# TALENT MANAGEMENT IN SMES: BALANCING COST CONSTRAINT AND EMPLOYEE RETENTION

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***Abstract:*** This research paper conducts an analysis to understand how Small and Medium Enterprises (SMEs) often struggle with hiring and retaining qualified and skilled employees due to having a cost constraint. Unlike large enterprises that have resources and they can offer high pay, monetary and non-monetary benefits to their employees. SMEs must find creative and cost-effective ways to manage talent and reduce employee turnover. This study looks into how these SMEs can balance cost constraint and employee retention while still creating strong talent management (TM) strategies. With the help of mixed-method ways, the research manages to collect data from 67 employees and 15 HR/Managers through questionnaire surveys and telephonic or in-person interviews. This research is theatrical based only. The findings of this research show that while cost is limited, most of the HR/Managers often face challenges to hire and retain the employees. And finding also show that they face challenges from large enterprise. This research also mentioned that SMEs lack proper HR policies, which affects employee satisfaction. This research conclude that employees were ready to leave if they got better opportunity. Even with cost constraints, SMEs can improve retention by aligning talent management with business goals, using low-cost training and building supportive leadership.

**Keywords**- Talent Management, SMEs, Employees Retention, Cost Constraints

## 1. Introduction

Small and Medium Enterprises (SMEs) plays a strong backbone for many developing economies, but they face serious challenges in hiring and retaining qualified and skilled workers. As per research of McKinsey & Company (2014) it shows that micro, small and medium enterprises (MSMEs) have two-third of employment in developed economies and almost four-fifth in developing economies. Higher employee turnover affects business growth and productivity of an enterprises. Small and medium enterprises have limited budget in comparison to large enterprises. This research explains how small and medium enterprises can implement the effective talent management strategies with cost constraint and how it will help in employee retention.

## 2. Literature Review

The previous literature review and studies explains how talent management is Small and Medium Enterprises is unexplored and less organized compared to large enterprises (Graham 2022; Pocztowski & Pauli, 2022). Another literature (Chan, 2014) explains the importance of training and promotion for the SMEs with cost constraint. Another literature (Su et al., 2019) explains how leadership and work culture play important part in retention. Literature studies show how SMEs can succeed by focusing on non-monetary strategies.

## 3. Methodology

This research used an exploratory design, combining qualitative and theoretical based. Both primary and secondary data is used to interpret the result and findings.

### 3.1 Data Collection

Questionnaire and semi-structured interviews (Primary)
Literature review, article and published journals (Secondary)

### 3.2 Sample Size

Target 100 employees, response received 67 (mainly telecom and IT sectors)
Target 20 HR/Managers, response received 15 (mainly telecom and IT Sector)

### 3.3 Tools Used

Microsoft Forms (Questionnaire and surveys)
Charts, Graphs and Descriptive Analysis

### 3.4 Focus Areas

Hiring practices
Challenges in retaining staff
Satisfaction levels and role of leadership

## 4. Results and Discussion

This section explains the result and findings from the questionnaire and semi-structured interview. It shows how small and medium enterprises face challenges in hiring process and retention of employees with cost constraint and how they manage that effectively.

### 4.1 Struggle to hire skilled people


Fig 4.1

Above figure is response from HR/Managers. All 15 responded (100%) accepted that they frequently face challenges to attract the skilled candidates. No one selected 'sometimes' or 'rarely'. This clearly explain that finding qualified and skilled candidates for SMEs with cost constraint is major and ongoing challenges for these enterprises.

### 4.2 Hiring Medium used by SMEs


Fig 4.2

Above figure is response from HR/Managers. This shows that enterprises prefer hiring through referrals (15 out of 15), followed by social media (12 out of 15), and job portal (10 out of 15). Walk-ins are less often (6 out of 15), and no one reported campus hiring or others methods. This explains SMEs mostly rely on low-cost and quick hiring methods.

### 4.3 Satisfaction Level of Employees


Fig 4.3

Above figure is response from employees. Out of 67 a large majority of employees (76%) choose ‘yes’. Employees are unsatisfied on their current position, while only 24% of them said they are satisfied. This shows a serious a serious issue with job satisfaction, which affects motivation, performance and long-term retention in the organization.

### 4.4 Employee Intention to Leave

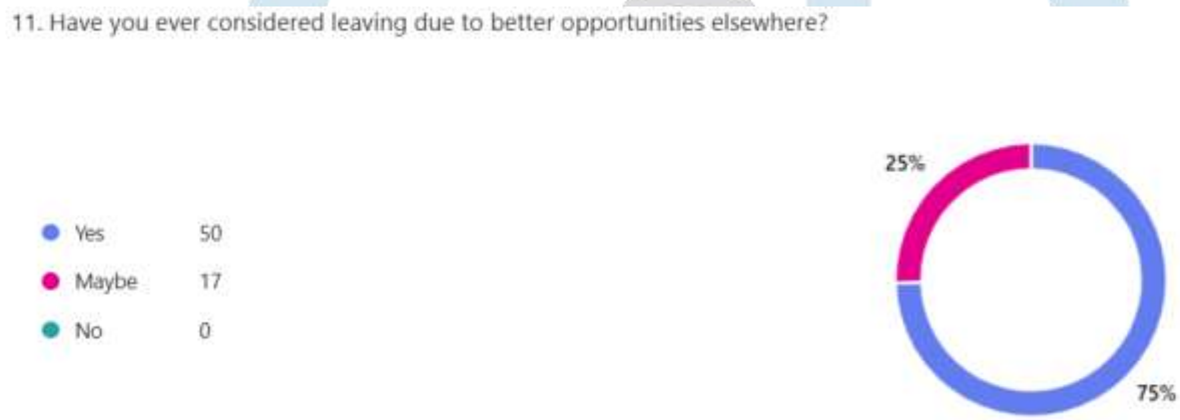


Fig 4.4

Above figure is response from employees. A majority of employees (75%) choose ‘yes’. Thay have considered leaving their job for better opportunities. Another 25% responded choose ‘maybe’ while no one ready to stay or choose ‘no’ option. This shows that most employees are looking for new job opportunities, which is high risk of turnover in the organization.

### 4.5 Talent Development Under Cost Constraint

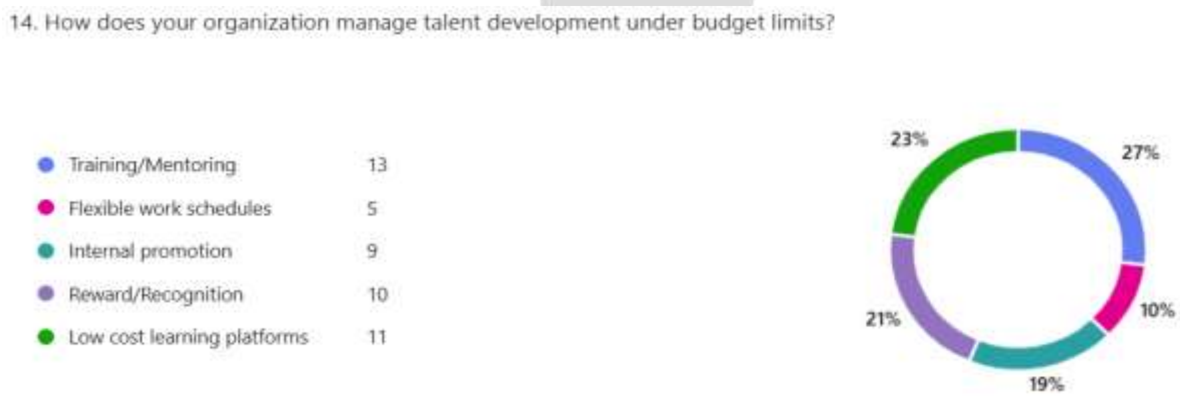


Fig 4.5

Above figure is response is from HR/Managers. When asked about how their organization manages talent development with cost constraint, most respondents (27%) said training and mentoring. Another method is low-cost learning platforms (23%) and reward and recognition programs (21%). Internal promotion and flexible work schedules were least (19% & 10%). This shows that even with cost constraint, SMEs are trying to develop talent management strategies.

This study explains how SMEs uses non-financial methods, even with cost constraint to retain employees. Few methods which help SMEs are training and mentoring, low-cost learning platforms and reward and recognition. Financial methods like performance appraisal system are weak and unfair. SMEs should focus only on non-financial methods and invest time and efforts in building strong HR processes.

## 5. Conclusion

This research was conducted to understand how SMEs manages talent management with cost constraint? What impact does talent management have on employee retention in SMEs? How do cost constraint impact talent management strategies? And what methods are used to manage talent development with cost constraint?

This study shows how small and medium enterprises manages their talent management and employee retention while having cost constraint. This study also shows the challenges faced by the HR/Managers in hiring process and retention of employees. Most SMEs cannot offer high salaries or big financial benefits like large enterprises to their employees. Still, SMEs try to manage talent management using low-cost and non-financial methods like training and monitoring, internal promotion and reward and recognition.

In the end, this study shows that with right HR strategies and practices, SMEs can attract right talent and retain qualified and skilled candidates even with cost constraint.

## 6. Recommendations

### 6.1 For SMEs

- Align talent management with company goals.
- Use non-financial methods like internal promotion and training.
- Offer recognition and low-cost training.
- Focus on employee retention.

### 6.2 For Future Researchers

- Study across more industries and regions.
- Used mixed method (Quantitative and Qualitative) to get overall better clarity.
- Comparison between large enterprises and small and medium enterprises about talent management and retention practices.
- Include more and in-depth perspective of more employees and HR/Managers.
- Study long-term and sustainable impact of talent management practices.

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