

# **Graduate Trainee Programs in MNCs**

*An Exploratory Study of Early Breakups*

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Master thesis in International Business

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This thesis was written as a part of the Master of Science in Economics and Business Administration program - Major in International Business. Neither the institution, nor the advisor is responsible for the theories and methods used, or the results and conclusions drawn, through the approval of this thesis.

## **Abstract**

The purpose of this thesis is to contribute to covering the gap in the research literature on the Graduate Trainee Programs that appeared between the 1990s and today and generate a set of recommendations for companies to help them make their GTPs more effective. More specifically the thesis focuses on two issues related to the GTPs: describing the Graduate Trainee Programs in Multinational Companies today and uncovering the reasons why some graduates initiate early breakups with their companies after the program's completion. In order to investigate these issues two surveys were conducted: a set of interviews with companies' representatives and with graduates who initiated the breakups. The interviews showed that most graduates left because of insufficient opportunities for advancement, insufficiently challenging jobs and dissatisfaction with working conditions. Based on the results of the surveys a set of recommendations for the companies was given and an important step towards the gap covering was made.

## Acknowledgements

Working on this thesis has truthfully been a great learning experience. There are a few persons I would like to express gratitude towards for their help in completing this thesis.

First, I would like to thank my supervisor, professor Odd Nordhaug for constructive comments, helpful advice throughout the process of writing and the course International Organization and Management.

Second, I would like to thank Inger Stensaker and Karen Modesta Olsen for their Methodology for Master Thesis course that helped me a lot with my research design.

Third, I would like to thank Robyn Remke from CBS (Copenhagen Business School) for her help and valuable input in my CEMS Research Project that preceded this master thesis.

Fourth, I would like to thank the companies' representatives and graduates who took part in the survey and made an immense contribution to this thesis.

The last but not least, I would like to thank my family and especially my mother Elena for continuous support and my father Vasiliy.

Vasilisa Sayapina

20.06.2009.

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# Contents

<b>CONTENTS.....</b>	<b>4</b>
<b>LIST OF FIGURES, TABLES AND DIAGRAMS.....</b>	<b>6</b>
<b>1. INTRODUCTION .....</b>	<b>7</b>
1.1 PURPOSE AND RESEARCH QUESTIONS .....	7
1.2 OBJECTIVES.....	7
1.3 BACKGROUND AND EVOLUTION OF THE RESEARCH IDEA.....	8
1.4 PROGRESSION.....	9
<b>2. THEORY AND PREVIOUS RESEARCH.....</b>	<b>10</b>
2.1 INTRODUCTION.....	10
2.2 HRM.....	11
2.3 HRM FOR KNOWLEDGE WORKERS .....	15
2.3.1 <i>Business schools graduates – particular type of knowledge workers</i> .....	17
2.4 TALENT MANAGEMENT.....	20
2.5 GTP AND CAREER MANAGEMENT.....	23
2.6 GTP AND PSYCHOLOGICAL CONTRACTS.....	26
2.7 GTP AND EMPLOYER BRANDING .....	27
2.8 GRADUATE TRAINEE PROGRAMS AS AN INSTRUMENT OF TALENT MANAGEMENT .....	28
2.8.1 <i>Definitions and evolution of the notion</i> .....	28
2.8.2 <i>Purpose and functions of GTP's</i> .....	30
2.9 EARLY BREAKUPS.....	31
2.10 CONCLUSION.....	34
<b>3. DESIGN AND METHODS.....</b>	<b>37</b>
3.1 INTRODUCTION.....	37
3.2 PURPOSE.....	37

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3.3	METHODOLOGY AND DATA COLLECTION .....	38
3.4	RESEARCH PROGRESSION .....	40
3.4.1	<i>Phase one</i> .....	40
3.4.2	<i>Phase two</i> .....	42
<b>4.</b>	<b>EMPIRICAL STUDY .....</b>	<b>44</b>
4.1	INTRODUCTION .....	44
4.2	PHASE ONE: COMPANIES' INTERVIEWS RESULTS.....	44
4.3	PHASE TWO: GRADUATES' INTERVIEWS RESULTS .....	56
<b>5.</b>	<b>DISCUSSION AND CONCLUSIONS.....</b>	<b>60</b>
5.1	INTRODUCTION .....	60
5.2	SUMMARY OF RESULTS .....	60
5.3	LIMITATIONS.....	64
5.4	IMPLICATIONS FOR PRACTITIONERS.....	65
5.5	SUGGESTIONS FOR FUTURE RESEARCH .....	67
5.6	CONCLUSION.....	68
	<b>REFERENCES .....</b>	<b>70</b>
	<b>APPENDICES.....</b>	<b>75</b>
	INTERVIEW GUIDE FOR THE COMPANIES .....	75
	INTERVIEW GUIDE FOR THE GRADUATES .....	77

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## List of figures, tables and diagrams

Figure 1: The literature review scheme.....	10
Figure 2: Declining supply of future executives .....	21
Figure 3: Career types in the twenty-first century world of work.....	24
Figure 4: GDP functions revealed by previous research.....	30
Figure 5: Early Breakup mechanism.....	32
Figure 6: The research model.....	34
Figure 7: The research model.....	43
Table 1: McDermott et al (2006).....	33
Table 2: Graduate respondents' profile data .....	56
Diagram 1: Industries to which the interviewed companies belong .....	44
Diagram 2: Geography of operations .....	45
Diagram 3: Company size and years the program launched.....	46
Diagram 4: Industry and program type .....	47
Diagram 5: Industry and program duration.....	48
Diagram 6: Program type and program duration .....	49
Diagram 7: Program duration and term abroad.....	49
Diagram 8: Program type and a number of graduates hired .....	50
Diagram 9: Number of graduates hired per year.....	51
Diagram 10: Previous work experience required from graduates in years .....	51
Diagram 11: Education and industry.....	52
Diagram 12: The level of responsibility assigned to the graduates.....	53
Diagram 13: The use of mentorship practices.....	53
Diagram 14: Practices the companies use for graduates' learning and development .....	54
Diagram 15: The result of the proposition 1 testing.....	55
Diagram 16: The cases of early breakups .....	55
Diagram 17: The companies' perception of early breakups .....	56
Diagram 18: The reasons for early breakups .....	57

# 1. Introduction

## 1.1 Purpose and research questions

This thesis aims to contribute to covering the gap in the research literature on the Graduate Trainee Programs (GTP) that appeared between the 1990s and today and generate a set of recommendations for companies to help them make their GTPs more effective. This goal will be achieved through investigation of the following research questions. First, what do Graduate Trainee Programs in Multinationals in 2009 look like? Second, what are the companies' opinions about early breakups as a result of GTPs? Third, what are the key factors that influence the CEMS graduates' decision to initiate an early breakup after completing a trainee program in a Multinational company?

## 1.2 Objectives

In order to fulfill the goals of the thesis and answer the research questions several objectives are fulfilled.

With the purpose of creation of a scientific basis for the research:

1. Perform the overview of existing researches and theories on the Graduate Trainee Programs and related areas of science.
2. Based on the literature studied develop basic ideas and assumptions about the possible reasons of "early breakups" between the company and the trainee and generate propositions.

In order to describe current programs and resolve the contradiction between the existing views on the early breakups revealed by the theoretical part:

3. Perform phase 1 of the research: an empirical study of GTPs in 30 Multinational companies. Test propositions 1 and 2.
4. Perform an empirical study of CEMS graduates who initiated a breakup and test the proposition 3.
5. Describe the results of the research and analyze findings.
6. Give recommendations for the practitioners and suggestions for the future research.
7. Draw the conclusions.

### 1.3 Background and evolution of the research idea

The idea to address to the issues of Graduate Trainee Programs in Multinational companies has appeared from a number of personal conversations with CEMS Alumni who have completed Graduate Trainee Programs in various Multinational companies worldwide. Frequently CEMS alumni stated that they left the company right after having completed a trainee program. Standing on a position of future graduate, I was surprised by this situation that seemed to be phenomenal due to several reasons. On the one hand the recruitment process for Graduate Trainee Programs is a well-developed system of best candidates screening and selecting; the requirements of Multinationals in terms of skills, competencies, motivation to make career and contribute to this particular company are strict; and finally the investments in recruitment, development and training of hired trainees are substantial. On the other hand, from the point of view of graduates, there is a tough competition to get accepted in a program, substantial investment of time and efforts and, when hired, 2 years long challenging work on highly demanding assignments. After all the time, resources and efforts invested by both sides we see an initiated by the graduate “breakup” with the company. It is important to mention that it is the trainee who quits the organization. In this case the company perceives this employee as a prospective leader/high potential/talent and is willing to establish a long-term “relationship”. Arnold and Davey (1992: 50) stated that “50 out of 870 graduates we investigated were known to have left in the subsequent year, but the real total was more than this – most of our companies had difficulty reporting accurately to us about turnover”. This quote gives us a little information on the scope of the problem in the beginning of 1990s. Taking into consideration this information I came to the conclusion that there is a need to investigate so-called “early breakups” from an academic point of view to understand this phenomenon.

A search for the reasons why graduates quit trainee programs in the research literature led to the conclusion that the issues of trainee programs were for the last time closely addressed only in the middle of 1990s. Since that time “not only are the viewpoints of individuals largely absent in the literature on high potential careers, but also the majority of publications on the subject-matter are also non-empirical and take a rather normative stance” (Dries and Pepermans, 2007: 85). In addition the research showed that the fact of trainees’ quitting is not seen as an independent subject of research and was at its best seen in the context of retention issues in Multinationals. Therefore there is a clear need to start with the description



of GTPs as the context in which early breakups occur. Meanwhile Graduate Trainee Programs belong to a bigger contextual area – the issues of young specialists’ retention in MNCs – that is in its turn tightly linked to other areas of Human Resource Management (HRM). All these areas will be presented in the literature review and their contribution to the understanding of the early breakups will be discussed. Due to the shortage of up-to-date literature on the GTPs a need to describe the Graduate Trainee Programs in Multinationals today emerged. After analyzing the context in more detail it will be possible to approach the phenomenon of early breakups.

## 1.4 Progression

In order to accomplish the objectives of the research the thesis has a following structure. Chapter 1 gives the reader the introduction to the thesis and presents the idea and structure. Chapter 2 presents an overview of existing research on the thesis’ topic in scientific literature. It introduces the framework that will be used to analyze the context in which early breakups occur. Special attention will be given to Graduate Trainee Programs. In this chapter the history of GTPs’ development, their place among other HRM tools and their functions are presented. Chapter 3 describes the design and methods used in the research. Chapter 4 presents the findings of two empirical studies: the results of the GTPs research in Multinational companies and the findings of the research on the early breakups’ reasons. In chapter 5 the results of the empirical study and the implications for practitioners and researchers are stated.

## 2. Theory and previous research

### 2.1 Introduction

In this chapter previous research related to the Graduate Trainee Programs - context of the “early breakups” - is presented. Firstly, the place of the following research in the HRM context is shown on the scheme. The scheme presented on the figure 1 represents the following chapter in a nutshell. Secondly, each of the scientific HRM areas shown on the scheme will be presented one after another contributing to our understanding of the Graduate Trainee Programs. Thirdly, the term “early breakups” is introduced and explained. Lastly, the frameworks used in the empirical part of the thesis are introduced and the conclusions from the literature review presented.

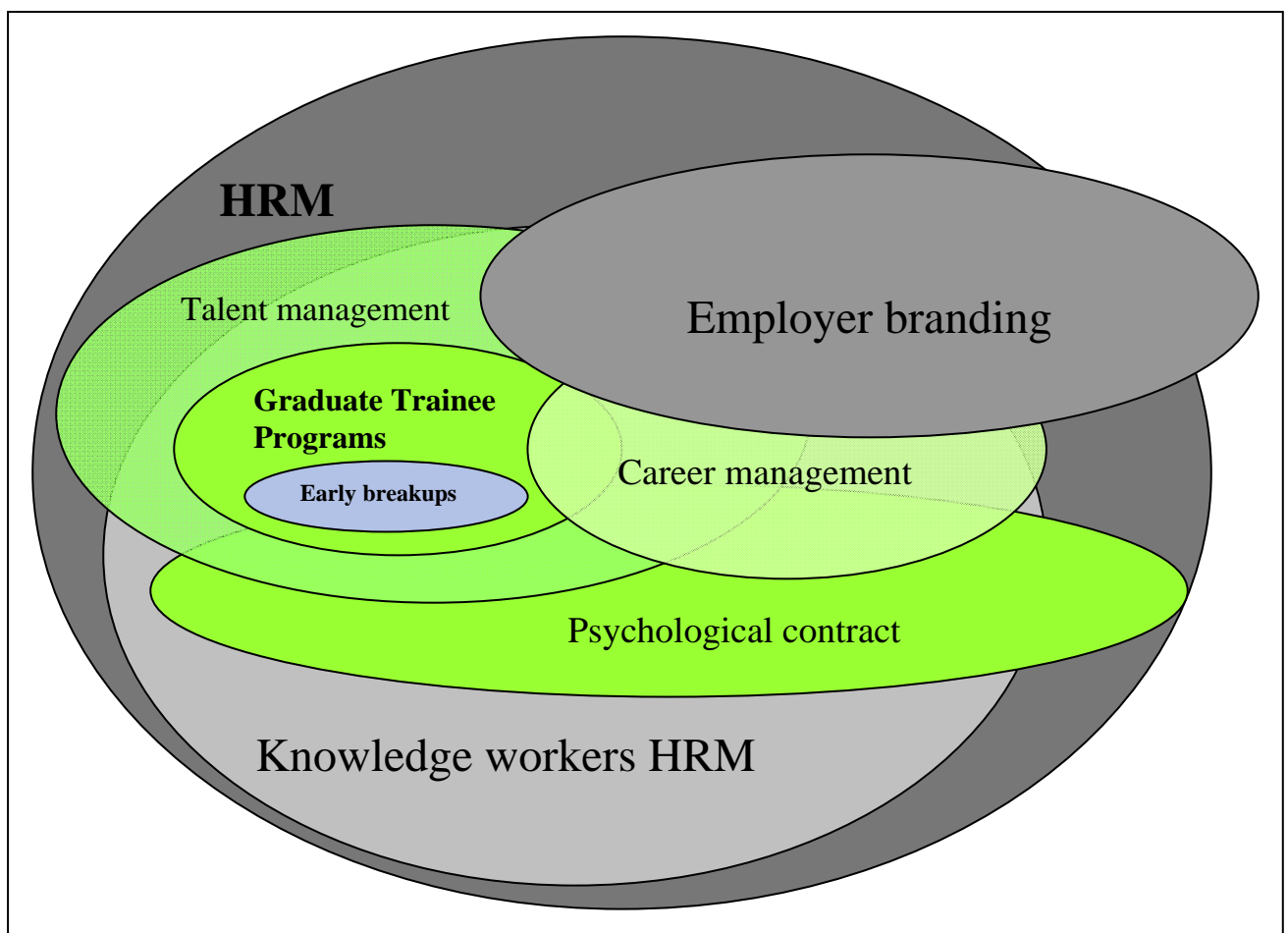


Figure 1: The literature review scheme

#### Use of the scheme

The scheme on the figure 1 is a map of the following chapter. The goal of this scheme is to

guide readers through this chapter and to show the place of the following research among the numerous researches on the HRM field. The chart derives from an extensive study of literature and research on the subject of this thesis. There was a clear need of introducing such an illustration because the Graduate Trainee Programs as a subject of academic research are significantly young (boom of researchers attention was in the 1990s) and much influenced by changes occurring in well established areas “intersecting” with it (Figure 1).

On the scheme the bubbles with intersecting borders represent various areas of Human Resource Management (HRM). The central smallest elliptical bubble stands for the phenomenon of early breakups. The rest of the bubbles are grouped around it to show how they relate to it. Green ovals represent the closest context of the phenomenon and have significantly contributed to the understanding of the phenomenon. HRM areas represented by the grey ovals can be seen as more general context but they also add important information to understanding of the central phenomenon. It is important to mention that the chart does not present the objective picture of all the areas of knowledge of HRM. It has a subjective character and its validity is limited by this thesis’s specific goals and research questions. Moreover figure 1 represents the HRM landscape from the point of view of what can be important for explanation of early breakup phenomenon.

The bubbles’ sizes have no relation to the importance or scope of these topics for the HRM. What is important about this scheme is that it shows the relations of the area that the thesis is investigating with other areas of HRM. Graduate Trainee Programs as an instrument of talent management are found on the crossroads with such spheres as, for example, career management and psychological contracts.

Each of the spheres of HRM mentioned in this chapter is given researchers’ close attention. For this particular thesis only those academic works that can contribute to our understanding of Graduate Trainee Programs and early breakups will be mentioned.

## 2.2 HRM

Human Resource management in a Multinational corporation (a corporation or enterprise that manages production or delivers services in more than one country) has various functions: Recruitment, Learning & Development, Motivation, Appraisal, Retention and Outplacement. The process of executing a Graduate Trainee Program is tightly linked to all

these functions. Graduates are being put through a multiple stage recruitment process. Being hired, graduates experience extensive learning and development procedures, motivation, and skills trainings. Our attention in this thesis will be focused on – retention – in particular talents' retention.

Nowadays most business practitioners agree that human capital is a key factor of business success. Researchers state that in last 2 years employee retention has been HR top management biggest problem. According to statistics in year 2006, 70% of HR top managers declare that employee retention became their most challenging task (Athley and Burnside, 2007). The same research showed that 40% of HR top managers claim that in the last 18 months employee turnover increased significantly. One of the general reasons for these dramatic changes is the lack of educated and competent workforce provoked by the decline of Baby Boomers generation. Every year the specialists who belong to the Baby Boom generation retire and this outflow of workforce creates a high demand for young educated and talented specialists to maintain business activity. As a consequence the cost of new employees' attraction and old employees' retention increased (Athley and Burnside, 2007).

Chambers et al. (1998) highlighted that talent retention is a complicated process which is not only linked to keeping the employees on their places but also identifying key talents within the organization and understanding the mechanism of their motivation. Only establishing a relationship with key talents can make these individuals perceive themselves as a part of a long-term collaboration with the organization and commit to a particular company, claim Chambers et al. (1998).

The issue of employee commitment is tightly linked to the issue of retention and has been widely discussed in the scientific literature. For example, researchers explained how employees' values impact their organizational commitment. The researchers' found that in case if an employee's values correlate with those of an organization and the organization helps the employee to obtain what is valuable for him, the employee will behave positively towards the organization and the level of commitment will be higher. Schwartz (1994: 21) gave the values the following definition: "desirable, trans-situational goals, varying in importance, that serve as guiding principles in people's lives". Rokeach (1973) proved that values have a direct impact on behavior and Schwartz (1999) showed that values have a direct impact not only on a person's behavior but also on work behavior. Further research identified how values affect the behavior of individuals, groups of people and organizations.

Schwartz and Bardi (2001) found some general cultural types of values that are more powerful than the others, for example, universalism, benevolence and self-direction. They concluded that a company that shares the same values with an employee will certainly be perceived positively by its employees and consequently will get higher performance, improved motivation and stronger retention. Allen and Meyer (1996) defined organizational commitment as a psychological link between an employee and an organization that makes it less likely that the employee will voluntarily leave the organization. Meyer et al (2004) identified 3 components of commitment: effective (perceived cost of leaving a company), emotional (attachment to organization) and normative (obligation to remain in an organization). Abbott et al. (2005) discovered that if the company promotes vision, self-direction, humanity and universalism it affects positively normative and affective organizational commitment.

Payne and Huffman (2005) found that not only consistency with employees' values, but also some special activities implemented while integrating an employee into organization, have a positive influence on organizational commitment. They studied the impact of mentorship on employee organizational commitment. Russell and Adams (1997) define mentorship as "an intense interpersonal exchange between a senior experienced colleague (mentor) and a less experienced junior colleague in which the mentor provides support, direction, and feedback regarding career plans and personal development". Viator and Scandura (1991) proved the fact that mentorship has an adverse effect on employee turnover intentions and willingness to quit the company. They also claim that the positive effect of mentorship is possible to trace. Firstly it has positive effect on socialization - in other words it helps an individual to adapt to organizational goals and values. This is a process of mutual adaptation, where a newcomer understands how the company functions and what are informal roles and rules. Secondly, mentorship enables a new-comer to adapt to a new environment faster, find his place, better understand what his responsibilities are what is expected from him. The mentee feels psychologically more comfortable while expressing his impressions and asking questions to a person whom he confides in. These effects of mentorship influence employees' organizational commitment positively. Comparative studies of mentored and non-mentored employees showed that the level of organizational commitment among mentored employees is higher (Viator and Scandura, 1991). Mentorship has an impact on affective commitment that is a consequence of personal relations between the employee and his mentor. Furthermore mentorship has a positive impact on continuance commitment. A

mentee takes into consideration that changing a work place will reflect on his relations with the mentor and probably would have a negative impact on his carrier. Moreover there will be a need to establish personal communication with a new mentor in another company. In addition the “emotional investment” made by the mentor is usually highly valued by a mentee. In contrast an employee who, has not been mentored may not have this tight emotional attachment to the organization and may not perceive the organization as investing in him. All these positive effects of mentorship are important for graduates’ introduction in organizations during the early stages of Graduate Trainee Programs. Consequently it is important to see how mentorship as an instrument of HRM is used in GTPs design and which role it plays in graduates’ socialization and retention.

Furthermore Payne and Huffman (2005) evaluated the conditions of mentorship and type of mentorship support. Their conclusion was that the mentees whose mentors were supervisors showed higher degree of affective commitment than those who had nonsupervisory mentors. Afterwards Payne and Huffman (2005) conclude that supervisors’ mentorship has a stronger impact on commitment that motivates management to make supervised mentorship an official procedure in the company. The researchers warn that obligatory supervisors’ mentorship can become a formal procedure, which may not affect commitment positively.

The next concept that must be referred to in order to evaluate the factors influencing organizational commitment, and therefore has high importance for employee retention strategies, is “work-life conflict”. Work-life conflict is a clash emerging when the carrier (work) life of a person pressures his personal (outside work) life (Thomas and Ganster, 1995). In most cases work-life conflict leads to turnover, reduced performance, and lower organizational commitment (Boles et al., 1997). It was noted that in most cases work-life conflict emerge when an employee perceives as unfair actions taken by management. Here we refer to the procedural justice theory. Procedural justice refers to the idea of fairness in the processes that resolve disputes and allocate resources (Bruckner and Wiesenfeld, 1996). It was found out that procedural justice has a direct impact on employee attitudes, behaviors and organizational commitment (Bruckner and Wiesenfeld, 1996).

Particular attention must be paid to the financial part of overtime work and work-life balance. It was discovered that solving work – life conflict is not always costly for a company. It is a common mistake among managers to identify procedural justice with high investment. Reasonable explanation and respectful treatment in most cases of overtime lead

to a perception of procedural justice and therefore to greater organizational commitment among employees (Siegel et al, 2005). One general conclusion made by these researchers is that when work-life conflict is being moderated this does not necessarily lead to a decline of organizational commitment and not necessarily depends on higher financial rewards for employees.

However, it was stated by a Monster inc. study in 2006 that more than 75% of HR managers mention the size of overtime compensation as one of the top three reasons why employees leave (Monster inc. research, 2006). They also mentioned that most companies who have a slim compensation budget have problems with employee retention. HR managers claim that they will definitely use financial motivation as a key factor to secure employee retention.

### **Conclusion**

Several HRM practices can be considered when designing the GTP. For example use of mentorship and emphasis on work-life balance are used as means to increase employee commitment and reduce turnover intentions. In some cases financial motivation of employees can play an important role.

However those researchers who explored a particular category of employees – the knowledge workers - affirmed that financial motivation of employees is not as significant for this particular group as other motivation factors.

## **2.3 HRM for knowledge workers**

The term “knowledge workers” was introduced by Peter Drucker in 1959 (Drucker, 1959). He pointed out that this is a particular type of workers different from the traditional workforce: “exposure to continuous innovation, continuous learning and teaching, autonomy and defining what the task is and what the results are basic determinants of knowledge workers” (Drucker, 1999). For forty years researchers and practitioners have discussed the issue of managing the knowledge workers. Knowledge workers possess some particular characteristics that create difficulties in managing them. Nowadays in order to be competitive most organizations have to solve the problem of being efficient in managing their knowledge workers. This task became especially challenging for knowledge –intensive companies. Given that the share of knowledge workers in such companies is relatively high managing them effectively becomes crucial.

The definition of knowledge workers evolved since 1959 and nowadays the researchers put emphasis on the following characteristics of knowledge workers (Andreeva et al., 2006):

1. The dominating share of intellectual activity in the work process
2. High level of education
3. Capability to create new knowledge
4. Working with information

Main challenge in knowledge workers management is that they are highly mobile and hard to retain (Andreeva et al., 2006). Their key asset is knowledge and if an organization does not provide desirable conditions for a worker it is easy for a knowledge worker to quit. In some industries there is a constant lack of knowledge workers. For example the consulting industry shows a stable demand for knowledge workers.

Therefore one of the main tasks of knowledge workers' managers is to retain them and make them loyal to the organization. Some scholars point out that the perspectives of personal development and development of new skills are key factors in regard to knowledge workers' job satisfaction, and therefore have an impact on organizational commitment (Flood et al., 2001). Others mention that those personal development opportunities and opportunities to solve new challenging tasks that increase workers professional value are likely to influence their organizational commitment positively.

It is worth noting that the Maslow pyramid often does not reflect the needs' structure of knowledge workers. Such basic needs as safety are less significant than those of self-development. A similar effect was found when examining business students' internship preferences. It was found that the motivation of self realization and development dominate the first level Maslow needs (in that particular case material rewards) (Andreeva et al., 2006). The problem of loyalty of knowledge workers is widely discussed in the scientific literature. It is important to mention the findings of Horvitz (2003) who assessed various schemes of knowledge workers retention and suggested that in the tight labor market situation, that companies are facing in the XXI century, there is a clear need of strategic approach to knowledge workers management.



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### **2.3.1 Business schools graduates – particular type of knowledge workers**

This thesis's focuses on business schools graduates as a particular type of knowledge workers. McDermott et al. (2006: 460) stated that "graduates fall in the category of knowledge workers".

For the first time the importance of "young intellectuals" for business was pointed out by Blough (1966). He highlighted that "twentieth-century business needs the young intellectual today more than it ever needed him before" (Blough, 1966: 49). He states several changes in the business world highlighting why especially business schools' graduates are needed: "multiplication of environmental factors, accelerating technological change, complexity of products, intangibles and imponderables that constantly arise in the marketplace". After all, the author concludes: "all call for the best brain available" (Blough, 1966: 50). Blough (1966) gives the business schools' graduates similar characteristics, to those that Andreeva et al. (2006) give to knowledge workers. He highlights the high level of education, significant share of intellectual activity at work and capability to create new knowledge. Thus a business schools graduate can be identified as a knowledge worker with several unique characteristics. The uniqueness consists in the "restless spirit of inquiry" and "an idealistic desire to improve the society in which he lives" (Blough, 1966). Taking into account that the generation of young intellectuals, that Blough was referring to, was quite different from that of today we are still getting the idea of some specific aspects of managing young intellectuals.

The fact of business schools' graduates' difference from the rest of employees is also proved by Vroom and Deci's (1971) research. Based on the theory of cognitive dissonance (Festinger, 1957) they examined the job related attitude of business graduates immediately after graduation and 3 – 3, 5 years after graduation. Festinger (1957) affirmed that when a particular person has two or more mutually exclusive alternatives, which are appealing, but they vary in other characteristics, this person may experience a so-called cognitive dissonance. This phenomenon is created by the act of choice. He mentioned that this is a normal state of a person who must choose among equivalent choices. Uncertainty, arising from the lack of information at the moment of decision making, motivates a person to evaluate and compare a chosen alternative with possible ones. By reevaluating all alternatives in most cases the person comes to a conclusion that the chosen alternative is

more attractive than the rejected ones. In their research the scholars investigated decision making process of the business students choosing among several job opportunities.

Most students claimed that after making their choice the attractiveness of the chosen job was at its highest point. During the first year the attractiveness of a chosen alternative decreased dramatically and stayed at this low level during 1-1,5 years. The factors such as career perspective, financial perspective and some other factors were considerably low comparing to the time when the choice was made. This research provides valuable information for HR managers taking care of early stages of a business school graduate's career. The fact related to the decrease of attractiveness of a job choice, made by a graduate, should be acknowledged by organizations. It may also have some implications for the GTP design and can be taken into account in order to reduce turnover.

Next time when the scholars investigated business schools graduates' job related attitude was related to post decision dissonance theory elaborated by Lawler et al. (1975). They examined 431 former accounting students in order to investigate their post decision attitudes and behavior. The experts stated 3 main stages:

1. Attractiveness of certain companies as potential job choice is a relevant indicator of the job choice behavior of individuals
2. Right after the job choice was made the chosen company increased in attractiveness while other companies decreased
3. 1 years after job placement all companies had lower rate of attractiveness than they had before the choice was made

Conclusively attitude toward firm attractiveness determines job choice behavior and job choice behavior influences post employment attitudes about firm attractiveness (Lawler et al., 1975).

The next step towards understanding of business schools graduates' on early stages of career development was made by Burke (1997). Burke (1997) measured job insecurity among recent business schools' graduates. Among work stressors that influence the organizational commitment the students showed relatively low levels of self-reported job insecurity. However, business school graduates differed from the rest and showed higher levels of job insecurity. They named this fact as one of reasons why they are dissatisfied with their jobs and more likely to quit.

First attention paid by the academic researchers to the CEMS (CEMS – The global alliance for management education) students and graduates was made in 2001 by Gooderham and Nordhaug. Their article “Are cultural differences in Europe on the decline?” presents the result of research conducted among CEMS students all over the Western Europe and Scandinavia. The aim of the research was to investigate whether the cultural differences described by Geert Hofstede after his survey conducted between 1967 and 1973 still work in the Global World. Their findings were remarkable: students at the leading European Business schools indicated a significant convergence of national values. The divisions of gender among them were more important than those of country. The high rate of homogeneity found in this group of young professionals supports the idea that there are remarkable differences between business schools graduates and other employees.

Taking into consideration a good reputation of the CEMS graduates among employers: CEMS MIM is holding top positions in Financial Times ranking in 2007-2008 ([www.cems.org](http://www.cems.org), 2009) and the number of corporate CEMS’s partners has reached 49 in 2009 ([www.cems.org](http://www.cems.org), 2009), it can be concluded that CEMS MIM programs’ graduates are desirable employees in the Multinationals. As was mentioned before, the demand for such specialists growing and this allows CEMS graduates to have more freedom to choose and change employer from the beginning of their career.

## **Conclusion**

Before moving further in the review of the existing theories and research, it makes sense to sum up what was already said. By their nature knowledge workers are different from the traditional workforce: they are more mobile and their key asset is knowledge that they take with them if leaving an organization. Consequently there are two main issues for an organization when dealing with knowledge workers: retaining them and making them loyal. Knowledge workers value increase in their professional value, self-realization, personal development and development of new skills more than financial rewards.

Business school graduates can be identified as knowledge workers with several unique characteristics: during the first year after making a choice of employer attractiveness of a chosen alternative decreases dramatically and stays at this low level during 1 – 1,5 years. Business schools’ graduates differ from the rest and show higher levels of job insecurity. They named this insecurity as one of reasons why they are dissatisfied with their jobs and are more likely to quit. In addition like all knowledge workers business schools’ graduates are

highly mobile. After all, as employees, they possess the specific qualities that businesses need to be competitive and successful. These findings are essential for understanding why managing young talents can be an issue for the companies. Taking these specifics into account Multinationals are adjusting their practices of graduates' management and especially those of talents retention.

## 2.4 Talent Management

Formal talent management practices have a relatively short history but have rapidly risen as a profession (Frank and Taylor, 2004). These researchers describe a talent as an employee identified as having an executive-level potential. It is important to mention that after declaring "The war for talents" the journal McKinsey Quarterly massively investigated the problems of talent attraction and talent retention. With their broad access to the data on leading companies' talent management practices the researchers of the McKinsey Quarterly conducted a few surveys whose results are worth mentioning. In May 2001 this journal published an updated survey of talent management practices in 56 large and medium – sized companies in the US (Axelrod et al, 2000). The survey was based on the answers of 6,500 top and middle managers and showed that 89% of those surveyed think that attracting new talents became more difficult than in 1998; moreover 90% claimed that it is now more difficult to retain them. In the article "The war for talents" (Chambers et al, 1998) the researchers looked closely at two major questions "Why would someone really good want to join your company? And how will you keep them for more than few years" (Chambers et al, 1998: 1)? The McKinsey research of 77 US companies from different industries showed that the shortage of senior executive talents is the biggest issue of the coming decades (Figure 2):

### Declining supply of future executives

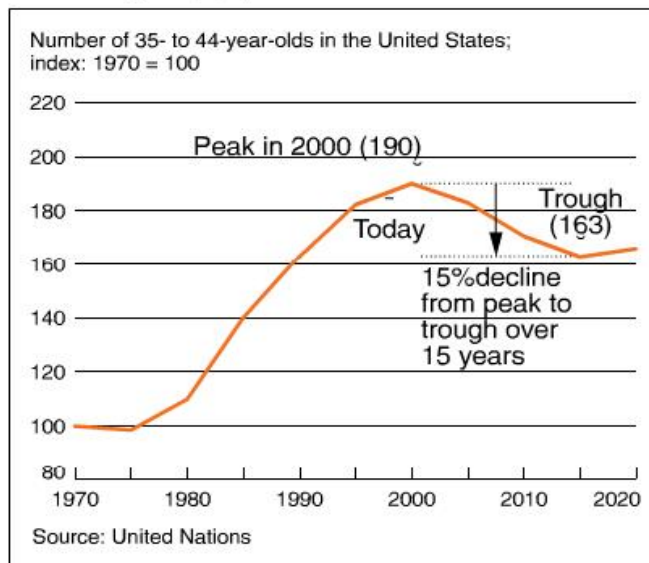


Figure 2: Declining supply of future executives

This illustration shows the significant shrinkage of senior management candidate pool by 2015. Before year 2000 the quantity of executive personnel has been growing with the same rates as GDP. By the end of year 2008 the population of 35 – 44 years old will be around 15% less than in 2000. If taking into consideration that the immigration rates are stable, that the productivity of senior managers is no longer increasing at the same rates as before and they are not prolonging their careers, the problem of talents attraction into organizations becomes obvious.

Moreover, the demand for employees with particular skills such as intercultural literacy, global mindset and technological acumen is increasing dramatically in the XXIst century. A more Global world increases the job mobility and changes the whole career path of a top-performer. According to McKinsey Quarterly survey an average executive today changes employer 5 times. In the upcoming decade it will be done 7 times, and earlier it was 2 times.

Further on the McKinsey Quarterly researchers investigated 200 young executives looking for what motivates them to stay in a particular organization and hence what value proposition a company should create to target the desired employees. This investigation resulted in the categorization of young top-performers into 4 groups.

1. **“Go with the winner”** – the biggest group among respondents - executives who rated employer’s performance and brand as the most important factor. For this group the location and mission of the company have significantly lower importance than its

performance.

2. **“Big reward – big risk”** – executives who put their career advancement and personal development higher than the company’s performance.
3. **“Save the World”** – executives who demand an inspiring mission more than personal development and compensation.
4. **“Lifestyle”** – executives for whom certain flexibility has higher importance than excitement and reward, they also admitted that compatibility with their senior colleagues has more importance than the company’s performance.

All respondents emphasized the importance on the company’s values and culture.

The understanding of these talent types can be useful for the study of the early breakups. As was already mentioned in section 2.2, the mismatch between organizational and personal goals is a key factor influencing an employee commitment.

The classification of executive talents suggested by McKinsey has a big meaning for companies. It gave a clear idea to HR directors that it is necessary to specify what type of talents they would like to attract and base the company’s future talent pool on. Consequently the employer brand should be tailored to attract a particular type of talents. In section 2.7 we will look at the link between employer branding and talent programs in more detail. It is worth noting that companies did take the war for talents seriously. A particular tool of talent management targeted at new talents attraction and development appeared – Graduate Trainee Programs. The GTPs in Multinational companies (MNCs) will be looked at in detail in section 2.8.

## **Conclusion**

The World has dramatically changed since 1998. The need for high-potential employees with intercultural literacy, global mindset and technological acumen for business has increased. The match between the company’s values and those of their own became highly important for young top-performers. The need for companies to pay attention to more accurate employer branding in order to attract the right employees and minimize costs by lowering talents turnover has emerged. Finally a special tool for talent management aiming at attracting, developing and retaining young talents in an organization appeared – Graduate Trainee Programs.

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## 2.5 GTP and career management

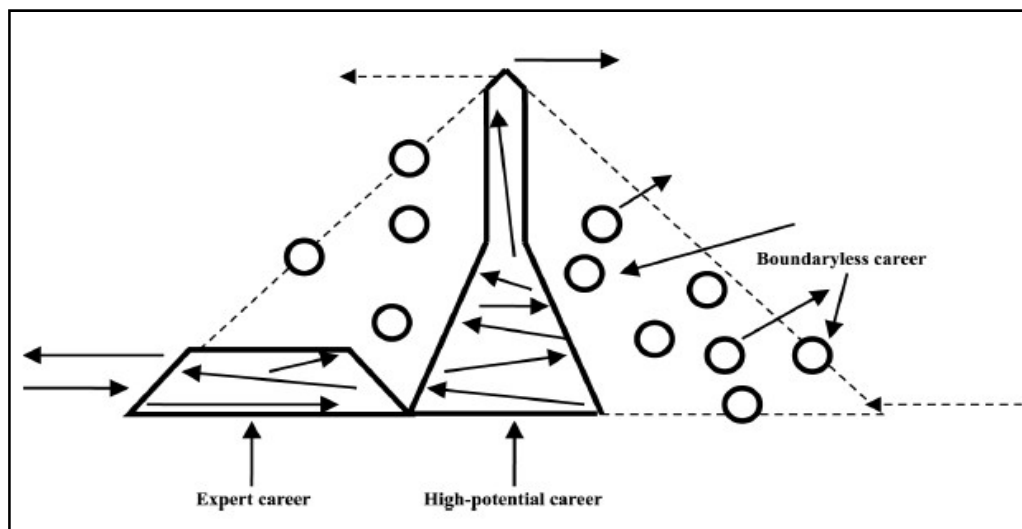
Let us now address to the closest context of Graduate Trainee Programs, and look at the contribution of such fields of HRM as psychological contracts, career management and employer branding.

By the end of the 20<sup>th</sup> century the notion of career has significantly evolved. Several factors contributed to the transformation of the idea of organizational career and the “way people are managed into, through and out of the organization” (Viney et al, 1997: 175). These factors are downsizing, business processes re-engineering, outsourcing, restructuring leading to a flatter structure, simplification of reporting structures and disappearance of power and authority levels. Stroh and Reilly (1994) have noted that organizational structures that supported long-term careers are being replaced with more “fluid” structures. Several researchers provided evidence that this process is taking place. For example, Herriot (1992) argues that career progression opportunities have become increasingly horizontal in nature and career progression channels became less various. Nicholson and West (1988) came to the conclusion that the movement of the managerial population inside and among organizations becomes more intense. Evaluating managerial career patterns Inkson and Coe (1997: 175) found a rise of “number of sideways or downward moves” and a drop of upward moves variations in a career.

Career was traditionally associated with long-time hierarchical progression. Viney et al. (1997: 180) reported that “employment relationship which was once based on security of employment and a job for life in return for loyalty and commitment is becoming increasingly untenable”. Viney et al. (1997: 180) argue that “organizations now view the career as the sequence of opportunities to enhance core skills or as the sequence of additions to personal market value”. Therefore the accent in the definition of career shifts from vertical progression by career ladder to permanent self-development. The organizations motivate their employees through greater skills improvement (Arthur and Rousseau, 1996). New structures cannot provide graduates with a lifetime traditional career and do not support hierarchical career path. Consequently the careers become more short-term, the companies call it “shorter-term association” (Viney et al, 1997). The researchers also argue that as a consequence of less differentiated treatment and reduction of number of positions, available for the fast-track population/talents/high potentials, careers become qualitatively different.

The lack of “jobs to aspire to” leads to the implementation of graduates’ cross-functional movement practices (“move people sideways”) and to a career spiral in nature. Employees often perceive these sideways moves negatively because it is offered instead of promotion (Viney et al, 1997) and it makes the way up the organizational career ladder slower.

Since the organizations on one hand are unable to closely manage employees’ long-term career and on the other are willing to pass the responsibility on employees’ shoulders, two new notions emerged: organizational career management (OCM) (when organization manages an employee’s career) and career self-management (CSM) (when an employee only is responsible for his/hers career) (Dries and Pepermans, 2007). Dries and Pepermans (2007) suggested that OCM and CSM are considered to be “complementary rather than supplementary”. Both concepts reinforce each other and are necessary for the XXIst century world of work. Dries and Pepermans (2007) suggested the following view at the career types in the twenty first century world of work:



*Figure 3: Career types in the twenty-first century world of work*

These scholars found three types of career available in XXIst century: expert career, high-potential (leader) career and boundaryless career.

On the figure 3 the dotted line indicates the boundaries of traditional organizational careers. From the point of view of traditional career theory, organization has a pyramidal structure consisting of several levels, each of which is difficult for an employee to attain. Employees enter the organization at the bottom level, move up during their working life, and leave the organization for retirement at their maximum potential. Dries and Pepermans (2007) argue that nowadays, this type of career structure is neither feasible nor effective. As a result only



scarce amounts of career opportunities are available in the organizations.

First type of career available in the XXIst century is a boundaryless career. The notion of boundaryless career is a contribution of postmodern career theory to the HRM. Boundaryless career is characterized by uncertainty, flexibility “a range of possible forms that defy traditional employment assumptions” (Arthur and Rousseau, 1996). From a post-modern point of view there is no definition of a career. Fast pacing environment and economic change lead to continuous change in career path and possibilities. Postmodern career theory considers career to be a social construction rather than a universal concept – thus defying traditional societal norms of objectively observable career progress or success (Colin, 1998).

Boundaryless careers are realized beyond organizational boundaries at different levels of physical and psychological movement. Traditional career models state that loyalty is the exchange price to pay for deferred rewards, such as promotion opportunities, vacation time, pension rights and social acceptance. The contexts where boundaryless careers are being realized is “too fluid to adopt such reward systems” (Littleton et al., 2000). All these factors lead to the fact that “even stable or fast growing organizations would be increasingly unable (or unwilling) to promise as well as formally manage career opportunities” (Iles, 1997: 349). Standing on a position of a post-modern perspective one will put personal choice, self-fulfillment and psychological (intrinsic) success as a priority comparing to organizational career management and what is socially considered as career success (Hall, 1976).

Another two types of career path found by Dries and Pepermans (2007) are not as “extreme” as a boundaryless career, those types are careers of the organizational “core contributors”: leaders and experts. Comparing to boundaryless careers these two types have a “self-directed approach to the career, in which individuals are guided by their own personal values” (Briscoe and Hall, 2006: 6). Leaders are coming from organizational high potential pool. Leaders “focus their talent on maintaining the organization’s culture, keeping the overall mission clear for everybody, assigning work, setting goals, and holding people accountable for results” (Dries and Pepermans, 2007: 90). Key experts possess knowledge valuable for organization and skills that are difficult to replace. A difficulty of managing an expert’s career is, as figure 3 shows, related to the “development plateau”. An expert reaches this plateau in an organization and has no more opportunities to develop in this very company, therefore the question of his future growth for both HR and the expert emerges.

High potential careers usually differ from others types in regard to self-direction and initiative taking (Dries and Pepermans, 2007). A high potential is a candidate for future career succession. High potentials are usually inclined to career self-management (CSM) however they expect organizations to apply several organizational career management (OCM) tools (such as career succession planning). Career succession planning is necessary for them to strategically climb the career ladder. The figure 3 also highlights that there is a “bottleneck” in the high potential career, which means that not all the employees identified earlier as high potentials will reach the top of career ladder. Therefore the high potentials’ expectations should be managed in a way that they are conscious of their opportunities.

## **Conclusions**

Shifting from Arthur’s et al. (1989) definition of career as a hierarchical sequence of work positions to development opportunities in their understanding of career, companies adjust their vision of what a career is in XXIst century. Career philosophy is redefined. The nature of relationship with employees and especially with high potential employees is changing. Although the researchers identified three possible career paths in the twenty-first century and all three of them merit companies’ and scholars’ attention, the following research will focus on the high potentials career path.

## **2.6 GTP and psychological contracts**

Psychological contracts that exist between employees and organizations are “mutual obligations perceived by the parties of the employment relationship” (Iles, 1997: 350).

It is worth noting that organizational changes mentioned already in detail in the previous section not only transformed the notion of career management but also significantly modified that of psychological contract (PC). Psychological contracts “shifted from employment security to employability security” (Waterman, 1994: 90; Iles, 1997; Herriot and Strikland, 1996; Jenkins and Hendy, 1996). This means that organizations are no longer able and willing to offer secure long-term career for employees’ loyalty and commitment. Iles (1997) calls the relationship between organizations and high potential employees “parent-child dependence” and claims that due to the changing nature of jobs it is shifting towards “adult-adult partnership”. Neither the employee nor the employer is interested in exchanging performance and loyalty for the slow career progression and secure employment.

The researcher argues that continued commitment and retention are no more the requirements of psychological contracts. Instead of this talents prefer securing their employability – developing particular knowledge and skills to be competitive on the labor market. Nowadays organizations provide opportunities for development and ask for flexibility and short-term commitment from an employee. In his research Iles (1997) also describes the XXIst century world of work as a “jobless society” due to the blurring of the borders of job descriptions and job hierarchies. Career is substituted by “career portfolios” that refers to a set of different roles and experiences that an employee has got during his career path. Finally the changes in psychological contract lead to the emergence of a “career resilience”. Career resilience “demands that employees demonstrate both commitment and flexibility in return for challenging work, development opportunities and career planning support” (Iles, 1997).

### **Conclusion**

Researchers note that the changes in psychological contracts mentioned above lead to the fact that neither high potentials nor organizations expect long-term career relationships. Instead employees try to secure their employability.

## **2.7 GTP and employer branding**

Since the declaration of the war for talents in 1998 many large companies realized the need to attract new talents and retain and develop those already present. The issues those companies faced when attracting and retaining young specialists/talents/high potentials had to be solved. “Big” hierarchical companies with complicated organizational structure and unclear possibilities to move up the career ladder during undefined periods of time “looked unattractive for a majority of graduates” (personal conversation with one of the companies’ HR manager). Advertising messages, meant to attract graduates, put emphasis on the reliability and traditional advantages of career in a big organization such as retirement scheme, long vacations and company bonuses. The advertising with the characteristics mentioned above can possibly send a wrong message to its target audience. As a consequence the costs of attraction of new talents in organization were high and the results were poor. HR professionals understood that the need to “sell” their companies on the graduate market has emerged. Therefore the companies started to develop a special tool to attract “fresh blood” in the company. A new tool has got special characteristics. First of all it

was different from the rest of the advertising used before. The companies took organizational characteristics that can be seen positively by target audience and based on that created Graduate Fast-track programs that later evolved to Graduate Trainee Programs. It is important to explain the marketing idea behind the phenomenon. Finally big companies have got a “career product” as Hawkins and Barclay (1990) call it. Having a career product meant that the companies switching graduates’ attention from the unattractive characteristics to the more relevant ones. These researchers looked at graduate career programs creation as at a new product development process. They offered a set of recommendations for the companies willing to develop a graduate career product. In their opinion the product must have included the following characteristics: opportunities for career development and challenging nature and contents of the graduates’ future work. The researchers recommended face-to-face contacts with applicants through interviews and company presentations. In the next section we will look at the evolution, development and functions of a particular career product - Graduate Trainee Programs.

## 2.8 Graduate Trainee Programs as an instrument of talent management

### 2.8.1 Definitions and evolution of the notion

Prior to this section the notions of high potentials, high flyers, fast trackers, talents, young specialists, high-potential graduates or employees et ct were used interchangeably. The same was true for Graduate Trainee Programs, High Potential Management development programs, Graduate Development Programs and Fast-Track programs. This section aims to explain why so many terms are used, what the difference between them is and how the definitions evolved.

Iles (1997) says that **high-potential employees** – people identified as being able and willing and likely to ascend the corporate ladder – have often been managed and developed through Fast-Track programs.

Harris and Field (1992) describe a formalized **fast-track program** as a planned, organized set of diverse experiences designed to accelerate the development of **individuals** identified as having executive-level potential in order to make their **talents** more quickly available to the organization.

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Viney et al. (1997) define **high-flyers, fast trackers and high potentials** as the employees identified as the potential senior managers of the future.

Viney et al. (1997) claims that **high-potential university graduates** take part in accelerated **development programs** in order to their reach senior management positions in less time than the norm for non-fast-track graduates or non-graduate managerial populations. **Fast-track** program is a preferred mechanism for recruiting and developing **high-potential graduates** to become senior management cadre of the future.

Dries and Pepermans, (2007: 86) define **high-potentials** as “part of elite workforce segment expected to advance upwardly within the organization”.

These numerous terms refer to one single concept. They tell about an employee with the desire and potential to reach executive-level position in organization. Chambers et al. (1998) stated that talents and young specialists are the synonyms of the notion of the high potentials.

Meanwhile, the concept of the program for those future executives has evolved significantly. First it was called a fast-track program. After significant changes in career management, in the notions of “career” and psychological contract, the term fast-track program was left aside of the organizational vocabulary. When conducting their research Viney et al. (1997) found that many organizations preferred not to use the term “career” and did not have a definition of career. The organizations rather referred to “the provision of a long-term opportunity” (Viney et al., 1997: 180). These companies argue that they provide conditions to enhance employment capacity of graduates and maximize their value on the marketplace – “employability” and “marketability”. In the same time organizations claimed that they do not encourage the elitist culture among graduates and therefore avoid using the high-flyer term and job titles. Dries and Pepermans (2007) also found out that many companies preferred not to use the term “high potentials”. Due to the changes in organizational structures (they become more flat) companies do not guarantee a hierarchical progression anymore, and thus the “fast-track program” term became inappropriate.

Nowadays there are several differences between the terminology used by researchers and that of practitioners. Scholars tend to use the term Graduate Development Programs and practitioners Graduate Trainee Programs. The term High Potential Management development program is hardly used now.

Prior to this section all these terms were used to present the variety of points of view and the diversity of this area of knowledge in scientific literature. First of all I interpreted it as inconsistency and immaturity of this area of knowledge. Once the real reasons of the terminology transformation were uncovered, they were presented in this section and the choice of terms for using in the further chapters was done. Further in this thesis the term Graduate Trainee Programs (GTP) will be used. The reason behind this choice is that all the practitioners in the research I conducted used only this term to describe their programs and never mentioned any other terms. They have already shifted to a new terminology triggered by the changes in psychological contracts and career management. I will follow them and use the GTP term.

### 2.8.2 Purpose and functions of GTP's

Graduate programs were in the center of researchers' attention in the beginning and middle of the 1990s.

Entry-level development management programs are designed to identify, recruit, develop, and provide accelerated management development for a selected group of employees judged to have mid-upper level managerial potential (Field and Harris, 1992). Viney et al. (1997) stated that the goal is to ensure a supply of high caliber executives for the future and thereby maintain the organization's competitiveness. The programs are targeted to "acquiring brain power, enthusiasm and energy" to broaden and consolidate technical and professional expertise within organizations. The programs are also aimed at covering the gap between education and work and make the transition of graduates to the labor market smoother by helping them to acquire the skills and knowledge they are missing (Little, 2008).

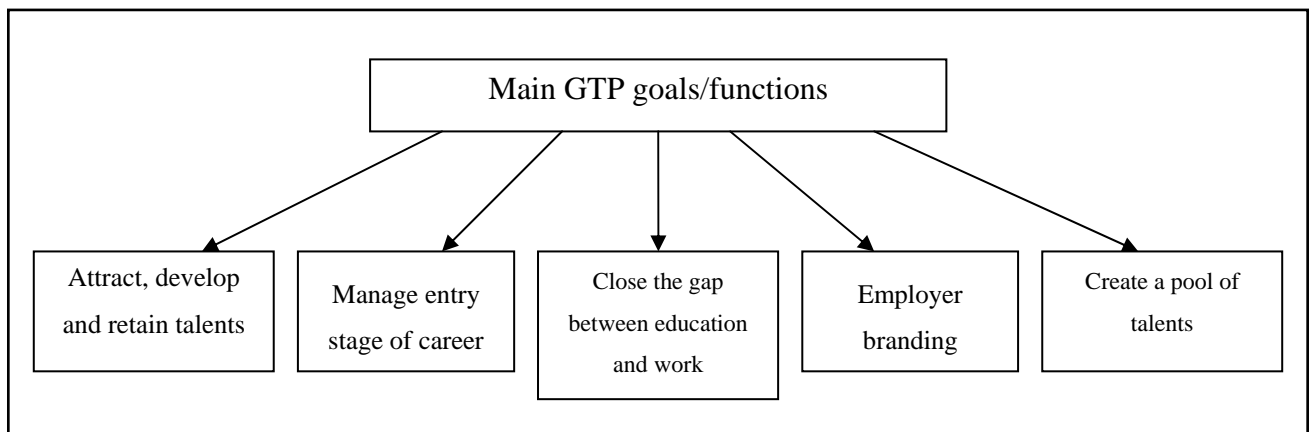


Figure 4: GDP functions revealed by previous research

The model of GTP is the following. Talents are recruited via several stages selection process that consists of a set of interviews and an assessment center. Some recruiters call it “searching for a needle in a hay stack” (Little, 2008). After being recruited to real jobs, graduates are expected to contribute to organizational development and “add value from day one”. In the same time they are offered an ongoing training and development usually related to their job. In most cases the program lasts from 12 to 24 month. After they have developed necessary skills and work experience, graduates continue their career or, as some organizations, avoiding this term, say: development in the company under the close attention of HR managers.

### **Conclusion**

Graduate Trainee Programs are an instrument of talent management and they were first discussed in scientific literature in the 1990s. They are designed to fulfill various functions such as attraction, retention and development of talents in an organization. The definition of the programs significantly evolved since 1990s. What remains under question is what GTPs represent almost 20 years later, in 2009.

## **2.9 Early Breakups**

Early breakup notion has been invented when planning and designing the following research and can be defined as: “the case when a young specialist/talent by its own decision quits the organization right after or within one year after the completion of a trainee program. It is important to mention that the organization in this case does perceive this employee as a prospective manager invests in his/hers development and is willing to establish a long-term relationship. ”There are two different points of view on the early breakups that could be traced explicitly in the literature. On the one hand the researchers on Talent management and knowledge workers tend to highlight the importance of having a long-term relationship with employees and the importance of retention. On the other hand the new looks at psychological contract and career management tend to insist on the opposite – seeing a short-term career as a normal practice in XXIst century. It is essential to solve this contradiction.

Hawkins and Barclay (1990) stated that “a high proportion of graduates expect to leave their first employer within four years or less and that many of them are using their employer as a “stepping stone”. Therefore, in order for the companies to be competitive it is imperative to

retain their graduates. Field and Harris (1992) argue that participant turnover, recruitment difficulties and participants' failure to perform as the company expects are the symbols of graduate programs ineffectiveness. Most common reasons of program ineffectiveness are participants' dissatisfaction, negative attitudes among non-participating employees and cultural mismatch with the company (Field and Harris, 1992). Combining the findings from the previous research, the mechanism of early breakups is shown on the following model (Figure 5):

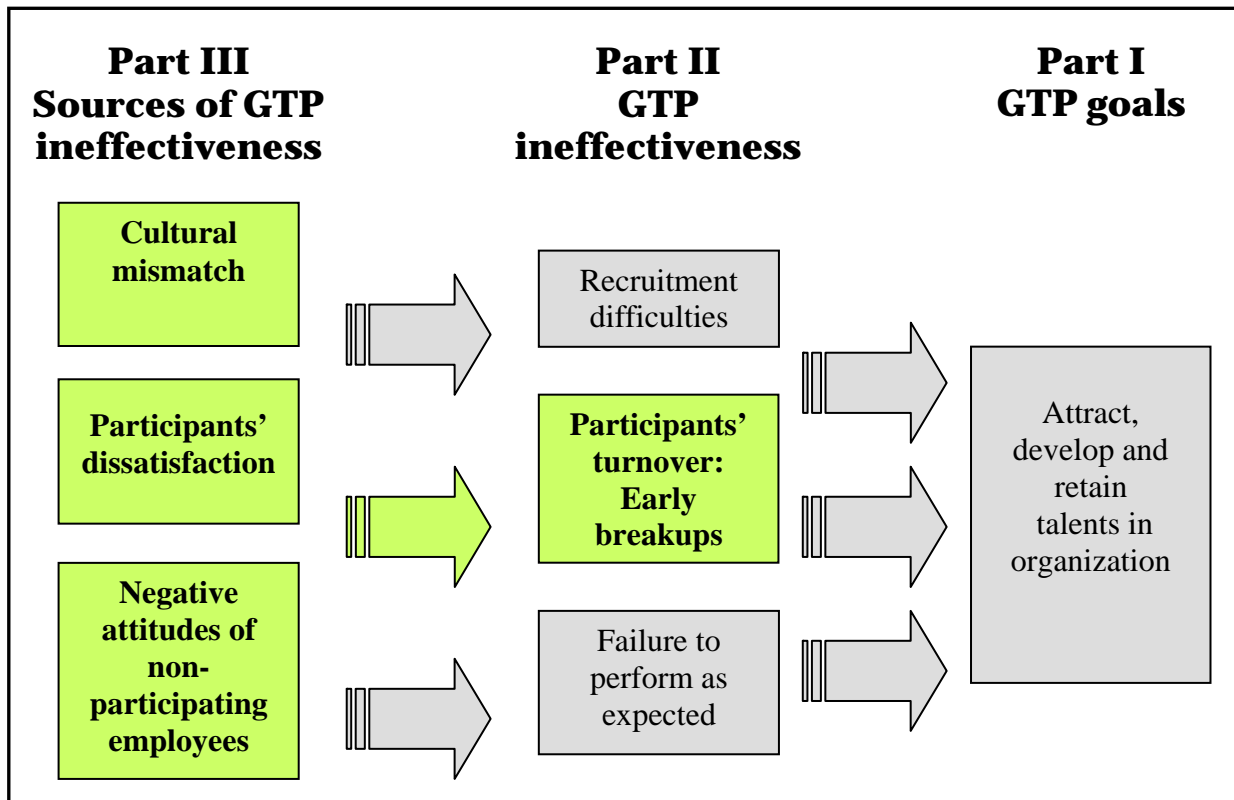


Figure 5: Early Breakup mechanism

The model presented on the figure 5 is a combination of research on the Graduate Trainee Programs. The model allows us to see the mechanism and the place of early breakups on the way of GTP goals fulfillment. The model consists of three parts. The first part - the goals of GTP - represents the aims of most GTPs: attract develop and retain talents in organization. The second part - GTP ineffectiveness – names three main symptoms of program ineffectiveness. If there is a need to assess whether the program is effective, one should look at the presence of recruitment difficulties, participants' turnover and participants' failure to perform as the company expects them to. Part three of the model reveals the sources of program ineffectiveness: cultural mismatch between a graduate and a company, participants'



dissatisfaction and negative attitudes of non-participating employees. All these sources of ineffectiveness can lead all together or one by one to program ineffectiveness.

This Master Thesis research will focus on analyzing the antecedents of early breakups initiated by CEMS graduates. On the figure 5 this area is highlighted in green color.

Looking deeper at the sources of graduates' dissatisfaction McDermott et al (2006) looked at the graduate trainee program satisfaction levels of Irish graduates. The researchers not only found that the levels of participants' satisfaction by several job features were lower than the levels of satisfaction of non-participants, but also found the list of 12 possible sources of graduates' dissatisfaction. They also asked their respondents to range those 12 program features in the order the graduates "felt features were important". Finally they found a list of 12 possible sources of dissatisfaction ranged from 1 to 12. Those features that come first in the list are the most important for the graduates to be satisfied with in order to be satisfied with overall program. Here is the list of the features:

<b>Work Features</b>	<b>Score</b>
The challenge and stimulation of the job	1
Feedback on performance	2
Responsibility awarded	3
Opportunities for advancement	4
Development and training	4
Relationships with management	6
Working conditions	7
Salary and benefits	8
Relationships with peers	9
Job security	9
Role expectations	11
Recognition and contribution	12

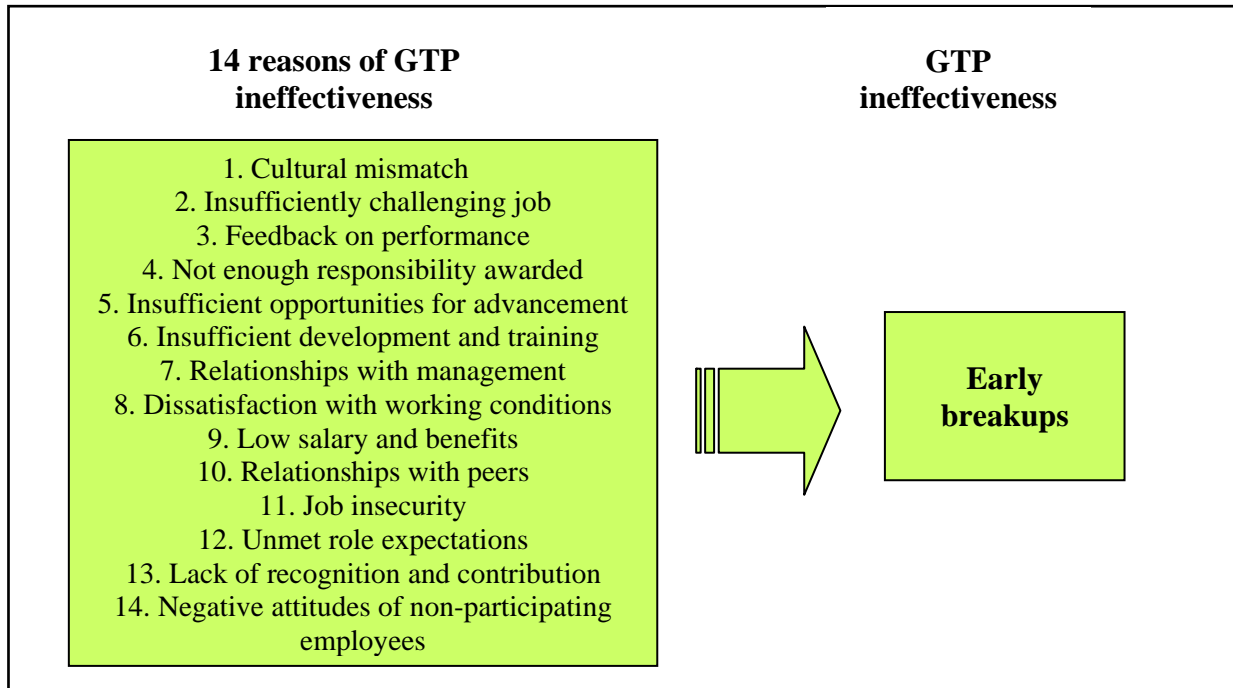
*Table 1: McDermott et al (2006)*

As it follows from table 1, to be satisfied with the challenges and stimulation of the job is considered the most important by respondents of this survey whereas recognition and contribution was the least important.

Taking together the "green" part of the model based mainly on Field and Harris (1992) research (Figure 5) and the findings of McDermott et al. (2006), it is possible to create another model. The model in the figure 6 includes the three characteristics of GTP ineffectiveness taken together; one of them – participants' dissatisfaction – will be represented by twelve features that participants of GTPs can be dissatisfied with. It is

important to highlight that not those 12 important for graduates program features, but the dissatisfaction with some of those 12, may lead to an early breakup.

Finally there are 14 possible sources of program ineffectiveness that may lead to an early breakup.



*Figure 6: The research model*

Consequently the following research will be based on the model in figure 6 extracted from the early breakup mechanism model in figure 5 and enriched with McDermott's et al. (2006) findings. The following research will look at which of these 14 possible reasons of program ineffectiveness lead to early breakups initiated by CEMS graduates.

## 2.10 Conclusion

In this chapter a review of theories and research findings in seven areas of human research management is presented. First, the general problem of HRM – retention of key workers – was introduced. The main sources of influence on turnover and turnover intentions reduction were presented. Turnover intentions emerge on the background of reduced employee commitment. The use of mentorship, company values consistency with those of its employees and possibilities to reach work-life balance are important factors influencing graduates commitment positively.

Second, a notion of knowledge worker was introduced. Knowledge workers are different from traditional workforce and those differences make difficult retaining them and making loyal. Business schools graduates can be identified as knowledge workers with several unique characteristics: during the first year after making a choice of employer a graduate's perceived attractiveness of a chosen alternative decreases dramatically and stays at this low level during 1-1,5 years. Attitude toward a firm attractiveness determine job choice behavior and that job choice behavior influences post employment attitudes about firm attractiveness. Business schools' graduates differ from the rest and show higher levels of job insecurity. They named this insecurity as one of reasons why they are dissatisfied with their jobs and are more likely to quit. In addition like all knowledge workers they are highly mobile. After all they possess the specific qualities that businesses need to be competitive and successful.

Third, we looked at the talent management area and saw that the war for talents is taking place. The companies need high-potential employees with intercultural literacy, global mindset and technological acumen for business increased. Finally a special tool of talent management aiming at attracting, developing and retaining young talents in an organization emerged – Graduate Trainee Programs. The view of GTP as an employer branding tool was presented.

Fourth, the evidence for the changes in career management and the notion of career itself were provided. Due to the changes in organizational structures organizations are no more willing or able to provide its high potentials with a lifelong career and therefore the early breakups can be seen as a normal part of a career.

Further on the changes in psychological contracts were discussed. Researchers proved that the expectations of both employer and employees have changed. Nowadays the lifelong employment is seen by a broad number of graduates and organizations as unnatural.

Finally when outer and inner context circles of the literature review model were presented, the GTPs were introduced. Definition and functions of the programs were outlined. Based on the idea that recruitment, development and retention are important functions of GTP and on findings of several researchers about the sources of program ineffectiveness the mechanism of early breakups was revealed and the model for the empirical part of the thesis introduced.

Some of the subjects presented in this chapter, such as employer branding, career management, psychological contract and talent management, can be seen as the closest

context of the GTPs. Some other areas presented can be seen as the broader context. Looking at these areas together contribute to our understanding of the context in which early breakups occur. Understanding these areas is important for a more objective picture of the GTPs. Having traced the lines of different knowledge areas to the GTPs made it possible to describe the phenomenon that the thesis aimed to explain – early breakups.

## 3. Design and methods

### 3.1 Introduction

In this chapter the design and the methods of the research will be presented. Firstly the purpose, subject and object of the research will be introduced. Secondly the propositions of the research are established. Finally the methodology is described and the limitations are stated.

### 3.2 Purpose

This research investigates the problem of retaining business schools' graduates (young specialists) in Multinational companies. Despite the wide range of trainee programs, internships, and other activities taken by the employer, sometimes these activities do not lead to efficient collaboration and long-term partnership between an employee and employer. This research examines the cases when the employee initiates a breakup and quits the organization after completing the trainee program.

The **purpose** of the following research is to define GTPs and identify the reasons why the business-school graduate's quit after the GTP in other words - finding out the reasons for these breakups. On the basis of these conclusions a set of recommendations for companies will be developed in order to help these companies make their talent management procedures more effective.

Research Question: Describe a Graduate Trainee Program (GTP) in Multinational companies in 2009. Discover what is companies' opinion about such outcome of a GTP as early breakup? What are the key factors that influence the CEMS graduates' decision to initiate an early breakup after completing a trainee program in an MNC?

In order to answer the research questions it is essential to understand the context in which the breakups occur. The literature review did not fully picture the context although it gave some important insights about this area. For example main trends that lead to two different points of view on the problem of graduates' retention were revealed. There are two contradictory points of view on the issue of graduates' retention. The first one states that companies have long-term plans when hiring graduates and assume that the graduates may become future

top-managers. Seen from this angle, early breakups are an undesirable outcome of the GTP. Another point of view states the opposite: the changes in organizational structure made long-term career in one organization impossible and undesirable, therefore early breakup is a normal part of the XXIst century career. These contradictions highlight that the context in which the early breakups happened is not yet fully determined. Moreover, GTPs have not been described recently; the last time it was done was in the middle of 1990s when the new trends mentioned above had just emerged. In order to obtain up to date information on these issues the following propositions are formulated:

Proposition 1: The companies offering GTPs for CEMS graduates are willing to establish a long-term relationship.

Proposition 2: The companies think of early breakups as a negative outcome of a trainee - company collaboration.

In order to find out the early breakup reasons the model suggested in the literature review was tested.

Proposition 3: The models' 14 reasons for early breakups and the reason why CEMS graduates initiated breakups with the companies will be found through empirical investigation.

### 3.3 Methodology and data collection

The research design was dependent on several constraints: the time period was limited to one semester (5 month) and there were no special financial resources in my disposal. Therefore the research was designed to do the maximum of what can be done with the available resources.

The research uses the survey strategy. This strategy makes possible the use of two types of methods: quantitative and qualitative. These terms refer to both the data collection technique and to the data analysis procedures. The use of the quantitative method provides a researcher with numeric data (numbers) analyzed with statistical methods and qualitative with non-numeric data analyzed by categorization. Quantitative methods are usually applied when a big amount of data is needed for analysis. For example, in an explanatory study it is necessary to look at the relations between variables or at the impact of one variable on

another, thus in order to get statistically significant results the questionnaires data collection method can be used and statistical analysis performed. Quantitative data collection methods allow generating big amount of data in a short period of time. Saunders et al (2007: 145) stated that using more than one data collection and analysis procedure (for example using qualitative and quantitative techniques in combination) to answer the research question “is increasingly advocated within business and management research”.

In order to answer the research questions of this thesis a mixed model is used. The qualitative data obtained during the interviews are analyzed with descriptive statistics. The reason why such research design is used is that qualitative data collection (semi-structured interviews in this case) provides better opportunities to answer the thesis’s research questions. On the one hand conducting interviews with the companies and graduates allows exploration of the early breakups’ context and deeper understanding of the reasons for graduate’s decisions to leave. On the other hand talking to the participants of the process on both sides (companies and trainees) allows investigating what is really happening in the area of graduate talent management. Interviewing can lead a researcher to the areas unconsidered before but significant for understanding of the issue.

There are several advantages and disadvantages of the interview data collection technique. Interviews make possible collection of a rich and detailed set of data that provides a holistic understanding of the issue analyzed. In this thesis it was important to have an opportunity to interview company representatives responsible for the GTPs. Because, as Saunders et al. (2007: 316) stated, “managers are more likely to agree to be interviewed rather than complete a questionnaire”. It was true in the case of this research. The HR managers saw the topic to be interesting and relevant for their current work, thus the response rate for the interview invitations was high. The sample and the response rate will be discussed in more detail in the section 3.4.1. Further on the interviewees tend to be more willing to disclose sensitive and confidential data to those who they have met. In addition a semi-structured interview gives an interviewee a possibility to clarify the meaning of the questions and the interviewer to clarify the meaning of the answers. In the same time it gives the interviewer more control over the process and the result than a questionnaire.

However, the interview method of data collection has several disadvantages that must be stated. First, this method is time consuming because the interviews must be transcribed. Second, there is an issue of data quality. It is important to avoid interviewer bias (for

example, appearance or behavior of an interviewer can introduce bias on the interviewee's response) and interviewee bias (for example, an interviewee can hide some data on the cases when he presents himself in a socially undesirable role).

There are some strong and weak points in qualitative data application. An interview seeks to cover both a factual and a meaning level. The meaning level data are difficult to analyze and interpret partly due to the fact that the interviewer is a part of the "measurement instrument". The issue of generalizability (applicability of the results to other samples of respondents) is especially relevant when the sample size is small.

Taking into account advantages and disadvantages of qualitative and quantitative methods, I chose to use mixed methods and make a set of semi-structured interviews. The data obtained during the interviews were transcribed, categorized and analyzed with descriptive statistics. Findings from the literature review were used as a basis for an interview guide with the companies and graduates.

## 3.4 Research progression

In order to answer the research questions, several activities are executed:

1. Phase 1 of the research: in order to describe current programs and resolve the contradiction between the views on the early breakups, 30 semi-structured interviews about GTPs in 30 Multinational companies were performed.
2. Phase 2 of the research: 15 semi-structured interviews with CEMS graduates who initiated a breakup are done and the model produced in the theoretical part is tested.
3. Findings are analyzed using descriptive statistics

### 3.4.1 Phase one

With the intention to get an objective view on the early breakups, a set of companies that traditionally hire young specialists was interviewed. The goal of this stage was to describe existing graduate programs in order to create a general understanding of what this instrument of talent management looks like nowadays. In total, 30 companies were interviewed. The semi-structured interview technique for the data collection was used. The argument for using especially this method of data collection is the following: First, it allows establishing a personal contact with the respondents helps to obtain more accurate information. Second, it



combines the advantages of qualitative data collection techniques that allows clarifying the information obtained and ask additional questions. In the same time it allows obtaining the data that are easy to be quantified and/or analyzed with descriptive statistics. Finally, an interviewer leads the discussion based on the already prepared set of questions that he considers important for the research but has more freedom than when using structured interviews.

In order to obtain more reliable information on the trainee programs, the interviews were conducted with either HR representatives responsible for the program or with current trainees responsible for program presentation. The interviews took place during the annual CEMS career forum. The interviews were recorded. Every interview consisted of four parts:

1. General description of the company: size, industry, country where it operates. At this point a few factors describing corporate culture were used: focus on teamwork or leadership, dress code, average age of employees in the company and national diversity of employees.
2. Description of the trainee program: duration, how many years ago it was launched, number of graduates hired per year, type of program: direct entry positions<sup>1</sup> or rotation<sup>2</sup>, departments where the traineeship is available, term abroad in foreign subsidiaries or other businesses, use of mentorship procedures.
3. Description of personal and professional characteristics of graduates: education, work experience.
4. Description of companies' approach to the career of the talents taking part in GTPs to clarify whether the companies perceive the career as a short-term collaboration or a long-term relationship.

All these contextual factors are necessary to describe the background on which the breakups occurred. At the end of each interview the interviewees were asked about the cases of early breakups in their companies and, if those cases took place, about possible reasons for it.

In general interviewing the companies was supposed to help to assess more precisely the scope of the problem, meaning how often these early breakups occur and to underline how the HR department perceives this problem.

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<sup>1</sup> When a trainee is hired for particular position

<sup>2</sup> When company let a student try himself in different functions in order to find him the best position

## **Sample**

The sample for the interviews was chosen among CEMS corporate partners. In total CEMS has 59 corporate partners. There are 40 corporate partners of CEMS that have developed programs for young specialists. The companies were contacted by e-mail. 30 companies agreed to discuss their GTPs.

Companies that took part in the survey represent a heterogeneous set of industries, such as oil and gas, FMCG, consulting, finance and transportation. First of all it makes possible to study broader range of trainee programs and at the same time evaluate if there are some trends in programs design within an industry. This sample also allows assessing different approaches to graduate programs design that can be industry specific.

## **Data analysis methods**

The data obtained during the interviews were transcribed, codified and summarized in Ms Excel. Data were analyzed using Excel pivot tables - descriptive statistics. The results were summarized in bar diagrams. This method was chosen because of its simplicity and because the answer to the research question does not require more sophisticated methods of analysis.

### **3.4.2 Phase two**

The second phase of the research consisted of 15 semi-structured interviews with CEMS graduates who experienced early breakups. The same line of reasoning for choosing semi-structured interviews as in first phase applies here. In order to test proposition 3 respondents were asked to name 6 main reasons why they had left the organization. The semi-structured interviews were made to encourage respondents to speak in their own voices. At the second part of the interview they were offered a list of fourteen possible reasons of breakups included in the research model. They were asked to highlight the reasons that led them to the breakups. The interviews were held via Skype, phone and in person during CEMS annual events.

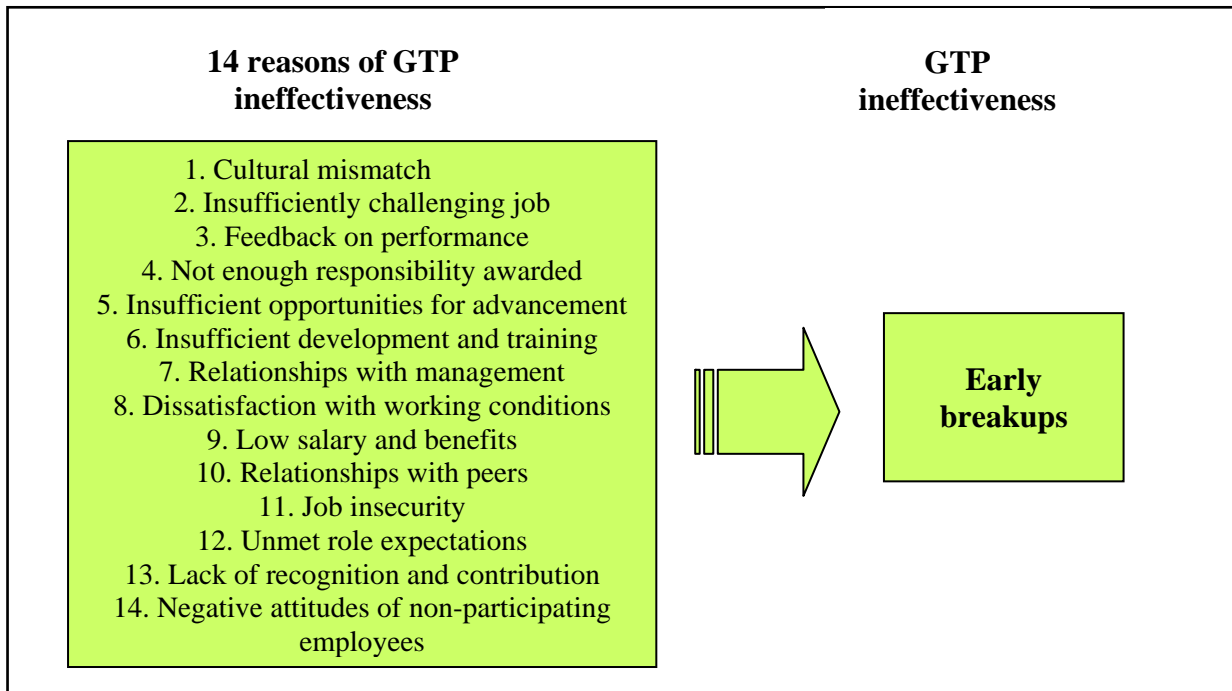


Figure 7: The research model

### Sample

The interviews were conducted with the graduates who graduated from CEMS 3-4 years ago. The choice of this sample is explained by the fact that most GTPs takes 2 years to complete and according to Hawkins and Barclay (1990) 90% of participants of GTP plan to leave the company where they are taking the program within 4 years or less. The respondents were first reached via the CEMS alumni network and after it had been confirmed that they initiated an early breakup the interviews were set. The response rate to the e-mails sent via CEMS network e-mails was low. 200 e-mails sent, 23 responses obtained, only 9 respondents fit the sample criteria. After those 9 respondents were identified using the snow-ball technique 6 more respondents were found. The possible reason for that low response rate is that the graduates might not use CEMS e-mail addresses after graduation. Although it was not prearranged all the interviewees were trainees in the companies interviewed during the first stage. All the interviewees were Europeans and were interviewed in English. All 15 interviewees initiated breakups with the companies where they took the trainee program.

### Data analysis

The findings were analyzed with the Excel pivot tables. Since the main goal of those interviews was to find the reasons why the breakups happened, no special software was used because the sample was small and the chosen techniques fit the research tasks.

## 4. Empirical study

### 4.1 Introduction

In this chapter the findings of both stages of research are presented. First the results of companies' interviews are presented. Second the results of graduates' interviews are presented. The results are summarized in pivot tables and put on the diagrams.

### 4.2 Phase one: companies' interviews results

The interviews with the companies consisted of four parts. The first part profile questions about the company itself: size, industry, countries where it has operations established. Ranging the companies according to these parameters lead to the conclusion that the companies, that took part in the interviews, were either big or medium size, operating either locally in the country of origin or internationally. The variety of industries can be seen at the diagram 1.

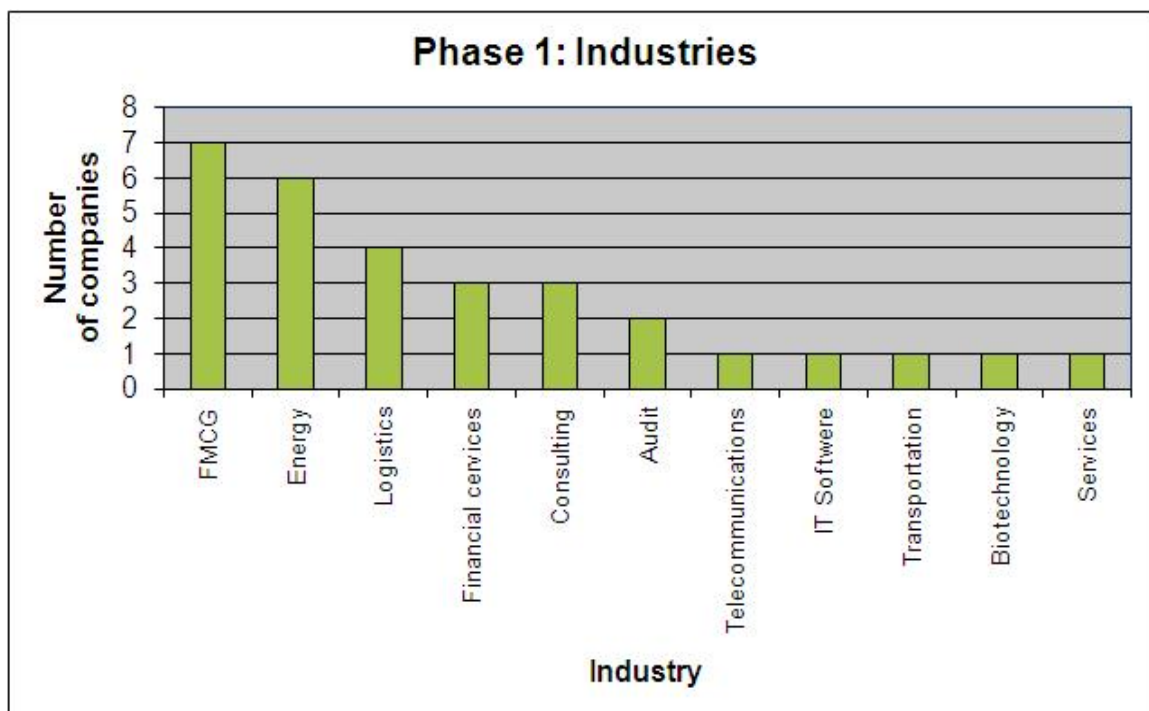


Diagram 1: Industries to which the interviewed companies belong

Most companies who took part in the research belong to the FMCG (Fast moving consumer goods) segment. For example: consumer chemicals, clothing, cosmetics etc. The second

biggest part consists of energy companies working with exploration of natural resources. The third biggest group includes logistics, financial services and consulting firms. Having this diversity among respondents was important for the research since it allowed drawing some conclusions about the particular characteristics of industries and the design of programs that is inherent to the companies operating in this industry.

Next important characteristic that the first part of the questions revealed is the geography of operations (Diagram 2).

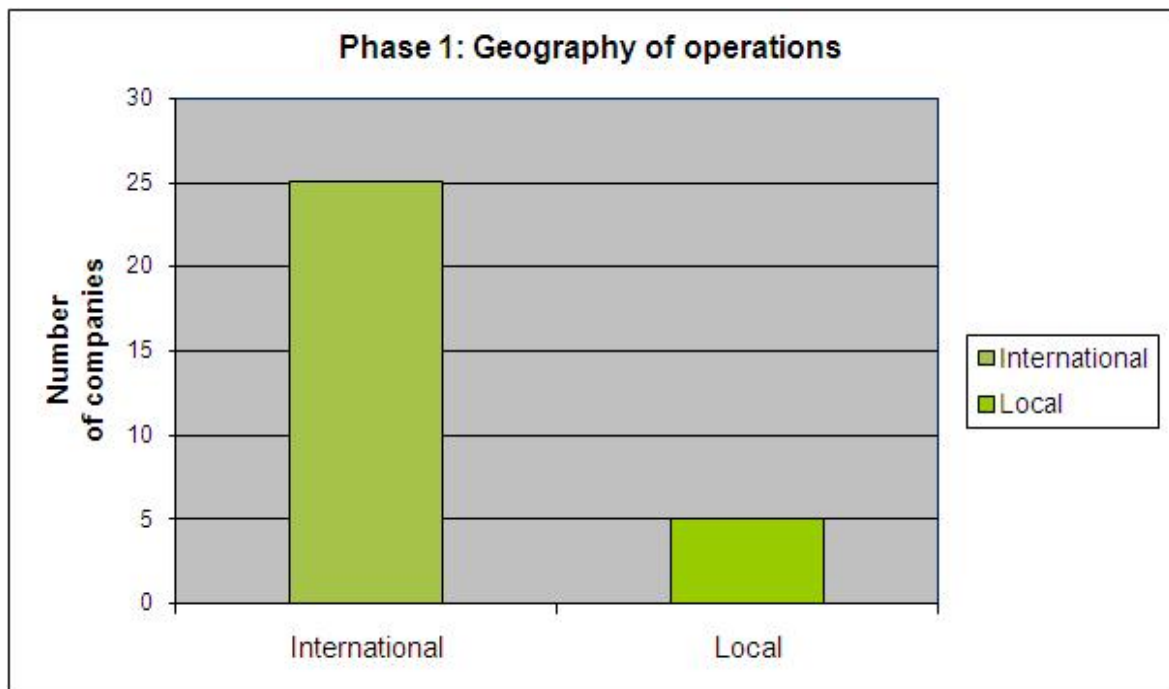


Diagram 2: Geography of operations

25 out of the 30 companies that took part in phase 1 were companies operating internationally, in several countries or continents. Another 5 companies were, as they said, local in the sense that they produce in one country but sell to several other countries. They highlighted that they hire CEMS graduates because they started to realize

*“the importance of employees prepared to work internationally for the company’s competitiveness and to be prepared to establish other operations but sales internationally”*

The second part of the survey was dedicated to the program design. It was supposed to reveal the characteristics of the GTPs. In most cases these characteristics are presented together with the results of the first part. This way of presenting allows us to see the main patterns.

The next parameters that must be mentioned are the dependence of company size and the time period during which they have been having the program. The medium sized companies (European Commission, 2009) were represented by only one company. Among 30 companies, hiring CEMS graduates for a GTP, 97% are big companies. Before the interview appointments were set all CEMS corporate partners were examined for the fact of having GTPs and the result was that only one medium sized company offered the program. The results are visualized in the diagram 3:

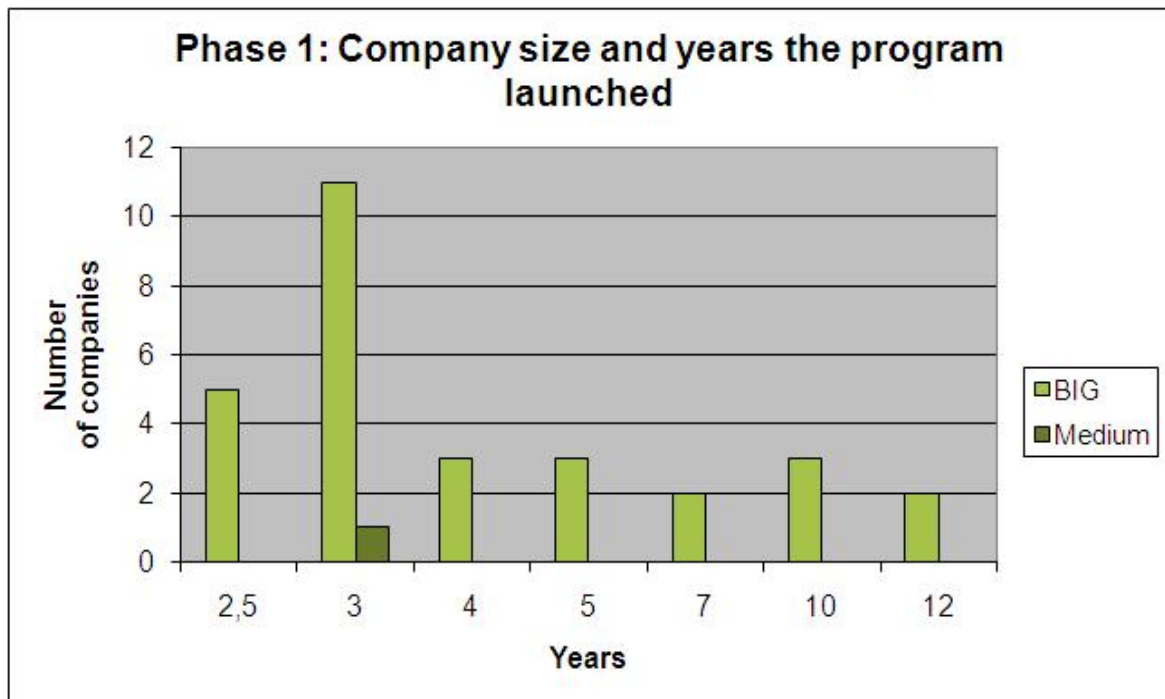


Diagram 3: Company size and years the program launched

The diagram shows that among the respondents first programs were launched around 11 years ago. The representative of one of these companies said:

*“We have a dozen years of experience with graduate’s hiring”*

In the same time one third of the companies interviewed had their program launched around three years ago.

Several interesting findings were discovered when comparing the industries and the types of programs that they launch (Diagram 4).

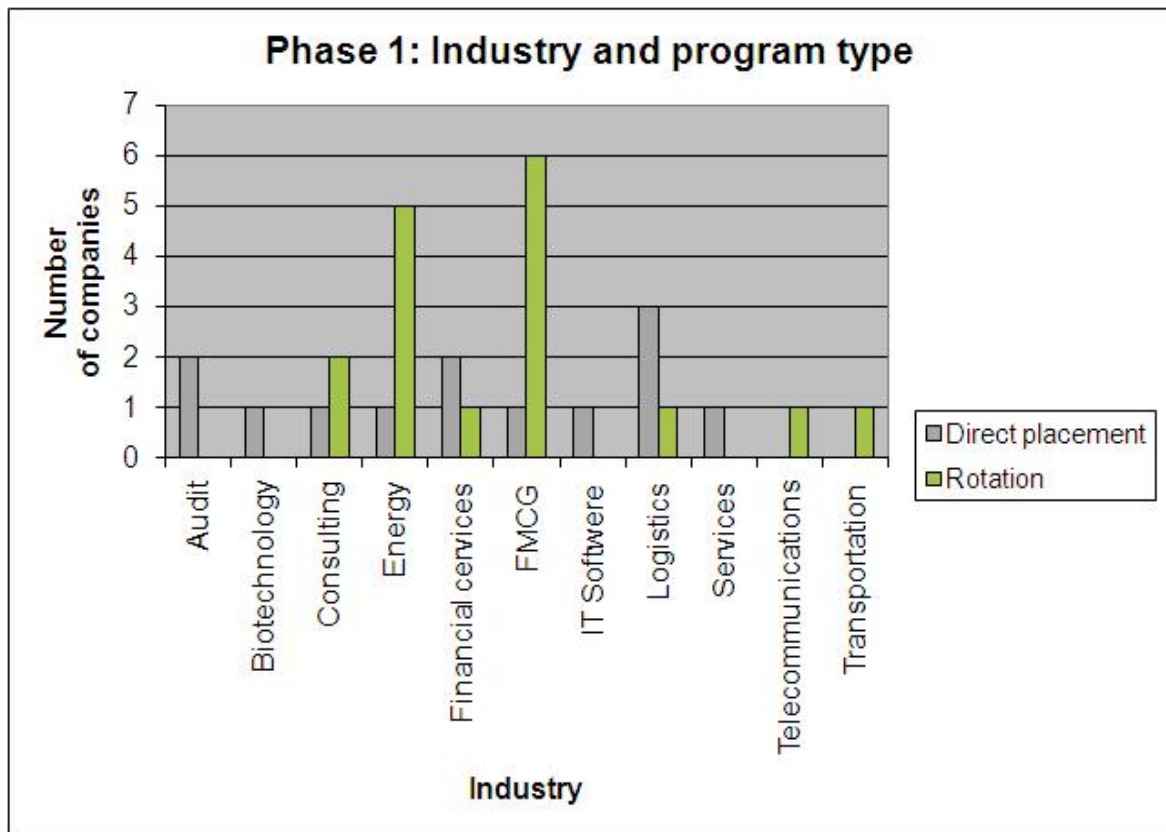


Diagram 4: Industry and program type

All the GTPs that were discussed during this set of interviews belonged to one of two types: direct placement programs or rotational program. Direct placement programs are the programs where a trainee is hired for one particular position fitting his competences and stays in the same position during the entire program. Rotational GTPs do the opposite. A trainee is hired to the program but not to a specific position. During this program he is rotated between various departments, various functions and different roles. Duration of each stage is 6 month. Often the rotation involves starting as a shop assistant and spending 6 months selling the company's products as one company representative mentioned:

*“Working face-to-face with our customers gives a real hands-on experience to our trainees and this is the best way to understand how our business works. This understanding is essential to manage the company at the top level”*

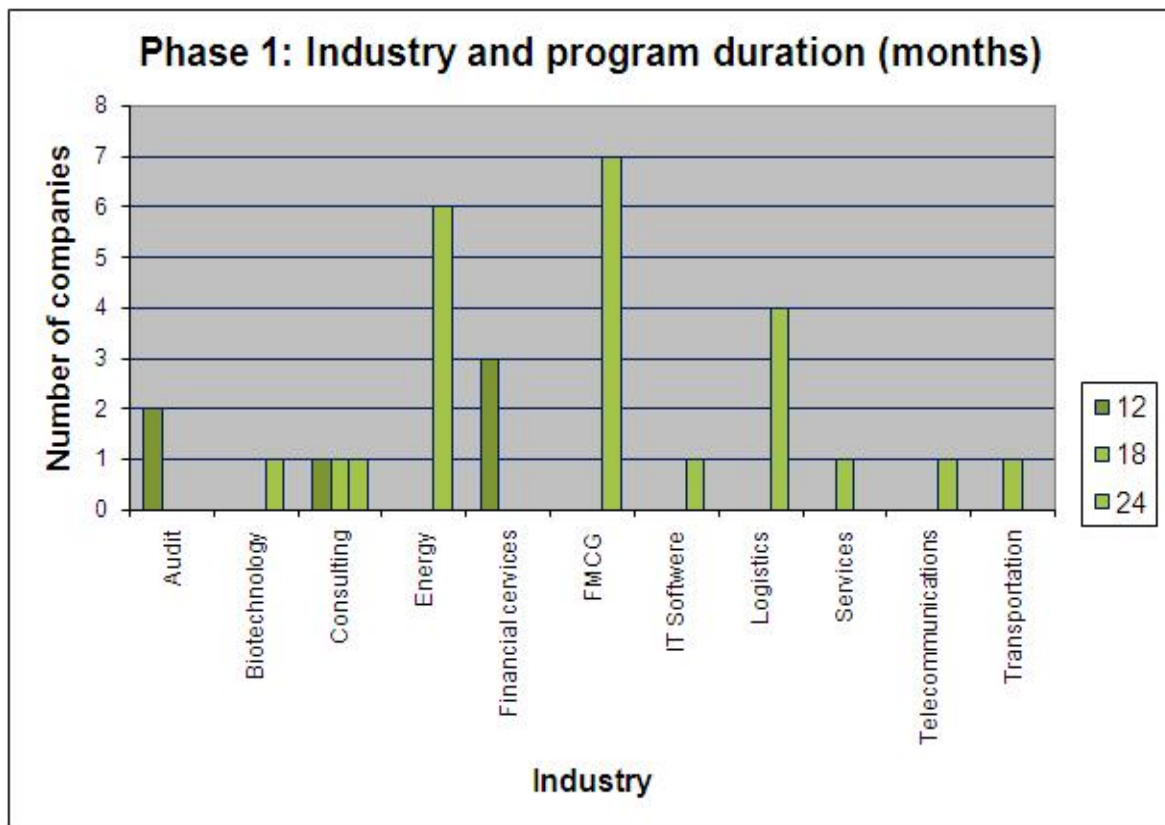
As the diagram 4 illustrates Energy and FMCG sectors prioritize the rotational schemes whereas logistics, audit and financial services seem to prioritize direct placement. The difference in priorities can be explained by the nature of the businesses. Those companies that are involved with production want their trainees to understand all the steps of the value

chain and to have a general understanding of how the entire system works before they will be attached to a particular piece of it. What is even more important is that the trainees are:

*“... offered a possibility to find their place in the company by trying different functions”.*

Another HR manager noted: *“they have no work experience hence they do not know what they want and what they are capable of”.*

At the same time rotational programs are in most cases longer than those with direct placement (Diagram 5).



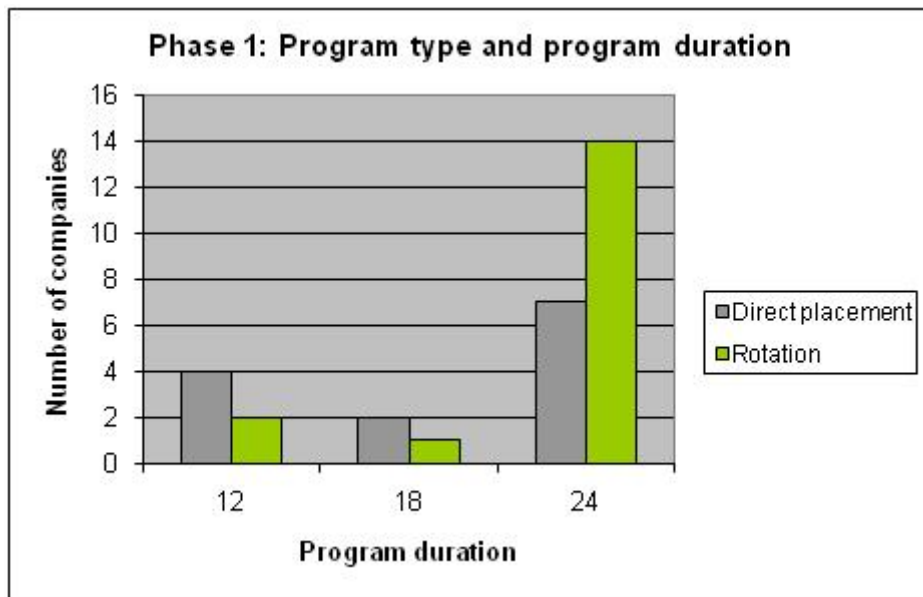
*Diagram 5: Industry and program duration*

The correspondence of program duration and the industry at the diagram 5 clearly shows that FMCG and Energy companies prefer longer GTPs. It is an outcome of rotational programs preferences. Some companies claimed that:

*“We want our graduates to see at least 4 functions to have an understanding of the business”*

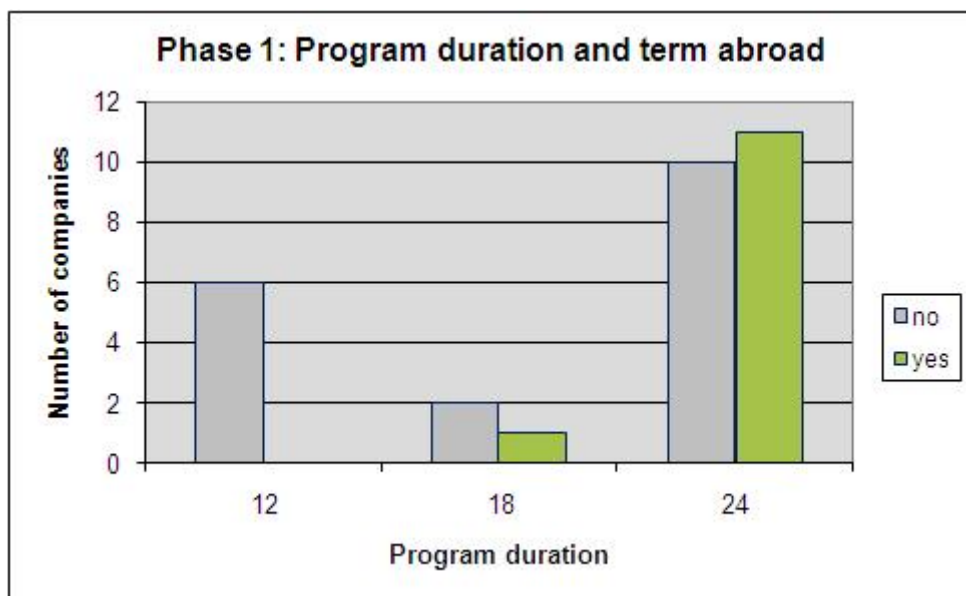
The rotational programs are usually 18-24 months long (Diagram 6).





*Diagram 6: Program type and program duration*

As was mentioned before, the companies see their trainees as possible workers in an international context. Therefore the GTPs include an element that prepares them for future possible international assignments – a term abroad (Diagram 7). Here the companies are talking about having graduates rotation in various business units in different geographical locations.



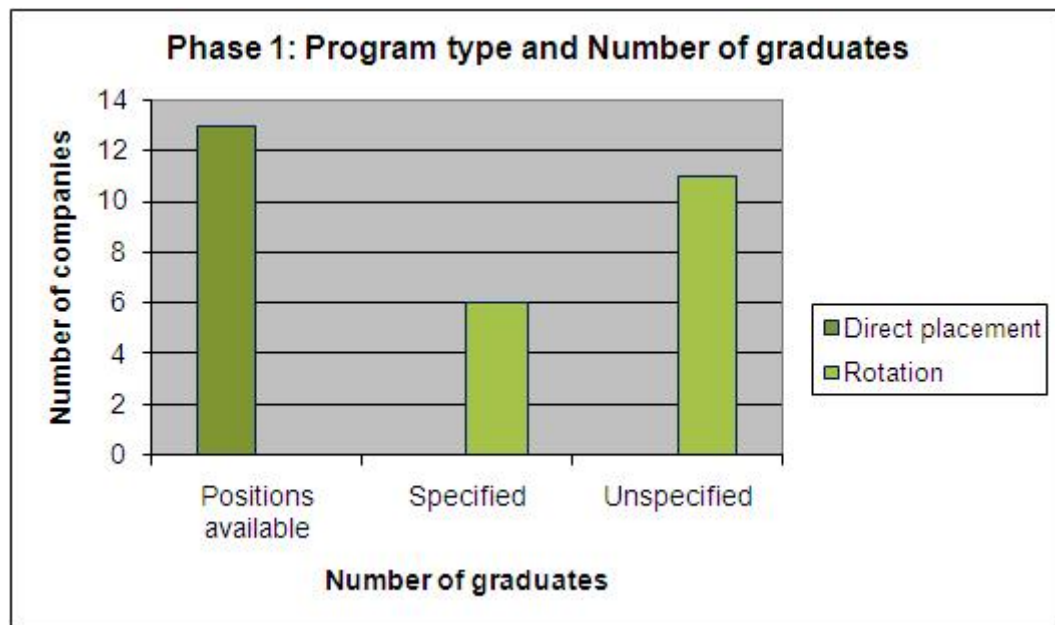
*Diagram 7: Program duration and term abroad*

More than a half of the programs, that last 18 and 24 months, include a so called term abroad (a 6 month assignment outside the country where the program is held). The goal of this experience is to:

*“Have future executives understanding the issues of working internationally”*

It is worth noting that only the programs of 24 months duration include a term abroad. It must be mentioned that having a trainee spending 6 months in a different location increases the cost of this trainee proportionally to the expenses for the trainee’s relocation and compensations for the trips back and forth. The companies claim to pay those expenses.

The type of the program has one more important implication for the companies – the number of graduates per year that are being hired as trainees (Diagram 8).



*Diagram 8: Program type and a number of graduates hired*

Direct entry position trainees are only hired when there is a need for them in the company that is when positions are available. For rotational programs companies usually hire graduates that fit their description of a successful trainee and they are much more flexible in terms of quantities. Nevertheless 11 companies claimed to have a specific number of trainee positions available.

In total the results are (Diagram 9) 13 companies hire for available positions, 11 can hire an unspecified number of graduates, and the rest know exactly how many they need each year:

*“We will hire everyone who fits our selection criteria, but very few do”*- said one company’s HR manager.

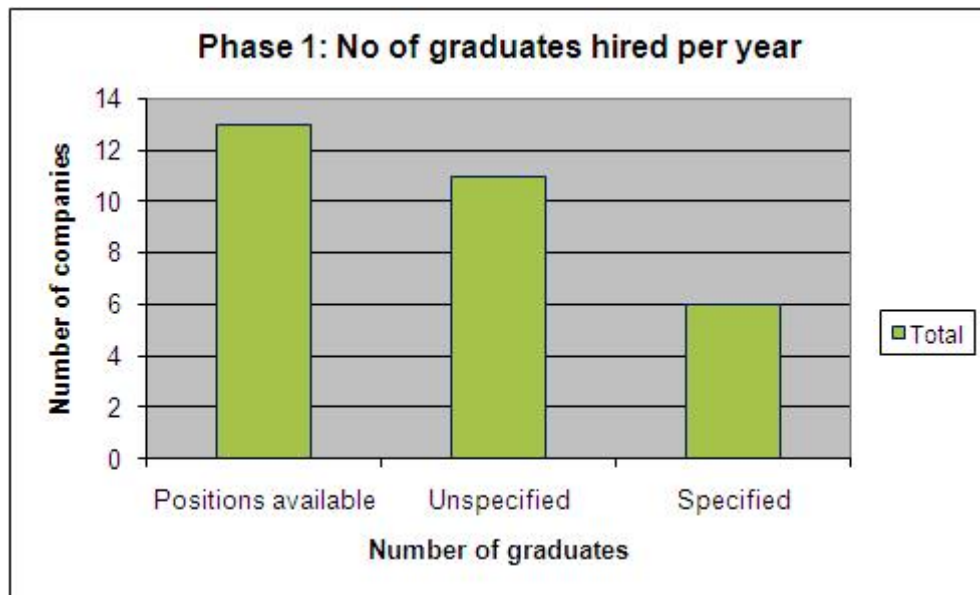


Diagram 9: Number of graduates hired per year

The third part of the interviews was dedicated to the questions about the candidates that are being recruited to the GTPs. Several important characteristics of the trainees were identified.

First of all the age limit of graduates when entering the programs is strictly limited to less than 26 in some companies or less than 30 in the majority of companies. The requirement that all the companies had: no more than 2 years of working experience. 27 out of 30 companies said that the experience is not required at all (Diagram 10).

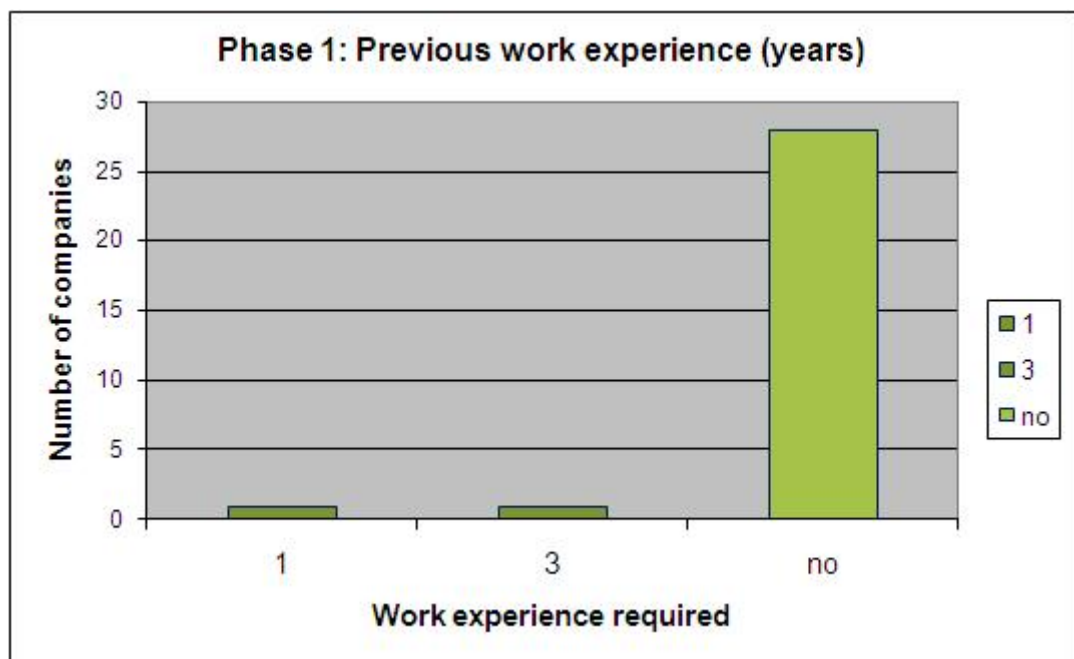


Diagram 10: Previous work experience required from graduates in years

Another important parameter, that the companies base their selection on, is the level and type of education that they are looking for in a trainee (Diagram 11).

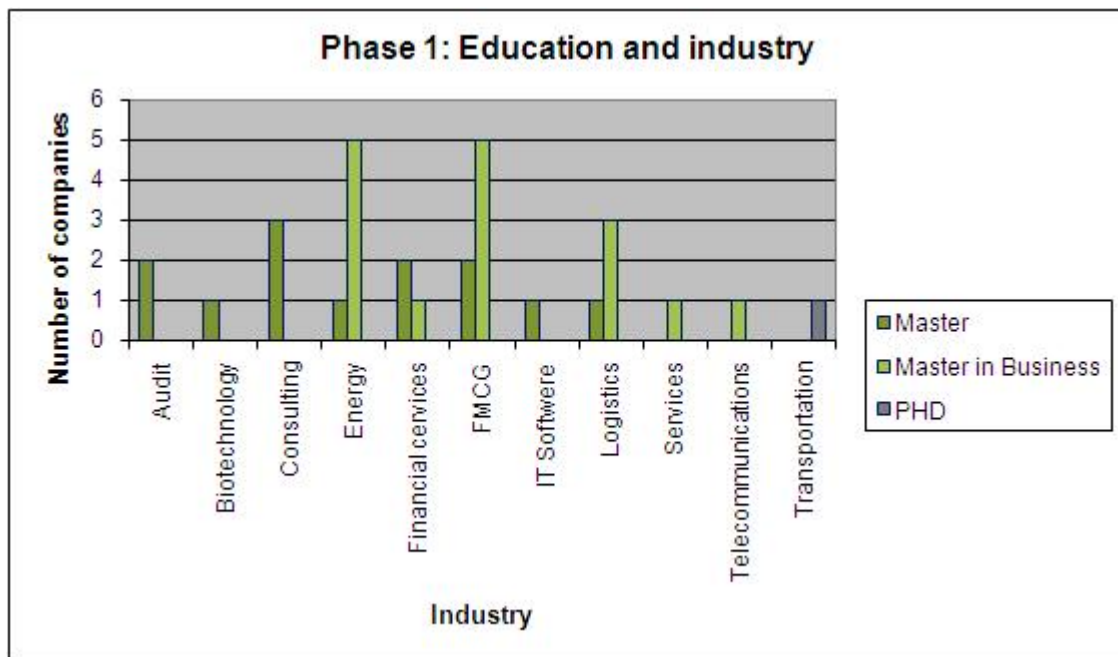


Diagram 11: Education and industry

The diagram 11 shows that not all the companies are targeting to hire only Business schools graduates. Some companies prefer diverse workforce and hire trainees with various master degrees. One HR representative from a consulting company noted that:

*“We need people with different experience to approach the problems we are solving from various angles.”*

Only one company mentioned PHD, it was the same company that asked for 3 years of working experience. It puts a question mark on what is meant by a trainee program in this company.

Next parameter that was assessed is the responsibility that trainees are handling (Diagram 12).

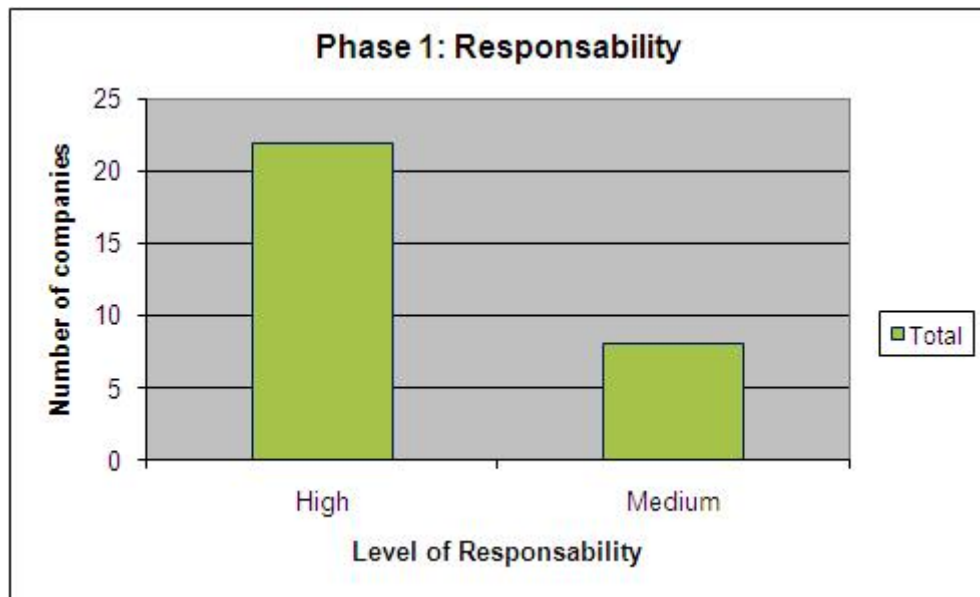


Diagram 12: The level of responsibility assigned to the graduates

22 companies highlighted that they give their trainees real business tasks and that their trainees face a high level of responsibility. Here it makes sense to quote one of the companies' representatives who said that their: *“trainees have sometimes the same level of responsibility and tasks as complicated as our senior managers.”*

Taken into account what has been just said, the question of how the trainees handle those tasks and the responsibility emerges. The companies answer was: mentorship (Diagram 13).

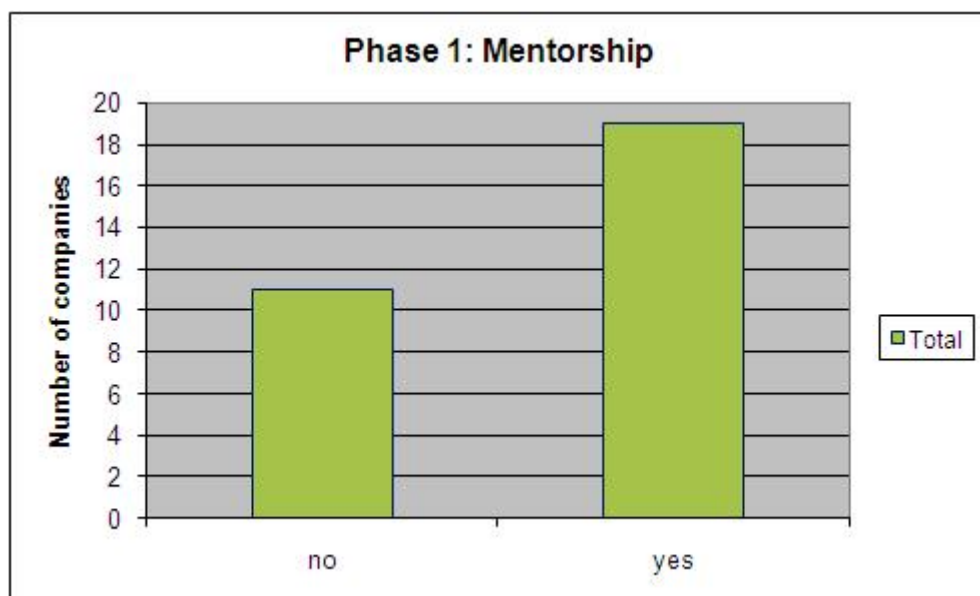


Diagram 13: The use of mentorship practices

In total 19 companies highlighted the importance of mentorship and told that they have well developed procedures of assigning a mentor to a trainee and regulating their relations. It was

also underlined that via mentors individual planning of learning and development procedures are implemented.

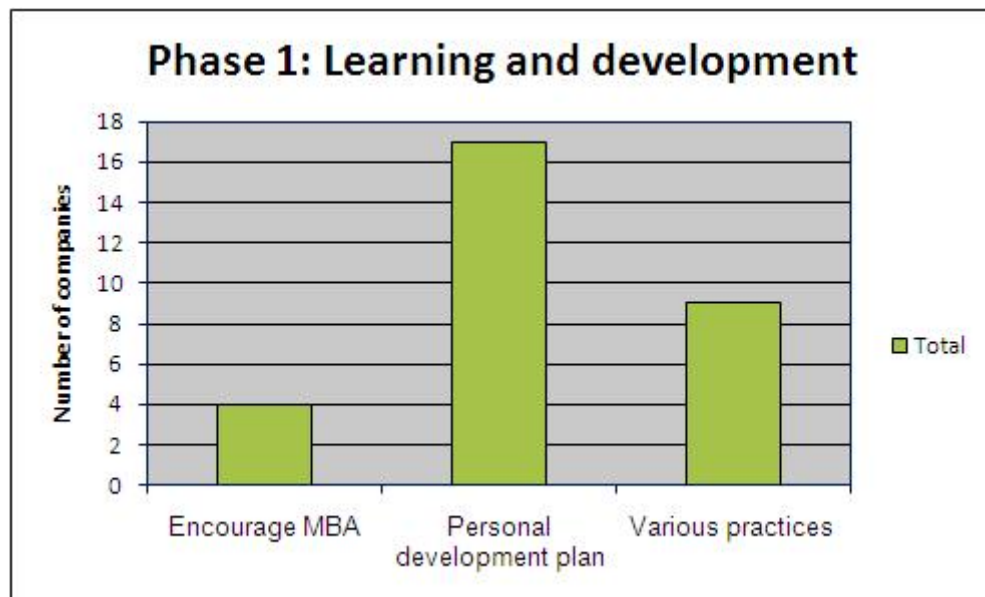


Diagram 14: Practices the companies use for graduates' learning and development

19 companies answered that *“every trainee has a personal development plan, which is being adjusted and revised every 6 months with a trainee’s mentor”*. All the companies emphasized the importance of learning and development during the GTP (Diagram 14). And some said that they encourage and sponsor the MBA for their talents after they complete the trainee program and get relevant experience in their business.

Having all the key parameters of GTPs described, the fourth part of the interviews was conducted. The companies were asked about the cases of early breakups and the long or short-term orientation of the programs. The results are presented in the diagrams 15 and 16.

Concerning proposition 1 that was tested during the interviews they are summarized on the diagram 15. 26 companies were *“absolutely sure that we want to keep our trainees for their entire career”*. Those 3 companies who answered that they have more short term plans on their graduates felt the need to elaborate on this statement and explained that they do not have the possibility to keep their trainees and offer them a lifelong career. One company representative said that *“now graduates desire fast career growth and our company is not able to move them up as fast as they want and deserve to”*. They highlighted that they would prefer to keep them because they had invested substantially but they realized that it would be *“a very tough battle”*.

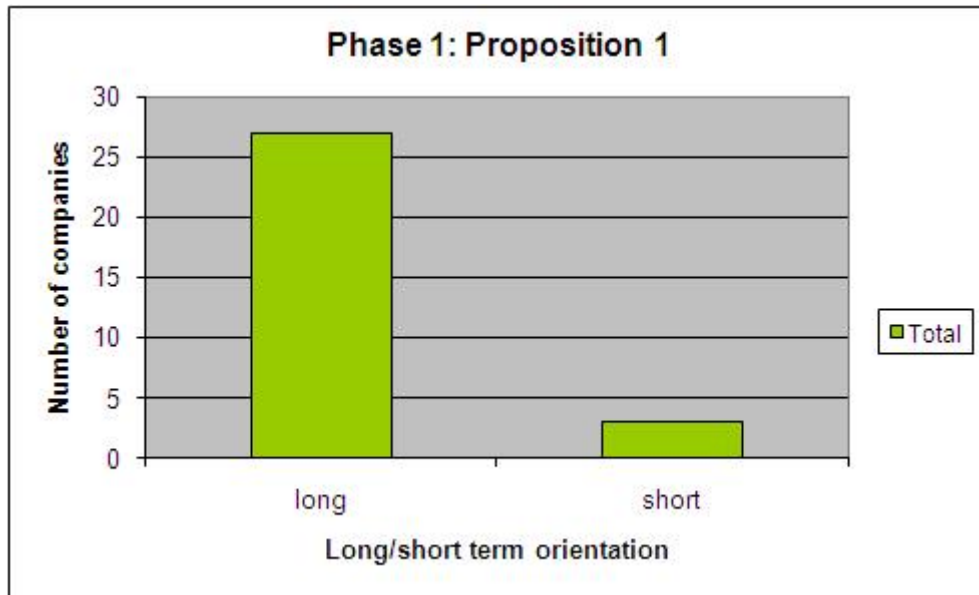


Diagram 15: The result of the proposition 1 testing

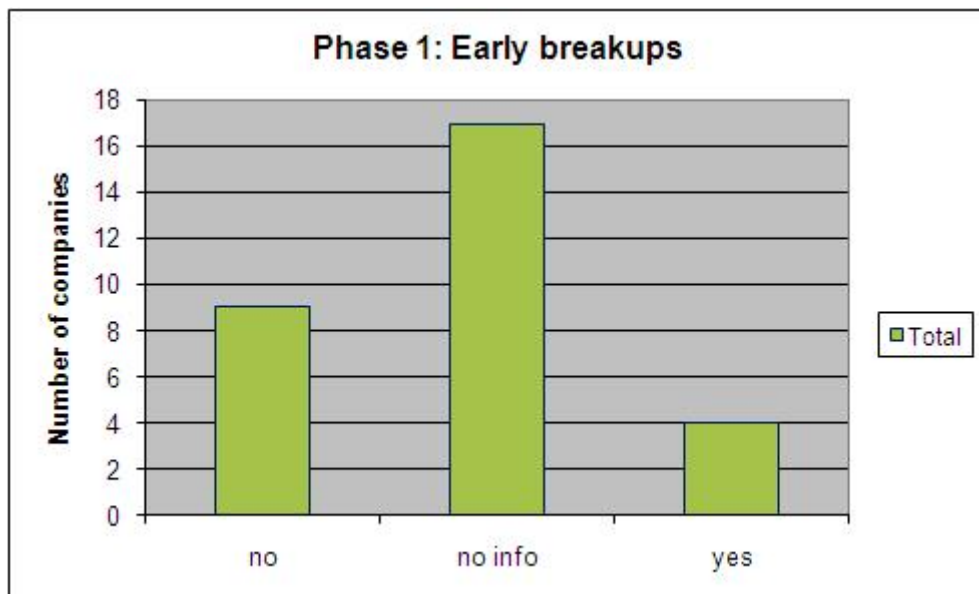


Diagram 16: The cases of early breakups

Only four companies revealed the cases of early breakups, the majority stated that they have no information on this matter, 9 were sure that the cases of breakups have not happened. Concerning their perception of an early breakup as an outcome of a GTP (Diagram 17) 23 companies see it as negative and 6 companies said that it is difficult to say because it can be both negative and positive. Majority saw it negatively and specified that in terms of costs and loss of talents it is negative but, as one of the representatives said: *“the cases are different”*:

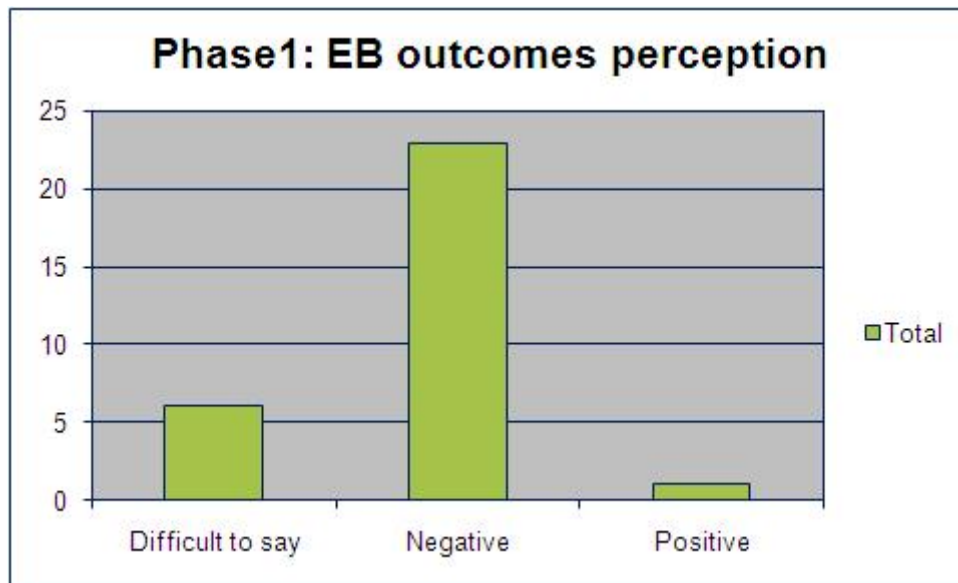


Diagram 17: The companies' perception of early breakups

The first phase of the research supported proposition 1 and proposition 2.

### 4.3 Phase two: graduates' interviews results

Having described the context of early breakups it is now possible to look at the reasons for breakups stated by CEMS graduates. The profile data on the respondents who gave interviews are summarized in the table 2:

Participant code	Field of work	Tenure	Age	Gender
1	Marketing	2	26	Female
2	Rotation	2,5	27	Male
3	Sales	2,5	28	Female
4	Marketing	3	26	Female
5	Finance	2.5	25	Female
6	Consulting	2.5	27	Male
7	Audit	2	25	Male
8	Consulting	2.5	26	Female
9	HR	2.5	26	Male
10	Production	2	24	Male
11	Rotation	2	26	Male
12	Rotation	2	24	Male
13	Rotation	2	25	Male
14	Rotation	2	26	Male
15	Rotation	2	25	Female

Table 2: Graduate respondents' profile data



15 graduates who initiated breakups with their companies were asked about the reasons why they left. The respondents were between 24 and 28 years, average age is 26 years old. They took part in GTP and spent between 2 and 3 years in their companies before the breakup. 6 of them are female and 9 are male. 6 of them took part in rotation programs and the rest in direct entry positions.

The findings of this phase of the research are summarized on the diagram 18:

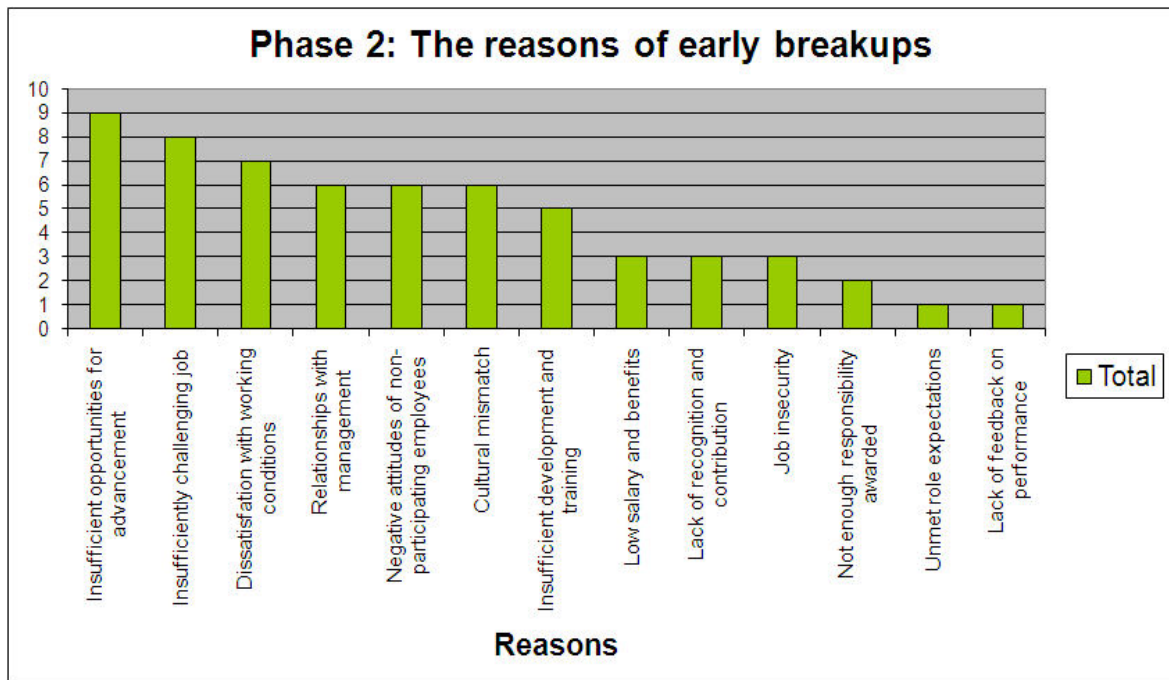


Diagram 18: The reasons for early breakups

The reasons that scored the most answers were insufficient opportunities for advancement and insufficiently challenging job. 9 graduates stated the lack of opportunities for advancement as the reason of their early breakup. Some explained it like this:

*“It felt like I was spending too much of my time on the activities that had no relation to my career advancement - working in the shop for some months as a shop assistant, trying different things - one day I realized there were just no opportunities and I was kept on that low level”...*

Others stated it like this:

*“My boss was 31 and his boss was 35, if I stayed there it would be a long waiting line to go even one level up”*

---

*“There was just one free position that I could have got after my trainee – brand manager – but I did not manage to get it and then left”*

The explanations of the “Insufficiently challenging jobs” were sometimes hard to believe. One young man took part in a rotational program. Before he started the program he wanted to stay in the marketing department after the GTP completion. About the reasons why he left he said:

*“The entire marketing department’s task was to measure the size of the letters on the package of our products after getting them from the printing house... can you imagine me with my ambitions sitting the entire day with a ruler...? There were no real marketing tasks because all the concepts came from Paris. What I did there, had nothing to do with marketing”*

Another graduate mentioned:

*“During my rotation I had no time to lead the entire project till the very end. I had quite simple tasks linked to the preparatory study of the project everywhere. There were no challenges.”*

This case is the most extreme. The rest of the trainees were not that disappointed but nevertheless 8 people in total mentioned insufficiently challenging job.

Working conditions – the next most often mentioned reason – is a broad notion. Different reasons stated by graduates were united under one reason. For example, working overtime was mentioned more than 2 times, the fact that a company office was situated “*in the middle of nowhere, where the closest town was only available by car*”, the offices area near production that caused noise and smelled of chemicals etc.

Next most often mentioned reasons are cultural mismatch, negative attitudes of non-participating employees and issues in relationships with management. Cultural mismatch was represented by the following opinion:

*“It is normal there to spend the free time together... I needed a bit of my private life in my free time”*

Negative attitudes of non-participating employees:

*“Some old organizational members who spent 20 years there were expecting us (trainees) to make coffee and copies of papers. When they were explained who we are and why we were there they could not stop making jokes on our “talent” status”*

Relationships with management were also partly sharing the idea of previous quote above. Some managers were not aware of what was the status of trainees.

Development and training is the next reason that was often mentioned. Some graduates did not have enough training and development; some others thought that the company only allowed them to develop those skills that can be implemented only in this company, whereas they wanted to get some more universal skills.

The feedback on performance played an important role in the trainee decision to leave.

*“I was never told how I was performing comparing to the others, what my mentor usually was: you are doing quite all right... after a while I stopped asking, and left after the program...”*

The rest of the factors were mostly mentioned but not that much elaborated on by the respondents.

It must be mentioned that not all the 14 reasons were mentioned. “Relationship with peers” has never been mentioned as a source of dissatisfaction or a reason to quit. Nevertheless there was one factor that was mentioned but was not a part of the model. Here is a quote of one of the respondents:

*“I left right after I got the line with this company name in my CV.”*

There were 3 respondents who mentioned this reason aloud.

In conclusion, there were one reason that was not mentioned by the trainees and another reason that was mentioned by trainees but not included in the model.

The results of both phases of research will be discussed in the next chapter.

## 5. Discussion and conclusions

### 5.1 Introduction

In this chapter the findings of empirical study part will be discussed and conclusions stated. Afterwards the implications for managers will be stated and suggestions for future research given.

### 5.2 Summary of results

97% of the participants in the first part of the survey are large companies. They all offer trainee programs for graduates.

Among the medium sized companies that were invited to take part in the survey all showed interest in attracting graduates but only one of them took part in the interview. The reason for that is that it was the only medium sized company that had an actively performing trainee program at that moment. As a result it can be concluded that trainee programs are talent management tool mostly used by large companies. In this thesis the following understanding of a large company is used: the EU current definition categorizes companies with fewer than 50 employees as "small", and those with fewer than 250 as "medium", more than 250 as "large" (European Commission, 2009).

Several companies perceived GTPs not as a talent pool development instrument but as a tool to assist integration of a new employee in the company during the employee placement. Those companies highlighted that since they are large they have many issues related to new employee integration in the company. They mentioned that their organization is big and therefore different attitudes towards high-potential candidates and the rest of employees will not be beneficial for the company's culture. Therefore talents are being treated fairly but being integrated with respect to company's culture preservation.

Among the reasons why they launched these programs 29 out of 30 companies answered that they are expanding their operations worldwide and therefore the need for highly qualified employees is increasing dramatically. Half of the respondents said that they hire top-performers to be competitive in already existing markets. Finally all the companies answered that they expect a dramatic decrease of the workforce supply in the labor market and

perceive the trainee programs as their competitive advantage comparing to the other employers.

In terms of program design some specific trends have been uncovered. Financial and auditing companies rarely offer a rotation scheme and prefer direct placement. It is linked to the specifics of their operations. The HR managers claim that for a trainee who is hired as an auditor *“it is not crucial to have a deep understanding of how the HR department works, he must start adding value from the day one”*.

Other industries take more time to train their graduates because they feel the trainees should understand all parts of their business up and down the value chain. These businesses need this extra time to teach the industry specific knowledge. By the industry specific knowledge is meant the knowledge needed for a deep understanding of the particular processes that influence the company's business. For example, one of the companies that took part in the interview is doing business in fashion industry. An employee representing the company mentioned that a graduate willing to work in the marketing department of the company after completing the GTP has to understand deeply how sales, production and design in the fashion industry work. Therefore this trainee will be rotated among these departments during the GTP. In the same time the regularity and the certain standardization of the financial industry allows companies to reduce the length of their training programs. As the opposite example to financial firms, firms from the energy industry are much more concerned with the holistic understanding of their business by their talents. Out of 6 companies operating in the energy industry that took part in the survey, 5 offer rotation schemes in different businesses to their talents. These companies claim that it is absolutely necessary for their future senior managers to understand all the operations in the company, so that in future their decision-making process will be based on the understanding of the company's activity from the exploration phase to client management. Rotation schemes are also widely used by FMCG companies. The difference is that they propose functional rotation to their graduates. Four out of five FMCG companies in the study offer programs where talents change their functional area every 6 months. Consequently they have a deep understanding of all the functions in the company such as: logistics, marketing, HR and finance. On the other hand logistics and transportation companies mostly support the direct placement scheme. They explain it by the fact that their core activities are much more important to be understood by a new employee than the supporting activities, such as HR or marketing. Looking at this division in the rest of the answers it is possible to conclude that production companies tend

to offer a rotation scheme while service companies tend to offer direct placement positions. This division derives from the specifics of the company's business. The final product in the case of production companies is dependent on all the activities done by supporting functional groups. In services the final product is linked directly to the employee producing the service. Thus there is simply no need for a new employee to be exposed to all the supporting functions when he must focus on the company's core activity. Consequently, the rotational GTPs usually take 24 months and direct placement ones take 18 months to complete. In the same time, approximately 60% of the 24 months GTPs include a term abroad. It can mean that the companies want their trainees to understand all sides of their businesses and get as much experience with various job assignments as possible. It is understandable because the 93% of the companies taken part in the interviews hire graduates without work experience. Thus the companies want to provide their trainees with the opportunity to get as diverse working experience as possible during the short time.

In the same time the companies want to hire only those graduates who will be able to succeed in the challenging job tasks, therefore two factors become extremely important: education and recruitment process. To insure the supply of the high quality trainees all the companies hire only those graduates who have a degree equivalent to the European Master. Meanwhile high grades are not the only requirement. In between the lines the companies mentioned that the graduates of several business schools are more desirable employees than others. This is one of the reasons why those companies choose to be CEMS corporate partners.

To get an overall understanding of the trainee programs it was also important to look at the time when the programs were launched. 23 companies launched their GTPs less than 5 years ago, and 7 launched theirs less than 2 years ago. This might explain why approximately 50% of the companies, where the programs are relatively new, claimed that they have no data on graduates leaving their organizations. However, in general the HR specialists do not see early breakups as an organizational problem.

Starting from this point it is helpful to look at the graduates and companies surveys in combination. For example, 22 companies answered that the level of responsibility of the graduates in the company is high. In the same time only 2 graduates mentioned that the level of responsibility was not enough thus the level of responsibility given to the graduates is high enough.

Understanding the scope of the graduates' retention problem was unexpectedly difficult because only a small percentage of the companies could give a clear answer to the question on how many graduates leave the trainee program after completing it. There were 2 types of answers: "everybody stays" and "we do not have this statistics". It is useful to look at the graduates' answers in combination with those of the companies at this point. It is particularly interesting to note that during the second research phase one trainee was from the same company whose HR manager answered that: "everybody stays" in the company. After this fact was disclosed an additional interview with that graduate was held. The respondent also highlighted that 5 out of 7 trainees left the company after the trainee program. She reported that the reason was the same for all 5 trainees: "*the company was situated in the middle of nowhere*". The contradiction between information provided by the graduate and the HR manager does not necessarily show that all the HR managers were dishonest but it slightly changes the tone of the discussion. On the one hand it can be just one case that is not necessarily representative to the entire situation. On the other hand, taking into consideration that another half of the respondents said that they have no statistics on early breakups, one can suppose that the companies may not be successful retaining their talents.

One of the interesting results of the survey is that consulting companies disclosed that they have a special perception of talents entering the organization. The intense pace of work and extra working hours cause high employee turnover rates in this industry. After two or three years, 40-50% of the graduates leave the company, and in the case of consulting companies, this is perceived as normal. Moreover, most consulting companies possess special outplacement procedures. For networking purposes, the HR department takes charge of their placement in other industries and this is often mutually beneficial. The former employees might refer their new company back to the consulting firm.

The interviews also showed that the companies are willing to establish a long-term relationship with their trainees and that they perceive the early breakups as a negative event from the point of view of the company. These findings indicate that the new trends of XXIst century careers that were discussed in the theoretical part of the thesis do not represent the truth for the sample that this research focused on.

Thus the propositions 1 and 2 were confirmed and the research revealed that the companies offering GTPs for CEMS graduates are willing to establish a long-term relationship and they perceive early breakups as a negative outcome of trainee-company collaboration.

Meanwhile the proposition 3 was not confirmed. The model suggested in the theoretical part of the thesis contains only 13 reasons for early breakups and the reasons why CEMS graduates initiated breakups with the companies and not 14 as the proposition stated. One of the reasons of the breakups was not mentioned by trainees and another one was mentioned by several of them but not mentioned in the model. This reason that was mentioned but not taken into account by the model can possibly be called “a CV driven approach to career” and it means that sometimes graduates join the well-known MNCs in order to secure their future employability. In the same time the reason “relationships with peers” was not mentioned by the interviewed graduates among the reasons for an early breakup.

The main reason why such results were obtained is directly linked to the sample size. In order to test a model there is a large number of the respondents needed. However we can conclude that there is a need of adding one more reason in the model: “a CV driven approach to career”.

### 5.3 Limitations

Despite the contributions of the current study to understanding of the GTPs and early-breakups, it is not without limitations.

First, it must be mentioned that during the first phase most interviews were conducted during the CEMS annual career forum at the companies’ stands and therefore all the conversations were held in a public place. It must be highlighted that career forums are perceived by companies not only as a recruiting event but also as a way of promoting themselves among potential employees and competitors. Trying to look more attractive in the eyes of potential competitors and employees, the companies’ representatives might have avoided mentioning some issues of retention. Therefore some distortions and falsifications could have taken place during the interviews. In this thesis, it is assumed that the answers were honest and reliable.

Second, the research attention was focused on those graduates who left the company and the reasons why they initiated an early breakup. Those graduates who stayed in the same company that the respondents left were not asked about the reasons why they stay. Asking both groups could possibly increase the reliability of the results. However this “checkout” was not performed in this thesis due to the time and resource limitations.



Third, the sample of graduates in the second phase is rather small to reveal statistically significant results.

The topics discussed with the companies during the interviews concerned their employer image; thus, they might have been considering it when answering the questions. There is a need and opportunity for researchers to study GTPs by examining large samples of graduates employed by different Multinationals at different functional levels – but this would certainly require a greater openness of Multinationals towards research initiatives such as this one.

## 5.4 Implications for practitioners

The research conducted in this master thesis revealed several important issues linked to the GTPs. Based on the results of the research it is possible to give several recommendations for the companies interested in improving the quality of their programs and retaining their trainees after the program.

First, the company should provide the trainees with **strong, evident and continuous executives' support**. Doing that is essential for the program success. GTPs are a powerful tool of the talent management and an investment in the future of the company. Linking the company's competitiveness and GTPs in the minds of executives and employees can positively impact the achievement of the company's strategy.

Often the companies introduce a trainee program in order to bring “fresh blood” to the company and provoke some changes in the status quo. In those cases the top-management support is required to demonstrate to all the employees that the ongoing processes are necessary for the company and supported by top management. In the same time involvement of the senior executives gives the trainees a feeling that their work is important for the company's future and improves their motivation and commitment.

Second, the company should **provide continuous career guidance and development to the trainees**. It is important for the trainees to understand the direction where their career is going. Insufficient opportunities for advancement are the first reason for the early breakups. One should understand that there is a difference between the opportunities for advancement and the awareness about it. Career guidance gives the trainees information on opportunities for advancement. When the trainees are aware of their possible career advancements and the

possibilities that are open for them they will more likely consider a long-term relationship with the company. Moreover, being knowledge workers, graduates understand that their employee value depends directly on the level of their competences. Thus, continuous development will mean that a company is investing in their employability and professional qualities and benefit to long-term relationship.

Third, the company should provide its trainees with the **challenging job assignments**. It is probably the most critical point in the program design decision. According to the research, insufficiently challenging assignments are on the second place among the reasons for early breakups. Once again it should be highlighted that graduates are knowledge workers and the assignments that do not challenge them intellectually do not develop them. A routine unchallenging job leads them to loss of their competitiveness and thus is an impediment to stay in a company for long. In the same time, the nature of Graduate Trainee Programs implies that to be a future leader a graduate must get substantial experience. Positions with challenging tasks and high responsibility should be given to graduates immediately from the beginning of a GTP. If a company is not able to provide the challenging assignments it should probably consider abandoning the GTP practice.

Fourth, the company must consider **advantages and disadvantages of the rapid job rotation**. The rapid rotation of graduates has two potential issues. First of all it does not allow a trainee to see his contribution. He may start a project in one department, then he may be moved to another and thus he does not see the results of his work and efforts. This can lead to the trainees' demotivation. Second, the managers are unwilling to give important assignments to the graduates who are in their department just for a short time. Therefore the trainees must be given a "real" assignment with the presentation at the project completion. The project duration should fit the time that they spend in this department.

Fifth, the company must **select and develop program supervisors carefully**. The supervisors to whom the trainees report are a critical link between the graduates and the company. They are responsible for assigning tasks, solving conflicts and mediating relationships between participants and non-participants. Those supervisors must be committed to the program and its goals. The supervisors must possess enough time to invest in the trainees and be appraised and rewarded for this activity.

Sixth, the company must **manage relations between participants and non-participants**. The GTP in a company must be widely supported at all organizational levels. Among the reasons for breakups the relationships with non-participants were often named. The resentment towards the newcomers who are in the focus of management attention is natural. To achieve a desirable level of support a company must involve non-participants in the program activities.

Seventh, **expectations must be set** from the beginning. The company and a trainee should reveal the expectations that they have towards each other from the beginning of a GTP.

Last, the company must **conduct an ongoing program assessment and improvement**. A GTP is a sensitive tool. At any moment of time something can go wrong and it can lose its effectiveness. In order to prevent that, the company should constantly monitor and make an assessment of the program. Monitoring participants, managers and non-participants' opinions should be a regular practice in the company.

Following these guidelines can help the companies with improvement of their programs' effectiveness. Improving the program effectiveness will allow the companies to use this tool at the top of its possibilities to reach organizational goals and prevent early breakups.

## 5.5 Suggestions for future research

I must highlight that there is a clear need to test the model suggested in this thesis on a bigger statistically significant sample. It is necessary to account the new reasons for the breakups that were not previously included in the model and found during the research.

The bigger sample of respondents will provide a possibility to use more sophisticated statistical tools and perform regression analysis in order to find which reasons contribute the most to the early breakup phenomenon.

The issue of early breakups can be looked at from different points of view. One can investigate it from the point of view of graduates with a CV driven approach to career that several graduates showed.

It is also possible to look at the impact of national culture on the willingness to initiate a breakup and on the reasons of breakups. Investigating gender and age impact can also be interesting.

I believe that the crisis happening at the moment has also impacted the trainees' behavior towards the companies where they work. It can be interesting to find out what is the crisis impact.

## 5.6 Conclusion

This master thesis was inspired by a phenomenon of early breakups between Multinationals and the participants of the Graduate Trainee Programs (GTP). In this thesis I aimed at uncovering the reasons for these breakups and giving a set of recommendations for the companies to make their GTPs more effective. The thesis aimed to answer the following research question: what are the key factors that influence the CEMS graduates' decision to initiate an early breakup after completing a trainee program in an MNC? In order to reach the goals and answer the research question, several steps towards the phenomenon understanding were made.

First, the overview of existing theories and research was performed. It was found that there is a substantial lack of the empirical research in the area and that most researches were done in the 1990s. This discovery made the research path more complicated because of the need to describe the context in which the breakups occur. The first step towards the context definition was made by identifying the place of early breakups among other areas of HRM. Investigation of these areas demonstrated that there are two contradicting points of view on the early breakups. On the one hand it is seen as an undesirable outcome of the GTP; on the other hand it is seen as an essential part of the XXIst century career path. Considering the new information the research question was adjusted and two new questions emerged: first, describe Graduate Trainee Programs (GTP) in Multinational companies in 2009; second, discover the companies' opinion about such outcome of a GTP as an early breakup? The review of researches in various Human Resource Management areas also provided a model that stated possible reasons for early breakups.

Second, based on the findings of the literature review the research was designed. It consisted of two phases and included 3 propositions. The first one intended to describe what the GTPs

are in 2009 in Multinationals. During this phase the interviews with 30 Multinationals' representatives were held and the companies' points of view on early breakups and contents of GTPs were discovered. The second phase tested the model of early breakup reasons.

Third, data collected during both phases were analyzed and the results presented and discussed. The research showed that propositions 1 (The companies offering GTPs for CEMS graduates are willing to establish a long-term relationship) and 2 (The companies think of early breakups as a negative outcome of a trainee-company collaboration) were confirmed which meant that the companies see the early breakups as an undesirable outcome of the GTPs and are willing to establish a long-term relationship with the graduates. Proposition 3 (The models' 14 reasons for early breakups and the reason why CEMS graduates initiated breakups with the companies will be found through empirical investigation) was not confirmed. One of the reasons for early breakups stated in the model was not mentioned whereas another reason not included in the model was mentioned. However, several main reasons for the breakups were found: insufficient opportunities for advancement, insufficiently challenging job tasks, dissatisfaction with working conditions, relationships with management, negative attitudes of non-participating employees and cultural mismatch.

Finally the research questions were answered, the aims of the thesis were attained and the conclusions stated. An important step towards covering the gap in the research on the Graduate Trainee Programs has been made.

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## Appendices

### Interview guide for the companies

#### Opening

The company representative was thanked for agreeing to take part in the interview.

The research purposes, background and progress were briefly outlined.

A short discussion about confidentiality and anonymity was held. It was stated that nothing said by a participant will be used without notification and agreement.

The Participants' right not to answer a question was stated.

We discussed the possibility of voice recording.

The time available was confirmed.

It was stated that the interview will consist of 3 parts.

#### Questions

##### **Part 1 General description of the company:**

- 1) What position do you hold in the “\*\*\*\*” company?
- 2) Which industry in your company operating in?
- 3) In what geographical areas does the company operate?
- 4) What is the size of the company? Or what is the number of employees worldwide?

##### **Part 2 Description of the trainee program:**

- 1) Does your company offer a Graduate Trainee program?
- 2) What are your responsibilities towards the GTPs in this company?
- 3) Why did the company introduce the GTP?
- 4) How many years ago was the program launched?
- 5) Does your GTP include rotation or direct placement?
- 6) Why did the company choose rotational scheme over direct entry positions?
- 7) Which departments are you hiring for?

- 8) What is the program duration?
- 9) Does the GTP include a period of time that a trainee should spend in a company branch in a different country?
- 10) What number of graduates do you hire per year?
- 11) How would you describe the level of responsibility that your graduates face during the GTP?
- 12) Do you use mentorship? (Mentorship refers to a developmental relationship in which a more experienced person helps a less experienced person – a trainee - to develop in a specified capacity.)
- 13) Do you think learning and development of the graduates is an important part of the program?
- 14) How does your company manage learning and development of the graduates?

**Part 3 Description of personal and professional characteristics of graduates:**

- 1) What are the age preferences to the graduates?
- 2) What kind of education do you require in order to enter your GTP?
- 3) What kind of working experience do you require?

**Part 4 Revealing a company approach to the career of the talents short collaboration or a long-term relationship:**

- 1) Are you targeted at the long-term collaboration with graduates?
- 2) What do you mean by long-term collaboration?
- 3) How would you describe a typical graduate career path in your company?
- 4) Has it happened that a graduate would leave the company after completing a GTP?
- 5) How many graduates left the company after the GTP?
- 6) How would you evaluate such outcome of the GTP?
- 7) Would you like to add anything else that you consider important for the research?

**Closing**

The company representative was thanked for the time and information.

He or she was given the option to receive the results.

## Interview guide for the graduates

### Opening

The graduate was thanked for agreeing to take part in the interview.

The research purposes, background and progress were briefly outlined.

A short discussion about confidentiality and anonymity was held. It was stated that nothing said by a participant will be used without notification and agreement.

Participants' right not to answer a question was stated.

The time available was confirmed.

### Questions

- 1) How old are you?
- 2) Which company did you work for?
- 3) Did you participate in a GTP?
- 4) How long did the program last?
- 5) Which functional division did you work for?
- 6) How long did you stay in the company?
- 7) What were the reasons why you left?
- 8) (In the document that was offered to the graduates after Question 8 was answered)  
Please pick 6 out of 14 reasons that most closely relate to those of why you left?
- 9) Do you know any other graduates who you know also left a company after a GTP?
- 10) Would it be possible for you to introduce me for the purpose of interviewing them about their cases?

### Closing

The graduate was thanked for the time and information.

He or she was given the option to receive the results.