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Human Resource Management Strategies of a Start-up and Job Retention:
The Moderator Role of the Millennial Mindset

ABSTRACT

Facing a high turnover of millennial employees, start-up enterprises in the U.S. need to find means to improve the employees’ job engagement and retention by using human resource management strategies. To date, little management research has investigated the problem of dysfunctional turnover of Millennials in start-up firms. In response to this gap, this study develops a model, based on extant management theory, and proposes a blueprint using human resource management for start-ups who seek improved engagement and retention outcomes for Millennial employees.

KEYWORDS: human resource management strategy; start-up; job retention; millennial mindset

INTRODUCTION

Start-ups face daunting challenges in today’s globally competitive market. Among these, there is currently a high turnover rate of millennial employees for such enterprises in the U.S. (Hershatter, 2010). As a result, high turnover costs and lower employee engagement occur (Heskett, 2007; Cascio, 2010). Some millennial employees switched to a better or more mature company because of higher pay or reputation. Moreover, millennial employees are exposed to much more opportunities and choices, thus switching to another company after they gain job experience in start-ups. These losses are monumental to start-ups due to the high cost of turnover and lost knowledge, and cause a vicious circle, since remaining employees inherit higher workloads and decreased morale, hence lower engagement (Junginger, 2008). Yet this same group of employees offers many benefits including technological savvy, adaptability, and creativity. Therefore, job retention of Millennials has become a crucial issue for start-ups. And managing Millennials is a core competency for managing today’s workforce (Jonas-Dwyer, 2004).

To date, little management research has investigated the problem of dysfunction turnover of Millennials in start-up firms. In response to this gap, this paper presents a model, based on extant management theory and proposes a blueprint carried out by management-human resource management partnerships for start-ups who seek improved engagement and retention outcomes for Millennials. First, start-ups will be discussed, then Millennial mindsets and related human resource management strategies will be presented, accompanied by attendant propositions, and followed by a model. Finally, a conclusion with implications will ensue.

Start-ups and Millennials

Start-up businesses offer distinct advantages to Millennials. They have more room for creativity, both in terms of products and culture (Shaw, 2011). In other words, they have a strong flexibility to adapt to Millennials’ motivations. Compared with more mature organizations, in start-up businesses, managers can more readily design and cultivate an organizational climate and culture which meets Millennials’ needs and motivations. While the owners are in control of some aspects of the business, including the location and the overall operation of the business, the employees who work in the start-ups, are more likely to have a sense of participation, autonomy and accomplishment since they can meaningfully contribute to the organization. These benefits mirror the motivational characteristics of Millennials.
For definitional purposes, a startup company or startup “is a corporation, a partnership or temporary organization designed to search for a repeatable business model” (Blank, 2012). These young companies are usually in the product and market development stage. The work climate in a start-up, which usually has a small number of employees, also means it is easier to create an intimate atmosphere in the workplace. Relatedly, teamwork is very important in many start-up businesses.

However, start-ups also face many challenges. Start-ups are usually more costly and risky because there is no proven formula. Meanwhile, many of them cannot pay very high salaries to their employees because of the shortage of funds and limited financing. It may take a longer time for them to become profitable because the market may not already be established. Furthermore, they do not have the reputational power as to some mature and successful companies, which can attract potential employees.

**Millennial Mindsets and Human Resource Management Strategies**

Some factors must be considered with the Millennial mentality of boundaryless careers. Millennials are quick to move if the organization does not offer them enough support. On the other hand, Millennials will be loyal to organizations when they can get help with their perceived beliefs from the organization (Behrens, 2009). “Millennials” are defined as those individuals who entered the workforce in year 2000 or later (Han, 2011). The population of Millennial is the second largest in the US history (Sweeney, 2006). In fact, they are predicted to comprise almost 50% of the U.S. workforce by 2020 (Toossi, 2002). In such a changing, global and networked era, Millennials tend to prefer teamwork, technology, and work/life balance. They are also very competent at multi-tasking by employing advanced technology to produce high quality work (Heskett, 2007).

Such human resource management strategies include career development, financial rewards, work autonomy, compatible coworkers, person organization fit, coaching/mentoring, recognition, direct and indirect benefits, and job design. By matching these human resource management strategies and the Millennial mindset, start-up businesses will create an enticing and motivating working environment for the Millennial employees.

There are five characteristics that define Millennials. “They are racially and culturally diverse; extremely independent because of divorce, day care, latchkey parenting and the technological environment in which they were raised; more egalitarian in their social views than older generations; highly connected to their peers; and feel a true sense of empowerment (Schnorbach, 2009).”

Older generations prefer stable work, and therefore seem more loyal to the organization for which they work. But Millennials enjoy challenges and changes in their life. Therefore, Millennial employees are viewed as disloyal with a high turnover rate (Shaw, 2011).

In order to improve Millennial employee retention, managers need to understand how to enhance Millennial loyalty and engagement. Hershatter & Epstein proposed that Millennials will show loyalty if they feel valued and cared by organization. “Millennials are loyal to the organizations that are loyal to them.” (Hershatter & Epstein, 2010) If enough opportunity, mentoring and coaching can be offered by organizations, Millennial employees will more likely show high commitment to the organization. Therefore, unlike some observers’ opinion that Millennial employees are disloyal with a high turnover rate, they will show loyalty in organizations which offer family-like environment (Hershatter & Epstein, 2010). Hence, behaviors of Millennials can be seen as more of opportunities than obstacles (Carless & Wintle, 2007).

**MODEL DEVELOPMENT**
In reality, Millennials are eager for a fast path to be successful, and often exaggerate the impact of their own contributions. They believe they are all “above average” (Sweeney, 2006). In addition, they are eager to succeed because of the constant pressure they receive from both their family and society (Han, 2011). Therefore, they tend not to stay in an organization for a long time, but instead, to seek other employment opportunities instead if advancement is not offered (Heskett, 2007). In order to improve the retention of Millennials, companies need to offer and communicate with them about the potential of advancement directly (Han, 2011).

Furthermore, start-up organizations are capable of using human resource management strategies to engage, motivate, and retain Millennials in ways that are compatible with these employees’ unique mental models. Training and mentoring are one means of human resource management (HRM) interventions that improve job retention. By training and mentoring the Millennials, they can feel individual attention and support in their job and assumed will be loyal to the firm, thus improving the overall organizational performance (Han, 2011). At the same time, managers and HRM need to pay attention to the training methods. Compared with reading instructions, Millennials prefer to learn by doing (Sweeney, 2006).

For Millennials, Kolb’s learning model is particularly relevant. In Kolb's tilt model, the learning process has four stages. Firstly, learners acquire knowledge through observation and reflection which take direct experience as a basis for them. Secondly, after having these observations, learners can create corresponding theories and generate new ideas. Then, these theories and ideas will guide actions towards new experiences. Four different abilities are very important for learners: “Concrete Experience abilities (CE), Reflective Observation abilities (RO), Abstract Conceptualization abilities (AC), and Active Experimentation abilities (AE)” (Kolb, 1981). By combining this learning model with Millennials characteristics, their performance can be greatly improved. Thus, when start-up organizations develop and implement their training or coaching plans, they should enhance the interactive sessions to help Millennials learn new knowledge and integrate it into the organization with facility. Relatedly, since Millennials have some characteristics that are different from other generations, senior workers may need to coach them in how to adapt to the work environment (Behrens, 2009).

Kraimer et al. (2011) investigated the behavioral outcomes of employees’ perceptions of organizational support for career development. According to this study, employees will perceive development support from the organization if they took part in “formal developmental activities and experience with developmental relationships” (Kraimer, Seibert, Wayne, Liden, & Bravo, 2011). Transfer of training must also be affected to employees to enhance their perceived organizational support, this research implies that in order to improve job performance and lower the possibility of turnover, it is important to letting Millennial employees feel the career opportunity and organizational support (Kraimer et al., 2011). Therefore, it is not hard to imagine that if appropriate methods are employed and transfer opportunities are provided, Millennial employees can be strongly motivated by training and mentoring offered by start-up organizations.

**Proposition 1:** Millennials are strongly motivated by training and mentoring, and they will transfer their training into work practice effectively if appropriate methods are employed and transfer opportunities are provided.

Financial reward is the most important method of compensation. Financial reward is both direct and indirect bonus, but Millennials also perceive it as the recognition of his/her ability at work (Han, 2011). “Compensation packages also include elements beside basic salary such as long-term incentives, health insurance, after retirement benefits, bonus, pay for the time off, welfare benefits and the like (Han, 2011)” Moreover, Millennials are recognized as more creative than other generations since they have more opportunities for exposure to new things (Raines, 2002). Egalitarianism is critical to this
group of people. Start-up organizations need to find some innovative ways to incentivize Millennials’ creativity and contribution to the organization. A pay-for-performance human resource tactic is an appropriate method (Han, 2011). It improves job satisfaction, engagement, and retention. Undifferentiated wages for this generation is no longer feasible. Similarly, R & D is the core competitiveness of start-ups. By encouraging innovation, the competitiveness of start-ups can be increased (Han, 2011). Therefore, many organizations, especially the start-up enterprises choose pay-for-performance strategy as an effective means to attract and retain Millennial employees.

Proposition 2: Millennials are strongly motivated by direct and indirect compensation, and pay-for-performance strategy is an effective means to attract and retain Millennial employees. Pay-for-performance should also focus on innovation contributions.

Millennials have a strong sense of the balance between work and life, if they suffer high pressure or excessive hours in start-up organizations, they will quickly lose their interest and commitment in their jobs (Han, 2011). More important, Millennials do not want to work overtime and damage their health, their leisure time, and their family life, even if offered considerably higher salaries(Sweeney, 2006). “They prefer to keep their time and commitments flexible longer in order to take advantage of better options; they also expect other people and institutions to give them more flexibility.(Sweeney, 2006)” Because Millennials attach great importance to work-life balance, they prefer flexible career paths (Carless & Wintle, 2007). Job autonomy is also an important issue for this group of people. Organizations should offer Millennials flexibility and respect in the workplace, and help them to improve their ability of using time reasonably and finding a balance between their life and work (Giere, 2008).

Proposition 3: Millennials are strongly motivated by high job autonomy and work-life balance.

Millennials are more inclined to look for work with social significance, because of their strong sense of civic responsibility (Han, 2011). They are capable of interpreting organizational culture and try to realize their own values by working in organizations which can have a positive impact on the environment and society (Hershatter & Epstein, 2010). When facing many choices, they are more willingly to choose the company with a friendly environment and better social responsibility (Han, 2011) . Therefore, in order to enhance Millennial employees’ engagement and lower the turnover, start-up organizations can establish a social responsible image and construct environmentally friendly work settings.

Proposition 4: Millennials are strongly motivated in the organizations which are socially responsible and environmentally friendly.

Millennials are digital natives and natural-born technologists. This feature is the biggest difference between Millennials employees and others in the organization, and can be a competitive advantage for start-up firms because of the development of economic globalization and the 24/7 economy (Giere, 2008). Millennials prefer to work at an organization which assists employees improving their technological abilities with practice (Behrens, 2009). They need an innovative culturally orientation. “The more firmly the organization is wedded to the rigid vertical hierarchies and training programs (with old school solutions), the tougher it will be to hire these techno-savvy people.(Behrens, 2009)” Managers can also employ reverse mentoring strategy, which means letting young Millennial employees teach senior employees of how to use technology in their daily life. Millennial employees and experienced staffs can teach each other mutually (Behrens, 2009). By doing so, the emotional connection between Millennials and
senior employees will be strengthened. It will also increase Millennials’ sense of accomplishment and satisfaction. Furthermore, Millennials have a strong work ethic. If the start-up integrates their work ethic into a workplace effectively, they will make a valuable contribution on the organization (Behrens, 2009).

**Proposition 5:** Millennials are strongly motivated in organizations which provide them technological opportunities for growth.

Millennials are multitaskers. They believe accomplishing many tasks simultaneously is a better way to use their time. Therefore, they are also seen as impatient. Multitasking can accelerate their learning speed, and skill acquisition (Sweeney, 2006). This characteristic can be beneficial for many start-up organizations, since they need these multitaskers to solve complex problems and accomplish a variety of objectives effectively in this global environment. Of course, multitasking has to be synergetic. If the tasks are totally unrelated to each other and there is lack of synergy among them, multitasking will become a disaster. In the latter case, multitasking will have a negative effect. Coaching/training and job design should focus on how to develop Millennial multi-task skills which are effectively integrated.

**Proposition 6:** Millennials are strongly motivated by training which offers them the opportunity to be multitaskers.

The following model captures these preceding propositions. Many HR attributes, including training and development, job design, and work policies impact Millennial job engagement and retention.
Nevertheless, there are also some other factors which influence job engagement and retention, such as the economic environment, firm resources, and labor supply. In favorable economic environments, or if firm resources are abundant, start-up enterprises have more development opportunities, which in turn offer the Millennial employees more job-related support. On the other hand, if the labor market is oversupplied, Millennial employees will cherish the limited job positions they receive and work harder in the start-ups than when labor market is undersupplied. Of course, the level of job retention will also be lower when the labor market is oversupplied than when the labor market is undersupplied.

CONCLUSION

Low engagement and high turnover of Millennial employees for start-ups creates excessive costs and loss of valuable knowledge. Start-up enterprises face these risks and other daunting challenges in today’s globally competitive market. Talent is the key to competition. This study develops a model, based on extant management theory and proposes a blueprint for start-ups who seek improved engagement and retention outcomes for Millennial employees. Much of the recognized interventions come from management partnerships with HR.

This study finds that Millennials are strongly motivated by training and mentoring, and they will transfer their training into work practice effectively if appropriate training methods are employed and training transfer opportunities are provided. Furthermore, Millennials are strongly motivated by pay-for-performance strategy, and direct and indirect compensation. In addition, offering them high job autonomy is also a means to improve their engagement and decrease turnover. Millennials are also strongly motivated in organizations which provide them technological opportunities for growth. Last but not the least, if start-up organizations can offer them the chance to be multitaskers, they will also be motivated.

This emerging talent in today’s workforce can be successfully engaged and retained by insightful human resource management practices of start-ups. The model presented here, along with its attendant propositions serves as a preliminary guide to achieve these goals.

LIMITATIONS AND FUTURE RESEARCH

This paper has some limitations. First, we only built a conceptual model to show how the Millennial mindset moderates human resource management strategies of start-ups and their relationship to job retention, but did not conduct quantitative analysis to support the propositions. Second, this study only discussed these issues in the U.S.. However, this problem may also exist in other countries. National culture plays a crucial role in international research in this area. Therefore, future research in this field should consider cross cultural factors to see how these factors affect the moderator role of Millennial mindset, and whether they will influence human resource management strategies of a start-up and job retention. (Junginger, 2008)

Equally important, data need to be collected which explore these model propositions, and more deeply investigate the attitudinal factors of the Millennial mindset as well.
REFERENCES
