



Talent management and dynamic view of talent in small and medium enterprises



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ARTICLE INFO

Article history:

Received 21 February 2016

Received in revised form 18 October 2016

Accepted 18 October 2016

Keywords:

Small and medium enterprises

Talent management

Organizational life stage

Person-organization fit

Person-job fit

ABSTRACT

Talent Management (TM) has become one of the key strategic issues for leaders in global organizations and the majority of research on TM focuses on the large multinational enterprise (MNE) context. Despite the importance of small and medium-sized enterprises (SMEs), research in the area of talent management in this context is scarce, particularly conceptual research. This paper tries to address this gap by a) providing a theoretical rationale for the difference between large and SME firms in their talent management and human resource practices; b) exploring the applicability of the notion of talent management conceptualised in large firms to the SME context. c) Proposing a framework that helps identify the characteristics of talent in SMEs. We are critical of the best practices approach and we argue that the notion of talent management is likely to be different in SMEs compared with large firms mainly due to distinct institutional and structural factors.

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1. Introduction

Small and medium enterprises (SMEs) have emerged from a rather peripheral role in earlier business literature to the more central focus that the sector enjoys today in both government policy and academic research (Lind, 2012). They are increasingly viewed as important contributors to the global economy and are big employment generators. Amongst developing nations, SMEs represent over 90% of businesses, and account for 50–60% of national employment on an average (Survey of SMEs in the global compact, 2004). A recent OECD study highlighted that over 99% of the companies in OECD and G20 countries are SMEs, making a decisive contribution to growth (OECD, 2015). SME is not a homogeneous concept and there is no common world-wide accepted definition. The definition varies from country to country and can be defined by qualitative or quantitative criteria which create problems when making comparisons between countries as to the number of SMEs and the number of employees within these firms. We begin by examining definitions of SMEs and we briefly highlight the strategic importance of these organizations in various regions of the world.

The employee size limits for an organization to be considered an SME does vary with some countries having a limit of as few as 200 employees (Australia), while in Europe the limit is commonly 250 employees. In Canada and in the US the employee size limit for SMEs could be as high as 500 or more employees. In the Indian context SMEs are defined in relation to the level of investment in plant and machinery. However, while there is no consensus on definitions of SMEs, researchers have generally used a size limit of 250 or 500 employees to define this type of organization. Major international organizations (such as the EU, World

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Bank and United Nations) have usefully suggested a definition of SMEs that is primarily based on employment size and it is now the main measure used to identify this sector (Lind, 2012).

Relatively little attention has been paid to the important role played by SMEs in the EU, Asia Pacific region and in North America (Lind, 2012). In the US around 99% of the business enterprises are SMEs and they account for 52% of the total employment as per the US Small Business Administration. Two-thirds of all jobs in the EU are provided by SMEs and in many European countries the percentage of employees working for SMEs is over 80% (OECD, 2007). Similarly SMEs form the core of the economy of the Asia Pacific region with between 30 and 50% of employment coming from this sector. The dominance of SMEs highlights the important strategic role played by SMEs in the world economy and the job creating potential of SMEs is a central theme in the economic agenda of most governments today (Festing, 2007; OECD, 2015). The attraction, motivation, development and retention of employees have long been recognised as important challenges facing SMEs (Deshpande & Golhar, 1994; Hornsby & Kuratko, 1990) and human resource practices overall are recognised as important contributors to the success of SME firms (Carlson et al., 2006; Festing et al., 2013; Heneman et al., 2000; Hornsby & Kuratko, 1990).

Talent management is an area of growing importance in a wider range of organizations and has emerged as a key HR challenge facing firms in a variety of sectors (Farndale et al., 2010; Scullion et al., 2016). The literature on talent management is not well grounded in research and is dominated by business and consulting firms who lead in advancing a vision on the discourse of TM (Cascio & Boudreau, 2016). The academic field of TM is characterised by limited theoretical and conceptual development and unresolved issues remain over the definition and boundaries of the term talent management (Sparrow et al., 2014; Collings & Mellahi, 2009). Studies have argued for the need for more conceptual work in the area of talent management (Thunnissen et al., 2013; Sparrow et al., 2014).

In recent times there has been a growth of research on emerging models of talent management and best practices in large MNEs (Cappelli, 2008; Conaty & Charan, 2010; Festing et al., 2013; Morley et al., 2015; Scullion et al., 2010; Stahl et al., 2012; Vaiman et al., 2012), but unresolved issues around the conceptual and intellectual boundaries of TM make it more difficult for TM to establish its academic merits (Collings & Mellahi, 2009; Scullion et al., 2016). More recently it has been argued that TM needs to be studied more in different contexts and environments and that the focus should be broadened to a wider multi-stakeholder perspective (Collings, 2014). In addition, there continues to be a dearth of theoretical research on HRM and Talent Management in SMEs, despite the growing recognition of the importance of HR and TM in the SME context (Festing et al., 2013; Valverde et al., 2013). Too often HR and talent management concepts and practices developed within large firms are applied uncritically within SMEs (Festing et al., 2013; Heneman et al., 2000) with little or no acknowledgement that SMEs differ in some fundamental ways with regards to their institutional, resource and economic contexts. Hence, the initial focus of this paper is to highlight the difference between large and SME firm contexts through various theoretical lenses and to consider the implications for talent and human resource management. We examine how small organizational size creates both challenges and opportunities for SMEs in their approaches to TM and we highlight their practice of recruiting from distinct talent pools.

The theoretical understanding of the SME context points towards a need for a new way of thinking about the meaning of 'talent management' and 'talent' in SMEs, issues which will be explored further on. Basing our arguments on two conceptual themes established for talent management in large firms, we contend that the notion of talent management is not replicable to SMEs and that the conceptualisation of TM as proposed for large firm needs adaptation in the SME context. SMEs experience a greater degree of instability in their structural forms and management processes (Child, 1973; Hanks & Chandler, 1994; Pugh et al., 1969) in their short organizational cycle. As organizations grow in size and complexity, we argue that changing structural forms makes it more difficult for SMEs to systematically identify key positions and the development of a talent pool of high potentials to fill these roles. In addition, SMEs have a high degree of informality both in their general approach to HRM and in relation to specific HR practices (Dundon & Wilkinson, 2009) and this informality has been identified as a source of competitive advantage for SMEs (Bacon et al., 1996; Dundon & Wilkinson, 2009).

Given the importance of informality and personalised management style to the organizational culture in SMEs, we argue that SMEs prefer to adopt an informal approach to TM and generally do not adopt approaches which require formal identification of talent (Valverde et al., 2013). Formal and exclusive approaches to TM in SMEs which limit the talent pool to the high potentials would not fit with the more egalitarian culture of teamwork in SMEs, and would undermine the morale of the majority of employees. These two conceptual ideas contrast with the notions of strategic positions and exclusive 'high potential' talent identification which are dominant in large MNEs (Collings & Mellahi, 2009; Cappelli & Keller, 2014). We reject the best practices approach to TM arguing that practices which are effective in the large MNE context may not be applicable in the SME or other contexts.

Heneman et al. (2000) in their review of the practitioner-academic gap in human resource literature on SMEs, highlighted that owners are most concerned about staffing and developing high potential employees who can perform multiple roles at various stages of organizational growth. This implies a dynamic approach to organizational development and the importance of selectivity in staffing. Learning more about the staffing pattern in SMEs can enhance our understanding of how talent identification and selection practices evolve in SME firms and why they evolve as they do. It could also provide guidance to business owners as they seek to develop their human capital to support the growth of the firm. Previous research has argued that talent attraction, identification and retention issues are likely to vary at different stages during the growth of SMEs as HR issues shift depending on the life stage of the SME (Rutherford et al., 2003). Therefore we argue that important insights into the patterns of hiring, talent identification and development could be gained by a fuller understanding of organizational life stages. While this linkage shows promise in explaining the nature and pattern of talent management in emerging business ventures, surprisingly it has not yet been investigated. The final section of the paper examines what we mean by talent in the SME context and we examine how the

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