A review of talent management and human resource practices in the context of small and medium enterprises

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Abstract In the dynamic environment of small and medium-sized enterprises (SMEs), the expertise of Talent Management (TM) and Human Resource (HR) practices is important. These include a comprehensive approach for identifying, nurturing and retaining qualified workers, which define the core structure of SMEs' organizational strength. It represents an inclusive strategy to workforce development, including recruiting, upskilling, performance optimization, and developing a working culture that is well matched to the unique subtleties and challenges that SMEs encounter. This review provides a comprehensive examination of TM and HR management (HRM) methods in the context of SMEs. It starts by stressing the significance and specifics of SMEs, emphasizing their critical role in generating organizational success and innovation. Despite the inherent difficulties of TM in SMEs, such as limited resources and talent acquisition hurdles, there are exciting opportunities for advancement. Innovations in technology, strategic collaborations and talent development programs provide opportunities for SMEs to improve their competitiveness and sustainability. By addressing these significant difficulties, this summary gives a complete review of TM and HRM practices in SMEs, emphasizing the need for specialized solutions to assist SMEs with managing the complexity of recruitment and achieving sustainable success.

Keywords: recruitment, globalization, retention, training, skills, rewards

1. Introduction

Talent management (TM) serves as a pivotal function in Human Resource Management (HRM), deeply attuned to contextual nuances. The art of attracting, selecting, nurturing and retaining key individuals in SMEs diverges significantly from practices tailored for large-scale global enterprises. TM practices vary across familial businesses, SMEs and regional or global settings, reflecting both internal and external conditions (Harsch and Festing 2020). Academics as well as practitioners believe that TM is a major priority for HR managers. But they frequently dispute the precise definition of the term. Multiple interpretations associated with TM have been linked to variance between people’s opinions on the nature, worth and effectiveness of talent known as talent philosophies. Talent philosophies are claimed to differ in two aspects. The initial aspect reflects the expected rarity or exclusivity of skill, ranging from the idea that few individuals are gifted to the notion that TM is a major priority for HR managers. But they frequently dispute the precise definition of the term. Multiple interpretations associated with TM have been linked to variance between people’s opinions on the nature, worth and effectiveness of talent known as talent philosophies. Talent philosophies are claimed to differ in two aspects. The initial aspect reflects the expected rarity or exclusivity of skill, ranging from the idea that few individuals are gifted to the notion that every individual has a talent. The subsequent aspect depicts the presumed flexibility of talent, with the premise that skill is a fixed and highly developable entity at both ends of the spectrum (Meyers et al 2020). TM involves systematic recruitment, recognition, growth, participation, loyalty, and mobilization of valuable talents for sustainable long-term viability in today's corporate setting. It emphasizes the importance of skills in overcoming obstacles and harnessing that safeguards talent for long-term advantages (Gallardo-Gallardo et al 2020). SMEs contribute to the global economy, creating jobs and employing a larger workforce. India’s policy environment has historically favored SMEs, but recent government funding adjustments highlight the need for increased governance and sophisticated management methods (Knezović et al 2020). SMEs have shown resilience to financial crises and natural disasters. Additionally, it promotes an innovation while preserving and developing local traditions and cultures. In addition, SMEs absorb workers on a huge scale in India, cutting rates of joblessness. SMEs are labor-intensive and use basic technologies to provide employment opportunities (Sedyastuti et al 2020).
The review goal is to determine the significance of such procedures in the environment of SMEs, taking into their particular difficulties, opportunities and operational dynamics.

The review aims to shed light on successful techniques for recruiting, developing, and keeping talent in SMEs, as well as the role of HRM in driving organizational performance and sustainability.

To provide perspectives and concepts to help SMEs simplify their workforce managerial efforts and obtain an advantage in the ever-changing corporate industry.

2. Methodology

This section explores the TM and HR practices in SMEs that reveals a distinct environment governed by limited resources and entrepreneurial agility. SMEs, which are essential to economic growth, depend on HRM practices that are typically dispersed and adaptable. TM is crucial, concentrating on recruitment, development and retaining qualified employees. While SMEs value innovation and agility, they confront obstacles such as scarce assets and tough competition for talent.

2.1. Significance and Specifics of SMEs

Scientists have conducted substantial study into the role of SMEs in global economic development, determining their importance in economic globalization during the last several decades. Globalization offers opportunities to reduce poverty and benefit poor nations through commerce and financing, allowing both rich and developing nations to improve their financial standing (Narad Gamage et al. 2020). Adopting sustainability standard helps SMEs to access global value chains (GVCs) and overseas markets, leading to higher prices, revenue and market security. It also provides access to new information and technologies in emerging nations. Implementing sustainability standards promotes growth, job development and economic importance for SMEs (Sommer 2017). Financing is critical for SMEs’ growth, helping the economy in volatile markets. Exposure to finances may greatly and successfully influence innovation utilizing SME capabilities (Khan et al. 2021). SMEs are gaining access to financial goods and services, including investments, insurance, and financing. Despite financial constraints, that hinder their development and efficiency, according to the World Bank (Chowdhury et al. 2017). Globalization does not make SMEs obsolete but, it compels their transition to a knowledge-based economy. This happened for two distinct causes. Major producers are losing viability in high-cost locations/countries. Small startups are more valuable in a knowledge-based business (Liñán et al. 2020).

2.2. Human Resource Management (HRM) practices in SMEs

Recent investigations have connected HRM with creativity. In SMEs, HR is a major barrier to creativity, making HRM a critical task. Employees’ high workloads or lack of education contribute to this issue. SMEs that lack the ability to employ expensive HR practices methods, such as financial incentives. Furthermore, HRM is casual and instinctive in these firms. It relies on human interactions and is concentrated on the leader (Adla et al. 2020). SME management must evaluate their present company environment and prioritize HRM practices to accomplish effective growth strategies. These elements are vital for SMEs since their daily activities and capacities depend on their workers’ expertise (Belas et al. 2020).

2.2.1. Recruiting and selection:

SMEs benefit from informal recruiting and selection methods due to their convenience and affordability, aiming to recruit highly competent personnel with core goals, compared to larger businesses with challenging processes (Wuen et al. 2020). A further essential feature of recruiting and selection that help firms to attract and hire skilled workers from the industry. Selecting suitable people for an appropriate job and location, and taking the correct actions at the correct moment, is an essential part of the business’s recruitment and hiring procedure (Bakhashwain and Javed 2021).

2.2.2. Training and Skill Development:

To develop the human capital of a company, three key HR factors should be considered: abilities, motives, and opportunities (AMO). The AMO model identifies outstanding durability work methods based on these focus areas. This approach prioritizes enhancing employee abilities through training and skill development, inspiring workers through high pay, career development and upward communication of data, and encouraging staff contribution and collaboration (Moustaghfir et al. 2020).

2.2.3. Performance appraisal:

Performance practices must correspond with objective performance assessment to recognize, inspire, and define strategic goals. These methods provide readily available metrics when backed by appropriate technology. Technology enables SMEs to use continuous measuring tools, leading to better input and connections with workers, customers, and vendors (Sardi et al. 2021).
2.2.4. Rewards and wages:

HRM practices are accountable for hiring and choosing employees, training and development, rewards and wages, as well as performance evaluation and tracking. Implementing effective HRM practices leads to a qualified staff that understands company rules and performs with a sense of duty, assisting businesses achieve market targets (Ahmad et al. 2021).

2.2.5. Communication channel:

Interaction and motivation are crucial for businesses of all sizes. Fluency in multiple languages is essential for customer communication. Effective communication is facilitated by a flat structure and family-like environment (Singh et al. 2020).

2.2.6. Employee relations:

Employee relation management is a strategic approach to managing a company’s relationships with stakeholders, focusing on personal connections, collaboration, and harmony, particularly in SMEs (Zhang 2021). HRM in SMEs is viewed from two perspectives: Small is Beautiful and bleak-house. Small is beautiful theory suggests to reduce administrative oversight which improves an interpersonal relationships and job assignments, while the bleak-house approach highlights insufficient productivity, safety, and union access (Harney 2021). Table 1 depicts the overview of study findings on TM and HR Practices in SMEs.

<table>
<thead>
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<th>References</th>
<th>Summary of Findings</th>
<th>Objective</th>
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<tr>
<td>(Adla et al 2020)</td>
<td>The evolution of giving logic consists of three phases: liberating items, mobilizing items and reconstructing items.</td>
<td>Highlights the importance of supportive working conditions, gift-counter-gift interactions, and certain HRM procedures.</td>
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<td>(Zhang 2021)</td>
<td>Market orientation enhances innovation learning in businesses by improving organizational structure and connections to innovation.</td>
<td>Emphasizes market orientation’s role in SMEs and provides insights into collaboration and evolution market orientation (MO) settings.</td>
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<td>(Wuen ET AL 2020)</td>
<td>Globally recognized SMEs enhance creative capabilities through training and development, while multinational SMEs boost workforce growth.</td>
<td>Indicates a lack of expertise in HRM in SMEs, suggesting the application of HRM from large commercial organizations.</td>
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<td>(Bakhashwain and Javed 2021)</td>
<td>Hiring and selection procedures correlate with worker performance, emphasizing the need for meticulous outlining of procedures.</td>
<td>Links employee work satisfaction to performance, enabling competitive advantages in the market.</td>
</tr>
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<td>(Moustaghfiret al 2020)</td>
<td>Specific HRM methods enhance an organization’s entrepreneurial attitude, with focus and methodological limitations noted.</td>
<td>Explores the correlation between entrepreneurial orientation and strategic HRM, emphasizing the need for evaluation and refinement.</td>
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<tr>
<td>(Sardi et al 2021)</td>
<td>HRM enhances performance management and measurement maturity in SMEs, emphasizing sophisticated performance systems.</td>
<td>Highlights HRM’s innovative role in developing advanced performance measurement and management systems.</td>
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<td>(Singh et al 2020)</td>
<td>Utilizes the DEMATEL technique to explore HR practices selection challenges for start-ups.</td>
<td>SMEs prioritize HR practices due to higher failure rates, facing challenges in selecting suitable strategies.</td>
</tr>
<tr>
<td>(Harney 2021)</td>
<td>Enhances understanding of SMEs’ market orientation and innovation, particularly when combined with other organizational traits.</td>
<td>Sheds light on the evolution of innovation processes in market-oriented SMEs, contributing to existing knowledge on innovation.</td>
</tr>
<tr>
<td>(Ahmad et al 2021)</td>
<td>Explores leadership’s relationship with employee performance from direct and indirect perspectives.</td>
<td>Proper implementation of development plans is crucial for maximizing SME potential for entrepreneurship and economic growth.</td>
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2.3. Significance of TM:

The concept of TM isn't transferable to SMEs and the definition of TM as suggested for huge companies requires modification in the SME environment. SMEs face volatility in their organization and leadership procedures. Theirs is a demand for conceptual viewpoints and intellectual advancements to enhance knowledge in TM region and beyond to describe TM in SMEs varies in popular organizations (Pauli and Pocztowski 2019).

2.3.1. Competitive advantage:
TM prioritizes human talent as a competitive advantage, while HRM examines all organizational functions. TM focuses on cultivating organizational talent, whereas HRM takes a technical and commercial strategy (Rua et al 2018).

2.3.2. Succession planning and Retention

HRM usually focuses on employee development. Some researchers compare TM to HRM, citing similarities in recruiting, selection for training as well as development and succession planning as key components. TM involves nurturing talent inside an organization rather than obtaining it (Cui et al 2018). Retaining talent in SMEs is challenging due to increased mobility, psychological breakdown and costly replacements. Factors like remuneration, benefits, culture, work-life balance, and incentives help reduce turnover rates. (Kravariti et al 2021).

2.3.3. Innovation and creativity:

Scientists have identified the working environment as a key factor of promoting employees. Essentially, the dynamic work environment fosters a culture of creativity and innovation, where the interpretations of terms like creativity and innovativeness among diverse writers (Khan and Mohiya 2020). SMEs contribute to the global economy, innovation and economic development, fostering adaptability and agility, making them crucial for industrialized nations and developing nations (Valaei et al 2017).

2.3.4. Customer requirements:

Organizations are improving performance by learning from customers' needs. SMEs need to evaluate digital technologies for customer information management. Technological advancements provide low-cost, user-friendly, and efficient digital innovations, enhancing their performance (Castagna et al 2020).

2.3.5. Employee Branding (EB):

EB remains a novel concept and it’s defined as the comprehensive combination of concrete and intangible advantages provided by a position that is consistent with the employer’s corporate culture. Nonetheless, the concept has come to play an prominent part in TM. The creators of the initial EB concept emphasize three important components for building the employer brand: business culture, a company, and a distinctive benefit (Reis et al 2021).

2.4. TM in SMEs:

TM in SMEs is a deliberate method of recruiting, developing, and keeping competent workers who are critical to the organization’s success. TM involves identifying an organization’s talent needs, creating job descriptions and executing recruitment strategies, while promoting employee development through training, coaching and career advancement opportunities (Amankwah-Amoah 2020). However, it takes Five Easy Ways to Create Effective TM Tools (Figure 1) without incurring big expenses and complex processes.

![Figure 1 Five Steps to Effective TM Tools.](https://www.malque.pub/ojs/index.php/mr)
2.4.1. Persistence:

Persistence in personnel management among SMEs demonstrates the continual dedication and effort necessary to recruit, train and retain qualified people. It refers to SMEs’ unwavering commitment to developing their personnel despite obstacles and disappointments. Fewer sizes lead to less expenditure, making hiring difficult. A thorough review of current workforce and company objectives is necessary to find the ideal candidate (Bilan et al 2020).

2.4.2. Recruitment:

SMEs rely on recruitment to manage personnel. It is the first step in obtaining qualified workers that will help the firm develop and succeed. Recruitment operations indicate the organization’s early attempts to acquire highly qualified individuals. It serves as necessary, even the most important step in polishing abilities to achieve a competitive advantage. Global talent is required to develop worth. Recognition of skills, as a different phase in the TM procedure has little effect on worker opinions (Savov et al 2020).

2.4.3. Development:

SMEs need effective TM to achieve long-term goals. Individual development plans, tailored to individual interests are a suitable solution, as structured training and education are lacking (Kabwe and Okorie 2019).

2.4.4. Future:

TM for SMEs is important to their long-term success and survival. As SMEs traverse becoming competitive and dynamic business consumers, they have to implement strategies to recruit, develop and retain excellent people. Conscious businesses develop environments that focus on their workers’ qualities, providing multiple opportunities to advance and establish an occupation in return (Anlesinya et al 2019).

2.4.5. Past:

In the past, resignations provided an excellent chance to cultivate new talent inside SMEs. Departing workers served as useful channels for passing on their expertise and experiences to their successors. This knowledge transfer approach improved the skill sets of new team members but also built an organizational culture of continual learning and growth (Dirani and Nafukho 2018).

2.5. Difficulties of TM in SMEs:

TM in SMEs has several particular difficulties that demand thorough consideration and tactical approaches to solve them successfully. TM in SMEs has several challenges, including limited resources and operational restrictions. SMEs struggle to contend with bigger firms for top personnel owing to limited expenditures and brand awareness. Retention and hiring constitute challenging issues, compounded by a lack of strong company identities and extensive perks programs. SMEs encounter obstacles in providing training and job succession, but they overcome them by obtaining a supportive work culture, employing technology for recruiting, and emphasizing career advancement prospects, resulting in a motivated staff (Monteiro et al 2020).

2.6. Prospects for advancement:

The prospects for progress in TM inside SMEs are attractive. The integration of technology, particular education applications, and initiatives to foster leadership enables SMEs to cultivate talent and promote profitable growth. Improved staff engagement, targeted recruiting, and spending on worker wellness contribute to a vibrant and robust work force SMEs' agility and flexibility enable them to adapt to changing workforce trends, preparing them for long-term success in a competitive business climate. They can develop market impact, grow into new markets, and increase the workforce through people management (Jooss et al 2023). Effective TM benefits society by affecting economic distribution and providing work prospects. Organizations with unique resources gain a competitive edge by implementing value-creating strategies. Substitutability refers to the absence of a functionally equal, scarce and unique commodity (Kaliannan et al 2022). Although there is some degree of HRM and TM professionalization in position, medium-sized businesses continue to diverge from big firms in terms of HRM. Three broad regions of TM complexity in SMEs are addressed below.

- Dynamic TM: SMEs, predominantly larger medium-sized organizations, prioritize proactive personnel management, significant staff training and retention programs, and a strong focus on talent acquisition and recruiting techniques.
- Reactive TM: Companies in this cluster demonstrate a reactive approach to TM, with minimal engagement and investment in training and retention initiatives. Their focus is on basic HR planning, lacking proactive measures to cultivate talent.
Loyalty-Focused TM: Organizations in this group prioritize staff retention through training, growth opportunities, and succession strategies, with a focus on job exploration and advancement opportunities (Jarvi and Khoreva 2020).

To maintain a skilled staff, organizations must implement the strategic HRM strategies. Organizations are supposed to offer professional development opportunities and foster a positive work atmosphere (Faisal and Naushad 2020). By adopting technological innovations, creating strategic alliances, and investing in training programs, SMEs improve their viability and competitiveness in a changing marketplace. These opportunities help to build a culture of continuous development and adaptability, equipping people for lifetime in a dynamic setting. (Domi and Domi 2021).

3. Conclusions

This review stresses the crucial importance of TM in SMEs, emphasizing its unrivaled role in promoting organizational performance and encouraging innovation. Despite the inherent constraints that SMEs have TM, such as limited resources and talent acquisition barriers, the report offers promising potential for progress. Technological innovations, strategic alliances, and talent development programs provide great opportunities for SMEs to improve their ability to compete and sustainability. By addressing these significant challenges head-on, this study provides a comprehensive review of TM and HRM practices in SMEs, emphasizing the significance of customized approaches to help SMEs navigate the complex issues of managing employees and achieving sustainability in present-day intricate industry setting. Research on flexible work arrangements and collaborative initiatives involving academia, industry, and policymakers can enhance understanding and practical solutions for TM challenges in SME settings, future research can contribute to their resilience, growth and competitiveness in dynamic business environments.

Ethical Considerations

Not applicable.

Conflict of Interest

The authors declare no conflict of interest.

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