

EMPIRICAL RESEARCH QUALITATIVE OPEN ACCESS

Talent Management in SMEs: Unraveling the Role of Contextual Factors

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Received: 4 June 2024 | **Revised:** 26 November 2024 | **Accepted:** 24 February 2025

Funding: The authors received no specific funding for this work.

Keywords: external contextual factors | internal contextual factors | relational contextual factors | small and medium enterprises | talent management

ABSTRACT

Employing a multiple case study analysis, this paper explores the contextual factors—internal, external, and relational—that affect small and medium-sized enterprises (SMEs) in designing their approaches to talent management (TM). Results underscore the significance of two prominent internal variables—namely, organizational size and ownership structure—alongside an external determinant represented by the industry/sector within which the company operates. The study also revealed that the economic and social context in which the company is situated is not only a geographical characteristic (thus constituting an external factor) but also furnishes valuable relational resources subsequently influencing the approaches to TM. Additionally, we found that while industry/sector simply dictates competency needs (hard or soft), the size of the company (affecting TM resource availability) combined with the ownership structure (affecting TM scope and level of formalization) generates specificities in TM practices. Relational factors—namely “local embeddedness”—appear to assume a pervasive role.

1 | Introduction

Despite growing managerial acknowledgment of the importance of Human Resource Management (HRM), Human Resource Development and Talent Management (TM) in small- and medium-sized enterprises (SMEs), there is a persistent dearth of scientific theoretical research on TM in SMEs (Festing et al. 2013; Valverde et al. 2013). Mainstream research on TM practices, even when applied to SMEs, suffers of a “best fit” bias (Harney and Alkhalaf 2021) that tend to analyze the depth and the width of already structured practices, without considering the specificity companies in terms of their degree of internal formalization, governance structure and operational context. SMEs face particular challenges deriving from resource poverty (Welsh and White 1981) and the liability of smallness (Cardon and Stevens 2004). These mean that SMEs

are especially reliant on the performance of people, making specific research even more compelling. A recent definition of TM encapsulates decades of research: “*TM essentially centers around a series of Human Resource Management (HRM) activities and processes that involve the systematic attraction, identification, development, engagement, retention and deployment of talents that add value in creating a strategic and sustainable organizational success*” (Kaliannan et al. 2023, 2). This definition identifies the core mechanisms inherent in TM, delineating their breadth and their intrinsic correlation with organizational success. Given the nuanced operational milieu of TM within SMEs, traditionally labor-intensive and distinct from that of larger corporate entities, an exhaustive examination is imperative, but extant research has been too general and overlooked insights derived from recent scholarly investigations.

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Recent studies have suggested that TM may differ according to the size of the company, the governance and ownership structure, labor market legislation, and the conditions of the competitive market (Boštjančič and Slana 2018; Kravariti et al. 2021; Pocztowski et al. 2021; Pocztowski and Pauli 2022). More specifically within SMEs, talent attraction is often limited to the local labor market (Pocztowski et al. 2021), talent development tends to leverage job rotations and on-the-job training (Lewis and Heckman 2006) and talent retention is based on supportive working relationships and on the opportunity to participate in decision-making processes (Pocztowski and Pauli 2022). We believe that the idiosyncratic nature of these characteristics, juxtaposed with constraints such as restricted financial means, organizational rigidity, and the predominance of reactive and informal managerial methodologies (Festing et al. 2017), necessitates the adoption of a distinctive analytical lens to deal with TM in the specific context of SMEs.

Nevertheless, empirical substantiation remains constrained. While the existing literature on talent management (TM) in SMEs has grown substantially, much of the research still suffers of the “best fit” bias, lacking a focus on the specific and often unique contexts in which SMEs operate. Prior studies (e.g., Festing et al. 2013; Krishnan and Scullion 2017) have provided valuable insights into TM strategies, yet many of these works are not deeply grounded in empirical findings that reflect the practical realities of SMEs. When empirical research is present, it often treats contextual dimensions—such as company size, ownership structure, or sector characteristics—as peripheral considerations, rather than integrating them as central elements of TM strategy development. As Thunnissen and Gallardo-Gallardo (2017) have noted, the extant literature has predominantly relegated contextual dimensions to ancillary roles. Moreover, antecedent inquiries have frequently scrutinized these facets discretely (e.g., Pocztowski and Pauli 2022; Festing et al. 2013), thus disregarding the complexity of their interplay (Mosca et al. 2021).

For instance, studies frequently mention external factors like regional economic conditions or local market dynamics (Dicken and Malmberg 2001) but fail to explore how these factors actively shape TM practices within SMEs. Similarly, internal elements such as ownership structure and relational factors like local embeddedness tend to be discussed in isolation, without sufficient exploration of how these dimensions interact systemically to influence TM (Gallardo-Gallardo et al. 2015; Sparrow and Makram 2015). As a result, empirical substantiation remains constrained, and the complex interplay of contextual factors has largely been relegated to secondary roles in the extant literature.

This study seeks to fill this gap by offering a more comprehensive, empirically grounded analysis of the internal, external, and relational contextual factors that guide SMEs in designing and implementing TM approaches. By focusing on how these factors combine in a systemic framework, this research moves beyond prior studies' more fragmented approaches to provide a holistic understanding of TM practices that is uniquely tailored to the realities of SMEs.

In response to these deficiencies, our study probes the contextual determinants pertinent to SMEs in developing their TM strategies and adopts a holistic investigative framework. This paper addresses the following research questions: *What contextual*

factors play a significant role in guiding SMEs in the design and implementation of their TM approaches? How these factors combine in a systemic framework?

To bridge these research gaps, this study adopts a rigorous multiple case study methodology, analyzing a sample of 23 small and medium-sized enterprises (SMEs) from the province of Piacenza, Italy. The sample was purposively selected in collaboration with Confindustria, the leading Italian trade association, to ensure that participating firms were representative of the local industrial landscape and actively engaged in talent management (TM) practices in accordance with our theoretical sampling approach (Eisenhardt and Graebner 2007). Data were collected through in-depth, semi-structured interviews with senior decision-makers, including HR managers, CEOs, and owners, offering rich qualitative insights into the TM strategies employed. The analysis reveals that key contextual factors—internal (e.g., company size, ownership structure), external (e.g., industry/sector characteristics), and relational (e.g., local embeddedness)—are critical in shaping the design and implementation of TM approaches. The findings contribute to the field by demonstrating how these factors interact in a systemic framework, offering a more nuanced and context-sensitive understanding of TM in SMEs.

The remainder of this paper is structured as follows. The second section provides a comprehensive literature review on various approaches to TM in SMEs that distinguishes between inclusive and exclusive paradigms and elucidates the role of contextual factors. The third section outlines the research setting and methodology, justifying the sample selection and data analysis procedures. The fourth section presents the findings, delineating the definition of talent and the approaches to talent management in SMEs, as well as the influence of internal, external, and relational contextual factors. In the course of our discussion, we offer an exposition of TM practices as delineated by organizational size and ownership structure, while also identifying the shared characteristics among them. We also examine sector-specific influences, drawing distinctions between the manufacturing and service industries on TM practices. The final section presents the conclusions and implications of our research, while limitations and further research guide the trajectory for future investigations.

2 | Literature Review

TM has garnered escalating scholarly attention in the contemporary discourse, which has led to a proliferation of studies scrutinizing the conceptual delineation of talent. The academic literature recognizes a dichotomy in the characterization of talent and delineates at least two distinct approaches to its definition. According to Nijs et al. (2014), talented people at work are employees who have the skills and willingness to perform those activities that are crucial for the business, so companies should strongly invest on them. This has been referred to as the “exclusive approach” to talent. By contrast, other authors (e.g., Renzulli 2005) have proposed a more “inclusive approach” to talent and asserted that everyone possesses a certain set of strengths (e.g., adaptability, discipline) that makes them unique; therefore, organizational processes leveraging such strengths are likely to lead to enhanced individual performance.

Previous research has recognized that SMEs tend to adopt an inclusive approach to talent (Krishnan and Scullion 2017), and this has been confirmed by a recent study (Kaliannan et al. 2023) highlighting how the inclusive approach may allow smaller companies to innovate frugally despite a lack of financial and physical resources. The inclusive approach to TM, coupled with the inherent constraints stemming from resource scarcity and dimensional limitations, significantly influences the capacity to formulate and execute efficacious TM strategies. Typically, HR departments in SMEs maintain small teams and often require individual employees to manage multiple domains, with a predominant focus on operational aspects as opposed to strategic and employer branding initiatives (Krishnan and Scullion 2017). Consequently, SMEs are affected by a distinct visibility and legitimacy disadvantage compared to their larger counterparts (Williamson et al. 2002). Nevertheless, SMEs have developed strategies to overcome these limitations, such as recruiting from local labor markets using informal talent attraction mechanisms, including word-of-mouth referrals, family networks, and employee referrals (Krishnan and Scullion 2017). Looking at talent retention, the working environment in SMEs tends to be characterized by reduced bureaucracy and hierarchical layers, which fosters higher levels of employee engagement and motivation to contribute to the organization (Cardon and Stevens 2004; Hendrickson and Psarouthakis 1998). Finally, insofar as talent development is involved, managers and employees are both involved in strategic and operational activities (Krishnan and Scullion 2017). Hence, in the absence of formalized talent development plans, employees can develop their skills and abilities by fulfilling various roles as the business expands (Heneman et al. 2000). The opportunity to be involved first-hand in strategic activities represents a form of non-monetary reward for employees, particularly because SMEs are less likely to provide sizable salaries and benefits.

These considerations led us to contemplate the necessity for a deeper investigation into the factors guiding the formulation of TM approaches within SMEs, while recognizing that these factors cannot be studied in isolation. This prompted us to consider an approach to HRM that is rooted in the contextual framework, as advocated by scholars such as Jackson and Schuler (1995). This perspective posits that the effective implementation of HRM practices necessitates the consideration of a blend of contextual factors that are tailored to develop employees' human capital in alignment with the strategic objectives of the organization. In the scholarly discourse, various categories of contextual factors are delineated, which are predominantly characterized as either internal or external.

External contextual factors refer to political, economic, socio-cultural, technological, and legal forces that are outside organizational boundaries, have an indirect influence on the firm's activities and performance and cannot be controlled by organizations (Troisi 2022). For instance, a shortage of skilled workers in the labor market, due to competition for talent, can increase companies' investment in developing and retaining internal talent (Pocztowski et al. 2021; Pocztowski and Pauli 2022). Industry characteristics (e.g., the nature of services/products, growth rate, skill specificity, competition level, and industry maturity) can influence the kind and level of knowledge, skills, and abilities required by companies to be competitive

(Krishnan and Scullion 2017). Country differences in terms of cultural, political, or regulatory specificities may also affect TM (e.g., Boštjančič and Slana 2018; Festing et al. 2013; Kravariti et al. 2021; Valverde et al. 2013). For instance, Skuza et al. (2013) showed that Polish-owned companies faced more challenges with respect to the implementation of TM than foreign-owned companies, because domestic firms were more likely to bear strong hallmarks of their communist past.

Internal factors encompass a spectrum of tangible and intangible resources inherent to the organization. These include, but are not limited to, the characteristics of ownership, human capital, and organizational culture. These factors are subject to the direction and control of managerial authorities or business leaders within the organizational hierarchy. For example, within SMEs, organizational culture and structure often exhibit lower levels of formalization and are primarily predicated upon interpersonal relationships among proprietors and employees. Consequently, various owner characteristics, including their experiential background, age demographics, and educational attainment, may exert a considerable influence on the formulation and execution of TM strategies (Chung and D'Annunzio-Green 2018). Furthermore, young and highly educated owners may be more sensitive to TM topics and keener to adopt more structured practices than their older counterparts (Garavan et al. 2016).

With a few exceptions (e.g., Festing et al. 2013; Pocztowski and Pauli 2022), TM studies have considered contextual variables in isolation, thereby failing to provide a comprehensive framework for those factors. In addition, despite the growing consensus on the best-fit approach to TM (e.g., Garrow and Hirsh 2008), there "has been disappointing progress in capturing contextual issues in empirical TM research" (Gallardo-Gallardo et al. 2020, 458). In this scenario, additional contextual factors beyond those already scrutinized in the existing literature may assume paramount significance. For instance, scant attention has been devoted to exploring the influence of relational factors on how SMEs conceptualize talent and formulate corresponding strategies.

Building upon insights from the regional geography literature, we posit that the local context can be conceptualized as a relational factor (Dicken and Malmberg 2001) that exerts a profound impact on organizational endeavors, including TM approaches. Co-located companies, even when lacking direct business interactions, are intricately intertwined within a contextual framework. Research investigating the significance of local relational networks in facilitating the growth and development of SMEs, such as the study by Davidsson and Wiklund (2017), has primarily centered on national or local production systems, innovative environments, or industrial districts (Lundvall et al. 2002). However, these examinations often overlook the interconnected network of social relationships that transcends mere business and technical dimensions.

We posit that companies are involved within a multifaceted nexus of business transactions, knowledge dissemination, competitive dynamics, and social interactions that are intricately interlinked (Lomi and Pattison 2006). Entrepreneurs and managers actively participate in engagements such as trade association meetings, collaborate with local educational institutions

for internships and placement initiatives, and collectively participate in social gatherings. Moreover, they navigate through a common regulatory and institutional framework (Dicken and Malmberg 2001). This dense network of relationships facilitates the construction of shared meanings and languages among all the actors involved, thus fostering the sharing of values and perspectives. Such dynamics may play a role in SMEs' TM practices, which suggest there is an additional contextual element in the form of a relational setting.

Drawing on the above-mentioned considerations, we thus propose the following research questions:

RQ1. *What contextual factors play a significant role in guiding SMEs in the design and implementation of their TM approaches?*

RQ2. *How these factors combine in a systemic framework?*

3 | Research Setting and Method

To pursue our research objectives, we employed a qualitative research methodology—a multiple case study analysis (Grodal et al. 2021). This method was chosen to facilitate the observation of a diverse spectrum of scenarios and to establish a solid empirical foundation for our exploratory endeavors, in accordance with the principles delineated by Yin (2003). Furthermore, in alignment with our research objectives and to identify suitable companies for our study, we collaborated with Confindustria, the principal Italian trade association. This study was conducted on a group of 23 Italian SMEs. As we were interested in analyzing proximal external contextual factors—that is, the ones related to the geographical area where the companies operate (excluding the distal or general ones) to analyze the relevance of the relational factors—our research design entailed the deliberate selection of companies located within a specific geographical territory.

3.1 | Sample Composition

The selection of companies was guided by the theoretical sampling methodology as delineated by Eisenhardt and Graebner (2007). This approach facilitated the identification of companies characterized by a forward-looking orientation, which served as a fundamental criterion for investment in and cultivation of TM practices, as elucidated by Kabalina and Osipova (2022). Through an examination of the AIDA database, we identified SMEs situated in the province of Piacenza, Italy. By choosing Piacenza as our research setting, we sought to capture a microcosm of the broader industrial environment prevalent in northern Italy where dense groups of companies are located in bounded geographical areas and belong to the local chapters of Confindustria (the major Italian trade association). This strategic selection allowed for insights and observations that could then be generalized to similar industrial contexts, thus contributing to a more comprehensive understanding of TM within SMEs in such settings.

The academic discourse on economic trends in Italy has been substantiated by empirical data, notably exemplified by the

annual survey administered by Confindustria in July 2023. The findings of the survey underscored a notable surge in turnover within the manufacturing domain, which registered a significant increase of 7.83% over the specified period. This growth trajectory was predominantly propelled by a robust expansion in foreign sales, which surged by 12.96%, and indicates the pronounced international dimension to the sector's economic activity. Such empirical evidence provides the foundation for scholarly analysis and policy formulation concerning Italy's industrial landscape. The food (+18.42%) and construction materials (+11.02%) industries showed the best performance. Even the mechanical sector, predominant in the local economy, saw a turnover increase (+2.37%) driven by foreign sales (+8.81%). Employment rose by +2.02%, with a peak in the mechanical sector (+2.89%).

The province has thus exhibited growth despite the period of objectively shared economic and financial hardship. Moreover, according to Prometeia (a leading provider of cutting-edge advisory services, tech solutions, and research insights), there were, on average, over 107,000 employees engaged in Piacenza-based activities in 2022. The active local units increased by 0.6%, while the number of employees saw a significant increase of 3.4 percentage points compared to 2021. Additional investigations conducted by Prometeia (2023)—see Figure 1—demonstrate how the dynamics of the value added by companies within the territory of Piacenza aligns with those of the region to which it belongs (Emilia-Romagna) and in turn, aligns with broader Italian trends.

The selection of the 27 companies composing our initial sample was based on a theoretical sampling strategy (Eisenhardt and Graebner 2007) in line with the research objectives. Specifically, the companies were identified through a collaboration with Confindustria, a prominent Italian trade association. The initial goal was to study SMEs located in a specific geographical area (the province of Piacenza) to account for the role of context also under a geographical perspective. The sample was chosen among companies with a forward-looking orientation towards talent management (TM) practices because of their potential to contribute to the development and refinement of our inquiry. To enrich the diversity and representativeness of our sample, we employed additional selection criteria, encompassing industry sector, company size, establishment age, managerial maturity levels, and ownership structure. Among the 27 companies approached, 23 accepted to participate in our research. On the actual sample of 23 companies, we double-checked the permanence of the representativeness criteria (sector, size, and other). Therefore, the sample was designed to capture a microcosm of SMEs' experiences with TM that could be generalized to similar industrial contexts that are very diffused, mainly when SMEs are concerned.

The 23 companies represent a crucial segment of the industrial fabric in the region, reflecting the core characteristics and dynamics of SMEs operating in the area. As active members of Confindustria, these firms are not only integral to the local economy but also embody the typical business practices and challenges faced by similar enterprises. Their size, turnover, and industrial relevance place them among the more influential SMEs, making their experiences and practices highly

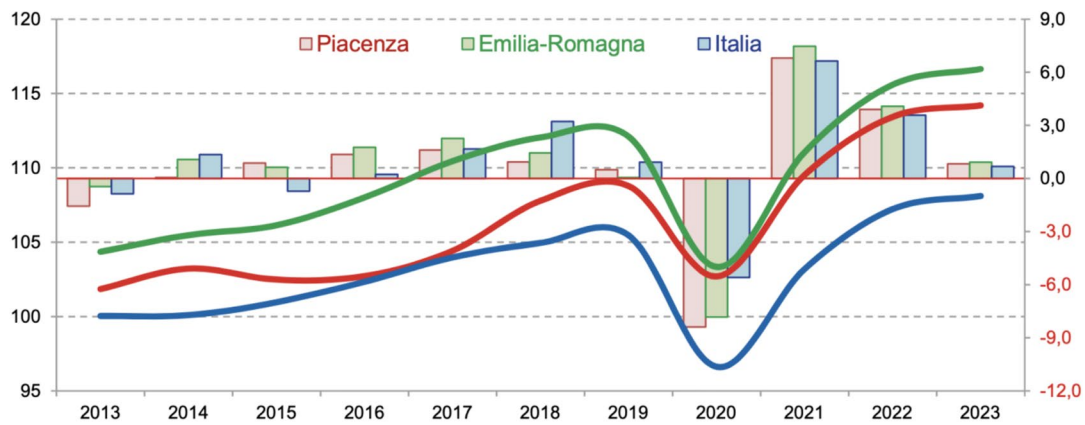


FIGURE 1 | Dynamics of value added (rate of change on the right axis and index number on the left axis of value added, 2000=100). Source: Elaboration by Unioncamere Emilia-Romagna on Prometeia data, Scenarios for Local Economies, April 2023.

representative of the region's business landscape. This representative nature ensures that their influence extends beyond their immediate geographical location, providing a reliable microcosm of broader industrial trends.

Notably, our deliberate focus on a homogeneous geographical, social, and economic territory fortified the validity and comprehensiveness of our research framework and allowed for the inclusion in the research of a complete definition of context, encompassing also the geographical dimension. This meticulous approach enhanced the robustness of our findings and ensured a nuanced understanding of TM approaches within the designated context. Detailed descriptive information pertaining to the selected companies is presented in Table 1, which provides a comprehensive overview of the diverse characteristics and attributes encapsulated within our research framework.

3.2 | Data Collection

Data were collected through in-depth semi-structured interviews, the content of which was anticipated before the meetings conducted in May–June 2023. In particular, after collecting information about the organizational structure, activities and performance, questions sought to explore the definition of talent that best aligned with the corporate culture and TM activities implemented. As shown in Table 1, interviewees were either HR directors/managers/HR specialists (if present) or owners/entrepreneurs.

The sample includes both male and female respondents with substantial experience in senior roles, providing strategic insights into TM practices. With extensive involvement in talent acquisition, development, and retention, as well as workforce planning and organizational growth, the participants' expertise ensures that the study's findings are grounded in practical, real-world applications relevant to SMEs.

A qualitative approach based on the interviews proved to be highly effective in exploring TM in SMEs, for several reasons. By directly engaging HR managers or entrepreneurs, valuable insights were gathered about their experiences and perceived challenges, which enabled a deeper comprehension of the

unique context and processes of the organization. Moreover, the semi-structured interviews offered flexibility and adaptability in exploring the various aspects of TM. HR managers and entrepreneurs freely expressed their opinions, provided examples, and elaborated on specific issues, thereby offering a comprehensive view of TM activities. Additionally, the interview format allowed for follow-up questions and probes, which facilitated the exploration of emerging themes and unexpected insights. Finally, because the interviewees had first-hand experience with TM activities, they shared practical insights, including successes and failures related to attracting, developing, and retaining talent.

A detailed presentation of the company preceded the interview. The interviews, lasting an average of 1.5 h (the shortest interview lasted for 1 h and 10 min, while the longest lasted for 2 h and 45 min) were conducted in person and online by one of the authors. During each interview, the interviewer encouraged interviewees to expand upon their answers by providing practical examples and details. We also followed up with the participants when any clarification was needed; this ongoing dialogue promoted continuous improvement in the quality of the data collected. When the need for further information emerged, interviewees made themselves available for further appointments in person, by telephone or online.

3.3 | Data Analysis

Rigorous protocols were employed to organize and analyze the acquired data systematically, adhering to established methodologies as delineated by Alsaawi (2014). The interviews were meticulously recorded after obtaining consent from the participants, and comprehensive transcriptions were generated. This meticulous transcription process enabled seamless collaboration among all authors involved in the subsequent data analysis phase, thus ensuring rigor and consistency in the interpretation of findings.

The first step in the data analysis involved the development of a coding framework that encompassed the essential themes, subjects or concepts identified as pertinent to the research objectives (Elliott 2018). This framework provided a guiding structure for

TABLE 1 | Sample composition.

Company	Industry	No. of employee (2023)	Turnover (thousand €) (2023)	Foundation year	Ownership	Role of the interviewee	Gender of the interviewee
1	Marketing services	14	2962	2000	Family-owned	Owners	MM
2	Manufacturing (coating and laminating machinery)	240	80,260	1978	Family-owned	Owner HR manager	M F
3	Food (coffee products)	50	25,789	1967	Family-owned	CEO	M
4	Manufacturing (oil and gas equipment)	250	101,766	1992	Not family-owned	HR manager Managing director	M M
5	ICT services	43	5715	2000	Family-owned	Owner	M
6	Logistics solutions and services	81	83,991	2013	Not family-owned	HR director HR gov & dev	M F
7	Packaging products	82	35,432	2005	Not family-owned	HR manager	F
8	Distribution of metalworking machinery	142	69,010	1981	Not family-owned	HR managers	M F
9	Manufacturing (mechanical components)	89	8129	1977	Family-owned	Owner	F
10	Manufacturing (mechanical equipment)	150	11,036	1081	Family-owned	Owner	M
11	Food (dairy products)	213	80,216	1988	Family-owned	HR manager	F
12	Manufacturing (gas boiler)	164	57,077	2011	Not family-owned	Owner	M
13	Manufacturing (cutlery)	39	15,664	2016	Not family-owned	HR manager	F
14	Business consulting	9	707	2007	Not family-owned	HR manager	M
15	ICT services	71	5753	1988	Not family-owned	Key account manager	M
16	Packaging products	54	8372	1986	Family-owned	Owner	F
17	Distribution of vegetables and flowers	81	41,149	1998	Private equity fund	Managing director	M
18	Logistics solutions and services	102	2640	2004	Family-owned	HR specialist	F

(Continues)

TABLE 1 | (Continued)

Company	Industry	No. of employee (2023)	Turnover (thousand €) (2023)	Foundation year	Ownership	Role of the interviewee	Gender of the interviewee
19	Manufacturing (machines for farming)	138	109,671	1954	Family-owned	HR manager	F
20	Manufacturing (concrete for building construction)	121	100,187	1990	Not family-owned	CEO	M
21	Manufacturing (masts)	232	13,950	1989	Not family-owned	HR specialist	F
22	ICT services	14	1189	2014	Not family-owned	Owner HR manager	M F
23	Logistics solutions and services	20	893	1992	Not family-owned	Owner	M

the subsequent analysis. Verbatim transcription was then carried out to transform the interview data into textual form. This conversion proved crucial, as it enabled detailed scrutiny and examination of the interview content.

The next stage of the analysis process entailed manually coding segments of the interview using the established framework. In the analysis of the definition of talent, we extracted significant words or very short sentences. Examples of first-level codes include orientation to growth, evolution, flexibility, attitude to change, motivation to evolve, passion, proactivity, attitude towards customer satisfaction, everyone has talent, and each person gives a unique contribution. Conceptually linked codes were grouped together to enable the extraction of broader themes and trends. Following Gioia (2021), in the identification of second-order codes about the talent definition domain, we focused both on consolidated concepts confirmed in our data, such as inclusive versus exclusive approaches to talent, and on nascent concepts (not yet systematized by the literature to date) such as talent as dynamic orientation, talent as an attitude, and talent as a purpose.

We adopted a different approach concerning the diffusion of TM practices: we grouped our data according to the existing categories of practices (e.g., talent identification, competence assessment, performance appraisal and so on) to map their diffusion in the sample. Throughout this process, constant consideration was given to ensuring that the codes accurately represented the data and captured the essential information. To enhance the accuracy and reliability of the coding, a thorough process of review and improvement was followed. Techniques such as code merging, splitting, and renaming were employed to refine and optimize the coding framework. This iterative approach guaranteed comprehensive coverage of the data and minimized the potential for biases or oversights.

Following the completion of the coding process, coded data were analyzed to identify relationships between codes and

to explore patterns. More specifically, we structured our data analysis around the contextual factors delineated in the literature review, including dimensions such as company size, ownership structure, and sector of operation. By doing so, we sought to discern discernible patterns and trends within our dataset. This approach enabled a comprehensive exploration of how these contextual variables intersected with the interview content, thus providing valuable insights into the dynamics and nuances of the phenomena under investigation.

4 | Results

Following the interviews and comprehensive case analyses, discernible patterns emerged that elucidated several pivotal internal and external factors: company dimensions, ownership configuration, and industrial/sectoral affiliation. Notably, legislation and national cultural dynamics did not manifest as salient influences, a coherence consonant with the research framework's geographical specificity. Moreover, relational dynamics had a substantive impact on TM endeavors, which encompassed the geographical and sociocultural spheres pertinent to SMEs operations.

Each of the interviewed enterprises evinced a discernible prioritization of their workforce and regarded it as a pivotal determinant of organizational efficacy. This emphasis extended to the acknowledgment of employees' proficiencies and strategically harnessing these capabilities to enhance organizational performance, thus affirming the inclusivity inherent in the TM approach. Furthermore, our interviewees confirmed the dynamic nature of talent (Harsch and Festing 2020) as an individual characteristic allowing employees to:

grow and meet work challenges, evolving and changing along with the organization itself.

(Company #22)

In this instance, the definition of talent incorporates a temporal orientation (i.e., it is future oriented) and also the need for flexibility and change characteristic of SMEs. Furthermore, we found several instances where talent was defined as being a dynamic attitude of workers, which was referred to as proactivity, passion, and engagement:

Talent encompasses traits like proactivity, care for the envisioned future, engagement and the willingness to shape that future. [...] it must be dynamic, focused on evolution and expressed spontaneously.

(Company #7)

[Talented workers are] employees whose primary quality is passion for what they do: a drive for acquiring new knowledge, a passion for ending cycles and a passion that enables one to overcome challenges by using them as opportunities for growth.

(Company #8)

Finally, for the companies in our sample, talent is purposeful (Collings 2014):

We think about talent in a dynamic way, adapting it to the various roles within our company. We assess the talent in each team member by looking at their motivation and alignment with the company's core values, always keeping our eyes on the growth perspective.

(Company #1)

Everyone that works here is talented. A talent is a resource that recognizes what the consumer values, knows how to concentrate on worthwhile tasks and has the capacity to initiate and oversee constant change.

(Company #14)

When dealing with organizational goals, interviewees tended to refer to growth (van Zyl et al. 2017) and the pursuit of excellence. Nobody mentioned financial performance as an indicator of company success. In addition, interviewees demonstrated a strong focus on customer satisfaction, and—depending on the industry in which they operate—a desire to provide customized services and products. For these reasons, striving for excellence becomes a matter of values and culture embodied in talented employees.

4.1 | Internal Factors

The first relevant factor related to the internal context that emerged from our interviews was organizational size. In smaller firms (micro-enterprises), the scope of TM was informal and

customized according to the needs and characteristics of each individual worker. Employees working in smaller companies know that they have limited opportunities for vertical career progression due to the size and limited hierarchical levels, so TM is focused on providing growth opportunities through increased responsibilities, skill development, and horizontal career moves. Offering challenging and fulfilling work opportunities were emphasized:

In our small company, we have individuals of immense value who effectively translate their capabilities into everyday business operations, and to retain them, we invest on their growth to make them feel part of the company. Every person counts.

(Company #1)

Notably, smaller companies demonstrated that they are quite innovative in their approach to TM and displayed a heightened sensitivity towards employee development and empowerment.

The values of the company have always been in the belly of the founders and transferred through the example of the owners. In the last year, after COVID, we decided to undertake a team effort where the company values are defined from the bottom up [...]. We have taken the first small revolutionary step.

(Company #9)

As the firm increased in size, the scope of TM was affected by the organizational strategy and growth stage. In this instance, talents were increasingly required to align with the specific needs of the business, because companies need to optimize their resources:

We prefer local workers who know the values of our company well. We require individuals who demonstrate adaptability and can skillfully realign themselves with the ever-evolving requirements of our company. Fortunately, our workforce possesses the capacity to embrace change effectively.

(Company #11)

The intersectionality of organizational size and the managerialization phenomenon precipitates a discernible inclination towards the delegation of authority over TM to the HR function. This trend denotes a progressive evolution wherein HR assumes an increasingly prominent role in overseeing TM-related affairs within organizations. Despite heightened formalization, communication concerning development and performance remained unaffected: even within larger SMEs, TM procedures hinged upon intimate relationships and frequent engagements between managers and employees. Ongoing feedback dialogues were facilitated by the cohesive nature of organizational dynamics:

In our corporate environment it is not uncommon for us to gather near the coffee machine to discuss the

advancement of our projects. I delegate and I like to be informed about progress.

(Company #3)

Another salient factor identified within the internal organizational context pertained to the composition and structure of ownership. Specifically, the extent to which a company is under familial control, coupled with the age demographic of the owners, exerted a notable influence on TM practices. In family-owned SMEs led by senior entrepreneurs, family members hold key leadership positions and/or play a significant role in the business, so decisions related to TM were influenced by family choices, such as maintaining family harmony or addressing succession planning. The contrasting priorities of different family members may thus influence TM, and balancing family interests and capabilities with the needs of the business represented a challenge.

In these contexts, TM included succession planning, which is crucial to ensure a smooth transfer of power and responsibilities from one generation to the next. TM strategies focused on identifying and grooming family members for leadership roles, providing them with the necessary skills and experience, and addressing any potential conflicts or challenges that may arise. In particular, they faced the challenge of transitioning from an informal, family-oriented management approach to a professional business structure:

Within our organization, well-defined roles and responsibilities have been established. I am primarily responsible for financial matters; my brother oversees sales and my old father (he's 83 now!) holds the authority to make final decisions. These responsibilities have been consistently upheld since we joined the company.

(Company #2)

As the business grows, external talent and expertise are required to complement family members' skills and experiences. Hence, TM began to target attracting and retaining non-family professionals, establishing clear performance and reward systems and ensuring a fair and unbiased approach to talent development (Kesler 2002). However, regardless of the need for managerialization, TM in family-owned SMEs should consider the long-term vision and goals of the family, which extend beyond traditional financial metrics. The family's values, legacy and commitment to community or social impact were then likely to influence TM decisions.

Interestingly, family-owned SMEs managed by young entrepreneurs were keen on building a successful business and implementing effective TM without worrying about family dynamics. In these cases, TM involved identifying successors from outside the family and/or exploring partnerships to drive business growth. Decision-making was agile and focused on business objectives, with TM activities aligned with the overall growth strategy of the company. For these SMEs, the focus was on building a diverse and skilled workforce, attracting top talent from the market and fostering a culture of innovation and entrepreneurship.

We have recently onboarded an external (but local) HR manager, a decision necessitated by our company's growth and international expansion.

(Company #2)

Our primary objective is to secure the long-term continuity of our enterprise, potentially even in the absence of our direct involvement, which necessitates the presence of an external manager to champion our aspirational goals.

(Company #1)

4.2 | External Factors

In the examination of external determinants, the industry context emerged as a prominent contextual factor. Notably, TM approaches diverged substantially between service-oriented and manufacturing-oriented SMEs. Regarding talent identification strategies, service-oriented companies emphasized attributes such as customer service skills, communication proficiency, problem-solving acumen, and interpersonal competencies. These organizations prioritized recruiting individuals adept at engaging with customers, delivering exceptional service, and fostering robust client relationships. Typically, candidates with prior customer service experience were highly sought after, with practical skills often outweighing academic qualifications.

Our core business centres on the selection of local individuals for local enterprises. While technical skills are a prerequisite for our collaborators, we place greater emphasis on their interpersonal aptitude.

(Company #14)

In contrast, manufacturing companies emphasized technical skills, operational expertise and knowledge of production processes. They prioritized candidates with technical degrees or certifications, relevant industry experience and expertise in specific manufacturing processes or machinery.

Our primary focus is on recruiting individuals who either possess prior technical expertise or have graduated from local vocational schools. Subsequently, they undergo on-the-job training within our company to further enhance their operational skills.

(Company #13)

In terms of talent development, service companies provided ongoing training to keep employees updated on industry trends, service standards and new technologies.

Ongoing training constitutes our paramount commitment, serving not only as a means to present a compelling presence in the market but also to retain invaluable human capital.

(Company #22)

Performance evaluation in service-oriented roles was often based on the ability to meet customer expectations and deliver exceptional experiences.

This is the typical modus operandi within local businesses: our contentment is derived from the customer's satisfaction, who, in turn, promotes our reputation by being pleased with our services. In the interim and end-of-period evaluation we cannot ignore these considerations.

(Company #14)

In contrast, manufacturing companies focused on technical training, operational procedures, safety protocols and quality assurance. Training programmes targeted improving efficiency, product quality and operational performance.

■ Our company is lean. We evaluate accordingly.

(Company #13)

In their responses, numerous companies (regardless of size, governance or sector/industry) explicitly articulated their preference for local workers, citing a multitude of compelling rationales rooted in practical considerations, cost effectiveness and the benefits of hiring individuals who are intimately connected to the local community.

I feel a sense of responsibility for supporting the local economy and providing job opportunities to residents, thus contributing to the overall growth and sustainability of the community.

(Company #13)

Local workers are often a natural fit for the company culture, as they share similar values, work ethics and expectations.

(Company #4)

In times of unexpected demand or crises, local workers may be more readily available for flexible work arrangements, such as overtime or last-minute schedule adjustments.

(Company #11)

4.3 | Relational Factors

The strong link with the local territory was also confirmed when dealing with relational factors. Engagement in the multifaceted initiatives advocated by Confindustria (the local affiliate of the primary Italian association of manufacturing enterprises) represented a noteworthy opportunity for SMEs operating within the same locale. These initiatives, extending beyond conventional meetings to encompass communal dinners, events, and social gatherings such as aperitifs, fortified inter-firm bonds within the local business milieu. Such

participatory endeavors were a catalyst for SMEs to cultivate and sustain a robust network of local relationships, thereby reinforcing their local embeddedness, defined as the degree to which SMEs are deeply integrated and actively engaged within their local community, encompassing social, economic, and institutional dimensions.

We nourish a constant and ongoing exchange facilitated by our active participation in various initiatives promoted by our association (Confindustria). This engagement represents a rich forum for dialogue, giving rise to opportunities for mutual contamination.

(Company #23)

Furthermore, the entrepreneurs and managers of SMEs engaged in collaborative endeavors with local educational institutions, specifically in promoting internships and placement initiatives. This collaborative engagement underscored the proactive involvement of business leaders in fostering synergies between the academic and the business domains. Through such partnerships, they contributed to the integration of theoretical knowledge acquired by students, thereby enhancing their educational experience and fostering a mutually beneficial relationship between the business community and academia.

Being both an entrepreneur and the representative for educational initiatives at Confindustria, I oversee relationships with local businesses and universities. Facilitating mutual understanding between our businesses and the students in our region is of paramount importance. We organize numerous initiatives and gatherings, not only directed at students but also involving their families. It brings us great satisfaction to welcome local students for internships in our local companies.

(Company #9)

The SMEs exhibited considerable involvement in a multitude of initiatives geared towards solidifying their standing within the local community. This proactive stance transcended mere corporate endorsements, encompassing a diverse array of endeavors crafted to augment their visibility and standing within the territory. Such initiatives entailed active engagement in social gatherings, sponsorship of local ventures and collaborative ventures with fellow entities, all strategically aimed at nurturing a favorable and enduring rapport with the local community.

We regularly deliver corporate testimonials in both local high schools and universities. In doing so, we aim to acquaint audiences with our company and foster an understanding of our core values. We engage not only individually but also collectively in initiatives and events that support individuals, initiatives or institutions within our local community.

(Company #9)

These communal endeavors facilitate the creation of shared meanings and linguistic frameworks among participating actors, fostering a collective understanding and the exchange of values and viewpoints. This shared lexicon and mutual comprehension is a unifying force that aligns perspectives and engenders a collaborative environment. Such interactive exchanges significantly contribute to the cultivation of a collective ethos, thereby bolstering interconnectedness and mutual comprehension. This process also aids in local talent attraction by enabling companies to engage with potential candidates during the early and mid-stages of their educational development, thereby reinforcing the dissemination of common values and definitions of talent among the prospective workforce.

We found that these dynamics play a crucial role in shaping TM practices at the local level, which led to the proposal of an additional contextual factor known as the relational contextual element.

5 | Discussion

Our study sought to examine the contextual factors, within a systemic contextual framework, that influence SMEs in formulating and executing their TM initiatives. Before delving into this inquiry, we explored the conceptualization of talent adopted by SMEs, recognizing its pivotal role in shaping TM practices, as elucidated by Kaliannan et al. (2023). Our research confirmed that SMEs adopt an inclusive definition of talent (Renzulli 2005) and our results allow us to give a definition of talent that is full of meaning: *talent emerged as being a personal attitude, dynamic in nature, that has the purpose of collective growth and development*. This definition is coherent with the relevance of the imprinting of organizational culture for SMEs (Krishnan and Scullion 2017) and their strong orientation toward growth (Cardon and Stevens 2004).

Moreover, we found that the factors affecting TM in SMEs are mainly:

- Size and ownership (internal factors).
- Sector/industry (external factor).
- Affiliation to a corporation (relational factor).

Table 2 presents the synthesis of the contextual factors that we discovered in our analysis.

In our research, we discovered that the size of the company (affecting availability of TM resources) and the ownership structure (affecting TM scope and level of formalization) represented particularly relevant characteristics that created the conditions for TM realization (Table 3). Notably, smaller companies were quite innovative in their approach to TM and displayed a heightened sensitivity towards employee development and empowerment (Cueto et al. 2022). In response to the evolving business landscape, some SMEs have taken the proactive step of introducing dedicated HR managers or specialists. The growing attention to TM in SMEs indicates a strategic shift towards recognizing the value of human capital in

achieving long-term success. The introduction of HR managers and the development of customized TM practices demonstrate the commitment of SMEs to harness the potential of their workforce in a way that complements their unique organizational context.

As far as the impact of ownership structure, we noticed growing attention towards managerialization processes even in family businesses (Mustafa and Elliott 2019). External managers are highly valued for their impartiality and objectivity, as they are not influenced by internal politics or biases inherent within the organization. This attribute enables them to make decisions and solve problems with a greater degree of fairness and neutrality. Furthermore, during periods of organizational change, such as business expansion or turnaround endeavors, external managers play a vital role in offering guidance and leadership. Their external perspective and expertise can be instrumental in effectively managing transitions and navigating complexities inherent within such transformative phases.

In addition to the delineated specific attributes, a compendium of overarching characteristics became apparent and corroborated antecedent scholarship within the field. Specifically, an orientation towards long-term goals, as explicated by Cardon and Stevens (2004), and the embrace of an inclusive methodology, as articulated by Renzulli (2005) and Kaliannan et al. (2023), were observable. Confirming previous studies, talent attraction also appeared to be circumscribed within the confines of the local labor market, a notion substantiated by Poczowski et al. (2021). Concurrently, talent development initiatives demonstrated a predilection for leveraging job rotations and on-the-job training, as delineated in the research of Lewis and Heckman (2006). Moreover, talent retention strategies seemed to be predicated upon fostering supportive interpersonal relationships and affording opportunities for meaningful participation in decision-making processes, thus echoing the findings posited by Poczowski and Pauli (2022).

In conjunction with the findings delineated in Table 3, it appeared that TM strategies were meticulously tailored to align with the unique requirements inherent to the sectors in which companies were situated. The sector-specific influence on TM endeavors elucidates the discrete demands and priorities that typify each industry, as outlined in Table 4. In the manufacturing sector, a pronounced emphasis on technical skills was indispensable and a linchpin for operational efficiency, quality control and product innovation. Conversely, in service sectors, the pre-eminence of soft skills prevailed, given the customer-centric nature of these enterprises and necessitating traits such as adaptability and adept client interaction.

Furthermore, because SMEs are not likely to have multiple locations but, instead, are strongly connected with the community where they are located, we observed that features related to the local context also played a role in TM design. SMEs showed a preference for local talents, as they typically possess an innate understanding of the local market, customer preferences, cultural nuances and local business practices. Moreover, locals are more inclined to stay with the company over the long term due to their connection to the community, thus reducing turnover and associated recruitment costs, and

TABLE 2 | Sample analysis: sector, size, ownership, and Confindustria participation.

Contextual factors affecting talent management in SMEs				
#	External		Internal	Active participation in Confindustria activities (meetings, training, social events, seminars at schools, etc.)
	Sector/industry	Size	Ownership	
1	Services	Small	family-owned	Yes
2	Manufacturing	Medium	family-owned	Yes
3	Manufacturing	Small	family-owned	Yes
4	Manufacturing	Medium	not family-owned	Yes
5	Services	Small	family-owned	Yes
6	Manufacturing	Medium	not family-owned	Yes
7	Manufacturing	Medium	not family-owned	Yes
8	Manufacturing	Medium	not family-owned	Yes
9	Manufacturing	Medium	family-owned	Yes
10	Manufacturing	Small	family-owned	Yes
11	Manufacturing	Medium	family-owned	Yes
12	Manufacturing	Medium	not family-owned	Yes
13	Manufacturing	Medium	not family-owned	Yes
14	Services	Small	not family-owned	Yes
15	Services	Medium	not family-owned	Yes
16	Manufacturing	Medium	family-owned	Yes
17	Manufacturing	Medium	private equity fund	Yes
18	Services	Small	family-owned	Yes
19	Manufacturing	Medium	family-owned	Yes
20	Manufacturing	Medium	not family-owned	Yes
21	Manufacturing	Medium	not family-owned	Yes
22	Services	Small	not family-owned	Yes
23	Services	Small	not family-owned	Yes

are more readily available for flexible work arrangements, such as overtime or last-minute schedule adjustments, during peak business periods or emergencies. There is also the further consideration that hiring locally demonstrates a commitment to supporting the local community by providing job opportunities and contributing to the local economy, which can foster goodwill and create a positive brand image; this is even more relevant when considering that such frequent interaction with the territory is also engaged in the skill generation and diffusion process, thanks to the collaboration with local schools and universities.

In our empirical investigation, we discerned that external determinants, notably the industry or sector within which organizations operate, exerted a profound influence on the particular competencies deemed requisite, cultivated, and retained. However, our analysis revealed that this influence did not manifest explicitly in the modulation of TM processes. Such processes, in their structure and degree of formalization, were primarily influenced by internal

factors such as firm ownership and size. Young entrepreneurs, for instance, tended to introduce more formal processes in talent attraction, retention, and development. Size primarily affected retention and development practices and processes: as stated above, career paths are limited in small companies, so organizations focused on job re-designs to support retention and develop the skills of their collaborators. Relational factors exerted an influence on the definition of talent itself, as they allowed for the social construction of the meaning of talent on a local base. They also contributed to the spread of good TM practices among local SMEs by influencing the degree of adoption—in the medium and long term—of more formalized processes.

To conclude, our findings suggest that the increased sensitivity to TM in SMEs is not merely a replication of practices adopted by larger enterprises. Rather, TM undergoes a tailored approach that considers the unique characteristics, resources, and challenges inherent to SMEs. We also discovered that while SMEs may draw inspiration from TM practices implemented in larger

TABLE 3 | Specific (for size and ownership) and common features of talent management (authors-constructed based on research analysis).

Specific features		
	Size	
Ownership	Small (affecting availability TM resources)	Medium (affecting TM scope and level of formalization)
Family-owned	Personalized attention to employees' development and empowerment Openness to experimentation/innovative practices Investment in learning TM practices on the ownership side and tentativeness in applying them for retention	Integration of family values into TM practices: close interactions between the HR manager (if present) and the family Attention to succession planning, family members' development Attention to communicating the change in TM practices properly: from non-structured to structured
Not family-owned	Recognition that valorizing HR can represent a great asset in achieving long term success	Formalization designed with scalability in mind
Common features		
Long-term focus		
Inclusive approach		
Talent attraction limited to the local labor market		
Talent development leveraging job rotations and on-the-job training		
Talent retention based on supportive working relationships and on the opportunity to participate in decision-making processes		

TABLE 4 | Sector-specific and common impacts on talent management (authors-constructed based on research analysis).

Sector-specific impacts	
Manufacturing	Service
Pronounced emphasis on technical skills in all phases of the professional lifecycle	Prominence of soft skills in all phases of the professional lifecycle
Common impacts	
Hiring local employees because of work ethics	

companies, they adapted these concepts to align with their internal, external, and relational specificities.

6 | Conclusions

This paper investigated how TM is approached in SMEs in a bounded geographical area, ranging from the definition of talent itself through to the configuration of TM according to different external, relational, and internal contextual factors. Previous studies agree that SMEs' approach to attracting, developing and retaining talent differs from that adopted by larger companies because of organizational peculiarities. Our findings generally support extant studies about SMEs adopting an inclusive approach to TM, but our empirical evidence also suggests that SMEs are more likely to support individuals who demonstrate the desire to grow together with the company and embrace its values and strategic orientation. We also discovered that external, internal and relational contextual factors have an impact on SMEs' TM practices.

In response to our **RQ1**, this study demonstrates that the most significant contextual factors guiding SMEs in the design and implementation of their talent management (TM) approaches are internal factors, notably company size and ownership structure, external factors that include industry and sector characteristics, and relational factors, specifically the local relational embeddedness of the firm. To answer **RQ2**, we noticed that these factors combine in a systemic framework where internal constraints, like resource availability, are shaped by external market demands and reinforced by the relational networks within the local context. Together, these elements create a dynamic and integrated approach to TM, tailored to the specific needs and realities of SMEs.

The contribution of our research to the literature on TM in SMEs is three-fold. First, while confirming the adoption of an inclusive approach to TM in SMEs, we found that companies do not consider inclusion a principle per se but rather that—given their size, structure, and organizational processes—they eventually

need all their workers to support their competitive advantage. Inclusivity is then applied with the specific aim of integrating talents into companies' core values and business principles, which, for the interviewed SMEs, are the company's growth and continuous learning. These findings contribute to the vision of talent as a dynamic and context-specific construct, strongly grounded in the organizational business and relational setting.

Second, in response to the call by Gallardo-Gallardo et al. (2020) to study context not only as a framework or a way to interpret results in the discussion, our framework addressed, in a systemic way, several contextual factors and showed that TM approaches are affected by the external and relational context. Within this research we also discovered that these relationships are dynamic and interconnected.

To conclude, by focusing our study in a bounded geographical area, we also observed the crucial role of the territory as a relational framework where entrepreneurs and managers cultivate non-business related relationships (Dicken and Malmberg 2001) that shape their vision of talent and its management on a local basis in at least two ways: first, through conversation and social construction (Barrett et al. 1995), they may develop a similar understanding of talent value and TM practices; and second, by also interacting with local schools and universities for internships and recruiting, they may influence how skills are built and developed at a very early stage. From this perspective, our research enriches the perspective of contextual TM with this relational element.

6.1 | Implications

This comprehensive study unraveled multifaceted implications that demand careful consideration by SMEs endeavoring to refine their TM policies within a rapidly evolving organizational landscape. The necessity for flexibility emerged as a central theme, and SMEs are urged to align beyond static frameworks towards the development and implementation of continuously aligned TM strategies. These strategies should intricately account for fluctuations in organizational size, governance structures, sectoral dynamics, and the features of the territories in which they operate. This, in turn, necessitates a substantive paradigmatic departure towards persistent recalibration that challenges the conventional ethos of static frameworks prevalent in extant TM discourse.

Vigorous investment in sector-specific TM strategies surfaced as a strategic imperative in contemporary organizational discourse. SMEs should strategically position themselves within their respective industries through the cultivation of symbiotic partnerships with sector-specific entities, academic institutions, and research entities. Robust policies should be formulated to incentivize and catalyze the creation of meticulously tailored training programmes. Such programmes would play a pivotal role in maintaining the workforce's acuity to emergent industry trends, thereby engendering a skill set endowed with competencies pivotal for the sustained triumph of the SME within its industry niche.

The results of this study also underscored the critical role of governance in TM, calling for a paradigmatic shift in organizational

structures. Policies should transcend the conventional boundaries of hierarchical governance, integrating transparent communication channels and dynamic employee engagement initiatives. This holistic approach would not only fortify talent retention but also cultivate a pipeline capable of *maneuvering* through the complexities of the contemporary business environment.

In navigating their operational landscapes, SMEs should cultivate agile recruitment strategies, instilling flexibility within policies to accommodate the intricacies of local labor market dynamics and talent pools. This necessitates the formulation of guidelines empowering recruitment teams to tailor strategies to the cultural nuances inherent to their specific territory. Moreover, our results suggest paying particular attention during the talent attraction phase: because the talent search happens in the local labor market, accurate brand identity campaigns should be conducted, together with a careful evaluation of potential collaborators' set of values, to match the values of the company.

The forward-looking SME must also consider the scalability of its TM systems. Policies advocating for the adoption of size-appropriate systems capable of accommodating organizational growth are paramount. Continuous evaluation of the scalability of existing systems, coupled with strategic investments in emerging HR technologies, would ensure a seamless alignment with the organization's evolving size and structure.

Dynamic monitoring and adaptation are also underscored as cultural requirements within SMEs. Policies promoting a culture of continuous improvement and responsiveness to changing internal and external factors should be institutionalized. This would involve regular TM audits, coupled with feedback mechanisms that capture insights from employees, to foster an environment of shared responsibility for the ongoing enhancement of TM practices.

Inclusivity should take center stage, and we advocate for policies that facilitate diverse employee feedback mechanisms. Establishing channels for regular feedback, including surveys, focus groups, and technological platforms, would ensure that TM strategies resonate with the varied needs and perspectives of the workforce. This inclusive approach would contribute not only to refining TM policies but also to establishing a workplace culture that values diversity and fosters innovation.

To summarize, the practical contributions of this study are twofold. First, by identifying the key contextual factors—internal, external, and relational—that influence talent management (TM) in SMEs, the study provides a framework for business leaders to develop more effective and tailored TM strategies. This framework emphasizes the importance of aligning TM practices with company size, ownership structure, and local market dynamics, allowing SMEs to maximize their limited resources while fostering talent growth and retention. Second, the study underscores the value of local embeddedness, encouraging SMEs to leverage regional networks and partnerships for talent attraction, development, and retention. From a political perspective, the findings suggest that policymakers should

consider the unique needs of SMEs when designing regional development initiatives and labor market policies. Supporting SMEs through tailored incentives, such as training programs, tax benefits for employee development, or fostering closer ties between local educational institutions and businesses, can help enhance the competitiveness of SMEs. Additionally, creating policies that strengthen local business networks and encourage collaboration within industries could further enhance the relational resources that SMEs depend on for sustainable growth and talent management.

6.2 | Limitations and Further Research

This study considered only a limited number of companies, albeit significantly representative of the economic fabric of a territory. The ongoing research initiative will entail a systematic expansion of the sample within the identical geographic locality to enhance the robustness of the previously examined cohort. This expansion will involve meticulous consideration of demographic, socio-economic, and environmental factors to ensure a comprehensive representation of the target population. A parallel investigation will also be conducted across territories characterized by both analogous and disparate features to augment the credibility and generalizability of the findings derived from the present study. By encompassing a spectrum of diverse contexts, such comparative analysis will elucidate nuanced patterns and dynamics, thereby enriching our understanding of the role of contextual factors on TM in SMEs.

Acknowledgment

Open access publishing facilitated by Università Cattolica del Sacro Cuore, as part of the Wiley - CRUI-CARE agreement.

Data Availability Statement

This study does not involve any new data generation or analysis. Therefore, data availability is not applicable.

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