Adhyayana Publications

Interdisciplinary Research in Management, Volume 1, Issue 1 (2025)
Website: https://gjirm.org/index.php/gjirm/index

Sustainable Talent Management: Aligning Cost and Retention in SMEs

Shimona Tiwari
Master of Business Administration
Galgotias University, Greater Noida, Uttar Pradesh, India
Email: tshimona98@gmail.com

ABSTRACT

In today's competitive environment, Small and Medium Enterprises (SMEs) face significant challenges in managing and retaining talent due to budget constraints and lack of formal HR infrastructure. Unlike large corporations, SMEs operate with limited financial flexibility, making it difficult to offer competitive compensation or benefits. This study explores sustainable talent management strategies that balance financial limitations with the imperative of retaining skilled employees. A mixed-method research design was used, combining qualitative interviews and quantitative survey data from SME employees and HR professionals. The findings indicate that non-monetary rewards, internal promotions, flexible work options, and leadership engagement significantly contribute to employee retention. The study offers practical recommendations tailored for SMEs and contributes to literature by proposing low-cost, high-impact HR solutions.

Keywords: SME, sustainable talent management

I. INTRODUCTION

Talent is widely recognized as a core driver of organizational success. For SMEs, which form the backbone of many economies, managing talent sustainably is a strategic priority.

However, financial constraints, lack of formal policies, and high competition from larger firms create a unique set of challenges. This paper investigates how SMEs can retain top talent without overextending their budgets.

Research Questions:

1. How do SMEs manage talent within financial limitations?
2. What is the impact of talent management practices on retention?
3. How do cost constraints shape TM strategy?
4. What is the role of non-monetary incentives?

Hypotheses include:

1. Structured TM positively impacts retention.
2. Non-monetary incentives play a critical role.
3. Cost constraints negatively influence comprehensive TM design.

II. LITERATURE REVIEW

The literature on TM in SMEs is emerging but still underdeveloped compared to larger enterprises. Graham (2022) highlights the need for SME-specific TM models. Chan (2014) identifies that training, recognition, and informal processes dominate SME HR practices. Su et al. (2019) reveal that transformational leadership and workplace culture affect retention more than monetary benefits. Studies also stress that SMEs need TM frameworks that integrate with business goals while maintaining affordability (Sardi et al., 2021).

III. RESEARCH METHODOLOGY

A mixed-method approach was adopted:

- Sample: 50 employees and 10 HR managers from telecom SMEs.
- Primary Tools: Questionnaires and semi-structured interviews.

- Data Analysis: SPSS v22 used for descriptive and inferential statistics (correlation, regression, ANOVA).
- Design: Exploratory and explanatory.

This methodology enabled triangulation, enhancing validity and offering both numerical insight and personal perspectives.

IV. FINDINGS

- Talent Management in SMEs: Most SMEs used informal or semi-formal HR practices. Recruitment relied heavily on referrals, social media, and job portals. Internal promotions and recognition were preferred over external hiring.
- Employee Retention Challenges: 73% of employees felt rewards did not match efforts. 75% expressed dissatisfaction with compensation. Yet, most stayed due to lack of alternatives or job security.
- Effective Strategies: Internal promotions and mentoring were highly rated. Flexible work schedules improved morale. Recognition and career development had a strong correlation with intent to stay.
- Barriers: Absence of formal TM policies. Managerial favoritism. Lack of feedback mechanisms.

V. DISCUSSION

The study supports existing literature stating that financial constraints do not necessarily preclude effective TM. Instead, SMEs must leverage internal resources like leadership support, non-monetary incentives, and culture-building. Transparent communication, flexible job roles, and skill development initiatives can fill the gap where budget falls short. Moreover, fair treatment and recognition were more valued than pay in many cases, reaffirming Herzberg's motivation theory. The major insight is that TM does not have to be expensive—it has to be intentional.

VI. RECOMMENDATIONS

For SMEs:

- Develop clear TM policies.
- Link TM with business strategy.
- Use low-cost initiatives: job rotation, mentoring, flexible hours.
- Train leaders on motivation and fairness.
- Reward and recognize regularly.

For Researchers:

- Expand to other sectors and regions.
- Compare TM practices in micro, small, and medium firms.
- Test long-term impact of sustainable TM models.
- Use mixed-method designs for richer insights.

VII. CONCLUSION

This research confirms that sustainable TM practices can be designed even within budgetary restrictions. Aligning TM with organizational goals, fair reward systems, employee development, and leadership engagement are critical levers for reducing attrition. While SMEs cannot compete with large firms on salary, they can create a compelling workplace culture that attracts and retains committed employees.

VIII. REFERENCES

Graham, B. (2022). A Decade of Talent Management in SMEs.
Chan, C. (2014). TM Practices in Malaysian SMEs.
Su, Y. et al. (2019). Situational Leadership and Retention.
Rama Chandran et al. (2023). Retention Factors in SMEs.
Stokley (2005); Duttagupta (2005); Iles (2008) — TM Definitions.