

The Role of Talent Management and Employee Engagement in MSMEs Going International

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Abstract

As micro, small, and medium enterprises (MSMEs) increasingly pursue international expansion, the role of human capital becomes a strategic determinant of success. This study examines the impact of talent management and employee engagement on the internationalization of MSMEs. Talent management practices—including recruitment, development, and retention of high-potential employees—are critical in building the capabilities required to compete in global markets. Simultaneously, high levels of employee engagement foster commitment, innovation, and adaptability, which are essential in navigating the challenges of international operations. Using qualitative and quantitative methods, this research identifies key strategies that link effective talent management and engagement practices with improved organizational performance in global contexts. The findings suggest that MSMEs investing in integrated talent and engagement strategies are better positioned to sustain growth and competitiveness beyond domestic boundaries.

Keywords:

Talent Management; Employee Engagement; Job Performance; MSMEs Going International

INTRODUCTION

In an increasingly globalized economy, micro, small, and medium enterprises (MSMEs) are no longer confined to domestic markets. The pursuit of internationalization offers MSMEs access to broader customer bases, diversified revenue streams, and enhanced competitiveness. However, expanding into foreign markets presents unique challenges, including cultural differences, complex regulatory environments, and heightened competition. In this context, human capital emerges as a critical success factor. Specifically, effective talent management and strong employee engagement have become strategic imperatives for MSMEs aiming to establish and sustain a global presence.

Talent management encompasses systematically attracting, developing, and retaining individuals whose skills and potential align with organizational goals. For MSMEs, which often operate with limited resources, leveraging the right talent can significantly influence innovation, operational efficiency, and adaptability—key drivers in international markets. Equally important is employee engagement, which refers to employees' emotional and professional commitment to their organization. Engaged employees tend to demonstrate higher productivity, creativity, and resilience, all essential when navigating the uncertainties of international business environments.

Despite the growing recognition of these factors in large multinational corporations, there remains a gap in understanding how MSMEs—especially in emerging economies—can effectively harness talent management and engagement practices to support internationalization. This study explores the interplay between these two human resource dimensions and their impact on MSMEs' international

success. By addressing this gap, the research aims to provide insights and practical strategies for MSMEs to enhance their global readiness through people-centred approaches.

METHOD

This study employed a qualitative research design using a phenomenological approach to explore how MSMEs perceive and implement talent management and employee engagement in internationalization. The qualitative method was chosen to capture in-depth insights, experiences, and perspectives of MSME owners and HR practitioners that are not easily quantifiable, especially concerning human capital practices in dynamic, resource-constrained environments.

Participants were selected using purposive sampling to ensure relevance and richness of data. The sample consisted of MSMEs from diverse sectors—such as food and beverage, fashion, technology, and services—that have initiated or are actively involved in international business activities. Key informants included business owners, co-founders, human resource managers, and operational leaders with direct experience managing talent and employee engagement. Inclusion criteria MSMEs with 10–150 employees actively engaged in export activities or international partnerships and willing to participate in a 30–60-minute semi-structured interview.

RESULTS AND DISCUSSION

Talent management plays a vital role in organizational development, especially employee development. Consists of the planning process, employee recruitment, employee development, management, and employee compensation (Dessler, 2015). Talent management is concerned with employee engagement. Research conducted by Järvi and Khoreva (2019) shows that talent management has a positive and significant influence on employee involvement in the organization. In the context of MSMEs, talent management goes beyond recruitment and includes the development of adaptive skills needed to navigate global challenges.

Dhanalakshmi and Gurunathan (2014) and Mensah et al. (2016) argue that talent management positively correlates with employee performance, especially when mediated by work engagement and employee identification with the company. Kamel (2019) highlights that talent management can serve as a core business strategy that enhances organizational competitiveness, especially when employee competencies are unique and difficult for competitors to replicate. For MSMEs, which often face resource constraints, flexible and context-based talent management practices are essential to support international expansion.

Employee engagement refers to the emotional and psychological commitment an individual has toward their job and organization (Kahn, 1990). Engaged employees are typically more motivated, loyal, and contribute significantly to achieving business goals. Mohammed (2016) emphasizes that employee engagement serves as a key pathway in the relationship between talent management and organizational performance. Engagement fosters a sense of ownership, responsibility, and innovation—traits that are highly valuable in the internationalization process of MSMEs. Additionally, Al-Qeed et al. (2018) found that engagement, when supported by emotional intelligence, can enhance organizational outcomes in a global competitive environment.

There is growing consensus in the literature that effective talent management enhances employee engagement. Bethke-Langenegger et al. (2011) assert that developmental opportunities, recognition systems, and participatory decision-making are key practices that foster greater employee involvement. According to Dahshan et al. (2018), when organizations invest in employees' growth and acknowledge their contributions, levels of engagement and, consequently, individual performance, significantly increase. For MSMEs seeking to internationalize, engagement becomes even more critical due to the need for employees to assume multifaceted roles, often in culturally diverse environments. Engaged employees are more likely to exhibit the resilience, initiative, and cross-functional collaboration required for successful global operations.

The role of human capital in the internationalization of MSMEs is both strategic and transformative. Knight and Cavusgil (2004) argue that the readiness of an enterprise to engage with global markets is not only determined by its financial capacity or product innovation, but also by the strength and competence of its human resources. Talent management and engagement are key dimensions of this capability.

MSMEs that develop internal systems for cultivating and retaining talent, while simultaneously fostering a culture of engagement, are better positioned to adapt to foreign markets, respond to international consumer needs, and build sustainable competitive advantages abroad. Vaiman, Scullion, and Collings (2012) emphasize that aligning talent strategy with international business goals is essential for firms operating in volatile and unfamiliar market environments.

The qualitative findings of this study were derived from semi-structured interviews with 10 MSME owners and HR managers who have engaged in or are currently pursuing international market expansion. Thematic analysis revealed several key patterns related to the role of talent management and employee engagement in the internationalization process.

1. Strategic Talent Identification and Development

A dominant theme among participants was the importance of identifying and nurturing high-potential employees early in the internationalization journey. Many MSME leaders noted that expanding abroad often required employees to take on multifunctional roles and operate in unfamiliar cultural and business environments. Those with international experience, language skills, and adaptability were seen as vital assets. Several MSMEs reported investing in targeted training programs, such as cross-cultural communication, digital marketing for global audiences, and export compliance, to prepare talent for overseas roles.

*"We don't have the luxury of hiring globally all the time, so we invest in who we have. That means training our team to think globally while working locally."
(Owner, Food Export MSME)*

2. Empowerment and Engagement as Catalysts for Performance

Employee engagement emerged as a critical factor influencing international readiness. Participants emphasized that highly engaged employees showed greater initiative, were more willing to work across time zones, and adapted faster to foreign market dynamics. Engagement was fostered through open communication, inclusion in strategic decisions, and recognition of their contributions to international growth efforts.

"We involve our team in market research and decisions. When they see their ideas being implemented in a new country, they feel proud and motivated." (HR Manager, Tech MSME)

Engagement practices also helped reduce turnover, a common challenge in fast-growing MSMEs with limited HR infrastructure. By creating a sense of purpose and ownership, companies retained key staff during critical expansion phases.

3. Cultural Intelligence and Local Market Understanding

Participants highlighted the necessity of cultivating cultural intelligence (CQ) among employees as part of talent development. MSMEs that successfully internationalized often embedded local market knowledge into their hiring and internal training. In some cases, they recruited bicultural staff or partnered with local consultants to bridge cultural gaps. This was especially important for service-based MSMEs where customer interaction required cultural sensitivity.

"We hired a team member who lived in the target country. Not only did they speak the language, but they also helped us avoid cultural missteps." (Co-founder, Creative Services MSME)

4. Constraints and Adaptive HR Practices

Many MSMEs acknowledged their limitations in formalizing talent management systems due to financial and operational constraints. However, this challenge led to the emergence of adaptive and informal HR practices tailored to specific business contexts. For example, mentorship by founders, flexible job roles, and rapid internal promotions were common substitutes for structured development plans.

"We may not have HR software or formal KPIs, but we know our people. We sit down with them, set clear goals, and support them in getting there." (CEO, Apparel MSME)

The results affirm that talent management and employee engagement are not only supportive but essential enablers for MSMEs undergoing internationalization. While large corporations may rely on formal systems and global HR strategies, MSMEs often succeed through agility, close-knit teams, and adaptive leadership. The qualitative evidence suggests that the integration of localized talent development and culturally sensitive engagement practices significantly enhances the international readiness of MSMEs.

Moreover, the emotional commitment of employees—nurtured through empowerment and recognition—emerges as a driver of organizational resilience during global expansion. This highlights the need for MSMEs to treat human capital as a strategic priority, even in the absence of formal HR infrastructure. Future research may benefit from exploring how digital tools and regional partnerships can further support talent strategies in MSMEs targeting global markets.

Discussion

The findings of this study highlight that talent management plays a strategic role in supporting the internationalization process of MSMEs, particularly through the development of adaptive and competitive employees. For MSMEs that often operate with limited resources, flexible and context-based talent management practices are crucial for cultivating employees capable of handling multifunctional roles, understanding foreign markets, and demonstrating cultural intelligence. Interviews with MSME owners and HR managers revealed the importance of early identification

of high-potential employees, targeted cross-cultural training, and employee empowerment in decision-making processes. These approaches significantly enhance organizational readiness for global expansion and contribute to building sustainable competitive advantages.

Furthermore, employee engagement emerged as a critical driver of performance and organizational resilience during international growth. Emotionally and psychologically committed employees demonstrated higher initiative, strong loyalty, and adaptability to foreign market dynamics. Practices such as open communication, recognition of individual contributions, and involvement in market research fostered a sense of ownership and motivation among staff. While most MSMEs lack formal HR systems, informal strategies such as founder-led mentoring and rapid internal promotions proved effective in supporting talent development. Overall, the study affirms that investment in talent management and employee engagement is not merely supportive but essential for MSMEs navigating the complexities of international markets.

CONCLUSION

The findings of this study highlight that talent management and employee engagement are critical pillars in supporting the successful internationalization of micro, small, and medium enterprises (MSMEs). While MSMEs often face limitations in resources and formal HR systems, their ability to strategically identify, develop, and retain key talent significantly enhances their competitiveness in global markets. Furthermore, high levels of employee engagement contribute to organizational agility, innovation, and commitment—factors that are essential in navigating the complexities of foreign business environments.

Through qualitative insights, it is evident that MSMEs that invest in building global capabilities within their teams, empower employees with meaningful roles, and foster inclusive, purpose-driven cultures are better positioned to sustain international growth. Although challenges such as limited budgets and informal structures persist, these can be mitigated through adaptive practices that align talent strategies with business goals.

In conclusion, MSMEs seeking to go international must recognize that their people are their most valuable asset. By prioritizing talent management and employee engagement, they not only improve their internal capabilities but also create a strong foundation for long-term global success.

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