HOW DO INNOVATIVE COMPANIES USE TALENT MANAGEMENT AND RETENTION PRACTICES IN BRAZILIAN INNOVATIVE COMPANIES? A COMPARATIVE STUDY

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Abstract: Talent management (TM) is closely linked to strategic innovation management due to the organizational knowledge and market scarcity of its qualified employees. However, the intrinsic nature of strategic innovation cause many dismissals. Thus, it is important for companies to retain talents, since they contribute to reach strategic goals and bring greater skills and abilities to the organization. This study used 2017's database of the Brazilian's Best Place to Work list along with the Most Innovative Companies' rank to compare the innovative and traditional organizations' TM practices. The results presented a higher use of differentiated evaluations, rewards and development practices to manage talents by innovative companies, with a greater focus on evaluation processes, however, they can pursue a more intensive use of rewards to enhance TM.

Keywords: talent management, talent retention, innovation.

1. Introduction

Talent management (TM) is a structured way to work with human capital, according to Aagaard et al. (2014). Considering that today the environment of most organizations is global, complex, dynamic, highly competitive and volatile (Ernst & Young, 2013), organizations recognize that they have a critical responsibility to recruit, develop, deploy, manage and retain their most valuable asset, namely talent.

Global economy expanded between the period of 2002 and 2007, which has led human resource (HR) leaders to heed the intensification of talent competition. The consequences of not having the right people in the right places and the uncertainty as to which best practices to retain these talents are have become a source of constant questioning and work. Currently, in a scenery of global economic crisis, retaining those who are considered talents in organizations become a critical competitive tool (Beechler & Woodward, 2009).

The companies considered innovative are strongly affected by the difficulty of retaining their employees (O'Connor et al., 2018). Gallardo-Gallardo et al. (2013) argue that talent can be managed inclusively or exclusively. Thus, the inclusive approach sees as a talent everyone in the organization, while the exclusive approach is based on the notion of workforce segmentation. The authors explain that organizations must align one of these two approaches with their strategy model. The way innovative companies act compared to traditional companies in TM will be the object of this study.

Strategic innovation is defined as the one that is intentionally developed by the organization and can create new lines of business for the company and the market (O'Connor et al., 2018). The authors consider innovation as a continuum ranging through its degree of uncertainty, where strategic innovation is characterized by efforts that go beyond incremental innovations. Strategic innovation is distinguished by the rewards it can offer, but also by the risks and uncertainties that accompany it and is characterized by long-term projects with high levels of uncertainty.

The literature on management of strategic innovation (O'Connor et al., 2018 and O'Connor & McDermott, 2004) points out that the use of HR practices in innovative companies often results on the dismissal of innovation employees due to the failure of projects, which are intrinsic to innovation with a greater degree of uncertainty. Thus, it is necessary to analyze how these companies can use HRM strategically to retain these employees and, therefore, increase their innovative capacity.

Innovation talents expressed a desire to make their career in innovation, according to O'Connor et al. (2018), but few found a way to do so. To build an expertise for strategic innovation and make it happen, companies need to employ people with expertise in this field, enduring organizational capability and building organizational memory.

This panorama led us to the following research questions: *Which practices of talent management do innovative companies use to retain employees? Do innovative companies use different practices of talent management to retain employees from traditional companies?*

Many companies, interested in competing based on strategic innovation, have provided people with stimulating innovation-based assignments and jobs or allowed intrapreneurs the freedom to break rules. But most organizations are not providing realistic opportunities for innovation careers. O'Connor et al. (2018) claim that companies can retain people in innovation through the legitimation of innovation as a permanent function, differentiated assessment and reward systems, and development of career paths within innovation. They add that retaining innovation talent in the company are an important managerial concern because companies are losing talents in areas they try to stimulate.

HRM is closely linked to innovation management. Innovation is sought by large companies to open new markets, and promote business leverage and leadership to competitors. Individuals working with innovation are highly skilled and scarce in the labor market. In addition, they incorporate much of the company's knowledge. Therefore, these are precious talents for these companies and it should be of their interest to retain them.

The objective of this paper is to analyze the practices of TM and retention that are being used in Brazilian companies recognized for having effective HRM and innovation practices in relation to those that are not recognized for its innovative initiatives (named in this paper as traditional companies).

Literature review on the thematic led us to the following hypotheses: (H1) Innovative organizations develop talent management practices through an exclusive approach. (H2) Innovative companies focus more in rewards and incentives practices to retain employees than performance appraisal and development practices. (H3) Traditional companies use fewer rewards and incentives, performance appraisal and development practices to retain employees.

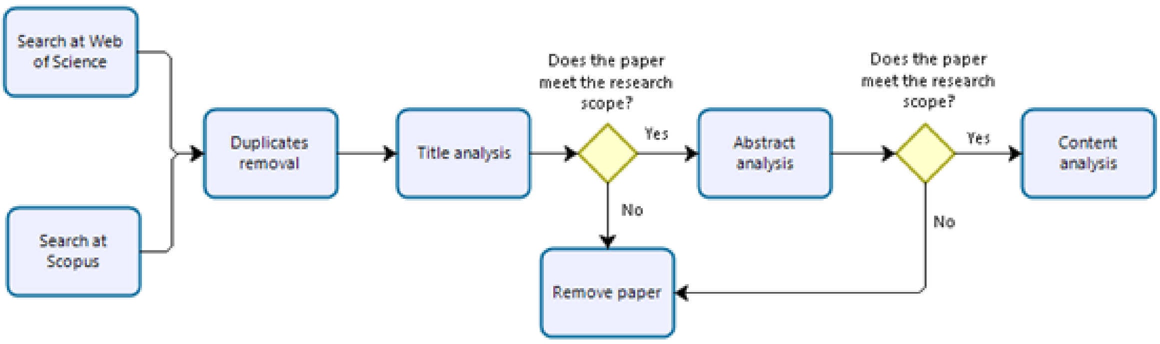
Thus, this paper will present a comparative study about how Brazilian companies promote TM practices. We divided the companies awarded as one of the 150 Brazilian's *The Best Place to Work* (FIA, 2017) in two groups: innovative and traditional. As *The Best Place to Work* rank do not categorize if the companies are innovative or not, we used *The Most Innovative Companies* rank to determine as innovative the companies that were awarded in both ranks in 2017. In addition, the literature review provided us the most cited HR practices related to TM. These practices helped us to select which data from the 2017's best place to work database (MEPT) would be analyzed to present a comparison of the practices used by the innovative companies versus those carried out by the traditional companies to observe if there were differences in the development of actions that contribute to TM and retention.

Hereafter we will present the theoretical basis of this paper that covers TM and innovation, the methodology detailing, the analysis and discussion of the results and, finally, the conclusion of the article with its limitations and possibilities of future research.

2. Methodology

A two-phases systematic literature review was made to build a sound conceptual framework. The reviews were based on the academic databases Web of Science in the categories *Management, Business, Operations Research Management Science, Engineering Manufacturing* and *Engineering Industrial,* and Scopus in the categories *Business, Management and Accounting* and *Engineering*. The details of the literature review are shown on Figure 1.

Figure 1: Literature review overflow.



The terms "human resource*" and ("talent retention" or "talent management") and innovat* were used in the first review. However, the search returned 31 papers from which we selected four articles that treated specifically about TM and retention aimed for innovation employees. Thus, the chapter 9, Developing and Retaining Talent, of O'Connor et al. (2018)'s book Beyond the Champion was added to the theoretical foundation of this article.

Hence, to amplify our theoretical bases and identify the relevant literature to support the analysis, we have removed the term innovat* from the search and selected the papers that were from one of the following well-regarded journals: *Asia Pacific Journal of Human Resources; German Journal of Human Resource Management - Zeitschrift fur*

Personalforschung; Human Relations; Human Resource Management Review; Human Resource Development Quarterly; Human Resource Development Review; Human Resource Management; Human Resource Management Journal; Human Resources for Health; Human Resources International Journal of Training and Development; International Journal of Human Resource Management; International Journal of Human Resources Development and Management; Journal of Career Development; Journal of Human Resources; Journal of Human Resources in Hospitality & Tourism; Journal of Labor Research and *Journal of Vocational Behavior*. This second review returned 62 papers from which we selected 12 articles that treated TM and retention in general. The results of both searches are shown at Table 1.

Table 1: Literature review searches' results.

Search terms	**Web of Knowledge**	**Scopus**	**Duplicates**	**Subtotal**	**Title selection**	**Abstract selection**	**Content analysis**
"human resource*" and ("talent retention" or "talent management") and innovati*	20	22	11	31	16	10	4
"human resource*" and ("talent retention" or "talent management")	49	42	29	62	30	12	8

Thereby, the literature review allowed the observation of the studies that were already carried out and the opportunities to contribute with the literature, supporting the structure of the research. Serra (2015) presented the contribution of the literature review to support the research stating that the research gap is the basis for constructing the model and its hypotheses or propositions.

The content analysis of the selected papers led to the creation of the hypotheses and the selection of the HRM practices to be investigated. For the assortment of the HRM practices for the study, all the practices cited by the papers of the literature review concerning innovation were listed and counted. The practices that were mentioned by more articles were selected: rewards and incentives, performance appraisal and employee development.

However, it must be complemented by empirical investigation and quantitative analysis. The quantitative analysis aimed to: i) data collection of the most used TM practices that contribute to the retention in organizations; ii) the comparison of the differences between the practices used by the most innovative and traditional companies regarding management and retention of talent.

2.1. Data collection

The empirical investigation was based on the survey database that annually defines the Brazilian's *Best Place to Work*. This research has been performed since 2006 by the Institute of Administration Foundation (FIA), through the Studies in People Management Program (PROGEP). In 2017, the database's year used by this paper, the survey counted on answers of more than 250 thousand professionals from 450 companies, which allows consistent understandings of the Brazilian business scenario. In the policy of data use, it is stated that "the methods and procedures adopted are transparent and simplified, preserving the scientific and statistical legitimacy of research" and that "all the contents and criteria adopted by research are based on a solid theoretical basis about Human Resource Management", bringing credibility to the present study. Annually, the result of this research, *As 150 Melhores Empresas para Você Trabalhar no Brasil,* is published by the *Guia Você S/A* magazine.

The ranks of the Brazilian's Most Innovative Companies of 2017 performed by *Valor* magazine along with the Strategy& Brazil, from PwC, were used to identify the most innovative companies of the MEPT rank of 2017. Their methodology defines innovation as "the generation and structured development of new ideas in regular basis that generates significant value for companies" and evaluates the companies qualitatively by the following criteria: intention to innovate, effort to effectuate the innovation, obtained results, and market evaluation. Their methodology emphasizes that, to attend the survey, the companies' intention and efforts to innovate must happen primarily in Brazil. The database of this research was not used on the paper, we only considered the list to select the companies that were awarded on both ranks.

The intersection of the 150 best companies to work with the 150 most innovative companies in Brazil was used to constitute the two groups of companies for the analysis: 35 innovative companies that were awarded by both ranks; and 115 traditional companies that were awarded as one of the best places to work but were not ranked as one of the most innovative ones.

Both MEPT and the most innovative companies research were based on the voluntary enrolment of the firms. Hence, we can infer that the participation of the company on one research or both means that the company wish to be publicly recognized by its efforts to seek for excellence on HRM systems and/or innovation practices. Therefore, the “traditional” nomenclature indicates only that it was not awarded or participated on the most innovative research and is not linked to any management or performance characteristics of these companies.

The list of companies published by the *Guia Você S/A* is established according to the “Index of Happiness at Work” (IFT) that is composed by the following:

- Labor Quality Index (70% of the IFT): formed by results related to the employee's view of the company, in the framework of an organizational climate survey.
- Quality Index of People Management (30% of the IFT): formed by results related to "what the company offers its employees", through analysis of quantitative and qualitative material and journalists’ interviews.

The study presents a comparison of the practices declared in the Quality Index of People Management by the innovative companies versus those carried out by the traditional companies to observe if there were differences in the development of actions that contribute to TM and retention.

The creation of the two groups of companies and selection of the most relevant HRM practices in the TM and retention literature allowed the determination of the specific data to be studied. Thus, the data concerning rewards and incentives, performance appraisal and development of employees was chosen.

2.2. Data analysis

For the analysis of quantitative data, the percentage of companies in each group that developed these practices was calculated. Then, the percentages of use of the practices were compared, analyzing the differences found based on the theoretical reference presented. Only differences above 10% between the two groups were considered relevant. The data was discussed considering the practices they were linked to. The data that was divided into groups of employees (directors; managers and supervisors; administrative, technicians and operators; and sellers) was used to determine if the approach of most of the companies to manage and retain talents was inclusive or exclusive in Brazil.

3. Theoretical foundation

Talent management (TM) is a strategic theme for the human resource management (HRM) researches and practices. Thunnissen et al. (2013) made a literature review of definitions of TM and concluded that "talent management seems to be considered as a transformation process; talents are used as inputs in order to achieve outputs strongly related to organizational objectives." (Thunnissen et al., 2013, pp: 1754). This implies that TM is a field in development. A convergence agreement in all definitions is relating TM to firm's strategy and objectives. So, TM is understood as a dynamic process and involves many HR processes, including attraction, development, engagement and retention of employees in strategic roles of an organization (Davies & Davies, 2010).

According to Aagaard et al. (2014) the efforts to identify and describe the nature of the relationship between innovation and HRM are recent. The authors point that the literature emphasizes that a consistent HR system is critical for the success of innovative companies. The alignment of different HR practices, employees' skills, knowledge and motivation, along with a value-added strategy can influence performance and innovativeness. So, TM practices may contribute with innovation development.

There is a wide discussion about the definition of talent. Theoretical approaches to talent were grouped into: "'object' (i.e., talent as natural ability; talent as mastery; talent as commitment; talent as fit) versus 'subject' (i.e., talent as all people; talent as some people)" Gallardo-Gallardo et al. (2013 pp: 290). Object is related to characteristics of people and the contribution each employee offers to a firm. Subject relates to workforce, understanding talent as people.

Subject approach is divided into "inclusive" and "exclusive'. Gallardo-Gallardo et al., (2013) analyzed both views and concluded: "the inclusive approach to talent-as-subject sees the term 'talent' as including everyone in the organization." and "the exclusive approach is based on the notion of segmentation of the workforce" (Gallardo-Gallardo et al., 2013 pp: 295). The authors explain that organizations should align the TM approach to its strategic model, developing HR policies that contribute with employee's performance. An organization whose employees have the same responsibility and contribution with strategy can use the inclusive approach, while an organization that presents different levels of responsibility can use the exclusive approach.

Thunnissen et al. (2013) bring up a wide review of talent and TM. The authors criticize the focus on organizational goals, and the lack of focus on employees needs and well-being. They propose to understand more than just economic benefits, but also individual and societal well-being. Also reveal individuals job preferences showing that "besides financial rewards and job security, we expect that most employees prefer a challenging job that meets their growth and social needs, and that they desire to be treated in a fair and just manner." (Thunnissen et al., 2013 - pp:333).

Kong et al. (2013) consider that knowledge-based organizations are more innovative. As innovation is usually the outcome of new knowledge and driven by individuals, organizations must manage their HR effectively. Aagaard et al. (2014) agree that knowledge is created and stored within individuals. The company's human capital is the most important factor to enhance its innovative capacity.

TM is a structured way to work with human capital, according to Aagaard et al. (2014). For O'Connor et al. (2018), the development of TM can help innovative companies to build an expertise for strategic innovation and make strategic innovation an enduring organizational capability. However, developing and retaining innovation talent is a challenge in companies as it is not clearly manageable, and organizations are lacking talent in the innovation area.

Even though firms claim to try to cultivate innovation, O'Connor et al. (2018) argue that, to be experienced in it is not considered relevant in the company, because innovation projects are determinate as fringe activities.

Kong et al. (2013) point that the departure of talents also means the loss of knowledge capabilities and can stifle the companies' ability to innovate and sustain their competitiveness. However, the authors also argue that some employee turnover can benefit the organizational knowledge. Aagaard et al. (2014) add that, to optimize the benefits from existing human capital, firms can hire externally experienced talent to have access to new knowledge.

Festing et al. (2013) investigated TM practices in small and medium German companies and observed prevalent use of inclusive approach (54%). The other half of this samples focused on exclusive groups: 29% on technical experts, 10% on management/executives and 8% on high potential talent. The understanding of different practices allowed the researchers to split the companies in 3 clusters: highly engaged TM, with high investments in training and other retention practices, also investing in strategic attracting, inviting talented people to join; retention-based TM, presenting considerable investments in training and retention, but not focusing on attraction practices; reactive TM, low development of TM practices when compared to other clusters.

Festing et al. (2013) also reveals that small companies are more likely to be passive and less participative in war for talents, developing inclusive practices and being economic in investments for attraction and retention compared to larger companies.

Looking through the view of HR managers, McCracken et al. (2016) looked for practices that contributes with graduate recruitment, development and retention, and found out that the following factors that contribute with employee retention: "access to extensive coaching, career development planning, shadowing, independently directed learning and visits to customer organizations, and international office locations" McCracken et al. (2016, pp: 2746).

Hausknecht et al. (2009) investigated 12 factors to understand which ones contribute to employee retention. They focused on high performance employees, considered the talented ones, and explained that companies need to retain them since they contribute to reach strategic goals. Thus, replacing low performance employees with workers who bring greater skills and abilities to the organization contributes to the firm’s development. For both high and low performance workers, the three main reasons to stay in a job are: 1^{st} job satisfaction; 2^{nd} extrinsic rewards; and 3^{rd} constituent attachments.

O’Connor et al. (2018), Kong et al. (2013) and Aagaard et al. (2014) agree that companies can retain talents in innovation through the following HR practices: differentiated employee development and assessment and reward systems, hence leading firms to be more innovative and competitive.

Development

Career development is deeply related to talent retention. There are two ways of facing career management: i) individual approach – every employee is responsible for their own career development; ii) organizational career management – the company contributes to career development to increases value and uniqueness of its workforce. Some researchers found that organization career management is a past issue and show individual responsibility as a current practice. An empirical research with Belgium companies found that companies that have a workforce based on value and uniqueness invest on career development practices – to keep talents. In other view, companies with low workforce based on value and uniqueness do not invest on those practices, once their workforce is easily substitute (De Vos & Dries, 2013).

McCracken et al. (2016) brought up the exclusive and the inclusive views of TM and found out that the companies naturally use an exclusive treating for graduated talents and offer coaching and mentoring programs, sharpening competencies and skills. Hausknecht et al. (2009) found that market high performance workers are more likely to stay when they see personal and financial benefits, including opportunities of developing.

O'Connor et al. (2018) exemplify two different approaches to develop innovation talent in companies that were part of their study. In the first approach, the company assessed their promising employees according to some capability dimensions, and identified some of them as a talent to be part of the talent pools. In the second one, organization used a personalized approach. Individuals were nominated as potential innovation talent and, then, the HR and the innovation directors worked together to map a development plan for the employee within innovation function. The development map could have a set of knowledge, norms of behavior, and processes that the individual would need to conduct new business creation activities, for example, and person's attitude and mindset that differentiate people with innovation talent. However, these companies were isolated cases among many that were studied by the authors.

Performance appraisal

Talent is very associated with high performance. A research run with nine multinational companies to understand the influence of telling or not their employee if they are or are not considered talents and found that performance appraisal contributes to:

> "commitment to increasing performance demands, building competencies that are valuable for their employers, and actively support its strategic priorities;

identification with the focal unit; and lower turnover intent" (Bjorkman et al., 2013, pp: 195).

The only factor examined that was not related to those who perceive they are identified as talent was of identification with the company.

The relation between high performance organizations' culture and retention was revealed by Kontoghiorghes (2016), showing that building the type of culture that allows high-quality performers to work well can contribute to develop a talented and motivated workforce, generating retention and competitive advantage.

The performance appraisal systems most observed in large companies by O'Connor et al. (2018) are highly related to the number of people reporting to the individual and size of the budget a person manages to decide about promotions, salary and job classification. But innovation experts usually have small teams and budgets, except when the project is in a very advanced phase. Aagaard et al. (2014) argue that innovation-related appraisals address the effectiveness of individual or collective level assessments and the mutual use of team-based appraisal and performance rewards to stimulate the employee innovative behavior.

Also, the high levels of uncertainty of innovation projects cause a series of factors that surpass individual and team control. Thus, O'Connor et al. (2018) consider more appropriate to assess people who work with innovation projects performance considering what is under their control, such as the gaining of new insights, creation of partnerships and design of experiments, for example. It can result in new opportunities, relationships and strategic driven business for the company, along with the retention of innovation talent.

Rewards and incentives

Extrinsic rewards are defined by Hausknecht et al. (2009) as "the amount of pay, benefits, or equivalents distributed in return for service.", and incentives are defined as "perceptions about the length of service to the organization" (Hausknecht et al., 2009, pp: 271). The authors explain that those factors are very related to employees' retention, since they give the employees a sense of getting a fair recompense for the work devoted. Comparing high performers and low performers, the first group cited investments more often than extrinsic rewards as retention factors.

It was pointed by Aagaard et al. (2014) that a great part of the literature that discuss HRM and innovation focus on rewards as a driver for innovative behavior. O'Connor et al. (2018) stress about the great value of innovation expertise for the company. They believe that companies should ensure that innovation project managers could eventually have the chance to interact with senior management and see innovation as a possibility for career growth, as they are responsible for cultivating opportunities that lead to new platforms for the company's growth.

However, that is an inconsistency in the reward system, particularly to those who work with strategic innovation business, that deal with ambiguity. O'Connor et al. (2018) argue that entrepreneurial leaders that can manage by influence technical or business teams are difficult to find, and they are not appropriately rewarded. Aagaard et al. (2014) point that team diversity and the combination of long-term and short-term incentives were associated with incremental innovation.

One of the most promising financial incentives applied for innovation employees observed at O'Connor et al. (2018)'s study was a performance incentive plan on which a set of objectives that are appropriate for the time and maturity level of the project led to bonuses that were partially, fully or even beyond 100% granted according to the degree to which the objectives were achieved in the period. This approach can encourage and reward the right practices, in addition to alignment of the extrinsic with the intrinsic rewards system, if the objectives are specially developed for the high uncertainty context of innovation. But other structures of financial incentive observed by the authors can hinder innovation. For example, phantom stock for the team can create a competition mentality instead of a unifying identity within the company, and offer the spin-off of emerging business because of the difficulty to keep both business strategic intent aligned, which usually leads the established company to fail on the promise to buy the business back in the future.

4. Result analyses

There were 35 companies from the rank of the Brazilian's Most Innovative Companies of 2017 that also figured on the list of the 150 *Best Place to Work* rank of 2017 (23%). So, a comparison between practices develop for those two companies' groups was made to identify similarities and differences.

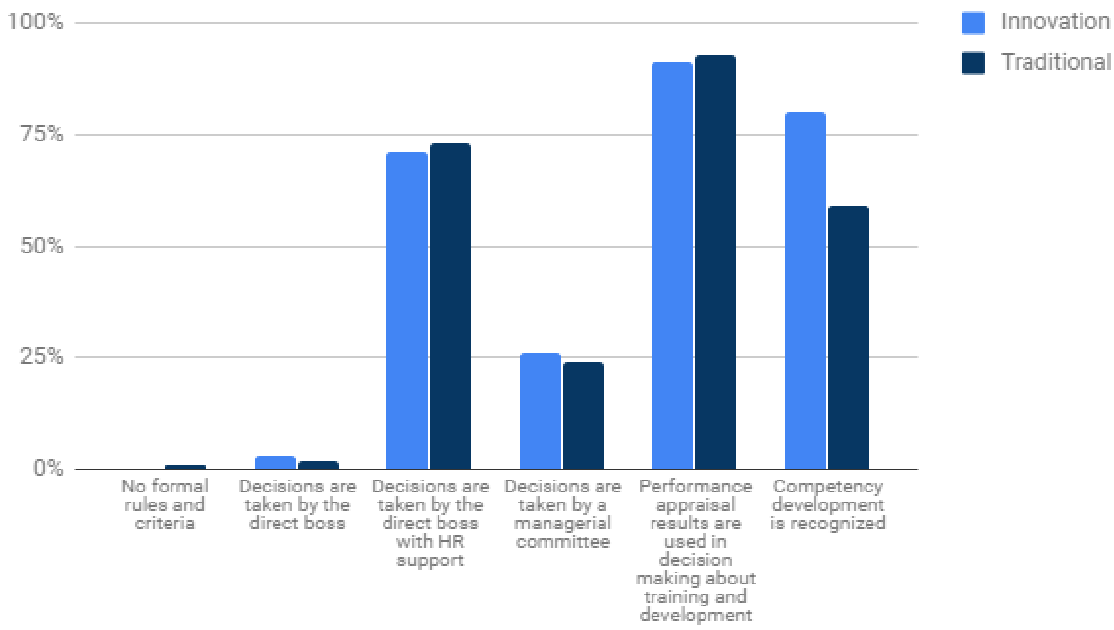
Data about how innovative and traditional organizations utilize their development, rewards and performance appraisal were analyzed.

Career Development

Concerning employee development, we analyzed the formal method for decision-making of promotions. The activities of innovative and traditional companies are similar. Nevertheless, in both groups decisions about promotions are made mostly by the immediate superior with the formal support from HR, in 72% of the companies; followed by a committee of managers decision, 25%; and almost none of the companies base the promotion decisions only on the immediate superior, as shown in Figure 2. This result indicates a predominant usage of organizational career management when the career development is promoted by the company, contributing with employees' retention by offering formal ways of growing (De Vos & Dries, 2013).

Also, performance appraisal results are used in decision making about training and development, indicating that it's used to build individual development plans, as pointed by O'Connor et al. (2018). And competency development is used as a non-financial recognition practice applied by most companies, being more significantly used by the innovative firms (80% vs. 59% of the traditional), showing similar results than those found by McCracken et al. (2016), that observed that the companies naturally use an exclusive approach to define development plans.

Figure 2: Decision making about promotion / development. (MEPT topics V856, V858, V860, V862, V898, V774)



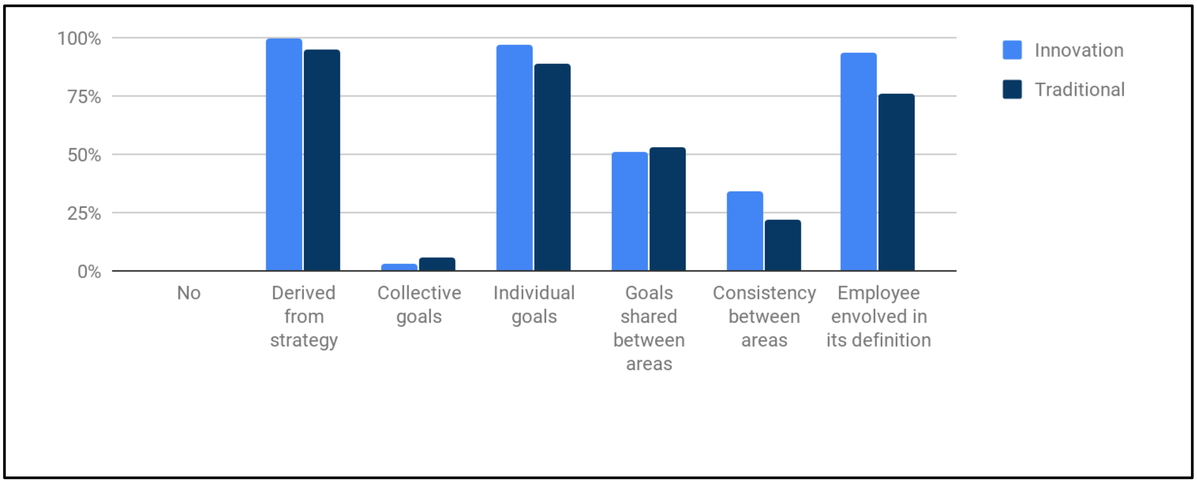
Performance appraisal

The performance appraisal was approached by the questions about goals and the assessment of non-managerial employees.

Relative to the use specific goals shared between different areas, almost all the companies utilize goals derived from strategy, only 5% of the traditional companies do not. In both groups of companies, the goals are predominantly individuals, as in 97% of the innovative and 89% of the traditional companies. There was a significant difference when the people responsible for the implementation of the goals also participate in its definition, as 18% more innovative companies use this practice, totalizing 94% of innovative companies and 76% of traditional, as shown in Figure 3. So innovative companies are more aligned with O’Connor et al. (2018) study, that considers more appropriate to assess people who work with innovation projects performance considering what is under their control. Thus, participating on goals definitions allows employees to negotiate goals whose performance they can manage.

Innovative companies showed to analyze more the consistency indicators of the different areas, when compared to traditional companies. However, the overall usage of the consistent indicators between areas was not significant: it is applied by 34% of the innovative companies and 22% of the traditional ones. Shared goals between areas are similarly used in both groups, about 50%. These results are also aligned with O'Connor et al. (2018), since sharing goals with other areas implies less control of results.

Figure 3: Goals are defined in a formal and structured way. (MEPT questions V429, V431, V435, V436, V437, V439, V443)



The performance appraisal process of non-managerial employees, shown in Figure 3, is applied regularly, at least once a year, in all the innovative companies and in 98% of the traditional organizations. Figure 4 shows that innovative companies also are unanimous when using the results of evaluations in decisions on remuneration, 97% of them use it in decisions about career move and 91% in decisions about training and development. This result can be associated to the need of stimulating the employee's innovative behavior using appraisals that address the effectiveness of individual or collective level assessments, as explained by Aagaard et al. (2014).

On this respect, traditional companies have a different approach: 78% of the firms use evaluation in decisions regarding remuneration, 22% less than the innovation group. And 84% of traditional companies use the outcome of the assessment to make career-moving decisions, 13% less than innovation firms. However, more traditional companies have a similar use of performance appraisal for decisions concerning training and development.

Regarding to who participates in the evaluation process, Figure 4 shows that in both groups 97% of companies have their employees assessed by their immediate boss. In 91% of the innovative companies the employee makes a self-evaluation, but fewer traditional companies have this practice, only 82% of them. A more significant difference observed was when the employee was evaluated by the superior of his boss: 27% more innovative companies use this approach than the traditional groups, the overall usage of it is 46% of the innovatives and 19% of the traditionals. Yet, in 40% of the innovative firms, the employee is evaluated by his peers, while in traditional organizations it is a 23% rate, totalizing a difference of 17%. O'Connor et al. (2018) defend the importance of project managers having the chance to interact with senior management in their projects, demonstrating the importance of innovation process and associating this interaction to the possibility of career growth. So, being evaluating by the superior of one's boss can be an indicative of changes to interact with superior levels. Also, Figure 5 reveals that most innovative companies use performance evaluation results to address career development decision, while traditional companies use those results more focused on training and development. It also reveals that both innovative and traditional companies use assessment results in remuneration practices, yet, while 100% of innovative companies employ it, only 78% of traditional companies use assessment results in remuneration practices.

Figure 4: Performance appraisal process of non-managerial employees. (MEPT questions V886, V888, V892, V893, V894, V895)

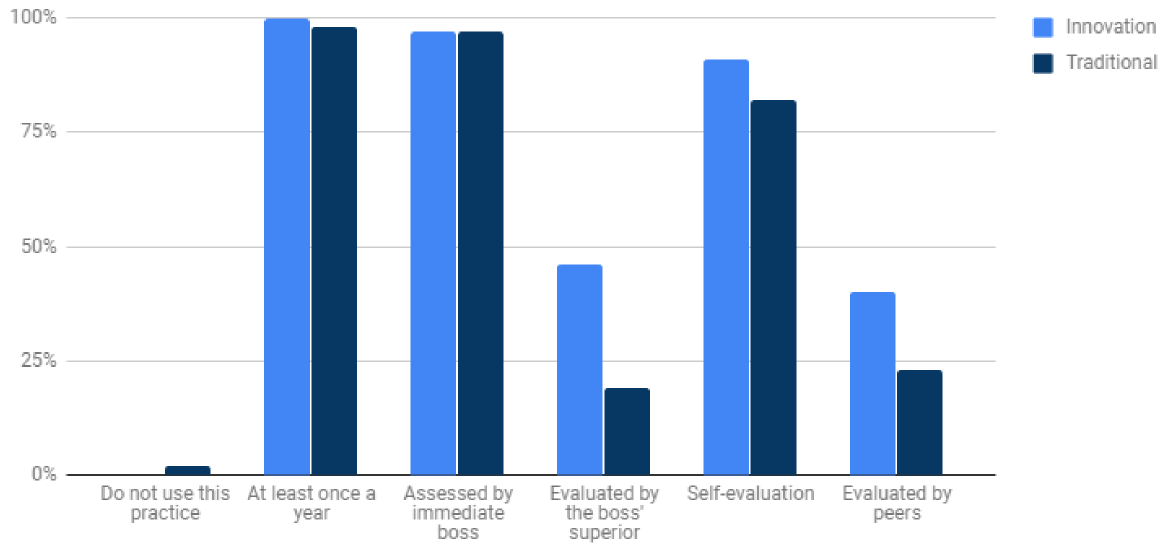
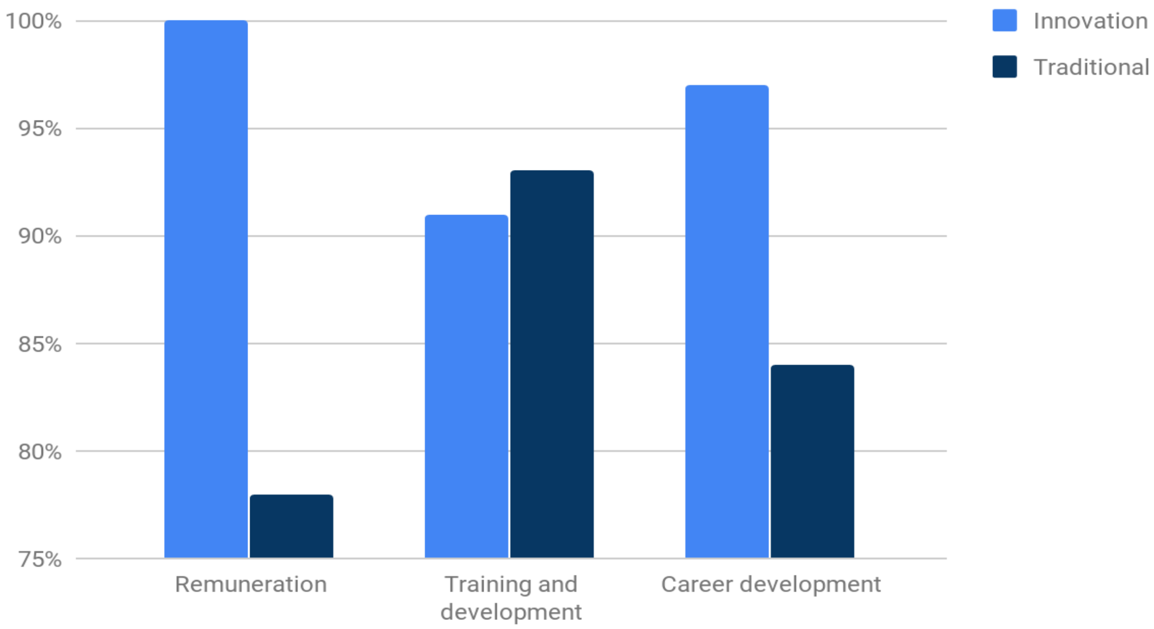


Figure 5: Use of performance appraisal results. (MEPT questions V896, V898, V900)



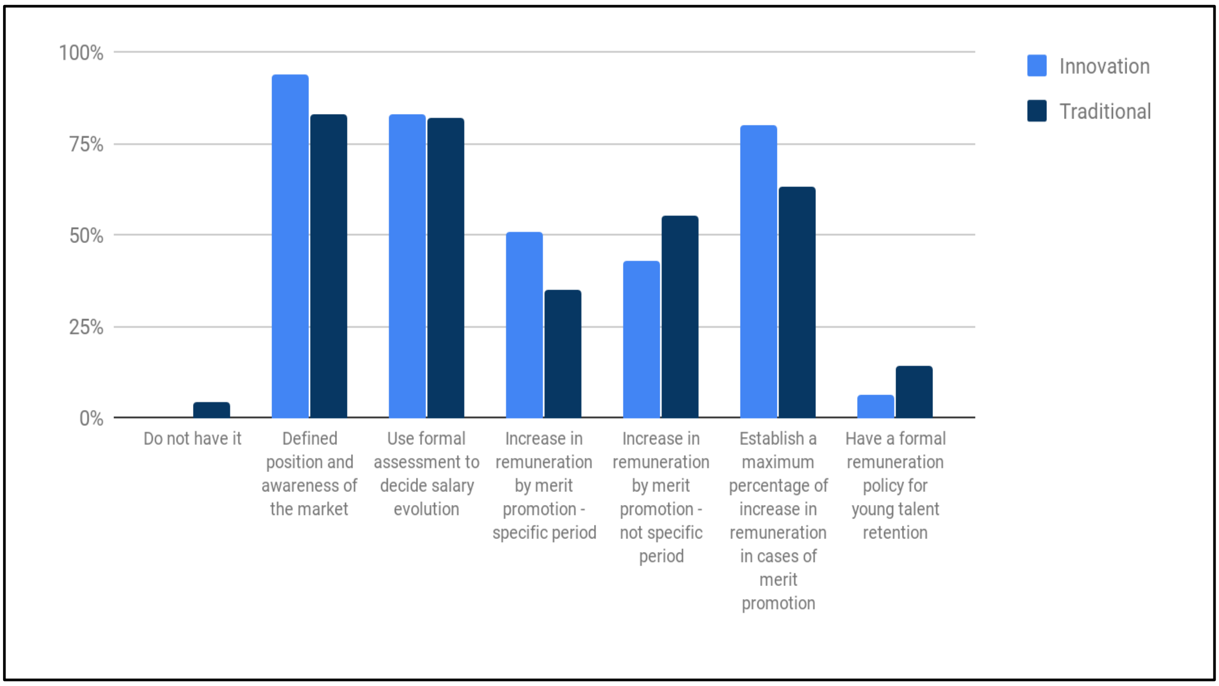
Rewards and incentives

Rewards and incentives were the most addressed subject in the literature and the one that gave us more data to be analyzed in this paper: remuneration programs and practices, benefits policies and non-financial recognition.

All the innovative companies have a formal and structured remuneration program, while 4% of the traditional firms do not, as shown in Figure 6. Having a structured program is strategic, since remuneration is pointed as a key factor of retention once employees associate it as a return for the service they offer to a company and look for a fair trade (Hausknecht et al., 2009). 94% of the innovative organizations have a defined position and are more aware of how they pay in relation to the market, whereas 83% of the traditional group have this concern, which means 11% less. A little bit more than 80% of the companies of both groups use formal assessment instruments as a parameter to decide about employees' salary evolution. Innovative organizations are the majority when establishing a maximum percentage of increase in remuneration in cases of merit promotion compared to traditional firms, being this practice used by 80% of the first and 63% of the latter, differing in 17%. Wage increases occur mostly in previously defined periods in innovative companies, being it

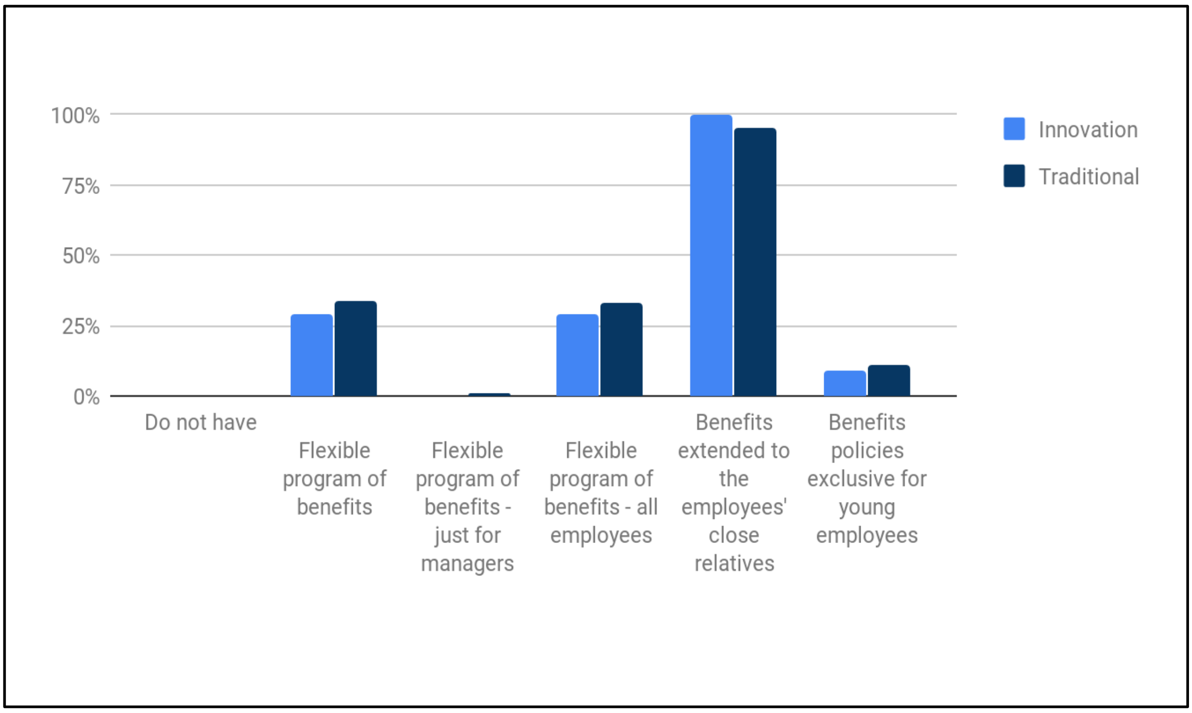
51%, against 35% of the traditional organizations; in 55% of the traditional companies the wage rise can happen in any period, 12% more than innovative firms. There is a low adoption of specific wage policy for young talent retention in both groups, being a little more significant in traditional companies, 14% of them and 6% of the innovative ones.

Figure 6: Formal and structured remuneration program. (MEPT questions V629, V631 - V636, V638, V640, V642, V644)



The policy of benefits showed a low difference in the performance in the innovative and traditional groups as can be seen in Figure 7. All companies from both groups adopt formal policy of benefits, being those benefits extended to the employees' close relatives, except in 5% of the traditional companies. A portion of the companies, 34% of the traditional and 29% of the innovative ones, give all the employees the possibility to choose between several benefits through a flexible program of benefits. And, finally, only a low rate of the companies has benefit policies exclusively for young employees, 11% of the traditional and 9% of the innovative companies.

Figure 7: Benefits policies. (MEPT questions V646, V648, V649, V650, V651, V652, V654, V656)



The analyzed data provided a range of variable remuneration practices that were divided between short-term, long-term and other types of practices. 11% of the traditional companies assumed not to use any variable remuneration practice in their HRM system. Meanwhile, 100% of the innovative companies apply it, what is aligned with Aagaard et al. (2014) study, who questions the literature “one size fits all” approach and reinforces the importance of considering the structural and environmental context of innovation projects to define HRM activities.

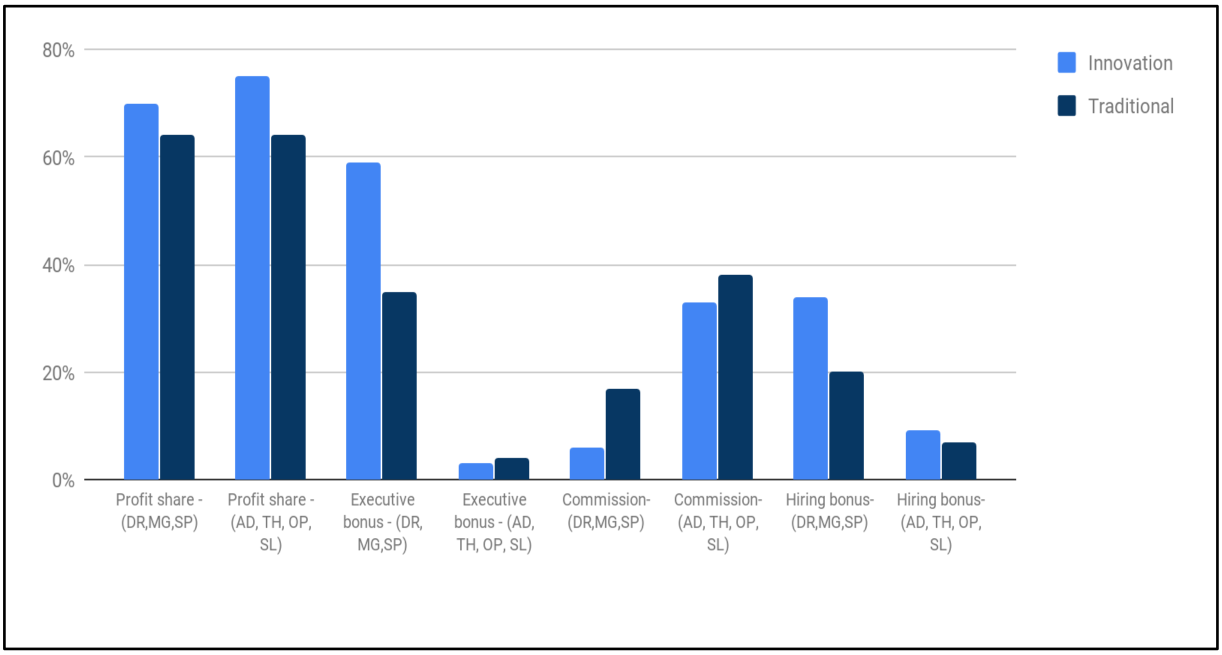
Between the short-term variable payment practices, 72% of the innovative companies and 64% of the traditional ones share their profits and results with the employees, and only the innovative companies make a difference between which employees receive it: 70% of the companies pay the profit sharing or results to directors, managers and supervisors (DR, MG, SP) and 75% pay it for administrative, technical, operational and sales staff (AD, TH, OP, SL), as shown in Figure 8. The use of performance pay can stimulate the employee’s innovative behavior, according to Aagaard et al. (2014), but only profit sharing and results that are not directly linked with employee’s performance is used by more than 70% of innovative companies.

The executive bonus is adopted by 59% of the innovative companies for directors, managers and supervisors, against 35% of the traditional organizations, a 25% difference. Despite this bonus being aimed for executives, about 3% of the companies of both groups use this practice for administrative, technical, operational and sales staff. The hiring bonus follows a similar path: 34% of the innovative companies and 20% of the traditional ones use it for directors, managers and supervisors, which means a difference of 15% between them; and 9% of the innovative and 7% of the traditional companies give this bonus for administrative, technical, operational and sales employees.

Commission and awards are more commonly applied by traditional companies (38%) than by innovative (33%) when it is aimed for administrative, technical, operational and sales employees. But, although in a smaller rate, when it is used for directors, managers and supervisors, the difference is higher: 17% of the traditional and 6% of the innovative companies.

The differentiated use of variable pay for executive and operational employees in a much higher frequency for directors, managers and supervisors show that there may be an exclusive approach for talent management and retention especially in innovative companies.

Figure 8: Short term variable remuneration. (MEPT questions V720; 723 - V737)

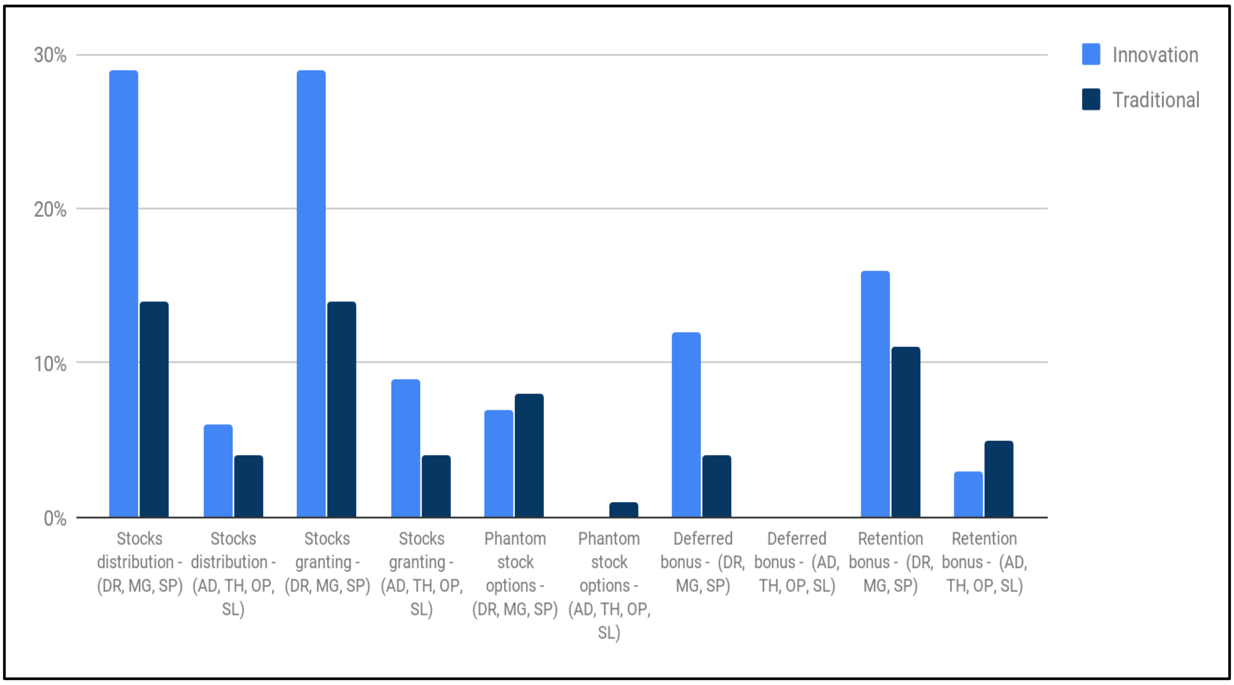


Among long-term variable remuneration practices there were analyzed plans for distribution, granting, options of stocks or phantom stock options to employees and deferred and retention bonus, as shown in Figure 9.

The stocks share is mostly granted by distribution plans and concessions for directors, managers and supervisors by 29% of the innovative companies and 14% of the traditional, a 15% difference. Yet, phantom stock options have a similar usage by the two groups, about 7% granted executives almost exclusively.

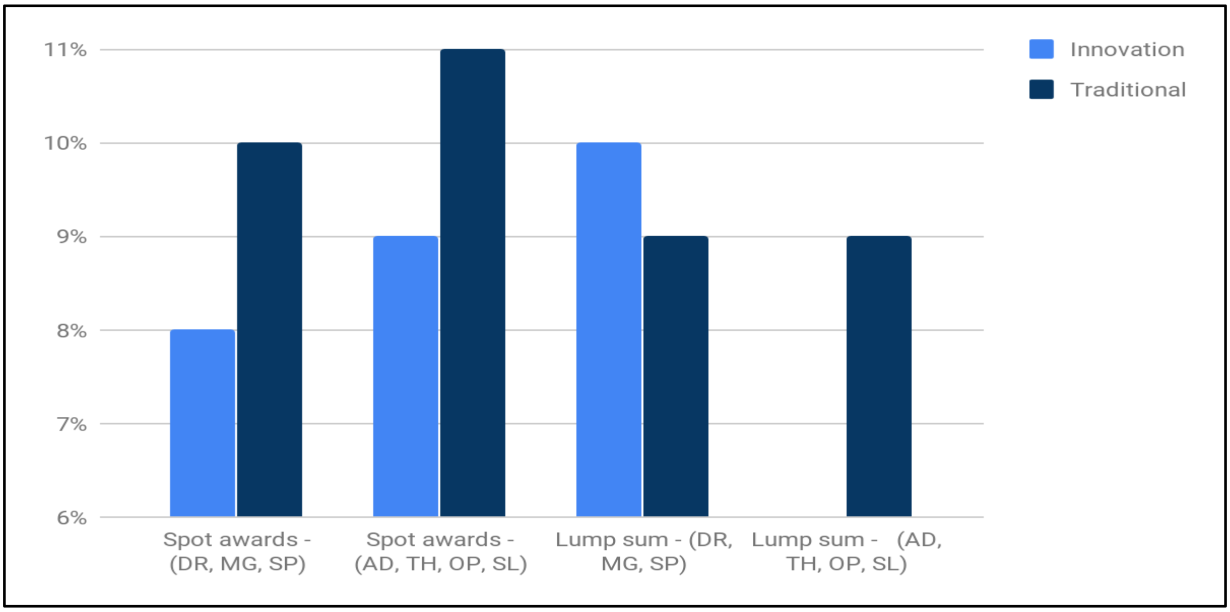
The deferred bonus is conceded exclusively for executives in 12% of innovative companies and 4% of the traditional. Retention bonus is conferred for directors, managers and supervisors in 16% of the innovative and 11% of the traditional firms; this bonus is less common for administrative, technical, operational and sales employees, used for about 4% of the companies. Phantom stock option for directors, managers and supervisors is practiced by 8% of traditional companies and 7% of innovative ones, being almost exclusively for executives. O'Connor et al. (2018)'s study showed that structures of financial incentive like phantom stock can hinder innovation creating a competition mentality instead of a unifying identity within the team.

Figure 9: Long term variable remuneration. (MEPT questions V738; V741 - V759)



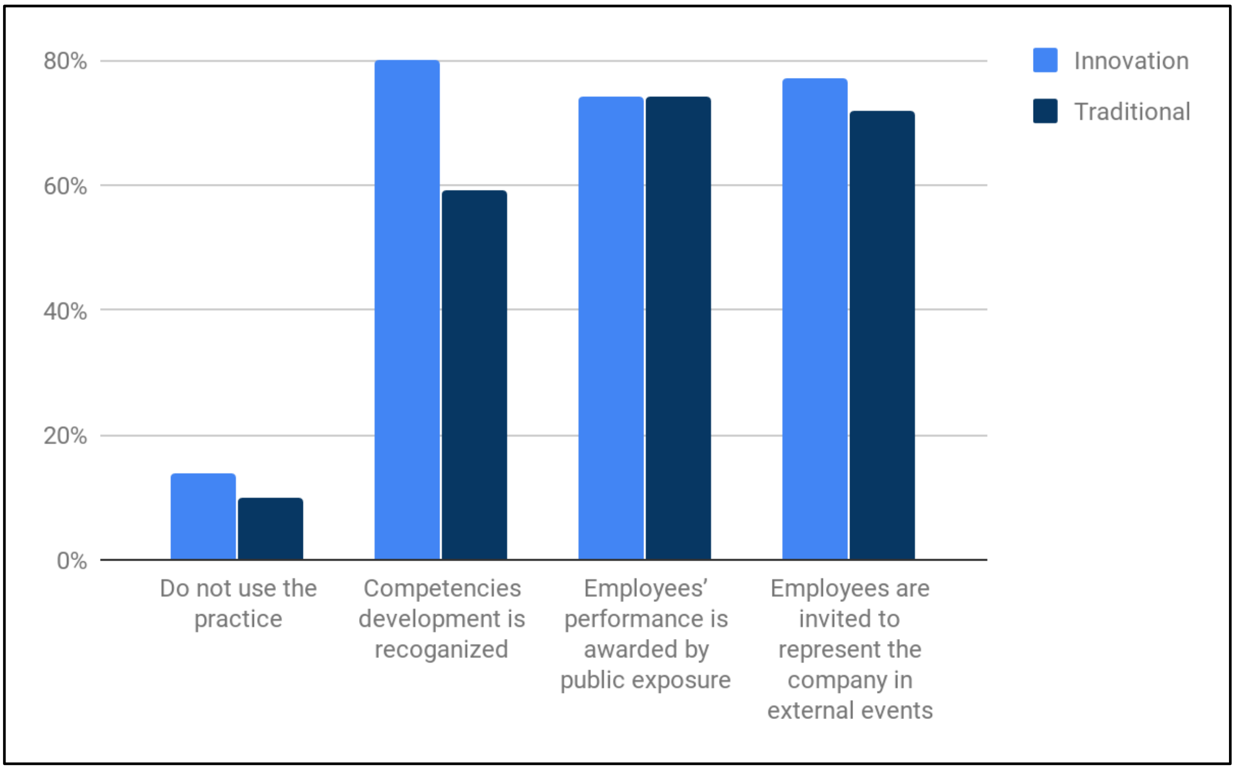
Other variable remuneration practices submitted by the companies were spot awards and lump sum. Spot awards and lump sum are similarly used for executives and operational employees in both groups by about 9% of the companies. The only difference is that lump sums are more applied by innovative companies for directors, managers and supervisors (10%) than for administrative, technical, operational and sales employees (6%), as shown in Figure 10. The low use of lump sums by innovative companies is positive, according to O'Connor et al. (2018), that state that this practice can work against innovation.

Figure 10: Other variable remuneration. (MEPT questions 760; 763 - V768)



The non-financial recognition practices, shown in Figure 11, are formally adopted by 90% of traditional and 86% of the innovative companies. The organizations considered innovative presented the recognition of developed competences 21% higher than traditional ones, being applied by 80% of the innovative and 59% of the traditional firms. Employees' performance is awarded by public exposure or invitation to represent the company in external events evenly by innovative and traditional companies, in about 75% of them.

Figure 11: Non-Financial recognition. (MEPT questions V772, V774, V776, V778)



Conclusion

The HRM literature showed that innovation is driven by individuals within the organization, enabled by its strategy, structure and resources, and TM is a structured way to work with human capital. The development of TM can help innovative companies to make strategic innovation a lasting organizational capability. Companies can retain talents in innovation through employee development, and assessment and reward systems. The employee development showed to have a more exclusive and organizational approach when applied to innovation. Innovation-related appraisals should focus on the effectiveness of individual or team assessments and on evaluating performance considering what is under their control. The use of performance payment can stimulate the employee's innovative behavior and the combination of long-term and short-term incentives are associated with incremental innovation. However, when it comes to strategic innovation, short-term based incentives can be counterproductive and be an obstacle for long-term innovation projects development and completion. Finally, it was emphasized the value of innovation capability for the company, so innovation capability should be rewarded through promotion to keep employees within the innovation function. But stock and spin-offs within the company are not a strategic tool, since those can hinder innovation.

Thereby, the research questions *Which practices of talent management do innovative companies use to retain employees? Do innovative companies use different practices of talent management to retain employees than traditional companies?* can be answered.

The innovative companies showed to use mostly the following TM practices to retain talents: the employee's immediate boss have the formal support of the HR function in decisions about promotions; the company has defined position of payment in relation to the market and establishes a maximum percentage for remuneration increase in case of merit or promotion; companies use formal evaluation instruments as a parameter for employees' salary evolution, training and development, and career move decisions; there is mutual participation of the immediate boss and the employee on the establishment of goals and assessment process; most evaluations occur on an individual level; the usage of performance pay is perceived mostly by profit sharing and results; employee's skill development is recognized and awarded with public exposure and invitation to represent the company in external events. Nonetheless, how the merit is measured to lead to a payment merit or promotion may not be properly suitable for individuals who work with strategic innovation, causing career problems as pointed by O'Connor et al. (2018).

The results show that, compared to the innovative companies, fewer traditional companies: have a defined position and awareness of their payment practices in relation to the market; recognize the development of the employees' competences; include those responsible for achieving the goals in its definition; establish a maximum percentage for remuneration increase in case of merit or promotion; and use the result of evaluations in the decisions regarding the remuneration and career movement of employees.

Accordingly, we can conclude that H1 was confirmed, as most of the used practices indicated an exclusive approach. H2 was not confirmed, because most of the practices utilized by innovative companies were related to the evaluation of employees. H3 was partially confirmed, due to the confirmation that traditional companies do use fewer performance appraisals and rewards and incentives practices to retain employees, but the use of development practices are similar.

Therefore, we conclude that innovative companies are using more differentiated evaluation, rewards and development practices to manage and retain talents. But, according to the literature, they can have a more intensive use of variable pay to reward their employees and enhance their TM.

The limitations of the paper concern the use of secondary data and the results are limited to awarded companies, a small universe of companies. Thus, the data refer to those companies that are recognized as having the best HRM practices, which may not reflect the Brazilian reality. There may be, in the traditional company's group, one or more organizations that develop innovation but do not appear in the innovation rank because they do not participate in the survey or are not awarded. Despite the companies of the innovation group being treated as innovative, the practices of the MEPT data are probably applied not only for innovative workers but for all the employees. In addition, it is not possible to determine if the analysed practices are adequate to all innovation degrees, considering incremental and strategic innovation are completely different from types of activities to durations that can range from a few months to decades.

Future research must be complemented by a deeper empirical investigation. A survey within the studied companies specifically about TM practices aimed for innovation employees could bring a deeper understanding of the correlation between those practices and the retention of innovation talents. Further qualitative research could help to capture how these practices are being used in innovative companies.

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