

# Talent management practices and the performance of firms: Evidence from Polish SMEs

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## ABSTRACT

**Objective:** This article aims to identify and explore a potential relationship between talent management (TM) practices and performance in small and medium-sized enterprises (SMEs). Despite the growing number of publications on talent management, scholars rarely investigate such a link in this type of enterprise.

**Research Design & Methods:** We collected data from 200 randomly selected Polish SMEs. We interviewed respondents about the characteristics of TM practices they apply and the performance they achieve. The data revealed three clusters of approaches to TM (acquisition, retention, and complex) and two frequencies in running talent management activities (systematic and occasional). These verified a potential link with HR-related, organisational, and business performance outcomes.

**Findings:** Analyses revealed a statistically significant relationship between TM practices and most HR-related outcomes, some organizational outcomes, and almost no business performance outcomes. Moreover, we proved relationships between approaches to talent management and some performance indicators.

**Implications & Recommendations:** Small and medium-sized enterprises benefit from using a systematic approach to TM in the form of a positive impact on particular performance areas referring to business outcomes and brand recognition. The TM practices SMEs apply help overcome challenges they face. Thus, we advise defining the main goal of TM should before undertaking particular actions.

**Contribution & Value Added:** This article contributes to the body of knowledge on TM in SMEs and explores the relationship between TM practices and performance. Part of the examined relationships between indicators of TM and those describing performance was confirmed as statistically significant.

**Article type:** research article

**Keywords:** talent management; performance; TM outcomes; HRM in SMEs; SMEs

**JEL codes:** M12, M51, M54

Received: 17 May 2023

Revised: 27 July 2023

Accepted: 7 August 2023

## Suggested citation:

Poczowski, A., & Pauli, U. (2023). Talent management practices and the performance of firms: Evidence from Polish SMEs. *Entrepreneurial Business and Economics Review*, 11(4), 155-169. <https://doi.org/10.15678/EBER.2023.110410>

## INTRODUCTION

Talent management (TM) has emerged as a field of scientific interest as confirmed by the number of publications on this topic (McDonnell *et al.*, 2017). The foundation for the development of this area of research were publications relating to large and international organisations. These types of entities have well-developed HR departments, advanced HR processes and, most importantly, are able to identify outperformers and/or individuals with high potential. Identifying such employees requires designing activities for managing them as they constitute a key value for the organisation. The analysis of these activities is in line with the best-practice approach in research, aimed at defining the scope of activities that are effective both in retaining talents and in the optimal use of their potential. Nevertheless, research shows that full compliance between the implementation of TM solutions based on best-practice and the performance of the organisation does not always occur (Valverde *et al.*, 2013; Krishnan & Scullion, 2017). Moreover, scholars indicate that some organisations which implement

other activities or configure them differently may achieve better results. These findings are in line with the best-fit approach, which includes implemented practices and achieved outcomes. This approach has also enabled significant development of TM research in entities that are not large and international. The research showed that by taking into account specific conditions, it is possible to identify not only different TM practices but also various perceptions of who a talented employee really is for a particular organisation. As a result of such a change in approach, scholars published studies on TM in SMEs (Festing *et al.*, 2013; Valverde *et al.*, 2013; Krishnan & Scullion, 2017; Bethe-Langeneger *et al.*, 2018; Pauli & Poczowski, 2019), which despite not being able to implement the same solutions as large entities, also undertake actions aimed at talent management. A multitude of perspectives and the diversity of context have resulted in the lack of a coherent approach to defining talents (Gallardo-Gallardo *et al.*, 2017; McDonnell *et al.*, 2017). Furthermore, research shows that obtaining a consensus on this issue may not be possible. In existing research, the relationship between TM in SMEs and the company's outcomes is not sufficiently represented. Moreover, Harney and Alkhalaf (2021) indicate that there is insufficient evidence in research about the impact of HRM practices on SMEs' performance. Thus, this article addresses the research gap in approaches to TM in SMEs and the link between TM practices and performance. It also contributes to the body of knowledge on TM in SMEs operating in emerging markets, which Sparrow *et al.* (2015) recommended as a research direction.

The article aims to present approaches to TM applicable in SMEs and their association with firms' performance. The article will start with a literature review presenting determinants of HRM and TM in SMEs, approaches to TM, and links between TM and performance. Next, we will present hypotheses, measures applied, and sample description and then – the results and discussion. Finally, we will focus on research limitations and possible directions of studies.

This article contributes to the existing body of knowledge by extending evidence relating to TM practices in SMEs and provides information about approaches to TM in SMEs that can be applied and the scope of particular practices. It also provides evidence about the link between TM and SMEs' performance.

## LITERATURE REVIEW

### HRM and TM in SMEs

Human capital is significant for SMEs, because they have a limited availability of resources and thus focus on taking full advantage of what they have. Employees are a key resource and therefore, SMEs should properly implement HRM processes. Nevertheless, in these types of organizations, owners and managers focus more on operational activities than on implementing professional solutions in supporting functions, which is considered to be HRM. This approach is in opposition to the results of research aimed at identifying the relationship between HRM and the performance of SMEs, which confirms that the potential of SMEs in building a sustainable competitive advantage is strongly related to the quality of HRM (Vlachos, 2009; Patel & Cardon, 2010; Razouk, 2011; Sheehan, 2014). Moreover, the results of the Rauch and Hatak's (2016) meta-analysis showed that HR practices (HR-, motivation-, and empowerment-enhancing) positively impact SME performance.

The implementation of professional HRM solutions in SMEs is problematic, not only because owners and managers concentrate on major processes but also because of limited employment or organisational challenges. Implementing HR solutions may require changes in organisational structure and generate costs that SMEs cannot afford (Patel & Cardon, 2010). However, there are no general solutions for SMEs due to their heterogeneity (Wappshot & Mallet, 2016). These companies operate in diverse contexts, which makes it difficult to find a common approach to the execution of HRM activities. Moreover, due to this heterogeneity and the lack of HR departments or HR-related positions, it is not possible to adopt solutions used in large organisations (Pauli & Poczowski, 2019).

Based on results of research on HRM in SMEs conducted two decades ago, Cardon and Stevens (2004) indicated that SMEs experience many challenges in HRM, including attracting talents, employer branding, and maintaining employment flexibility, thus ensuring the development of employees who could support running the business in a changing environment. Growing competition and emerging shocks make TM crucial for SMEs. Research on TM has led to the conclusion that professional TM is a key success

factor in building a competitive advantage (McDonnell *et al.*, 2017) and in international organisations, the TM process can even be considered a critical capability (Morley *et al.* 2015). Nevertheless, the topic of TM in SMEs remains under-investigated and there is a lack of studies showing various approaches and their impact on the overall functioning of these types of organisations. In 2013, Festing *et al.* (2013) and Valverde *et al.* (2013) published two very important publications on TM in SMEs, which highlighted the insufficient amount of research on TM in SMEs. The publications also indicate that TM practices cannot be implemented in SMEs indiscriminately without taking into account their specific context and organisational, resource, and economic constraints (Heneman *et al.*, 2000; Festing *et al.*, 2013; Krishnan & Scullion, 2017). An additional challenge in investigating TM in SMEs stems from the lack of a unanimous definition of talent and a coherent understanding of who a talented person is. As Dries (2013a) concludes, talent can be defined in various ways by different people or organisations (for the potential definition of talent see Dries, 2013b; Poczowski *et al.*, 2021). Valverde *et al.* (2013) confirmed it in the SMEs context by presenting a variety of approaches to defining talent in Spanish SMEs.

Publications on TM define its scope in various ways. For example, Stahl *et al.* (2007) indicate that TM includes recruitment and selection, succession planning, training and development, performance management, compensation and benefits, retention, and employer branding. Valverde *et al.* (2013) conclude that TM includes all activities aimed at identifying, selecting, developing, and retaining the best employees for strategic positions. Collings and Mellahi (2009) claim that TM comprises all activities and strategies that involve the systematic identification of key positions that have a direct impact on sustainable competitive advantage and on the creation and development of talents who can fill these positions. Nijs *et al.* (2014) indicate that TM encompasses strategic investments regarding talent identification, selection, development, planning, and retention. Cappelli and Keller (2014) indicate that TM is a critical process through which organisations anticipate and meet their needs for talent in strategic jobs. Luna-Arocas and Morley (2015) define TM as a systematic approach to the attraction, development, and retention of people with excellent competencies.

Based on the above definitions, we may indicate that TM should be a systematic approach aimed at identifying, acquiring, evaluating, developing, and rewarding employees of key importance to the organisation. However, these definitions were developed mostly based on research on large entities and as mentioned before, researchers postulate not to transfer TM solutions from large organisations to SMEs as they design and implement HRM and TM practices differently (Krishnan & Scullion, 2017). Moreover, these definitions are based mainly on the best-practice approach, which assumes that it is possible to create an optimal configuration of TM solutions. However, scholars have questioned this approach due to the diversity of the context SMEs operate in and as a result, the application of the best-fit approach is postulated (Gallardo-Gallardo *et al.*, 2017).

### **Approaches to TM in SMEs**

The considerations presented in the previous section indicate that TM should include systematic activities related to various areas and that a best-practice or best-fit approach could be applied. Nevertheless, taking into account the heterogeneity of SMEs, the complexity of the context they operate in, and the specificity of HRM solutions, TM in such organisations should be analysed individually (Poczowski & Pauli, 2022). This is consistent with the approach by which we should understand TM in the context of firms' strategic capabilities and include a unique configuration of activities and initiatives (Joyce & Slocum, 2012). Krishnan and Scullion (2017) also indicate that changes in SMEs resulting from their growth cause structural modifications, which limits the possibility of identifying key/strategic positions and acquiring and developing talents in advance to take up these positions. The authors also claimed that the best-practice approach is applicable to large, international organisations rather than to SMEs (Krishnan & Scullion, 2017).

The results of research on TM in SMEs prove that in these organizations there are different configurations of practices and they rarely overlap with those defined for large entities. Valverde *et al.* (2013) claims that SMEs define talents in different ways. Moreover, many SMEs undertake activities related to talents without naming it TM. Bethke-Langenegger *et al.* (2011) also present the differentiation of approaches to TM in SMEs. They indicated that in SMEs, there are four possible aspects of

TM, *i.e.* supporting corporate strategy, enabling succession planning, attracting and retaining talents, and developing talents. Festing *et al.* (2013) indicate the existence of three approaches to TM referring to the scope of activities executed: highly engaged TM, retention-based TM, and reactive TM. Dalal and Akdere (2021) also adopted the practice-based classification in their study, in which the authors divided TM-related practices into acquisition, engagement, development, and retention. In their classification, Pauli and Poczowski (2019) and Poczowski *et al.* (2021) included information concerning the understanding of talent, participants of TM programmes, goals of development, frequency of implementation and goals of TM practices. They developed a model including six clusters, *i.e.* high-performance manager, high-performance specialist, high-potential internal consultant, high-potential specialist, high-potential manager, and creator.

Based on the presented publications, we may indicate that there are studies aimed at systematising knowledge about TM in SMEs. The recurring element in the discussed concept is the frequency and scope of activities focused on people recognised as talents. The scope depends on the needs of a specific company and may be modified depending on the situation. Such actions are fully consistent with the general approach to the implementation of HRM in SMEs, which is characterised by a low level of formalisation and high flexibility. In this context, according to Krishnan and Scullion (2017), we may conclude that in SMEs, a dynamic approach to TM is more appropriate.

### **Talent Management and Firms' Performance**

From the organisational perspective, it is crucial to find the relationship between activities aimed at the optimal use of human capital and their impact on performance (Collings, 2014). According to Cardon and Stevens (2004), the approaches introduced in particular organisations for staffing, compensation, development, performance management, organisational change, and labour relations have a direct impact on how companies deal with contextual challenges and thus influence their performance. According to Glaister *et al.* (2018), TM is a key mechanism by which HR-oriented practices interact with organisational performance. Furthermore, Collings *et al.* (2018) indicated that TM in the context of performance is an important research direction.

There are various measures applied to analyse the association between HRM and firms' performance which we may evaluate with the use of reported outcomes. However, Dyer and Reeves' (1994) approach seems to be the most coherent and comprehensive as it refers to the most important categories of performance indicators. It includes HR-related, organisational, and financial outcomes. Schuler (2015) presents a slightly different division of TM outcomes focusing on the 'consequences' of implemented programs. In his model, he analysed effects on three levels: individual, organisational, and national. In our study, the 'consequences' indicated at the organisational level are particularly important and they include building the employer's brand, employee retention, increasing work efficiency, improving flexibility, and increasing motivation. According to Mensah (2015), TM practices do not increase performance directly but generate 'outputs' that are the basis for outcomes. Moreover, Mensah (2015) claims that TM practices build job satisfaction, engagement, motivation, commitment, and perceived organizational support, which in turn impact performance. Skuza (2018) analysed the impact of TM on the learning processes of enterprises and their results in medium and large companies. The study used the concept of TM maturity, indicating that the higher the maturity of TM, the stronger the impact on results.

Research on the link between TM and performance uses different approaches both in terms of TM and performance indicators. Concerning TM, scholars adopt either a holistic approach treating TM as a coherent system or analyse specific processes or approaches. Concerning performance, scholars also use various measures which generally refer to HR-related, organisational, and business performance areas.

Glaister *et al.* (2018) showed that all HR practices have an impact on performance, which they calculated using a subjective comparison to other firms in the same industry. However, Glaister *et al.* (2018) indicated that the strongest relationship was observable in stimulating learning, project teams, networking, in-house development programmes, cross-disciplinary working, formal career plans, coaching, and mentoring. Bethke-Langeneger *et al.* (2011) claim that with HR-related outcomes, there are relationships between 'focus on developing talents' and job satisfaction; performance motivation,

commitment and trust in leaders; 'focus on attracting and retaining' and work quality and qualifications. Regarding organisational outcomes, 'focus on developing' talents impacts an employer's attractiveness. Regarding corporate profit, there is a relationship between 'focus on succession planning' and the company's results, while 'focus on attracting and retaining' talents has no impact on the company's profit. The results of a study by Lančarič *et al.* (2021) confirmed that various 'phases' of TM affect performance differently. The TM strategy, talent identification and evaluation do not affect organisational performance. Talent development and retention have a significant impact on organisational performance. Harsch and Festing (2020) showed that TM affects flexibility, innovation, proactivity, quality, profitability, customer orientation, transparency, coopetition, and entrepreneurship. Dalal and Akdere (2021) claim that TM practices covering acquisition, development engagement, and retention have a significant impact on willingness to stay, job engagement, affective commitment, job satisfaction, and competency. Jimoh and Kee (2022) indicate that talent attraction and talent development have a significant impact on task performance. They did not identify any relationship between talent retention and task performance. Kumar (2022) claims that employee turnover and retention are directly related to TM practices, including recruitment and selection, teamwork and management support, performance and career management, and salary and compensation. Das *et al.* (2023) assessed corporate reputation, financial performance, and non-financial performance. The results proved that there is a relationship between TM practices and all investigated indicators. Noteworthy, thanks to the implementation of various types of development programs, TM can build the interdisciplinarity of employees. Talents are then able to perform various tasks and thus contribute to an organisation's development by improving processes, products, or technologies. Furthermore, such activities may be a response to the shortage of highly qualified people (Levenson, 2012). The research results confirm that there is a relationship between TM and company outcomes. These dependencies have been demonstrated between particular practices and various performance indicators and between the generally understood TM and specific dimensions of outcomes. The research analyses show that there is no coherent approach to assessing the relationship between TM and performance. Even when using the model proposed by Dyer and Reeves (1994), different measures are used.

Based on the literature review, we may indicate that TM practices should be continually implemented as only the systematic realisation of HRM initiatives enables achieving the assumed level of performance. On this basis, we formulated the first hypothesis:

**H1:** The SMEs executing TM practices systematically report better outcomes than those introducing these practices occasionally.

**H1a:** The SMEs executing TM practices systematically report better HR-related outcomes.

**H1b:** The SMEs executing TM practices systematically report better organisational outcomes.

**H1c:** The SMEs executing TM practices systematically report better business outcomes.

According to the literature review (Stahl *et al.*, 2007; Valverde *et al.*, 2013; Collings & Mellahi, 2009; Nijs *et al.*, 2014; Luna-Arocas & Morley, 2015), TM models should include a set of interconnected practices that constitute a coherent system. This assumption is mainly based on the concept of best-practice, but some researchers postulate that a best-fit approach should be applied to SMEs. Therefore, SMEs can implement different approaches to TM taking into account particular practices to a greater or lesser extent. Thus, we hypothesised the following:

**H2:** The approach SMEs apply to TM practices is associated with company outcomes.

**H2a:** The approach SMEs apply impacts HR-related outcomes.

**H2b:** The approach SMEs apply impacts organisational outcomes.

**H2c:** The approach SMEs apply impacts business performance outcomes.

Therefore, we assumed that the SME's approach to TM would have an impact on the company's results. According to the theoretical background, companies with the most comprehensive TM solutions should achieve better results than those implementing practices focusing only on certain areas.

## RESEARCH METHODOLOGY

### Sample

The research employed questionnaire interviews with managers and people dealing with HR matters. We randomly selected the participating 200 companies from the Statistics Poland database. To qualify for selection, the companies had to confirm the implementation of TM practices. In accordance with the definition provided by the EC, we included companies employing 10-250 people. Table 1 presents the sample characteristics.

**Table 1. Sample characteristics (in %)**

Activity range	Local		Regional		Domestic		International
	16.0		36.0		35.0		13.0
Age	3-5 years		5-8 years	9-12 years	13-16 years		over 16 years
	10.5		17.5	18.0	25.5		28.5
Sector	Industry	Transport	Retail	Construction		Consulting	Others
	22.0	19.0	17.5	16.5		7.0	18.0
Number of employees	up to 50				51-250		
	67.0				33.0		

Source: own study.

### Measures Applied

*Frequency of executing TM:* we asked respondents to indicate whether they run TM activities systematically or occasionally. Of the surveyed companies, 10% did not answer this question. Among the remaining group, 35.6% indicated the implementation of activities occasionally and 64.4% systematically.

*Approach to TM:* we asked the respondents to indicate which TM processes they implement (acquisition, identification, appraisal, development, remuneration and compensation, careers). Based on the obtained answers, we identified three approaches to TM:

- Acquisition-oriented (51 entities, 25.5%) – companies that only execute activities related to searching for talents outside the organisation, recruiting talents, and identifying them within the firm.
- Retention-oriented (75 entities, 37.5%) – companies implementing a combination of various activities related to talent development, assessing, and planning career paths. These entities did not run acquisition-oriented activities.
- Complex (74 entities, 37%) – companies implementing a diverse combination of activities related to talent acquisition and development, evaluation, remuneration, bonuses, and career paths.

Based on the general classification by Dyer and Reeves (1994), we developed a set of measures to evaluate HR-related, organisational, and business performance outcomes. We present detailed information about the measures and their scales below. The reliability of this part of the questionnaire – calculated with the use of Cronbach's alpha – was at the level of 0.74 which is acceptable.

### HR Related Outcomes

- Number of employees – we asked respondents to evaluate changes in employment within the last five years using a five-grade scale (definitely decreased – definitely increased).
- The image on the internal labour market – categorical measures referring to the way employees perceive the organisation (categories are presented in Table 2).
- The image on the external labour market – referred to the employer brand and the way potential candidates perceive a particular organisation (categories are presented in Table 2).
- Employee engagement – referred to perceived overall employee engagement, assessed with the use of a five-grade scale (very low – very high).

### Organisational Outcomes

- Measures referring to three areas of improvement: (1) products/services, (2) technology, and (3) internal processes. We evaluated the scope of modifications within the last three years with the use of a three-grade scale (we have not introduced any changes, we have introduced minor changes, we have introduced significant changes).
- Company image – we asked respondents to evaluate whether they ‘have not built their image’, they have ‘a positive’ or ‘a positive and well-grounded’ image.
- Brand recognition – we asked respondents to evaluate changes in brand recognition among customers within the last five years using a three-grade scale.

### Business Performance Outcomes (Changes Within the Last Five Years)

We asked respondents to evaluate changes in the listed business performance indicators within the last five years using a five-grade scale (definitely decreased – definitely increased). The indicators included sales volume, sales value, profits, number of customers, and overall financial condition.

### Analytical Procedure

Firstly, we analysed and classified the TM practices implemented in SMEs. On this basis, we identified three approaches to TM, which we later used to verify the second hypothesis. Because the variables used in the study were categorical, to assess the occurrence of relationships, we used a Chi-squared test (Bors, 2018, pp. 228-232). We performed the dependency analysis for three p-value levels: < 0.05, 0.01, and 0.001. In some cases, we also conducted a discussion for statistically significant relationships with  $p < 0.1$ . Although this value is above those commonly used and recommended in statistical analyses, it may indicate the presence of potential relationships for more homogeneous populations. Discussing the occurrence of potential relationships may therefore help define further research directions.

## RESULTS AND DISCUSSION

### TM and HR-Related Outcomes

Based on the research results, we may indicate a statistically significant relationship between the approach to TM and the image of the employer both on the internal and external labour market (see Table 2). Employees perceive the vast majority of companies (86.5%) with complex TM as offering a diversified employee value proposition. The share of companies with such a brand among retention-oriented entities is 68% and among acquisition-oriented companies – less than half. On the external labour market, the surveyed companies build their image in relation to certain task areas. Almost 71% of companies with complex TM are perceived as potential employers in some areas of their activity, among retention-oriented companies, there are nearly 49% with such a brand and 33% in acquisition-oriented companies. Moreover, in the group of companies with complex TM, there is the largest share of entities claiming that people perceived them as an employer of choice.

These research results are consistent with the findings of Bethke-Langeneger *et al.* (2011) who showed that *focus on developing talents* (which in our research is a component of complex and retention-oriented TM) positively impacts employer’s attractiveness and with the results of Das *et al.* (2023) who confirmed that TM practices positively impact company reputation. Acquisition-oriented companies have not built an employer brand, which can make it difficult to attract valuable employees. In these entities, the focus on acquisition may result from a talent shortage, which hinders the functioning of organisations. By implementing activities aimed at attracting talents, firms want to acquire employees with particular competencies. This is related to the conclusions of Cardon and Stevens (2004) that through appropriate HR practices, SMEs try to address the challenges they face.

There is also a potential relationship ( $p < 0.1$ ) between changes in employment, the engagement level and the approach to TM. In the majority of acquisition-oriented companies (68.8%), employment has not changed over the last five years, while in over 40% of retention-oriented and complex companies,

**Table 2. Relationship between the approach and frequency of TM and outcomes**

Indicators of HR-Related outcomes	Approach			Frequency	
	Acquisition	Retention	Complex	Occasion-ally	Systemati-cally
<b>Number of employees</b>	$\chi^2=13.78155, p=0.08764$			$\chi^2=7.954833, p=0.09325$	
Definitely decreased	2.1	1.4	4.4	1.7	0.0
Slightly decreased	8.3	10.0	16.2	15.5	11.9
Remained stable	68.8	47.1	36.8	48.3	50.5
Slightly increased	12.5	25.7	29.4	29.3	20.2
Definitely increased	8.3	15.7	13.2	5.2	17.4
<b>The image on the internal labour market</b>	$\chi^2=27.6, p=0.00056$			$\chi^2=19.69413, p=0.00057$	
Our employees do not perceive us in a unique way.	33.3	13.3	6.8	31.3	7.8
We are a firm offering interesting tasks or projects and jobs adequate to employees' competences.	5.9	5.3	5.4	1.6	5.2
We are a firm with a friendly social climate and addressing employees' needs.	3.9	5.3	1.4	4.7	3.5
We are a firm offering attractive working conditions, salary and development.	7.8	8.0	0.00	6.3	3.5
We are a firm offering diversified employee value propositions.	49.0	68.0	86.5	56.3	80.2
<b>The image on the external labour market</b>	$\chi^2=21.0519, p=0.00180$			$\chi^2=26.35731, p=0.00001$	
We are not recognised on the labour market; candidates respond to job offers.	29.4	9.3	5.4	28.1	4.3
Potential candidates identify us on the labour market but there is nothing that distinguishes us from others.	21.6	24.0	14.9	25.0	16.9
We are perceived as a potential employer but only in some areas of our activity.	33.3	49.3	60.8	32.8	57.8
Candidates perceive us as a good employer, and they want to work with us.	15.7	17.3	18.9	14.1	21.6
<b>Employee engagement</b>	$\chi^2=13.74412, p=0.08868$			$\chi^2=7.497159, p=0.11183$	
Very low	2.0	0.0	0.00	1.6	0.0
Low	7.8	12.0	6.8	14.1	6.0
Average	23.5	37.3	31.1	34.4	31.0
High	47.1	40.0	56.8	37.5	53.5
Very high	19.6	10.7	5.4	12.5	9.5

Source: own study.

employment has increased. Therefore, we may assume that the implementation of retention-oriented or complex TM approaches builds the employer brand and supports processes related to retaining or acquiring talents. Actions aimed at acquisition without the implementation of activities aimed at ensuring the appropriate employee value proposition do not bring expected results. This is in line with the conclusions of Kumar (2022), who showed that employee turnover and retention intentions are related to a set of diverse TM practices. The results related to the assessment of the level of employee engagement are surprising. Among the surveyed companies, entities implementing acquisition-oriented TM (66.7%) rated engagement most often high or very high, while 50.7% with retention-oriented TM and 62.2% with complex TM indicated level of engagement as high or very high. Employee engagement was rated the highest in the group of companies that do not take any actions aimed at retaining talents and focus only on acquisition. This conclusion is contrary to the results of Bethke-Langeneger *et al.* (2011) who showed that focus on developing talents is strongly related to job commitment; Mensah (2015) – who showed that TM practices build engagement, and Dalal and Akdere (2022) – who showed that comprehensive solutions in TM have an impact on job engagement. Based on the research results, H2a was



supported – there is an association between TM approaches and HR-related outcomes, but it works the opposite way. These are HR-related outcomes that create the approach to TM in SMEs.

Referring to the link between the frequency of executing TM and HR-related outcomes, there is a statistically significant relationship between the frequency and the image on the internal and external labour market (Table 2). Over 80% of companies implementing TM systematically declare that they are perceived as offering a diversified employee value proposition, compared to 56% of companies implementing TM occasionally. Moreover, over 31% of companies implementing TM occasionally do not have a good employer brand among their employees. Nearly 53% of companies implementing TM occasionally declare that they are not recognised by candidates or that there is nothing that would distinguish them from other entities. Among the companies that implement TM systematically, nearly 22% declare that they have built an employer of choice brand and nearly 58% state that they are a desirable employer in selected areas ( $p < 0.001$ ). The obtained results indicate that there may also be a relationship between the frequency of TM-related activities and changes in the number of employees. However, the distribution of answers in these two groups does not indicate any differences. Companies implementing TM activities systematically declare employment stability or increase slightly more often ( $p < 0.1$ ). The distribution of answers given in relation to employee engagement shows that companies implementing TM systematically assess its level higher than those implementing TM practices occasionally. However, this relationship is not statistically significant. The research results showed that there is a statistically significant relationship between the frequency of undertaking actions aimed at talents and the image of the organisation on the internal and external labour market and that there may be a relationship between the frequency and changes in employment ( $p < 0.1$ ). Therefore, H1a was partially supported.

### TM and Organisational Outcomes

The research results showed that there was a statistically significant relationship between the approach to TM and the company's image and brand recognition (see Table 3). Over 20% of complex TM companies had a good and well-grounded image, while in retention oriented it was 12% and in acquisition oriented – 6%. Nearly 80% of entities in each category of approaches believed that they had a positive market image. The relationship between the approach and the image of the organisation was statistically significant. Concerning changes in brand recognition, entities with complex TM most often confirmed positive changes. Moreover, nearly 60% of acquisition-oriented companies believed that their brand recognition had not changed over the last five years. The results of our studies, stating that companies with complex TM to the greatest extent declare that they have built a strong and positive brand and that the recognition of their company is increasing, are consistent with the conclusions formulated by Schuler (2015).

Regarding technology improvements, internal processes, and approaches to TM, there was no statistically significant relationship. Concerning changes in products and services, there were differences between companies declaring different approaches, but these dependencies were statistically significant for  $p < 0.1$ . Most often, acquisition-oriented companies (14%) were the ones to introduce considerable improvement. However, changes (minor and significant) most often appeared in companies with complex TM. This partly contradicts the results of Harsch and Festing (2020), who indicated that TM has an impact on innovation. Regarding organisational outcomes, the approach to TM has an impact on the image of the organisation and its changes. In the group of companies with complex TM, significant or minor improvements in products and services were most often implemented. However, this relationship was significant for  $p < 0.1$ , and we found no statistically significant relationship with regard to changes in internal processes and technology. Therefore, H2b was partially supported.

Regarding the frequency of activities aimed at talents, we confirmed a statistically significant relationship only in relation to the organisation's image. Almost all companies organising TM systematically showed that they had a positive image, of which nearly 16% declared that it was additionally well-grounded. Frequency in the implementation of TM programs seems to have little impact on organisational outcomes. We observed a statistically significant relationship only in relation to company image. Regularity in the implementation of TM practices supports building a positive

image of the organisation. Regarding the remaining determinants, we confirmed no statistically significant relationship, thus, we rejected H1b.

**Table 3. Relationship between the approach and frequency of TM and organisational outcomes**

Indicators of organisational outcomes	Approach			Frequency	
	Acquisition	Retention	Complex	Occasionally	Systematically
<b>Improvements in products and services</b>	$\chi^2=8.990788$ , $p=0.06133$			$\chi^2=2.131273$ , $p=0.34451$	
Not introduced	27.5	45.3	25.7	28.1	35.3
Minor modifications	58.8	45.3	66.2	59.4	57.8
Significant improvements	13.7	9.3	8.1	12.5	6.9
<b>Improvements in technology</b>	$\chi^2=3.619306$ , $p=0.45997$			$\chi^2=0.770674$ , $p=0.68022$	
Not introduced	33.3	29.3	37.8	28.1	34.5
Minor modifications	60.8	60.0	48.7	60.9	55.2
Significant improvements	5.9	10.7	13.5	10.9	10.3
<b>Improvements in internal processes</b>	$\chi^2=2.878715$ , $p=0.57832$			$\chi^2=1.383777$ , $p=0.50063$	
Not introduced	27.5	32.0	20.3	21.9	27.6
Minor modifications	45.1	45.3	52.7	54.7	45.7
Significant improvements	27.5	22.7	27.0	23.4	26.7
<b>Company Image</b>	$\chi^2=13.76258$ , $p=0.00809$			$\chi^2=20.99448$ , $p=0.00003$	
We have not built our company's image	15.7	6.7	1.4	18.8	0.9
We have a positive image	78.4	81.3	78.4	73.4	82.8
We have a good and well-grounded image	5.9	12.0	20.3	7.8	16.4
<b>Brand recognition</b>	$\chi^2=17.48385$ , $p=0.02545$			$\chi^2=5.67897$ , $p=0.22444$	
Definitely decreased	4.1	1.4	2.9	1.7	0.9
Slightly decreased	2.0	4.3	16.2	3.4	10.1
Remained stable	59.2	45.7	32.4	49.2	41.3
Slightly increased	24.5	35.7	29.4	37.3	30.3
Definitely increased	10.2	12.9	19.1	8.5	17.4

Source: own study.

### TM and Business Performance Outcomes

The analysis of links between the approach to TM and business performance outcomes confirmed the existence of a statistically significant relationship only with sales volume (see Table 4). Retention-oriented companies most often indicated that sales volume had increased. Regarding other indicators, we noticed that companies implementing retention-oriented and complex TM declared better results than those that were acquisition oriented. However, we did not statistically confirm these relationships. This is partly consistent with the findings of Bethke-Langeneger *et al.* (2011), according to whom *focus on attracting and retaining talents* does not impact company profit. Similarly, Lančarič *et al.* (2021) indicated that *focus on strategy, talent identification and appraisal* does not affect performance. However, they claimed that talent development and retention influence performance. Our results oppose also Das *et al.* (2023), who demonstrated the impact of TM practices on financial performance. Statistical analyses confirmed a relationship between TM approach and business performance outcomes only in relation to sales volume. Based on the obtained results, we rejected H2c.

Regarding the links between the frequency of executing TM and business performance indicators, we observed that entities systematically implementing these practices more often indicated positive changes than those implementing them occasionally. Nevertheless, we confirmed statistical dependence only for the number of customers. Nearly 54% of companies running TM practices systematically indicated that the number of clients increased slightly or definitely, while in the group of entities that run TM practices occasionally, only 35% recorded increases. In the case of business outcomes, we confirmed a statistically significant relationship only with the number of customers, thus, we rejected H1c.

**Table 4. Relationship between the approach and frequency of TM and business performance outcomes**

Indicators of business performance outcomes	Approach			Frequency	
	Acquisition	Retention	Complex	Occasionally	Systematically
<b>Sales volume</b>	$\chi^2=23.32947$ , $p=0.00297$			$\chi^2=5.65406$ , $p=0.22652$	
Definitely decreased	6.3	2.8	8.8	3.5	3.6
Slightly decreased	6.3	8.5	14.7	15.5	7.3
Remained stable	62.5	45.1	33.8	50.0	41.8
Slightly increased	8.3	38.0	26.5	22.4	31.8
Definitely increased	16.7	5.6	16.2	8.6	15.5
<b>Sales value</b>	$\chi^2=10.1666$ , $p=0.25353$			$\chi^2=4.805688$ , $p=0.30782$	
Definitely decreased	4.2	1.4	3.0	1.7	0.9
Slightly decreased	12.5	16.9	19.4	19.0	14.7
Remained stable	52.1	32.4	28.4	43.1	31.2
Slightly increased	20.8	38.0	32.8	27.6	36.7
Definitely increased	10.4	11.3	16.4	8.6	16.5
<b>Profits</b>	$\chi^2=8.932685$ , $p=0.34801$			$\chi^2=3.503672$ , $p=0.47732$	
Definitely decreased	8.7	3.0	2.9	3.6	2.8
Slightly decreased	6.5	7.5	7.4	10.9	4.7
Remained stable	54.4	44.8	38.2	45.5	44.9
Slightly increased	21.7	38.8	38.2	34.6	36.5
Definitely increased	8.7	6.0	13.2	5.5	11.2
<b>Number of customers</b>	$\chi^2=9.817245$ , $p=0.27809$			$\chi^2=11.378$ , $p=0.02263$	
Definitely decreased	4.2	4.4	2.9	5.1	0.0
Slightly decreased	6.3	10.1	10.3	13.6	6.5
Remained stable	56.3	34.8	36.8	45.8	39.3
Slightly increased	20.8	42.0	33.8	28.8	38.3
Definitely increased	12.5	8.7	16.2	6.8	15.9
<b>Overall financial condition</b>	$\chi^2=9.559644$ , $p=0.29730$			$\chi^2=3.302731$ , $p=0.50850$	
Definitely decreased	2.1	1.4	4.4	0.0	0.9
Slightly decreased	8.5	11.4	16.2	14.0	12.8
Remained stable	57.5	40.0	36.8	43.9	42.2
Slightly increased	21.3	37.1	26.5	35.1	28.4
Definitely increased	10.6	10.0	16.2	7.0	15.6

Source: own study.

## CONCLUSIONS

The main aim of this article was to identify and explore the potential relationship between TM practices and performance in SMEs. Our research showed that the greatest dependence between the approach to TM and the performance occurs with regard to HR-related outcomes. This is fully in line with the conclusions formulated by Cardon and Stevens (2004) that SMEs face challenges referring to the acquisition of talents, employer branding, and maintaining employment flexibility. Companies that do not have a properly constructed image as an employer implementing acquisition-oriented TM and, because they evaluate employee engagement as high, do not take retention-focused actions. Retention-oriented entities least often indicate a decrease in the number of employees, declaring their stability or increase and that is why they do not undertake acquisition-oriented activities, but they assess the level of engagement at the lowest, which causes a focus on training, motivation and reward. Small and medium-sized enterprises implementing complex TM evaluate employee engagement as quite high, but they rarely indicate very high engagement ( $p < 0.1$ ). This may be the reason behind undertaking retention-oriented activities. Moreover, these entities declare the highest level of staff turnover and it is therefore necessary to take actions aimed at acquiring talents.

We rejected both hypotheses referring to the link between the approach to TM, its frequency, and business performance outcomes. However, when analysing the distribution of the answers, we observed that companies with a complex and retention-oriented approach declared better results than companies focused solely on acquisition. A similar situation occurred with regard to frequency. Entities systematically implementing TM activities more often declare positive changes in business performance indicators.

Based on our research findings, we may conclude that in SMEs, there is a link between TM practices and outcomes but mostly with regard to HR-related and organisational categories. It is difficult to indicate direct relationships between TM and business performance. Owners of SMEs should be aware that implementing talent-oriented activities may not result in an instant return on investment. Moreover, to benefit from managing talents, they should also implement some actions in other processes and functional areas. As Ingram (2016) concludes, managers should also focus on creating an appropriate organisational climate, because the creation of a TM program itself might be insufficient. As we have stated, it seems that TM practices are based on the challenges SMEs face with managing employees. Thus, SMEs' owners ought to pay attention to general goals that should be defined with regard to HRM while defining the scope of TM activities. Moreover, based on our analysis, we may conclude that focusing on a narrow scope of TM practices does not bring expected outcomes as all these actions should be integrated in a coherent system.

Based on our findings, we might draw some theoretical and managerial implications. Regarding theoretical implications, the most important one refers to the measures applied when analysing the link between HRM/TM and performance in SMEs. Developing a set of fairly universal criteria for evaluating the impact of HRM and TM practices on SMEs' performance seems to be substantial. The classification proposed by Dyer and Reeves (1994) is a very good foundation but requires more detailed indicators and measures. Moreover, as we have concluded, these are HR-related outcomes that shape the TM approach (not the opposite way); the cause-effect relationship should be deeply investigated with regard to other outcomes in the case of SMEs.

Regarding managerial implications, we may state that since the owners and/or managers play a crucial role in TM in SMEs, there is a need to develop their mindset and competences in the field of managing talents. Building competences in this area is a key challenge for managers/owners. Secondly, although the scope of TM practices is diverse and reflects the current business needs, a complex approach to TM seems to most often positively impact firms' performance. Moving from a reactive approach to TM towards a systemic and holistic approach is a current need. Thirdly, when designing TM policies and practices, managers have to take into account specific internal and external factors that can impact them. The creation of a sustainable environment for TM in diversified SMEs is a timely issue.

The limitations of our research are related to two main issues. The first concerns the sample. It was based solely on Polish enterprises. The surveyed entities were very diverse with regard to context and profile. Moreover, it was impossible to identify the whole population of SMEs that run TM programmes, so it was very difficult to choose a representative study sample. The second limitation relates to the applied analysis criteria. We developed our own set of indicators based on those applied in various studies. As a result, we may only partly compare our results to those obtained by other researchers. However, the implementation of TM in SMEs remains under-studied and our research may help in developing a more coherent concept of researching TM in these organisations and identifying their impact on the functioning of SMEs.

Considering the above facts, further research is needed. One possible direction could be the analysis of various groups of SMEs. For example, scholars may adopt a division concerning industry or size. Another possible research direction is to take into account, to a greater extent, the employee perspective and their perception of TM practices. Furthermore, we recommend changing the approach in studying TM/HRM in SMEs from treating these activities as predetermined and intended towards exploration without preliminary assumptions. This approach provides new opportunities for a more in-depth understanding of the nature and specificity of HRM in SMEs. Exploring this issue in the context of new employment models emerging after crises is also important.

Research on the above problems requires the use of a more holistic and context-sensitive approach taking into account achievements of various research perspectives, namely universalistic (best-practice),

contingency (best-fit), resource-based, and ecological theories (Harney, 2021). This will enable the use of various approaches to TM in SMEs and help overcome the limitations of individual research approaches.

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### Acknowledgements and Financial Disclosure

This paper was prepared as a part of project no. HS4/01593, "Talent Management in Small and Medium Enterprises," financed by the Polish National Science Center.

### Conflict of Interest

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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Published by Krakow University of Economics – Krakow, Poland



Ministry of Education and Science  
Republic of Poland

The journal is co-financed in the years 2022-2024 by the Ministry of Education and Science of the Republic of Poland in the framework of the ministerial programme "Development of Scientific Journals" (RCN) on the basis of contract no. RCN/SP/0583/2021/1 concluded on 13 October 2022 and being in force until 13 October 2024.

