

# Impact of Talent Management on Organizational Performance of Selected Small and Medium Scale Enterprises in South-South Nigeria

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## Abstract

*This study examined the influence of Talent Management on the organizational performance of small and medium enterprises (SMEs) in South-South Nigeria. The research was grounded in human capital theory. A descriptive research survey approach was employed, with a population of 1,480 employees from selected SMEs in South-South Nigeria. A sample size of 343 employees was determined using the Borg and Gall formula. Data were analyzed using descriptive statistics and multiple regression analysis. The findings revealed that talent management significantly influences organizational performance in the studied SMEs. It was concluded that effective talent management positively impacts business success. Based on these results, the study recommends continuous training for both employees and management of SMEs, as well as regular assessments of organizational management in terms of human and material resources for sustainable growth. Furthermore, talent management practices should be integrated throughout human resources management to ensure the recruitment and retention of the right talent, which is crucial for achieving organizational objectives and long-term success.*

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## **1.Introduction**

Talent management has emerged as a critical issue faced by organizations worldwide. In today's fast-paced and ever-evolving business environment, effectively managing talent remains a considerable challenge (Meyers and Van Woerkom, 2014). The primary reason for this difficulty is that talent management demands both quantitative and qualitative skills (Al Ariss et al., 2019). It involves identifying and placing the right employees in the appropriate roles within an organization to ensure their skills and potential are fully optimized for organizational success (Devine, 2018). When employees are strategically positioned, their talents are utilized to drive productivity and enhance overall performance. As a result, many organizations have adopted talent management practices to attract, retain, and develop employees, which has yielded positive outcomes (Beheshtifar and Nakovemoghadam, 2020).

Talent management serves as a strategic approach to enhancing competencies, succession planning, career growth, and employee development (Hes, 2017). However, managing talent effectively remains a challenge for many organizations globally (Gardner, 2020). A significant factor contributing to this issue is the increasing shortage of talent, which has intensified competition for skilled individuals across a global labor market. Organizations now face a worldwide race to attract and retain top talent, underscoring the need for robust global talent management strategies and practices (Stahl, 2017). To remain competitive, organizations must adapt swiftly to these emerging trends and implement strategies that align with their long-term objectives.

### **1.2 Statement of the Problem**

The concept of talent management as a strategic approach to ensuring organizations have access to the skilled workforce they require gained prominence in the late 1990s. Today, it has become a vital component of organizational resourcing strategies (Armstrong, 2019). Developing and implementing an effective talent management strategy necessitates strong leadership and managerial expertise from top executives, senior management, and human resource professionals (Younger et al., 2017).

For talent management to succeed, it must align seamlessly with the organization's strategic goals and human resource management practices. A critical first step involves understanding the internal workforce to address talent needs effectively. However, many human resource practitioners struggle with balancing the flow of talent into key positions while maximizing the organization's available resources. This challenge has long been an area of interest for researchers and practitioners alike. There is substantial evidence indicating that organizations worldwide continue to face significant challenges in attracting, developing, and retaining critical talent (Coy and Ewing, 2019). Despite global economic uncertainties, structural factors persist that amplify competition for talent, ensuring that it remains a pressing concern for businesses across industries.

Organizations, industries, and companies often face a shortage of critical skills and talent necessary to compete in the global marketplace. This shortfall adversely affects the quality of products and services delivered, further limiting organizational competitiveness. Against this backdrop, this study seeks to examine the impact of talent management on the performance of small and medium-

sized enterprises (SMEs) in South-South Nigeria. By exploring how talent management practices influence organizational performance, the study aims to provide insights into strategies that can address talent shortages and enhance the overall effectiveness of SMEs in the region.

### **1.3 Objectives of the Study**

The primary objective of this study is to investigate the impact of talent management on the organizational performance of selected small and medium-sized enterprises (SMEs) in South-South Nigeria. Specifically, the study seeks to:

- i. Assess how talent management influences employee performance in selected SMEs in South-South Nigeria.
- ii. Examine the relationship between talent management and employee retention in selected SMEs in South-South Nigeria.
- iii. Analyze the impact of talent management on employee compensation and reward systems.
- iv. Investigate the relationship between talent management and employee productivity in selected SMEs in South-South Nigeria.

### **1.4 Research Questions**

In line with the study's objectives, the following research questions are posed:

- i. What is the impact of talent management on employee performance in selected SMEs in South-South Nigeria?
- ii. Is there a relationship between talent management and employee retention in selected SMEs in South-South Nigeria?
- iii. How does talent management influence employee compensation and rewards in selected SMEs in South-South Nigeria?
- iv. What is the relationship between talent management and employee productivity in selected SMEs in South-South Nigeria?

### **1.5 Hypotheses**

Based on the study's objectives, the following hypotheses are formulated:

H<sub>01</sub>: There is no significant relationship between talent management and employee performance in selected SMEs in South-South Nigeria.

H<sub>02</sub>: Talent management does not significantly affect employee retention in selected SMEs in South-South Nigeria.

H<sub>03</sub>: There is no significant relationship between talent management and employee compensation and rewards in selected SMEs in South-South Nigeria.

H<sub>04</sub>: Talent management does not significantly affect employee productivity in selected SMEs in South-South Nigeria.

## **2. Review of Related Literature.**

### **Conceptual Review**

#### **❖ Concept of Talent Management**

Talent management lacks a universally agreed definition and has been interpreted in various ways. According to Lockwood (2016), talent management involves implementing integrated strategies aimed at enhancing workplace productivity by improving processes for attracting, developing, retaining, and utilizing individuals with the necessary skills and abilities to meet both current and future business needs. For entrepreneurs and managers, understanding the importance of effectively managing human and material resources is essential for achieving organizational goals and objectives.

Human talent can be described as an exceptional or natural ability to perform tasks effectively. The Chartered Institute of Personnel and Development (CIPD, 2018) defines talent as a combination of attributes that contribute significantly to organizational performance by exhibiting the highest levels of potential. Ernst and Young (2019) describe talent management as a deliberate, ongoing process focused on systematically identifying, assessing, developing, and retaining human talents to meet an organization's current and future needs.

Talent management also refers to the structured process of attracting, identifying, developing, engaging, retaining, and deploying individuals who are valuable to an organization. These individuals are either critical for current operations or possess high potential for future roles. Grant and Lauren (2017) emphasize that talent management provides an organization with the human capital required to conceptualize, implement, and achieve its desired strategic goals.

Cantoria (2018) defines talent management as the practice of recruiting top-performing individuals and implementing initiatives to ensure they remain with the organization and continue to develop. Carpenter, Talya, and Berrin (2019) argue that talent management revolves around placing the right individuals in the right roles at the right time to achieve the organization's strategic objectives. It focuses on identifying and hiring highly skilled individuals who contribute to accomplishing organizational goals through their performance and expertise.

### **Benefits of Effective Talent Management**

Effective talent management provides numerous benefits for organizations striving to achieve strategic objectives. First, it ensures the successful acquisition and retention of essential talent, which is critical for organizational sustainability and competitiveness. Organizations that attract and retain top performers gain a significant edge in today's dynamic business environment.

Second, talent management plays a vital role in enhancing employee engagement. According to Morton (2015), effective talent management helps to engage employees, ensuring their dedication, motivation, and productivity. Engaged employees are more likely to contribute positively to organizational success.

Additionally, talent management is a key factor in organizational survival and success. It serves as a critical predictor of employee and business performance by ensuring that individuals with the right skills and competencies are placed in appropriate roles. Talent management facilitates the recruitment of the right people for the right job at the right time, which helps organizations align their workforce with their strategic goals and operational needs.

## **Restraining Forces Influencing the Practice of Talent Management**

Despite its benefits, several restraining forces can impede the effective practice of talent management. Morton (2015) highlights key external factors, such as economic fluctuations, mergers and acquisitions, and global expansion. Economic conditions impact the supply and demand for human resources, making it difficult for organizations to maintain talent pipelines. Mergers and acquisitions can exacerbate this issue by creating redundancies, increasing competition for senior management roles, and introducing diverse cultural implications.

Internal challenges also play a role. Hughes and Rog (2019) argue that the absence of a clear definition of talent management within organizations can hinder its implementation. For talent management to succeed, organizations must define what it entails and establish clear goals and strategies.

## **Talent Development Process**

The talent development process, as described by Garvana and Carbery (2018), involves four major components:

1. **Identification** – Recognizing individuals with potential for development.
2. **Design** – Defining the competencies to be developed, the duration, and the pace of development.
3. **Evaluation** – Measuring the effectiveness of the development process using analytical tools.
4. **Organizational Support** – Ensuring top management provides necessary support for talent development initiatives.

## **Organizational Performance**

Organizational performance is essential for sustaining competitiveness in today's global market. Storey (2019) defines it as a combination of organizational efficiency and effectiveness. Although financial measures are traditionally used to assess performance, Sun (2017) argues that these alone are insufficient, particularly in uncertain business environments. A more comprehensive approach that incorporates non-financial indicators is necessary for a holistic evaluation of organizational success.

## **Concept of Small and Medium Enterprises**

Small and Medium Enterprises (SMEs) play a pivotal role in driving economic growth and sustainable development worldwide. SMEs are often regarded as the cornerstone of flourishing economies, including the United States, where over 23 million SMEs account for more than 50% of the private sector workforce and contribute significantly to the national gross domestic product (GDP). Globally, various criteria are applied to define SMEs. According to the World Bank, SMEs are described as enterprises with a workforce of up to 300 employees, an annual income of \$15 million, and assets worth \$15 million (Govoric, 2019). Furthermore, SMEs can be categorized

based on factors such as asset value, revenue turnover, and the number of employees, which serve as practical indicators for assessing their size and economic role.

### **Theoretical Framework**

This study is grounded in the Human Capital Theory, which posits that human capital is an essential resource that organizations can strategically invest in to enhance productivity and achieve organizational goals. Kessler and Lulfesmann (2017) suggest that the relevance of human capital depends on its capacity to make organizations more productive. Human capital encompasses the skills, knowledge, and abilities of employees, which directly contribute to organizational success. Tarique and Shuler (2018) emphasize that human capital investments—such as recruiting, training, and developing talent—are critical for organizations to remain competitive and innovative. Therefore, initiatives like talent attraction, retention, and mobilization can be seen as strategic investments in an organization's human capital, enabling sustainable performance and growth.

### **Empirical Review**

Several studies have explored the relationship between talent management and organizational performance. Kehinde (2019) conducted research on sixteen firms in Nigeria and found a positive relationship between talent management practices and organizational performance. The study recommended that organizations with high-performing talent should implement tailored talent management strategies distinct from conventional Human Resource Management practices.

Payamberpour and Hooi (2020) investigated the impact of talent management on organizational performance using a sample of 498 employees from multinational corporations. Employing Partial Least Squares Structural Equation Modeling (PLS-SEM) to test hypotheses, the findings revealed that management development and strategic human resource inputs—key elements of talent management—positively influence organizational performance. The authors concluded that enhancing management development programs and HR inputs is essential for improved organizational outcomes.

Similarly, Nafei (2017) explored the impact of talent management dimensions on the performance of Egyptian industrial firms, using a sample size of 370 employees. The results confirmed a significant relationship between various talent management dimensions and organizational performance. Nafei recommended that industrial firms enhance their performance by strengthening talent management strategies across key dimensions.

### **3. Methodology**

This study adopted a descriptive survey design, which facilitates the collection of detailed and factual data to describe existing phenomena accurately. The research focused on selected SMEs in South-South Nigeria. Primary data was utilized, collected through questionnaires and personal interviews to ensure comprehensive insights.

The sample size was determined using Bora and Gall's (2009) statistical formula, yielding a total of 343 respondents. To validate the research instrument, face and content validity were employed.

Reliability was ascertained through the test-retest method and confirmed using Cronbach’s Alpha to ensure internal consistency.

The study used Multiple Regression Analysis to evaluate the impact of talent management on organizational performance. This statistical method enables the assessment of relationships between multiple independent variables (talent management practices) and the dependent variable (organizational performance). The Statistical Package for Social Sciences (SPSS) was used to process and analyze the data, ensuring accurate hypothesis testing and results interpretation.

In summary, the study’s approach was methodologically sound, combining robust data collection techniques and statistical tools to examine the link between talent management and organizational performance in SMEs.

#### 4.Data Presentation, Analysis, and Interpretation

The data presented and analyzed was obtained through questionnaires distributed to selected small and medium-scale enterprises in South-South Nigeria. A total of 343 questionnaires were randomly distributed, out of which 300 were properly completed and deemed relevant for the study. The collected data was presented in tabular format and analyzed using the percentage method.

#### Test of Hypotheses

To test the formulated hypotheses, multiple regression analysis was employed. This statistical method assessed the relationship between talent management practices and organizational performance. The multiple regression results are presented in the table below for detailed interpretation and analysis.

#### Summary of the Regression Result

Variable	F	Statistics	Probability
Employee performance	11.655		0.000
Employee retention		2.755	.0001
Employee compensation and reward		6.939	
Employee productivity	2.795		.006
R – Squared		0.733	
Adjusted R-squared		0.726	
F – Statistics		107.563	
Prob. (F-Statistics)		0.000	
Durbin Watson	1.677		

Source:- spss computation

The regression analysis reveals a coefficient of determination ( $R^2$ ) of 0.733, indicating that 73.3% of the variations in talent management are explained by changes in the independent variables. This underscores the strong explanatory power of the model. The adjusted  $R^2$  value of 0.726 further strengthens this claim, as it confirms that 72.6% of the total variation in the dependent variable, organizational performance, is accounted for by the independent variables.

The F-statistic value of 107.563 and its corresponding probability (p-value) of 0.000 demonstrate that the model is statistically significant and has a good fit. The results suggest that the explanatory variables are collectively significant in predicting talent management's effect on organizational performance. Additionally, the Durbin-Watson statistic of 1.677, which is close to 2, indicates that there is no evidence of autocorrelation in the model. This lack of autocorrelation suggests that the regression model is reliable and suitable for predictive purposes.

### **Hypothesis One**

**H<sub>01</sub>:** There is no significant relationship between talent management and employee performance in selected small and medium enterprises (SMEs) in South-South Nigeria. The regression analysis produces a t-statistic of 11.655 and a p-value of 0.000, which signifies a significant relationship between talent management and employee performance. As the p-value is below 0.05, the null hypothesis is rejected, and the alternative hypothesis is accepted. This result highlights that talent management has a significant and positive effect on employee performance in SMEs in South-South Nigeria. Effective talent management strategies improve employee productivity and drive better performance outcomes.

### **Hypothesis Two**

**H<sub>02</sub>:** Talent management has no significant effect on employee retention in selected small and medium enterprises in South-South Nigeria. The analysis reveals a t-statistic of 2.755 and a p-value of 0.001, indicating that talent management significantly influences employee retention. Since the p-value is less than 0.05, the null hypothesis is rejected, and the alternative hypothesis is accepted. This implies that implementing effective talent management practices helps organizations retain key employees, reducing turnover rates and ensuring continuity in organizational operations.

### **Hypothesis Three**

**H<sub>03</sub>:** Talent management has no significant effect on employee compensation and reward in selected small and medium enterprises in South-South Nigeria. The regression results show a t-statistic of 6.939 and a p-value of 0.000, confirming a significant relationship between talent management and employee compensation and reward. The null hypothesis is therefore rejected in favor of the alternative hypothesis. This outcome demonstrates that organizations with strong talent management practices tend to provide better compensation and reward systems, which enhance employee motivation and job satisfaction.

### **Hypothesis Four**

**H<sub>04</sub>:** Talent management has no significant effect on employee productivity in selected small and medium enterprises in South-South Nigeria. The regression output yields a t-statistic of 2.795 and a p-value of 0.006, signifying that talent management has a significant impact on employee productivity. Since the p-value is below 0.05, the null hypothesis is rejected, and the alternative hypothesis is accepted. This finding suggests that talent management positively influences employee productivity, enabling organizations to achieve higher levels of output and overall performance.

In conclusion, the regression analysis reveals that talent management significantly impacts critical employee outcomes, including performance, retention, compensation, and productivity. This



emphasizes the importance of effective talent management practices in enhancing organizational performance and ensuring sustainable growth for small and medium enterprises in South-South Nigeria.

### ❖ Discussion of Findings

The study revealed key findings from the hypothesis tests. First, the result of hypothesis one demonstrates a significant relationship between talent management and employee performance in selected small and medium enterprises (SMEs) in South-South Nigeria. This aligns with Gardner (2020), who emphasized that SMEs can leverage talent management strategies to boost employee performance.

Second, the findings confirmed a significant relationship between talent management and employee retention in SMEs. This result supports Devine (2018), who highlighted that effective talent management plays a critical role in improving employee retention, reducing turnover, and ensuring organizational stability.

Third, the study established that talent management has a significant effect on employee compensation and reward. This finding aligns with Hes (2017), who identified a strong correlation between effective talent management practices and fair compensation systems. Rewarding employees appropriately enhances motivation and job satisfaction, contributing to improved organizational performance.

Finally, the study revealed a significant relationship between talent management and employee productivity. This outcome corroborates Cantoria (2018), who found that organizations that implement strong talent management frameworks experience increased employee productivity and higher overall output.

## 5. Conclusion

The study investigated the impact of talent management on organizational performance among selected SMEs in South-South Nigeria. The findings clearly indicate that talent management significantly improves employee performance, retention, compensation, and productivity. It can therefore be concluded that adopting effective talent management practices is essential for enhancing performance and achieving sustainable growth in SMEs.

## Recommendations

Based on the study's findings, the following recommendations are made:

1. **Periodic Evaluation:** SMEs should regularly evaluate their management practices, ensuring optimal utilization of both human and material resources for sustained organizational growth.
2. **Workshops and Seminars:** Organizations should organize workshops and seminars for both employees and management. Resource persons with expertise in talent management should provide actionable insights to improve performance.

3. **Training Programs:** Continuous employee and management training should be encouraged to build competencies, improve retention, and drive organizational efficiency.
4. **Integrated Talent Management Systems:** SMEs should integrate talent management systems into all areas of human resource management. This will help in recruiting, developing, and retaining top talent to achieve organizational goals and long-term success.

By implementing these recommendations, small and medium enterprises in South-South Nigeria can use the full benefits of talent management to improve overall performance and competitiveness.

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