literature notion of "war for talent" (Glen, 2006), it calls for further research on the reasons behind this phenomenon in the specific case.

Due to the in-depth interviews with six persons who are highly involved with social entrepreneurship and active in different regions of the country, this research provides insights on the polemic topic of defining SE and SB in Brazil. By bringing up the phenomenon of "ditadura do propósito", it highlights the need for a better balance between "purpose" and financial returns.

In addition to the theoretical contributions, this study highlights several implications for SE and commercial startup founders, key actors involved in attraction and retention of employees, as well as HR managers at larger companies.

The research brings out the importance of hiring the right people for SE and commercial startups. The mature, successful startups have reached the conclusion that investing time and effort into creating a custom selection process and introducing the candidates to the work, the team and the founders, truly pays off. This good practice may be adopted by other rapidly growing startups.

A distinctive discovery of this research is that startups in Brazil do not consider attracting talent difficult. On the one hand, this is due to startups offering exciting, purposeful and innovative projects that appeal to millennial talent but on the other hand, startups do not struggle to attract talent because their founders are connected to and "inserted" into the environment of the type of talent that they seek. An implication for hiring managers of larger companies could be drawn here. Having managers and decision makers personally involved and presenting appealing propositions to the millennials in their natural environment (not only the universities, but also in co-working spaces and social media groups), could be imperative to winning them over.

The importance of employee and company goal alignment for talent retention confirm Gaffney's 2005 research. However, in the case of startups, staying connected to the company goals and vision is not the only significant factor. Startup employees seem to need to believe that their company is delivering the right solution to a problem, in the right way; they need to believe in the project, the team and the founders and also – be able to influence these goals with their ideas. The latter appears to be valid for both SE and commercial startups.

5.3. Limitations

A noteworthy limitation of this paper is the age group of the twelve interviewees. All of them are between 21 and 33 years old, which, according to Bosma et al.'s 2016 research, makes them representative of less than half of the Brazilian entrepreneurial population. The aforementioned research revealed that 42% of the nascent and 34% of the operational social entrepreneurs and 46% of the nascent and 34% of the operational commercial entrepreneurs in Latin America are in the age group of 18 to 34 years old.

Additionally, even though entrepreneurs in Brazil are more likely to be highly educated, i.e. to have received tertiary education, than the average for the adult population (Bosma et al., 2016), only 29% of the nascent and 28% of the operational social entrepreneurs and 19% of the nascent and 19% of the operational commercial entrepreneurs are highly educated. All of the interviewees in this study belong to the smaller group of highly educated entrepreneurs within the entrepreneurial landscape in Brazil.

Due to the nature of a master thesis, results were coded by one individual, which poses the risk of introducing subjective perceptions and thus - bias to the analysis. Furthermore, only 12 interviews were conducted and thus, considering that there are three types of interviewees (key actors involved in attracting and retaining employees, current and former employees in commercial and SE startups), the sample was rather small. A greater variety of sources during data collection such as interviewing founders, employees and former employees from the same startup might have enabled new findings. Also, interviewing more mature SE startups could have added deeper insights into the dynamics of attracting and retaining talent at such companies. However, because of the limited scope and time constraints of a master thesis, this was not feasible.

5.4. Future Researches

A future research with a larger scope could propose a theory about how startups approach the matter of attracting and retaining talent. A study that includes mature startups could contribute to extracting a larger number of more specific good practices at these young companies.

Furthermore, a study with a larger sample of interviewees could delve into the topic of the attraction force of SE startups to millennials. Since, as mentioned in the literature review and the findings, millennials often look for meaningful jobs, the research could explore the reasons behind their choice to work at these companies.

The research found that an often quoted challenge in retention in commercial and SE startups was “financial insecurity”. However, professionals who aspire to work at such companies are aware of the conditions and compensation that they offer. This suggests that “financial insecurity” is a superficial explanation that should be further investigated in a possible future study that concentrates on current and former startup employees.

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7. APPENDIX

7.1. Appendix A: Selective coding table and coding notes

Attracting talent and what startups are looking for	Retaining talent and the impact of people leaving	Strategies for coping with the impact of people leaving	Surrounding factors	Recurring themes
12. Got the job / client through connections	21. Doubt/Critique in leadership of founders	28. Good co-working space/office environment → founders want to keep employees happy (L)	1. University education	9. Strong feeling of ownership of startup (even when not founder), responsibility for the team
14. Informal, quick selection process	22. Issue of financial insecurity when encountering problems	51. Strive to change status quo/change agent → if people keep believing they are changing somethings, they stay	2. Age twenties	13. Previous leadership / entrepreneurial role
15. Assembled team through indications	26. Perceived disconnect with reality of startup world	71. Significance of common values when overcoming a managerial argument	3. Work while study	18. Founder with strong adaptation capability
16. Attempt at a standardized process, taking time to figure it out	27. Being an entrepreneur just for the sake of the process, loss of focus	86. Happy, content with the job and the learning and personal growth	4. Experience in big company	19. Difficult to work remotely. – some startups find it difficult, others don't
17. Payment with equity	29. Main reason for leaving: loss of faith in management/founders	90. Determination, persistence	5. Volunteer	23. Value the passion of young entrepreneurs /startup colleagues
20. Attracting talent with the right skills – not difficult, inserted in the environment, the community	39. Expected more money/better development out of it – challenge in retention	100. Fast and flexible introduction to the business, keeping tasks and volunteers independent -> not really forming a team	6. Experience abroad	24. Value the working environment – easy going, open, group work
34. Main characteristic of big companies: have to follow rules and structures, processes	40. Misguided expectations on area of work	105. Restless youth, millennials very different than parents, want to discover themselves and work for a cause, not for the money	7. Scholarship	25. Value the inspiring, creative, ambitious people with values
41. Job connected to previous work	73. Lack of structured job functions	111. Work more concentrated and efficient now, in the beginning – the whole time	8. Public servant position	30. Entrepreneurial spirit, rejection of hierarchies, wants own project

48. Believe in better society/desire to improve society	76. In a startup – various responsibilities, gathering varied experience, quick growth	118. Transparency about resources = strategy for retention	10. Various backgrounds in the startup.	35. Important distinction between big and startup companies: personal freedom and freedom of expression in startups → connected to being who you are
61. Not detailed plan about attracting talent	77. Pressure for monetization	122. Unique Teal organization talent management	11. Joined startup early	37. Expectation to achieve personal development in a startup - achieved
62. Focus on skills/qualifications	79. Believed in the project, was excited about the project	126. Dealignment of goals of employees and SB leads to people leaving	33. Personal financial stability not important at the moment of joining.	44. Personal connection to cofounder -> connected to TRUST
64. Hiring volunteers – in SB startups	83. Need for fundraising – challenge for startups that doesn't exist for big companies	128. Strategy to overcome unplanned leaving – monitor and manage goal alignment	36. Politics very important in big companies – not so in startups	46. Strive/desire for further learning
65. Strategy for attracting talent = aim at university students	94. Money = biggest challenge in retaining talent in startups		38. Expected to have competitors	49. Inspiration through experience
67. Differentiation of selection process for intern and full time associate	96. Keeping volunteer interest = challenge; important to keep the people involved		43. Connection to the city	50. Connecting inspiration and interest
70. Open to offering shares for partners	99. Partner leaving the company = stress on founder → EFFECTS of people leaving		42. Connection to BOP / the cause / the people who benefit	55. Contacts through accelerator → importance of connections, TRUST
72. When starting the selection process: own initiative and personally approaching	97. Not proactive volunteers = challenge, need for proactivity		45. Coincident timing, importance of timing	56. Mentorship → imp. Of connections, TRUST
84. Lower salary, earning less than in a big company	101. Demonstrating empathy, feeling of responsibility towards cause		47. Search for new experiences	59. Gender corresponding to the gender of the founder – strong identification of founder with company
93. Used social networks / portals to post job descriptions	103. Taking pride into the endeavor		52. Focused development of idea, product	66. Hire through connections, recommendations → TRUST

102. Feeling limited in corporate job, being restless, pressure to contribute to a cause (founders and people that founders want to hire)	107. When working in a startup – expecting more growth and getting frustrated when it takes longer		53. Weak accelerator culture in Salvador	68. When hiring: Emphasis on value fit and personality, especially for partners, emphasis and paying attention during process → TRUST, personality (many quotes)
113. Startups contract people only when really needed → very important to invest the time in selection	108. Finding substitute for someone who leaves the company costs a lot of time and energy		54. Accelerator competition/ startup competition winner/awards	74. Positive about startup: freedom to bring ideas, autonomy, flexibility
115. Want to build a team to stay, long-term development of team, putting time and effort into recruiting	109. Large founding team = problems → connected to what A. said about keeping people independent		57. Private sector clients	75. Seeking opportunity , seeing opportunity → difference SE vs. Commercial entr.
116. Involving employees in selection process	114. Retention not perceived as difficult		58. Value proposition with social purpose	78. Importance of networking and trust when establishing a startup team -> TRUST (many quotes)
119. Each person is very valued individually in startups, is given a more personal selection process	117. Exaggerated CVs = problem in recruiting		60. Focus on product/client	80. Works in a startup because young, risk seeking, opportunity seeking
121. Experience in big companies – important	120. In Brazil “ditadura do proposito”		63. Importance of economic crisis in Brazil	81. Want to gain recognition fast
124. Working as a volunteer, intern or freelancer – way to be hired at a startup → connected to low resources and need to trust the person before hiring	123. Specific challenge in retention – burn out		69. Importance of Brazilian bureaucracy when hiring	82. Difference between startup and big company: the environment, the relationships, personal level
125. Takes long to find the right person			88. High levels of independence, likes independence	
127. Large companies are more interested in the skills, not the personality			92. Developed business model with the help of accelerators	87. Strive for innovation, restlessness, questioning nature (many quotes)

85. Difficulty in attracting good sales people and developers, productive writers (who really get the job done)			95. Financial support from university for project	89. Seeking potential, seeing potential → VS. opportunity
			98. Growing together with partners/seizing opportunities	104. Importance of persistence /learning persistence in a SB startup, need for proactivity
			110. Focus not only on product but also on speed	106. People in SB work for the cause
				112. Collaboration rather than competition → very millennial trait, check paper

7.2. Appendix B: Questionnaires

Questions for current/former employees

Exploring the personality

Could you tell me a bit about yourself: Where are you from/ where did you study? How old are you? (If needed: further questions about earlier experiences – exchange, volunteering, participant in entrepreneurial projects?)

Where did you work before starting here? How were you imagining your career and how is this idea changing? (Follow up questions about reasons, if needed)

Exploring the hiring process

Could you tell me a bit about the process of finding the job? How was the process of getting hired? (If needed: further questions about the specifics)

What are the strong and weak points of the process? What did you like/dislike? What would you have done differently? How were you feeling during the process of being hired?

Exploring the challenges in retention

How long have you been working in the company? How do you feel about your work? Is it what you were expecting? Is it rewarding for you? Do you feel like you are learning and developing?

(If applicable) Why did you decide to leave? What is your current job? Do you think you will continue with this or another career path or are you thinking of going back to startups/SB? Maybe even create your own?

What are the challenges of working in a startup? How important is the financial aspect? (Further questions if needed)

What are the advantages and disadvantages of working in a startup?

In your opinion what are the differences of working in a startup and a more traditional corporation?

What expectations were fulfilled and which expectation that you had didn't happen?

Is there something that you didn't expect in working in a startup that was surprising for you?

Finally, do you know other people who might be able and willing to help with this research?

Questions for founders

Exploring the personality

Could you tell me a bit about yourself: Where are you from/ where did you study? How old are you? (If needed: further questions about earlier experiences – exchange, volunteering, participant in entrepreneurial projects?)

Where did you work before starting here? How were you imagining your career and how is this idea changing? (Follow up questions about reasons, if needed)

Exploring the organization

How did you come up with the idea of the company? How did it begin? What is its story? What are the main values you stand for?

If your company was a person, what kind of a person would it be (a man, a woman, young, old...)? How is the profile of the people you are hiring related to this?

Exploring the hiring process

How would you describe your hiring process? (Follow up questions if needed) What are the difficulties in finding the right people?

Why do you believe that your employees want to work at your organization? Why would your employees want to work for you and not for a large organization?

Exploring the challenges in retention

Do you perceive it as difficult to retain the people in your organization? What do you believe are the challenges?

In your opinion what are the differences in the process of hiring and maintaining employees in a startup and a traditional corporation?

How negative is the impact of an employee leaving the organization? How do you cope with that?

Finally, can you think of other people who might be able and willing to help with this research?