

## Talent Management: A Challenge for Small & Medium Sized Enterprises

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Small and medium enterprises (SMEs) represent a higher percentage of all businesses in India. SMEs occupy a central part of the Indian economy. They are essentially the drivers of the Indian economy even though some of them are hardly noticed. Their contribution to economic growth, income and employment generation is therefore not in doubt. Though there are many studies on small and medium enterprises in India, the focus of most of the studies were on the financial aspects at the expense of the most valuable assets-the human resource talent Management. This study is therefore aimed at examining the talent management practices of SMEs in India. SMEs face a lot of challenges notably the attitude of employees to work as well as high demand for benefits which did not match the level of performance.

**Key words:** Talent management, SMEs, Economy, Human Capital Management.  
JEL: J24, J28, O15.

### Introduction

The global phenomenon in talent shortage has led to a 'talent war' amongst organizations large and small, across all industry sectors throughout the world. This talent war is all about attracting, retaining, developing and engaging a quality workforce that plays a critical role in impacting the organizations' bottom-line and growth. Talent management is associated with higher work productivity, higher profits and an increase innovation capacity. This suggests that the HRM can increase the ability of small companies to select, develop and motivate a labor force capable to produce superior results. This thing is relevant for researchers but also for the millions of small company owners. It is imperative and important for SMEs to convert challenges into opportunities. This can be better achieved with the support of organizations that are dedicated to the development of the SMEs sector. Small & medium enterprises must understand and realize the talent of their people to achieve outstanding results. Making the right hiring and placement decisions first

time is the key to increased productivity and reduced cost, so treat them as among your most important business decisions.

### Literature Review

#### Talent Management

Michaels, Jones, & Axelrod (2001) observe that talent management has become a hot topic everywhere.

To develop the understanding of the topic and its role in organizational performance, we explored the available literature on the topic. Management and human resource management decisions and practices that relate to and involve the entire workforce. (Briscoe, 2008). It requires doing what human resource functions have always done but they must now do it faster, using the internet or outsourcing, and they must do it across the entire organisation, rather than within a department or division. (Olsen, 2002)

A new approach to HR, a more holistic approach, i.e. aligning all the functions of human resource

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management in a manner that together they deliver the results. They are to be complementary to each other. (Business Week Research, 2007). Organisations seek to map individuals across the organisation in terms of performance and potential, and it is those who are identified, as high performers with high potential are most often the focus of talent management. (Sexton, 2007)

The process of managing the supply and capabilities of the workforce to meet the demand for talent throughout the organisation to achieve optimal business performance. (Knowledge Infusion, 2006). The system, in which people are recruited, developed, promoted, and retained to optimize the organisation's ability to realise positive business outcomes in the face of shifting competitive landscapes and labour requirements. (Development Dimensions International Inc. (DDI), 2006)

Hiring, training, retention and all activities that relate to developing and growing your workforce. (HR focus, 2005). Talent management is a collection of HR practices, representing an ongoing, proactive activity. (Pascal, 2004). An attempt to ensure everyone in the company at all levels, work to the top of their potential. (Redford, 2005). The purposeful act of managing the various pools of talent within an organisation to ensure that the company has a robust continuous supply of the right people, in the right jobs, at the right time. (Dias, 2005)

### **Small and Medium Enterprises**

The concept of medium and small companies can be understood in different ways. In this article however, we defined the concept of medium and small companies' base on the number of employees they have. Most recently in China, SMEs were defined using the average numbers of employees calculated according to the China's Third National Industrial Census conducted in 1995, which are 15, 893, and 3,755

respectively (Wang and Yao, 2000, cited by Zheng et al., 2008, p. 176). In this definition, small-medium enterprises are those with fewer than 100 employees (Zheng et al., 2008, p. 176).

(Storey, 1985) on the other hand refers to the problem associated with using size to define SMEs as dangers in so far as size varies from sector to sector. It must however be stated that talent management for large firms may not necessary be applicable to SMEs, because a lot of small and locally owned firms in Indian face a main challenge of survival due to the pressures of the external environment making them ignore the internal functioning of the firms and focusing on overall performance (Kamoche 1997).

### **Talent Management Strategies in small & medium enterprises**

(Taleo) Well-executed talent acquisition and lifecycle management are winning strategies that complement each other. Hiring the best talent is particularly critical in small and medium-sized companies where the margin of error is smaller. A new hire at a company of 100 represents a much larger percentage of the workforce than one at a company of 10,000—so bad hire has a greater negative impact. Smaller companies also suffer greater proportionate financial and productivity loss from having to re-recruit, re-hire and re-train in the aftermath of a bad hire. Recruiting processes, the first link in the chain of talent management, can truly determine a company's success or failure. Hiring the best talent is particularly critical in small and medium-sized companies where the margin of error is smaller. The occasional HR activities performed in SMEs may inhibit recruitment of HR.

Professionals due to cost considerations (Cook, 1999). (Verser, 1987) noted in a study of 25 SMEs that owners subjectively deal with employees without regard to how this would affect morale and performance. (Cardon

and Stevens, 2004) argue that this is a philosophical approach issue, where SME managers simply prefer sustained informal communication opposed to feedback through more formal channels.

### **Talent Management: A Conceptual Framework**

Talent management, also known as Human Capital Management, is the process of recruiting, managing, assessing, developing, and maintaining an organization's most important resource - i.e. its people (Bhatla, 2007). Talent management initiatives must involve dialogue and engagement with business in order to hire, retain and develop the talent that is needed to achieve the business goals. (HR Focus, 2008). Talent management involves individual and organizational development in response to a changing and complex operating environment. It includes the creation and maintenance of a supportive and people oriented organization culture.

The Talent Management System (TMS) is an effective tool for creating a symbiotic relationship between talent and the organization to dramatically accelerate performance improvements. Recruiting the best and talented employees is one of the most important HR functions. But, the major duty of and challenge for any HR Manager is to retain their organization's high performers.

Especially in this Global era, retaining the Human Resource calls for special skills and strategies. Hence, retaining employees is the key for any business success. It is a major challenge for organizations to retain skilled employees once they have been hired and trained. In addition to reasons like lack of growth opportunities, low pay packages and inability to adapt to the organization, high turnover has also been identified as a cause for higher attrition rate. According to studies conducted by US Department of Labor and Merck (Ken Jacobs, 2007), investing in staff is far less expensive than replacing them, whose estimated cost is about one-and-a-half years of a departing staffer's annual salary.

### **Talent management Strategies for Small & medium Enterprise**

World over half to two-thirds of all businesses are SMEs. This proportion is much higher. The benefits of the SMEs have created a special status and importance in the Five-Year Plans right from its inception. SMEs must keep in view that the employees are as important as customers and suppliers. Since the number of employees is less so, each and every employee in SMEs is very important. And when turnover is very high, SMEs face a problem to continue.

SMEs know each and every employee because of less number. So, their challenges of talent management can be handled on individual basis. There is greater involvement of top management because the founder in most of the cases was singly responsible for HR activities.

SMEs need to be more competitive by adopting best talent management practices because without empowering HR, no business can run. 50 % of the employees can never have come through employees references or internal job posting and screening methods used for acquisition are also very less. HR managers must be responsible not only for ends but also for means.

Attracting and retaining talent SMEs is very tough due to fewer opportunities. The image of small size is the biggest hurdle to attract the talent. Since the motivation is not directly tied to employees pay packages, several offer option must be there to attract and retain employees.

SMEs don't involve their employees in strategy formulation and in decision making. So this is the demotivating points for the employees (SMEs are also less concern about the succession planning). There must be effective delegation and decentralization of decision

making power and authority to boost the talent in the employees. Co-ownership needs to be encouraged leverage the talent of the people by making the right balance of power between employees and employers.

### Challenges of Talent management in Small & Medium Enterprise

SMEs are pivotal to the economic development .Since large number of the work-force is employed in the SMEs they have to manage talent management strategies .This is the only key to success in meeting the challenges of the globalization scenario. SMEs face the resource constraints, specially the new technology solutions. So, by proper talent management practice, they can easily available to survive in the competitive environment problem of good talent pool is very delicate issues for SMEs. This is the challenge that arises because the fact that big companies use a variety of talent acquisition practices but in SMEs, the employees are acquired by the owner or manager himself. Another problem is that the HR department for SMEs is usually not more than one person who wears many hats.

SMEs can't afford the in-depth talent management practices because of the fewer economies of scale. This is the biggest challenge for SMEs. SMEs don't hire active database of potential hires. They place advertisement when the new vacancy arises without considering past databases. SMEs don't offer standard rewards & their compensation system is not well designed. Lack of career planning strategies makes hurdle in the pathway of talented employees. SMEs generally provide less training & developmental opportunities.

### Conclusion

Small and medium enterprises develop and implement policies and procedures for the talent management areas differently than large businesses, typically due to the size and nature of the organizations. Small and medium firms are less likely to use professional talent

management practices than their counterparts. Talent management as carrier of the knowledge and skills in management of human resources has to be strategic partner that will contribute to the preparation and realization of strategic plans of the SME.

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