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Against the wind: How knowledge-intensive SMEs navigate talent retention through informal and inclusive practices

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Abstract

Purpose: This study aims to explore and identify effective talent retention practices in small and medium-sized enterprises (SMEs) within the knowledge-intensive IT sector. Given the need for more research on this topic, particularly in SMEs, the study seeks to fill this gap by examining how IT SMEs in Spain retain their highly skilled employees in a competitive environment.

Design/methodology/approach: An exploratory qualitative research design involved semi-structured interviews with CEOs and CHROs from eight Spanish IT SMEs. The interviews were analysed using grounded theory to identify and categorize the talent retention practices employed by these companies. The practices were then classified into four main blocks: workplace environment, work-life balance, career development, and work content, each mapped across two dimensions: impact on current versus future work and organizational versus project level.

Findings: The study identified 12 distinct practices SMEs use to retain talent, yielding 14 practice-block instances, as mentoring operates across 3 of the 4 blocks, despite their limited resources compared to multinational enterprises (MNEs). These practices highlight the importance of personalized employee experiences, a supportive workplace environment, career development opportunities, and a balanced work-life approach. The findings reveal that although SMEs face significant challenges in competing with MNEs, they can still enhance employee retention through innovative, human-centric strategies.

Originality/value: This research contributes to the emerging literature on talent management in SMEs by moving beyond context-specific description. By adopting an inductive approach, the study develops an integrative framework that maps retention practices along two theoretically grounded dimensions—temporal impact and organizational scope—revealing that SMEs predominantly deploy informal, relational, and inclusive retention mechanisms that differ qualitatively from the formalized, exclusive approaches documented in the MNE-focused literature. The cross-cutting role of mentoring across three of the four practice blocks further highlights how resource-constrained organizations leverage a single relational mechanism to simultaneously address workplace environment, career development, and work content.

Keywords: Talent retention, SMEs, IT industry, Workplace environment, Career development, Work-life balance, Knowledge-intensive sectors

Jel Codes: M12, M54, O15

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1. Introduction

Hiring and retaining the best employees is one of the most important business activities for keeping a sustainable advantage for companies over time (Al-Ariss et al., 2014; Collings & Mellahi, 2009; Gallardo-Gallardo & Thunnissen, 2016; Lewis & Heckman, 2006). These activities are more crucial in knowledge-intensive industries, such as IT (Dabirian et al., 2019), where the employee's knowledge, skills, and attitudes define the company's real ability to adapt and compete in the existing markets.

Although these recruitment and retention processes are key for most companies, their success or failure can impact SMEs more. The contrast between the relevance of SMEs in the European economy (Cassell et al., 2002) the need of more publications on these issues in academia (Harney & Alkhalaf, 2021) raises many questions regarding HR practices. The scarce literature on this topic takes two approaches. On the one hand, some researchers (e.g., Cassell et al., 2002) consider SMEs to be a particular case of MNEs. On the other hand, other researchers (e.g., Harney & Alkhalaf, 2021) consider that the reality of SMEs is so different from that of MNEs that the policies and practices of one cannot be extrapolated to the other. For instance, Krishnan and Scullion (2017) suggest that institutional, resource, and economic contexts affect SMEs and MNEs differently. In this line, the case of SMEs in the IT sector is an example where the problems in recruiting qualified staff are much greater than in MNEs (Dabirian et al., 2019).

Research on talent management in the IT sector has primarily focused on large organizations, examining employer branding strategies to attract IT professionals (Dabirian et al., 2019; Kucherov & Zamulin, 2016), the role of employee engagement in knowledge-intensive services (Kossyva et al., 2023), and the relationship between knowledge-based work and job satisfaction (Torrent-Sellens et al., 2018). However, the few studies that have addressed TM in SMEs have done so through geographically bounded exploratory designs — phone interviews with 700 German CEOs (Festing et al., 2013), semi-structured interviews in six Spanish firms (Valverde et al., 2013), and interviews across six Greek SMEs (Kravariti et al., 2021). While these studies have consistently revealed the prevalence of informal and inclusive TM approaches in SMEs, they have largely treated talent management as a broad construct rather than isolating retention as a distinct challenge. This gap is particularly consequential in the IT sector, where high labour market mobility (Arthur, 1994), growing adoption of remote work, and the availability of global job platforms (Carpentier et al., 2019) have intensified the retention challenge beyond what attraction-focused research captures. To date, no study has systematically examined the specific practices through which knowledge-intensive IT SMEs attempt to retain their talented professionals, nor has prior research offered a framework for understanding how these practices differ in function and scope.

While research on the recruitment processes of knowledge-intensive SMEs is scarce, research on the policies and practices for retaining employees, and more specifically the talented, is almost non-existent. For this reason, this study aims to identify the talent retention practices employed by SMEs in knowledge-intensive sectors. To this end, we decided to focus the study on the IT industry, where most employees are highly skilled. The research process adopted an inductive approach, collecting interview data from eight Spanish SMEs in the IT industry. Using grounded theory analysis, we identified twelve distinct retention practices that, when mapped across four blocks and two dimensions (temporal impact and organizational scope), yield fourteen practice-block instances, reflecting the cross-cutting role of mentoring across workplace environment, career development, and work content.

2. Literature Review

The importance of recruiting and retaining the best employees has become an increasing concern (Al-Ariss et al., 2014; Collings & Mellahi, 2009; Gallardo-Gallardo & Thunnissen, 2016; Lewis & Heckman, 2006). Although the

importance of talent for organizations was recognized in academic literature many years ago, academics and practitioners have become increasingly interested in it in recent years. It remains a sought-after topic in the literature (McDonnell & Wiblen, 2021). The importance of Talent Management (TM) as a research topic is credited to the McKinsey Group, with the article 'The War for Talent' published in 1998 (Chambers et al., 1998). The notion of the war for talent is mainly rooted in the assumptions that (1) human talent is a source of competitive advantage, not easily copied or stolen by the competition, and (2) retaining talented people is becoming difficult (Dries, 2013). Although there is no agreed definition in academia for the term Talent Management (Lewis & Heckman, 2006; McDonnell & Wiblen, 2021), we adopt the definition of the term given by Collings and Mellahi (2009): "*[...]activities and processes that involve the systematic identification of key positions that differentially contribute to the organization's sustainable competitive advantage, the development of a talent pool of high-potential and high-performing incumbents to fill these roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents, and to ensure their continued commitment to the organization*".

Talent Management is segmented into practices or categories that support attraction, development, deployment, and retention (Silzer & Church, 2010). On the other hand, other authors (e.g., Stahl et al., 2007) consider more detailed categories such as Recruitment & Selection, Succession Planning, Training & Development, Performance Management, Compensation and Benefits, Retention, and Employer Branding. We can also find different approaches to this topic. For instance, Lewis and Heckman (2006) propose approaching TM more strategically than traditional operational approaches. As we can see, there is still debate on the focus, with some authors claiming that there may not be black-or-white approaches to the adoption of TM practices (e.g. McDonnell & Wiblen, 2021; Silzer & Church, 2010). A literature review shows that scholars have focused on talent identification and attraction practices (Gallardo-Gallardo & Thunnissen, 2016; McDonnell & Wiblen, 2021), with less attention to other practices, such as retention (Thunnissen & Gallardo-Gallardo, 2019). This fact explains recent studies covering its relationship with Employer Branding (Chopra et al., 2023; Junça-Silva & Dias, 2022) and its importance in Knowledge-Intensive Services (Kossyva et al., 2023).

Despite the increase in peer-reviewed literature since the call for more academic research by Lewis and Heckman (2006) and subsequent reviews on the field (see Gallardo-Gallardo et al., 2015; McDonnell & Wiblen, 2021), little research has been conducted considering TM. This fact is more critical in the SME context, even though employee attraction, motivation, development, and retention are also challenging for SMEs (Krishnan & Scullion, 2017). These works are mainly characterized by their high geographic context, and few have had a major impact on the academic literature. For instance, Festing et al. (2013) frame their research in the German context. Valverde et al. (2013) studied the Spanish context and Kravariti et al. (2021) analysed the situation of Greek SMEs. Although the context of those studies was different, they were framed in a different institutional environment from the predominant studies in the field (in the USA).

On the one hand, Festing et al. (2013) the collected information was obtained by an independent market research institute that interviewed 700 CEOs, owners, and founders by phone. On the other hand, Valverde et al. (2013) gathered information from six companies through semi-structured interviews with CEOs, owners, and employees. Finally, Kravariti et al. (2021) six innovative SMEs with a global presence were surveyed, conducting 18 semi-structured interviews with relevant representatives of the companies. Based on their results, all authors identified a relevant focus on inclusiveness when SMEs deal with TM, although the term TM may not be clearly explained or understood by CEOs and owners. However, the results show that this was indeed taking place, but informally. This result was particularly clear in Valverde et al. (2013).

Retaining talent can be particularly challenging for knowledge-intensive companies, as professionals in these fields often have a stronger position in the labor market, making them harder to retain (von Nordenflycht, 2010). The wide range of options for attracting new employees, such as social media and online platforms (Carpentier et al., 2019), means retention practices are becoming increasingly important in some types of companies, such as SMEs, that cannot compete with MMEs on attractiveness. This issue for SMEs is compounded by the fact that MNEs have additional mechanisms and resources to manage talent (Al-Ariss et al., 2014). However, SMEs may adopt practices differently from MNEs to retain talented employees (Cassell et al., 2002). Employees of knowledge-intensive SMEs are considered distinct from those in traditional business industries (Dabirian et al., 2019) and may value other aspects of their jobs over salary (Gregorka et al., 2020).

The existing TM literature has identified several unresolved tensions that shape how organizations approach talent management (Dries, 2013; Gallardo-Gallardo & Thunnissen, 2016). Among the most relevant for the SME context are the tensions between formal and informal TM practices, between inclusive and exclusive approaches to talent, and between strategic and emergent HRM (Krishnan & Scullion, 2017). While MNE-focused research has predominantly documented formalized, exclusive, and strategically planned TM systems, SMEs' navigation of these tensions remains largely unexplored. Knowledge-intensive SMEs offer a particularly compelling setting because they face the same talent competition as MNEs but operate under fundamentally different structural constraints –limited hierarchical positions, restricted financial resources, and greater dependence on interpersonal relationships. Understanding how these constraints shape retention practices can contribute not only contextual evidence but also theoretical insights into the informal, relational, and inclusive mechanisms through which talent retention operates outside the MNE paradigm.

Given the existing gap, we propose conducting an exploratory study to understand current approaches and practices for talent retention in knowledge-intensive sectors. More specifically, our research question is: How do knowledge-intensive SMEs develop and deploy practices to retain their talented professionals? To answer this question, we focus on SMEs in the Spanish IT industry through two research objectives: (1) identify and classify the talent retention practices deployed by IT SMEs, and (2) develop an analytical framework that captures how these practices differ in their temporal impact (current vs. future work) and organizational scope (project vs. organizational level). Given the predominance of MNE-focused research in the TM literature, we situate our findings within this broader context, examining how the structural constraints of SMEs – limited hierarchical positions, restricted financial resources, and reliance on informal and relational mechanisms – shape retention strategies that differ qualitatively from those documented in larger organizations.

3. Methodology

As we have seen before, there is a lack of research on talent practices in SMEs (Harney & Alkhalaf, 2021), especially in retention practices. For this reason, we designed an exploratory study based on qualitative data to answer our research questions. Given the scarcity of prior research on talent retention practices specifically in SMEs, we adopted a grounded theory approach (Eisenhardt & Graebner, 2007; Miles & Huberman, 1994) as the most appropriate analytical strategy. Grounded theory is particularly suited for exploratory studies where existing theoretical frameworks do not adequately capture the phenomenon under investigation, allowing categories and relationships to emerge inductively from the data rather than being imposed a priori from MNE-derived models. As the core of the research was knowledge-intensive SMEs, we decided to focus on IT SMEs, whose main feature is the intensive use of highly qualified personnel. In Spain, 99.7% of IT companies fall into the SME category. We used public information from INE's website and the SABI business directory to identify IT Spanish SMEs that meet the criteria suggested Cassell et al. (2002) and the EU definition of SME. These criteria are (a) a number of employees between 40 and 250, (b) an annual turnover of less than 50 million €, and/or (c) an annual balance sheet not exceeding 43 million €.

Applying these criteria to the INE and SABI databases yielded a pool of 515 companies. After filtering the list (e.g., discarding inactive ones, discarding the non-software development ones), we had an initial batch of 29 shortlisted companies. We then contacted firms progressively until reaching a final sample of eight participating SMEs. Following established guidelines for qualitative research saturation (Guest et al., 2006), we determined that eight firms provided sufficient analytical depth, as the coding process conducted in parallel with data collection revealed that new substantive themes ceased to emerge after the sixth interview, with the seventh and eighth interviews serving primarily as confirmatory cases.

We deliberately selected CEOs and CHROs as key informants because, in the SME context, these actors hold direct strategic and operational responsibility for talent-related decisions and have first-hand knowledge of the full range of retention practices deployed across the organization (Krishnan & Scullion, 2017; Valverde et al., 2013). This approach is consistent with prior exploratory studies on TM in SMEs that have similarly relied on senior management perspectives (Festing et al., 2013; Kravariti et al., 2021). We acknowledge that excluding employee perspectives constitutes a limitation of the study, which we address in the Conclusions section.

To get the needed information to answer our research questions, we contacted the CEO and the CHRO of the selected companies by telephone, email, and LinkedIn network to arrange a first meeting where to explain the objective of the research and the methodology and ask if they would be interested in participating as a source of information.

Given the nature of the information required for the study, we designed a protocol to collect it through semi-structured interviews. The first step was to agree to the privacy terms and schedule the interviews by e-mail. A total of 8 semi-structured interviews were conducted — 2 with CEOs and 6 with CHROs—via video call using academic subscriptions of Google Meet and Microsoft Teams, which allowed us to record and transcribe them for subsequent analysis. Interview duration ranged from approximately 70 to 100 minutes, with an average of 90 minutes. The interview has five sections. In the first section, we summarized the research project and its scope to contextualize the interview. The second section focuses on confirming some information and features about the company, such as its age, size, and mission. The objective of the third section was to identify how these companies and managers understand the concept of talent and talent management. The academic literature shows that these concepts are approached differently by companies. As we have seen before, Dries (2013) identifies five tensions that could explain these approaches. The following section focuses on the specific talent practices implemented in the company is carrying out and their usefulness, advantages, disadvantages, implementation barriers, and fit with the company and its employees. Finally, in the last section, we asked interviewees to reflect on how their talent practices relate to those typically associated with larger organizations in the IT industry. Rather than establishing a formal comparison, this section served as a contextual prompt to help interviewees articulate the distinctive constraints and opportunities that shape retention strategies in the SME setting.

We transcribed the interviews verbatim and coded them following an inductive approach consistent with grounded theory principles (Eisenhardt & Graebner, 2007; Miles & Huberman, 1994). The coding process was conducted iteratively and in parallel with data collection, enabling us to incorporate emerging insights into subsequent interviews. The analytical procedure followed three stages. In the first stage (open coding), we conducted line-by-line analysis of the transcripts, identifying 137 first-order codes that captured specific practices, perceptions, and contextual factors described by interviewees — for example, "mentor assigned from day one" "flexible start/end hours," "preference for internal referrals," or "certification costs covered by the company." In the second stage (axial coding), we grouped related first-order codes into second-order themes based on their conceptual affinity — for instance, codes related to schedule autonomy, remote work arrangements, and additional free days converged into the theme "flexibility and time sovereignty" In the third stage (selective coding), we abstracted the second-order themes into four aggregate dimensions that constitute the blocks of the proposed framework: workplace environment, work-life balance, career development, and work content. These aggregate dimensions were further mapped along two analytical axes — temporal impact (current vs. future work) and organizational scope (project vs. organizational level) — yielding the integrative framework presented in Figure 1. Table 1 illustrates the coding structure from representative first-order codes to aggregate dimensions.

First-order codes	Summary of main codes considered
Role of HR function and policies formalization	Presence of a specific Human Resources Department. Formal HR policies in place. Employees reaction to formal procedures Presence of tools and forms to manage HR functions. Presence of flat hierarchy. Existence of flexible timetable. Existence of social benefits. Easy communication with management. Involvement of management in technical aspects. Degree of job autonomy.

First-order codes	Summary of main codes considered
Conceptualization of Talent and Talent Management	Definition of Talent. Location of talent. Definition of Talent Management. Existence of a formal Talent Management System. Existence of key positions in the company. Existence of Talent Pools Differentiation in adopting policies.
Talent Attraction	Existence of formal selection process. Existence of personality tests. Promotion of new positions inside the company. Relevance of technology for attracting people. Company practice employee poaching. Use of word of mouth. Preference to hire juniors than seniors. Preference to hire *stars*. Company in need to hire people with university degrees.
Talent Onboarding	Existence of a formal procedure. Existence of a mentor for every employee. Roles involved in mentoring. Benefits of mentoring for the company. Expected training time for juniors. Expected training time for seniors. Kind of training on the onboarding process (technical / abilities)
Talent Development	Existence of performance reviews for technical positions. Existence of performance reviews for rest of positions. Frequency of performance reviews. Company approach towards compensation? (proactive / reac-tive). Involvement of mentor in Talent Development. Existence of overtime. Compensation. Existence of international projects. Valuation of international projects from employee perspective. Existence of team building activities. Valuation of team building activities from employee perspective. Types of promotions performed (Vertical / Horizontal). People involvement in technical events. Valuation of attendance to technical events.
Talent Training	Company restrictions on training. Existence of a formal training plan. Benefits of employees with software certifications. Motivation for employees to get certifications. Existence of on-the-job training and benefits. Involvement of Mentors in training design and deployment.
Talent Retention	Existence of formal process to evaluate job climate. Detection of red flag situations. Existence of policies to manage attrition / people intentions to leave. Involvement of Mentors in Talent Retention strategies. Involvement of CEO in Talent Retention strategies. Involvement of people Presence of remote-working. Modality of allowed remote-working Importance of technical events for the company. Easy access to Management. Company reaction to employees proposals for job improvement. Relevance of job content for talent retention. Relevance of technology for talent retention. Relevance of clients talent retention.

First-order codes	Summary of main codes considered
Talent Offboarding	Existence of procedure for managing situations when someone wants to leave the company. Reaction to people leaving for higher salaries. Existence of exit interviews. Main reasons for people leaving the company. Acceptance of people coming back to the company. Reasons people come back to the company.

Table 1. Coding structure from first-order codes to aggregate dimensions

To analyse the coded interviews, we started by building a code-interview matrix to identify the talent approach, the talent practices, and their importance for each interviewee. In addition, a code-code matrix was also created to identify (a) which practices tended to appear together and (b) what relationship existed between the practices and the company's perception of talent and talent management. Finally, we contextualized the codes to give sense to the results.

4. Results and Discussion

The results show that the main barrier to retaining talented employees is the need for more economic resources to increase salaries against the MNEs. Therefore, all interviewees and their companies stress the importance of offering a better employee experience than MNEs. They all emphasize that personalizing their experience is critical to keeping their most talented workers, or at least making it likely that they will return to the company in the future. This study shows the relevance of senior and line managers in successfully deploying talent retention practices in line with the Krishnan and Scullion (2017)' s results.

After several iterations in the analysis, we identified twelve distinct practices for retaining these employees. When classified along two dimensions. The first one concerns whether the practice's consequences affect the employee's current position or future professional career. In other words, if the practice affects the current work (for instance, the flexible time practice only affects the current work) or future work (for instance, training in new technologies can help employees in their future applications to new positions). The second one refers to the practice's consequences at the project, position, or organizational level. In other words, the practice affects a specific project or position (for instance, applying to international projects) or the whole organization (for instance, sending some employees to attend events in the organization's name). Based on these two dimensions, we identify four blocks of practices for retaining talented employees: workplace environment, work-life balance, career development, and work content (see Figure 1). In the following paragraphs, we discuss the fourteen practice-block instances across the four blocks, noting that mentoring appears in three of them (workplace environment, career development, and work content) due to its multifunctional integrative role.

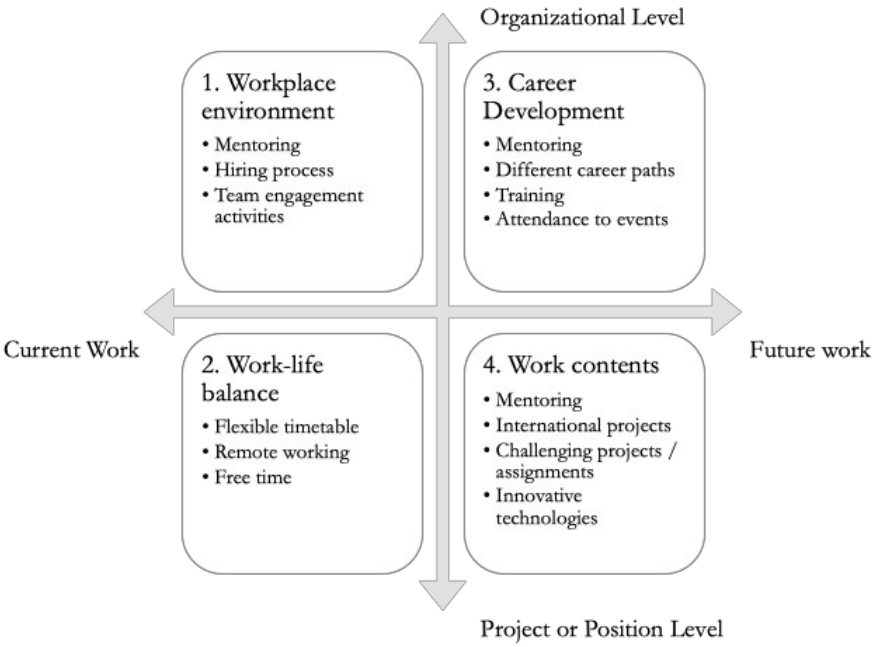

Figure 1. Classification of practices for retaining talented employees

4.1. First Block - Workplace Environment

The participants' comments show that designing and developing a good workplace environment helps increase job satisfaction and thus prevent the intention to leave (Spector, 2022). In this block, we have identified three key practices that facilitate a good workplace environment: deploy mentoring schemes, set up an effective hiring process, and plan team engagement activities.

4.1.1. Mentoring

There is a consensus between all participants on the benefits of deploying mentoring programs. In general, it has been proven successful in introducing the people in the company from the first day they are enrolled, guiding many different aspects of their career progression and knowledge acquisition. Some participants went further, adopting induction measures and considering appointing mentoring for more day-to-day aspects of life inside the company, helping integrate newcomers into the organization.

We observed that, as Top Management sponsored mentorship and therefore should be backed by corporate policies, all participants gave mentors freedom to approach how they managed their protégés. This approach gave the protégés the required psychological support, organizational socialization (Chao et al., 1992) , and a leadership role to the mentor (Robbins & Judge, 2019). For instance, Participants 1 and 5 said:

> *"The mentor has proved to be effective for helping employees to grow professionally. Not only they help them on technical aspects, but also provides supports about communication and management skills"* (Participant 1)

> *"Mentorship is a win-win solution. New hires feel more accompanied, and the mentor feels more responsible as perceives that the company supports his/her job and consider that he/she is relevant for the organization"* (Participant 5)

4.1.2. Hiring Process

Companies devoted particular care and attention to the hiring process. According to their experience, this process was key for setting up a pleasant working environment. Participants recognize that hiring is more difficult when monetary restrictions make it difficult to attract more candidates. Despite acknowledging that professionals in the IT industry are a clear example of boundaryless careers and that not all candidates will be staying in the company for their professional life (Arthur, 1994), companies took a long-term perspective when hiring professionals, expecting that they will stay for some time in the company. With this long-term vision, companies provide candidates with stable labor contracts and future career progression perspectives and consider outsourcing temporary (or unstable) assignments to freelancers.

On the occasion of this study, we acquired information regarding different hiring process particularities, and it was observed that companies devoted particular care and attention to them. Companies acknowledged that conducting these processes with special care and all the required resources pays off, as they credit their teams for a relevant part of their success. They didn't mind allocating all the required time and resources to the selection process, as it proved good for the company and the applicant's well-being (Brannick et al., 2020).

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Overall, we observed that all the participants conducted the hiring process similarly, with very small variations. The process can be summarized in the following stages: detection of needs, candidate search, first screening interview, technical interview, and confirmation of the position. Applicant's skills and attitudes are evaluated using either formal or informal approaches (Kravariti et al., 2021).

During the interviews, we observed that companies opted to search for candidates when there was an open position to cover an existing position (as a person left the company) or because a new job needed someone to perform it. After getting approval from corporate management, middle managers provide HR with the requirements for the open position so that HR representatives can search for candidates. The search is at first done internally, showing transparency with their teams, but with a strict vision that the candidate shall match the job position rather than the position be adapted to the candidate (Brannick et al., 2020), discarding applications from employees that didn't match the position's requirements. When the position cannot be covered internally, recruiters can search for a valid candidate outside of the organization. The options used are placing ads on job search sites, posting job vacancies on corporate social media accounts, and using internal referral and employee poaching (or direct search) as the last option. Among the mentioned options, the preferred option was to refer candidates using connections to the university, undergraduate contacts, or internal referrals, using a similar pattern to SMEs in Greece (Kravariti et al., 2021). Although acknowledging the limits of potential candidates in the Internal Labor Market and the employees' social networks, companies prefer this approach to avoid hiring 'outsiders.' The measure was mutually beneficial for all the agents involved, as the company could be hiring someone who shared the same values that a member of their existing team (and that person wouldn't be recommending the company to a friend if he wasn't satisfied), the new-hired joins a company that with a high probability of fitting and the employee gets compensated for the recommendation.

We found consensus that employee poaching is an expensive option and a harmful practice for the local industry in the long run. However, most participants (6/8) acknowledged using this practice as the only alternative to hiring professionals with the required profile (see comments of Participants 3 and 4) or by the nature of the business and the organization itself.

> *"There is a clear lack of talents, and if we want to hire the people with the skills we need, we have to take direct action and poach from the competition."* (Participant 3)

> *"When we have published vacancies on job sites, we get plenty of applications but very few of them are interesting for our company. We prefer one-to-one communication, as it has proved to be much more effective."* (Participant 4)

Direct search is preferred when needing a professional with a deep knowledge of the technology or industry or when the company needs a qualified professional to manage projects that require new technologies (see comments of Participants 7 and 8). Despite acknowledging that the practice doesn't guarantee that the candidate will remain longer in the company, companies bet on these candidates to cope with the momentary needs, hoping that the new hires will also help to build a team whose existence will be able to achieve new challenges.

> "*Direct search is the only way we have to locate experienced professionals that know our industry and that are experienced using our technologies."* (Participant 7)

> *"We work on projects with a high degree of complexity, and we need experienced professionals. Direct search is the most effective way to find the professionals we need."* (Participant 8)

Only Participants 1 and 5 positioned themselves against employee poaching, mainly for monetary restrictions, but also for a mid/long term perspective. On the one hand, candidates who joined the company only for a better salary ended up leaving the company for a better bidder. On the other hand, companies don't get an immediate impact on productivity as the corporate induction process is not shortened (generally, even experienced candidates lack some specific knowledge about the company products or methodologies). Thus, these companies opted for internal promotion of the people inside the company as it provided better results in the long term. This preference is aligned with some facts in existing literature compiled by Phelan and Lin (2001), where management has close and reliable information about the candidates, and external candidates may not hold their skills.

Selected candidates meet HR representatives during the first screening interview. Although a minimum check of the technical skills needed to do the job is required, there is a greater focus on evaluating candidates' attitudes and soft skills, and candidates go through the next phases of the selection process only when they fit the organization or the group. In this early stage of the process, we observed a clear prioritization of Person-Organization fit and Person-Group fit to Person-Job fit (e.g., Carroll et al., 1999, and Kristof, 1996). Despite the importance of the selection process, formalism is barely present in the screening process, with only Participant 3 going further using psychometric tests to screen the candidates.

> *"We know it may sound a bit old fashioned nowadays, and especially in our industry, but spending that extra time has really paid off for selecting the candidates with the specific personality we need."* (Participant 3)

There was unanimity on the preference of team players for stars, even when the price to pay for this fact was technical skills. Companies stated that selecting skilled people with different team attitudes had harmful consequences in the past, generating a bad working climate and affecting the cooperation inside the teams. The evidence of the current study may support one of the streams in the TM literature, where talent is not always transferable, and organizations may see the dark side of hired stars and their special impact on SMEs (Krishnan & Scullion, 2017).

The shortlisted candidates go through technical interviews, demonstrating their knowledge and abilities to cope with relevant technical aspects for the companies. Again, formality was absent in this step of the selection process, as none of the participants acknowledged a formal work-sample test in place, but it may make sense as the businesses of all of them may differ. The go/no-go decision is taken after the completion of the test, where HR and Team Leaders communicate the decision to the candidate and agree on the final terms and conditions. Only Participants 5 and 8 considered an additional interview with C-level executives to ensure the candidate fits the job and the company.

4.1.3. Plan Team-Engagement Activities

One of the fundamental practices observed in all participating companies has been to organize different activities to generate team cohesion, as this is considered one of the pillars for sustaining a pleasant workplace in the long term. These activities have been considered relevant for the participants since 1) companies believe that it is especially relevant to support juniors in the initial stage of their stay in the company, 2) there are members of the company who live far from the offices, and 3) a large part of the team is generally working outside the physical spaces of the office. In this sense, companies have considered deploying different activities to strengthen the team's esprit de corps.

Among the different practices, we have observed the schedule of company meetings at least twice a year, either inside or outside the office, where leisure activities are combined with general company updates and other social interaction activities that allow the people of the teams to meet. Keeping in mind the importance of the design of the physical workplace for the outcomes for the person and the groups (Myerson, 2014), some participating companies have gone a step forward, opening the space to its immediate environment and promoting other activities that may not be directly related to the job, but generate a positive impact in both company reputation and team loyalty. As such, we can find technological dissemination talks prepared by people from the

organization on their initiative (e.g., open sessions), meetup activities where people from the environment interested in technology can join and share experiences, or even that the space is versatile enough that allows the programming of yoga sessions for the work team. Company representatives gave positive feedback about the return of those actions, aiming to expand them whenever possible:

> *"We conduct talks on Friday where anyone in the organisation can introduce a new technology or an update about the project he/she is involved. Speaker gains presentation skills and self-confidence, and all the team gains knowledge about new topics or get updates about company projects, thus getting the sensation of being involved in relevant company information."* (Participant 1)

> *"We designed a specific space to let people relax and take a break from their former desktop. We then thought that once a month, we can schedule technological Meetups sessions where anyone of the company can join and we can allow technological enthusiast from outside the company to join us, so that we can all have a nice time together and develop great knowledge sharing."* (Participant 6)

> *"Once a week we hold informal team and global team meetings to share personal views about the projects or company situations. They don't take long, but people are free to talk about any positive or negative experience along the week. We also leave time to talk about technology, organising open sessions or other technological dissemination talks."* (Participant 8)

4.2. Second Block - Enabling Work-Life Balance

The post-pandemic situation has had an impact on employee relationships with their jobs. Studies such as "People at Work 2022: A Global Workforce View", conducted by ADP Research Institute (mentioned by Richardson & Antonello, 2022), show that people are starting to consider some issues more important than work, and they expect their employers to provide more benefits than a proper salary and a job with a con, hoping the company will adopt measures on the job organization schemes so that the work-life balance is improved. As the salary factor is a relevant constraint for the companies of our study, they all opted to deploy successful flexibility schemes for organizing working hours, work assignments, and work locations to care for and retain their professionals. These options proved to be successful for companies of other contexts (Gregorka et al., 2020).

4.2.1. Flexible Timetable

We observed that all the participants gave their teams flexibility in organizing their timetables. Companies considered that this measure proved efficient to show that the company considered their employees as responsible individuals (letting them autonomy to manage their time) and that they are not restricted by a tight calendar (so that they can accommodate any personal matter or emergency, or, being able to take children to school), thus preventing some of the sources of work-family conflicts (Spector, 2022). In this sense, all the participants acknowledged a certain degree of acceptance that any of their employees might need extra time to care about any of their relatives. They didn't place formal objections about anyone starting their journey later or finishing it earlier in the afternoon because of the illness of a kid, or a visit to the doctor. The observed pattern was that most companies opted to deploy flexibility on the starting hours and define a timeslot of the working day where the workforce would be available so that flexibility didn't compromise client commitments and project deadlines. Company representatives consider this measure complementary to the contents of the job and the working environment, thus making the organizations more humane. There is an equilibrium of those factors that has proved successful for all the participants, as Participant 5 expressed:

> *"As per our experience, there is a basic equation for both organization and individual happiness, where all three factors need to be in balance: person, labour and family. When any of them is not well, the relationship between employee and organization starts to become difficult."* (Participant 5)

When asking the representatives about the feasibility of adopting Shortened Work Weeks as some relevant IT players in Spain have done. Despite the participants having yet to adopt this, there was unanimity in acknowledging that their teams would significantly accept this measure and would significantly impact talent retention and attraction. The significant barriers to its adoption are inherently linked to the sizing of the teams. They align with one of the main concerns of the companies that participated in a study by Henley Business School (Henley Business School, 2021). Due to the contractual agreements with clients, the company shall

include shifts inside the teams so that people can enjoy the benefits without compromising the success of the client projects.

In Spain, the government is analysing passing a law regarding reducing weekly working hours. In 2023, it launched a pilot program to evaluate the effect of this policy on 41 companies that have agreed to participate. Although there is still some way to approve the law, and this measure may be challenging to SMEs with a reduced workforce, companies 6 and 7 seriously considered adopting this practice.

4.2.2. Remote Working

Remote working is present in most companies nowadays and has become very popular. The practice impacts company performance and employee benefits, with the most visible one being the reduction of commuting time and its link to job strain (Calderwood & Mitropoulos, 2021). However, the list of advantages is longer than the disadvantages according to Rangaswamy et al. (2024). Some harmful effects are longer working hours, family conflicts, emotional stress, and miscommunication. The Spanish *Observatorio Nacional de Tecnología y Sociedad (ONTSI)* explains that remote working gained prevalence and importance after the restrictions imposed by the COVID-19 pandemic in a recent report (Red.es, 2021). Despite the measure, it is still not fully adopted by most companies in the country. It has become a standard in the IT industry in Spain, one of the industries where it is used more. Recent surveys such as Randstad Workmonitor indicate that remote work cannot be negotiated for 40% of candidates.

In March 2020, the Spanish government imposed severe sanitary restrictions to cope with the pandemic. All participants needed to deploy remote working schemes, devices, and support to all their employees to keep the business going. Before that date, the participants had a hybrid approach to remote working. They had experience managing projects with people working outside the offices, but the physical workplace was prevalent in the work organization. When mobility was progressively re-established, participating companies had to manage the desire of their teams to keep working remotely, and candidates rejected job proposals because the remote working schedule didn't fit their priorities. From that moment, remote work became key to attracting people and providing an excellent workplace. Over 70% of the IT industry employees in Spain chose to work remotely for the same hours or even more, according to the ONTSI report (Red.es, 2021).

There are many reported benefits for the employees, such as greater flexibility about the organization of their personal life (e.g., taking children to school), the perception of being given more responsibility and trust (e.g., the boss is not at your side scrutinizing what you are doing), savings on commuting time (e.g., avoiding car trip to the office in rush hour), fewer distractions than in the office (e.g., people don't come to see you on the desk or phone you to ask you about non-urgent matters), and the possibility of having an excellent job while living in a less crowded region or city (e.g., moving back to your region of origin, providing the same or better service while keeping your salary and reducing housing costs). For those organizations that enabled fully remote working (5 out of 8 participants), the measure allowed them to acquire talent beyond their 'natural' regional boundaries and to provide continuity to their operations even in the case that any employee has been in need to relocate temporarily or permanently to another region of Spain. There were also tangible benefits for all participants, as a growth of employees did not suppose a substantial need to increase the physical workplace (or relocations).

However, there are drawbacks for the employees and the organization. In addition to the alterations to employee health and family lives previously discussed, people working alone outside of the office present isolation symptoms of more significant concern, specifically to new hires, for whom the onboarding process is even more critical (Jeske & Olson, 2022), as they need more significant support and guidance in this early phase of their careers. For organizations, remote working has increased the challenge of maintaining team cohesion and engagement with the projects and with the company, thus making talent retention a bit more difficult (as Participant 8 reports).

> *"Now you don't have to go to your manager's office to say that you are leaving, and you won't be sad for leaving your colleagues. You can avoid those embarrassing and somehow sad moments and easily switch companies, with the only inconveniences of changing your laptop and your e-mail address."* (Participant 8).

Three participants chose a hybrid remote working scheme, requiring people to work from the office at least one or two days per week. It was reported that the return to the office after the pandemic's restrictions on movement became unpopular. However, the participants who opted for a hybrid approach instead of fully remote considered this one tool to increase team and organization engagement. This is backed by three dimensions of the Great Place to Work Model (fairness, respect, and camaraderie) that may be more difficult to attain in remote working situations.

4.2.3. Free-Time

Companies have opted to provide more free time to their employees to improve work-life balance and increase engagement and loyalty. Around 60% of the Randstad survey participants considered personal life more important than professional life. It is positioned as one of their top priorities, equaling the position of the job salary.

Providing more free time to their employees is a complementary tool of a flexible timetable, both aiming to provide more importance to the personal life of the professionals. Despite all of the participants having set up institutional rules for providing more free time, there are variations in the approaches. Complementing the Spanish labor regulations, companies offer additional free days for different reasons. Some examples are having a day off on people's birthdays, providing additional holiday days according to a loyalty program, and additional days for relocations or relatives' illnesses.

The companies have shown respect for personal life and spaces. In this sense, organizations have a great consciousness about the agreed timetables, and overtime is exceptional, limiting it strictly and recognizing compensations for their employees. The disconnect from corporate electronic notifications and phone calls is ruled by Spanish Law (LOPDGDD), and companies showed great involvement with the law's recommendations, thus avoiding texting, emailing, or calling after the work day is finished.

4.3. Third Block - Career Development

In this block, we will discuss the practices companies deploy to provide advancements in the Career Development of employees. Although this factor adds value to job positions, it is specifically relevant to provide job satisfaction for professionals working in Spanish Knowledge-Intensive firms, as analyzed in Torrent-Sellens et al., (2018). The practices considered by the companies can be grouped into mentors helping the career advancement of their mentorees, setting up different career paths to accommodate more personal options, training, and facilitating attendance at technological events and summits.

4.3.1. Mentoring

Three of the model's blocks show the impact of mentoring. In this section, we will discuss how its role in career development is related to Talent Retention. Companies acknowledged that mentors are not only key for creating and sustaining a pleasant workplace but they are also considered crucial for the advancement of people's careers, confirming what was early signaled in existing literature (e.g., Ragins & Cotton, 1999; Hunt & Michael, 1983; Arthur & Kram, 1985). As such, all participants have appointed a mentor for every position in the technical area. Their presence has allowed them to support protégés with technical difficulties on projects while guiding the suggested knowledge and abilities to progress in their careers.

To add value, management conceived a mentoring function with a proactive attitude towards retention and career development instead of having mentors that only met with their protégés on the performance reviews. Companies considered assigning mentors who work closely with the protégés the most effective approach, as mentors involved in the same projects can directly observe people's attitudes, performance, and behavior. They can proactively detect opportunities to improve and propose immediate actions in situations requiring management attention, thus actively participating in the talent retention strategy.

The presence of senior people mentoring junior employees provided new hires with another perspective that couldn't have been conceived at first glance. Participant 3 provides evidence that this decision reduced the company's attrition rates after its implementation.

"The way new hires view capable and experienced senior people being happy with us and being satisfied with their position, role and work is very powerful. Our company is now seen as a company where they can stay for a longer period of time, and not just a couple of years to get working experience." (Participant 3)

4.3.2. Different Career Paths

When asked about company demographic information, most companies reported that the average age of the employees was in the upper quartile of the 30s, with only two participants being in the "lower band" of the 30s. Additional information gathered from the interviews with company representatives showed that, despite the vast majority of the employees being from the Y generation, they coexist with colleagues from the X generation and a minority of colleagues from the Z generation.

Different studies have dealt with the particularities of the coexistence of different generations in the workplace (e.g., Malik & Shahid, 2024). Most of them show different positions of the employees regarding their preferences about leisure time, job characteristics, stability, or views regarding organizational social justice. Participants reported different perspectives regarding employees' preferences for a job position inside the company, depending on workforce age. The observed pattern was that younger professionals preferred international projects, multi-cultural interactions, and more 'visual projects' while seniors looked for job stability and work-life balance (that also was tied with more local-based projects). Remote working was highly relevant for both collectives, but seniors showed more tolerance for having to be at the office some days of the week. Despite there being agreement in literature on the relationship between age and job satisfaction, there is no clear reason for how they're related. While not being able to collect first-hand information about the employees, we consider that seniors in these companies are more reluctant to change because of factors such as their job position, the recognition of their role or acquired rights, and more realistic expectations (Spector, 2022).

One of the leverages of MNEs for attracting and retaining talent is the possibility of promoting people to higher positions. However, according to the academic literature (e.g., Cassell et al., 2002 and Valverde et al., 2013), SMEs face several limitations in promoting everyone to management positions. During our interviews, we asked about the promotion options the companies could rely on to evaluate the impact of the presence or the absence of this factor on talent retention strategies. What we observed was that being promoted to positions with more management content was not desirable for everyone, and this left room for deploying alternative strategies, such as horizontal career paths, where companies enable candidates to move to other technical fields or to learn new technologies and join other teams of the company. Companies reported effective results in retaining skilled people who love the content of their work and would like to gain further knowledge and experience in their field.

"As you can see, we are in the market for many years. We can say that, contrary to what management books and press said about the importance of people being promoted up in the ladder, there are people that love their job as a software developer, and want to be doing this job without the troubles and difficulties of managing people. They feel happy in their position and don't want to move. Do we have to force them to hold a management position when they don't want it?" (Participant 7)

4.3.3. Training

Through the different interviews, we captured the surveyed companies' commitment towards training as a tool for keeping the organization on the competitive edge, engaging and retaining employees, and as a non-monetary incentive (Appelbaum & Gallagher, 2000). Although only 2 participants had a defined training plan for categories or departments, all the participants showed flexibility to provide training on-demand according to project requirements and employee willingness to take it. Even though literature reports that budgetary restrictions may restrict the investments done by SMEs in training (e.g., Cassell et al., 2002), company representatives showed a commitment to allocate resources to train on all the essential aspects and technologies that may be required by the collective of employees.

Some software companies have developed certification schemes to credit professionals for their knowledge of specific technologies (e.g., Microsoft Credentials). Surveyed companies encouraged their workforce to prepare and take the certification exams, covering the training and certification costs. The benefits of getting certified professionals are twofold: the company is better positioned in the industry, and employees get a higher level of

technology knowledge and an increase in their professional recognition that helps them grow professionally while increasing their value in the labor market.

4.3.4. Attendance or Participation in Software Events and Summits

Nayak et al. (2018) suggests that social networking helps individuals to be better connected to their immediate environment, gain knowledge, and improve their recognition and pertinence to the organization or the community. A trend in the industry is to organize software events and summits where people meet to share knowledge and experiences. Companies reported that some employees love to be involved in those events, either as speakers or attendees, and companies facilitate the means to be involved in those events. Some of the surveyed companies opted to become sponsors of them as a form of employer branding and as an action to build teamwork.

Attendance at national and European-recognized annual software summits gives professionals access to up-to-date software features and trends in the industry. For employees, presenting as speakers proved to be a way of giving credit to the person in the community as a valuable professional. However, due to budgetary constraints that face SMEs, companies need help to afford to pay for the attendance of their workforce. In this sense, companies opted to consider attending these events as a non-monetary employee incentive and turn this into a retention action.

4.4. Fourth Block - Work Contents

In this fourth and last block, we cover four practices that surveyed companies deployed to improve the work contents of their professionals. The work contents have a direct relationship with job satisfaction (e.g., Robbins & Judge, 2019). Based on different strategies that companies have deployed, we identify four practices directly impacting the job contents: using skilled mentors, creating new opportunities with international projects, turning work into challenging assignments, and using innovative technologies.

4.4.1. Mentoring

As mentioned, mentoring is a practice considered in different blocks of the proposed model. In this section, we will discuss its role in work content. Complementing the crucial role of mentors in designing a pleasant workplace environment and assisting protégés in their career development, interviews revealed that mentors' influence helped to provide significance to the work contents (Chao et al., 1992). This function is essential for junior professionals who need more assistance in the early stages of their careers and professionals with more working experience as they may lose motivation or interest in their current positions. It was observed that mentors set up roadmaps for people to gain knowledge and experience on their jobs, helping to develop better content for their positions. The perceptions of mentors as models eased the protégés' acceptance of the given suggestions and advice, considered in the literature as the psychosocial functions of the mentor (Chao et al., 1992).

4.4.2. International Projects

While the SME context is different for MNEs, and participants were not able to deploy practices for developing their talent, such as intra-organization growth upon the completion of an expatriation (Al-Ariss et al., 2014), participants found an alternative approach. They made efforts to win business deals linked with international projects, where employees could have the opportunity to be involved in multicultural and international projects. The companies' approaches for deploying those practices proved innovative (Storey, 1995); however, this approach resulted in more recruiting difficulties for some companies, as in addition to the attitudes and technical skills, candidates should have a minimum working proficiency level to join the projects. This difficulty was more evident when hiring professionals who didn't have a university degree.

> *"We are happy having international projects and seeing people hyped up at being part of big and complex projects. However, this has brought up additional difficulties for hiring people, as we've got a new mandatory tickbox on our candidate's checklists that sometimes drives us crazy."* (Participant 2)

4.4.3. Challenging Assignments

Interesting job contents and assignments were considered relevant for talent retention for participants, confirming what was also pointed out in existing literature (e.g., Kucherov & Zamulin, 2016). Interviewed representatives reported that employees were more reluctant to leave the company if they had continuous technical challenges that motivated them. All the companies acknowledged that the designation of challenging assignments helped to retain people, as they motivated them to become better at their jobs and to avoid being stuck in their positions or functions.

However, those assignments needed to be complemented with consistent project content and management, trustful clients, and innovative technologies (which we will discuss later). If any of those parameters were not compelling enough, candidates could decide to leave the company (even though their salary increase in the new company does not have enough significance). But for some of the interviewed companies, the kind of assignments and projects they are usually in has been a source of competitive advantages, as this has allowed them to incorporate ex-employees as they become bored in their position after some time.

> *"Some of our clients poach employees from us. But, from time to time, we have some of them knocking back on our doors, because they miss how things worked here and because they were stuck on their job positions. Those employees preferred going back to an appealing job to earning more money with a boring job."* (Participant 1)

4.4.4. Innovative Technologies

Technology complements the previous three practices for retaining people at the workplace with its work contents. Companies reported that working with innovative technologies significantly impacted attracting candidates. This was so relevant that companies with relevant market experience in mature business applications and technologies experienced significant difficulties attracting junior candidates, who were reluctant to work with legacy software or be involved in dull projects.

> *"It is very usual for us to contact a junior professional regarding a job position, and being asked about the technology that they will be working on and about the project. If we weren't able to offer the other attracting aspects of our positions, we will get even more rejections that we still have, because they don't like the language they will have to code with."* (Participant 4)

When asking the company representatives if the relevance of the technological factor was specific for junior positions or if it was general for all candidates, we observed that this was somehow related to a generational perspective reported in the literature. For instance, people from the Y Generation prioritized the novelty of the technologies (and somehow steep learning curves) and newer working environments over more stable and known technologies and stable job assignments (generally preferred by Gen X and Baby Boomers). This fact is aligned with the job preferences of Gen Y (e.g., focus on self-care and job hoping linked to their job satisfaction) identified in the literature (Hassan et al., 2023).

To cope with this, some participants have progressively switched to new technologies or opted for more innovative projects or industries, but this hasn't been an option for all of them. As such, companies that stick to their core technology and client industries have deployed some actions to make the positions more attractive for new hires. We can cite some of them, such as facilitating mobility between projects of different client industries (so professionals can gain a broader market perspective), using a specific sector as an attraction factor, or facilitating the specialization and certification of a specific business software solution.

4.5. General Discussion

The findings of this study, synthesized in the integrative framework presented in Figure 1, allow us to engage with several ongoing debates in the talent management and SME literature. In this section, we discuss the broader theoretical implications of the identified practices, examine their inherent trade-offs, and reflect on how the structural constraints of SMEs shape the retention strategies available to them.

A first notable finding is the predominantly informal and relational nature of the identified retention practices. While the MNE-focused TM literature has largely documented formalized TM systems —structured succession planning, standardized performance management, and differentiated compensation schemes (Stahl et al., 2007; Collings & Mellahi, 2009)— the SMEs in our study rely on mechanisms that are interpersonally driven, context-

sensitive, and loosely codified. This pattern is consistent with prior observations in SME contexts (Valverde et al., 2013; Festing et al., 2013; Kravariti et al., 2021) and extends them by showing that informality is not merely a default resulting from resource limitations but can constitute a deliberate strategic orientation: interviewees consistently framed personalized treatment as a competitive advantage over the standardized employee experience offered by larger firms. However, this reliance on informality carries inherent risks. Informal practices depend heavily on the commitment and interpersonal skills of individual managers —particularly senior and line managers, as Krishnan and Scullion (2017) have noted— making retention strategies vulnerable to managerial turnover and inconsistent application across teams.

A second contribution concerns the inclusive approach to retention observed across all participating firms. Rather than targeting a segmented pool of "high-potentials" through exclusive TM practices —an approach prevalent in MNE research (Collings & Mellahi, 2009; Dries, 2013)— the studied SMEs extended retention efforts to all skilled employees. This finding aligns with the inclusive orientation previously identified in SMEs by Valverde et al. (2013) and Kravariti et al. (2021), but our study reveals an important nuance: inclusiveness in these firms is simultaneously a values-based choice and a structural necessity. With team sizes ranging from 40 to 250 employees, segmenting talent would risk alienating essential team members in organizations where every individual's contribution is highly visible. Yet this inclusive approach also presents trade-offs: by distributing retention resources broadly, SMEs may underinvest in the development and retention of their most critical professionals, potentially increasing vulnerability when key employees decide to leave.

Third, the cross-cutting role of mentoring across three of the four practice blocks (workplace environment, career development, and work content) deserves particular attention. Existing literature has predominantly treated mentoring as a developmental tool focused on career advancement and psychosocial support (Chao et al., 1992; Ragins & Cotton, 1999). Our findings suggest that in resource-constrained SMEs, mentoring operates as a multifunctional integrative mechanism that simultaneously addresses workplace socialization, career guidance, and work enrichment. This multiplicity of functions may explain why all participating firms invested in mentoring despite budgetary constraints — it offers high retention impact relative to its cost. Nevertheless, this concentration of retention functions in a single mechanism creates a dependency risk: if the mentoring relationship fails or if qualified mentors are unavailable, the ripple effects may extend across multiple dimensions of the employee experience simultaneously.

Fourth, the structural constraints of SMEs — limited financial resources, restricted hierarchical positions, and smaller team sizes — do not merely limit the range of available retention practices but actively shape qualitatively different strategies. The inability to compete on salaries led firms to emphasize non-monetary dimensions such as challenging assignments, innovative technologies, and work-life flexibility. The absence of extensive career ladders prompted the development of horizontal career paths that prioritize technical deepening over managerial promotion. These findings partially contradict the assumption, prevalent in some of the TM literature, that SMEs simply implement "scaled-down" versions of MNE practices (Cassell et al., 2002). Instead, our evidence suggests that resource constraints drive the emergence of distinctive retention logics —relational rather than transactional, integrative rather than specialized— that merit theoretical recognition in their own right.

Finally, our findings should be interpreted in light of certain contextual factors that may condition their applicability. The post-pandemic normalization of remote work in the Spanish IT sector has fundamentally altered the retention equation: while it has expanded SMEs' access to talent beyond regional boundaries, it has simultaneously increased competitive pressure by exposing their employees to global job markets (Carpentier et al., 2019). Several interviewees noted that remote work has paradoxically made leaving easier by removing the social friction associated with workplace departures. This tension between the attraction benefits and retention risks of remote work represents a challenge that the current literature has not fully addressed for the SME context.

5. Conclusion

This study provides valuable insights into how small and medium-sized enterprises in the IT sector manage the critical challenge of retaining talented employees. The findings underscore that SMEs may need more extensive

MNE resources but can still implement effective talent retention strategies. These strategies strongly emphasize personalized employee experiences, fostering a positive workplace environment, ensuring work-life balance, and offering career development opportunities. The study identifies twelve distinct practices that, when mapped across four key areas—workplace environment, work-life balance, career development, and work content—yield fourteen practice-block instances, as mentoring plays a cross-cutting role across three of the four blocks. This transversal function of mentoring is one of the study's key findings, suggesting that resource-constrained SMEs leverage a single relational mechanism to address multiple retention challenges simultaneously. When applied strategically, these practices can significantly enhance an SME's ability to retain its most valuable employees despite the competitive pressures from larger firms.

Beyond its empirical contributions, this study offers three theoretical insights for the TM field. First, the two-dimensional framework (temporal impact and organizational scope) provides an analytical lens that moves beyond simple listings of retention practices, enabling scholars to examine how different practices serve distinct strategic functions within resource-constrained organizations. Second, the findings illuminate how SMEs navigate the formal/informal tension in TM: rather than implementing formalized talent systems, the studied firms rely on relational mechanisms —particularly mentoring— that simultaneously serve multiple retention functions across workplace environment, career development, and work content. This cross-cutting role of mentoring challenges its conventional treatment as a single-function developmental tool and suggests that in SMEs, informal relational practices operate as integrative retention mechanisms. Third, the study contributes to the inclusive/exclusive debate by showing that knowledge-intensive SMEs adopt a predominantly inclusive approach to retention, extending personalized practices to all skilled employees rather than targeting a segmented talent pool — a pattern that reflects both strategic choice and structural necessity.

This study has several limitations that should be acknowledged. First, regarding informant selection, we relied exclusively on CEOs and CHROs as key informants. While this choice is methodologically justified given their strategic oversight of retention practices in the SME context (Krishnan & Scullion, 2017), it captures the managerial perspective on intended practices rather than employees' lived experiences of those practices. Future research should incorporate employee perspectives—through interviews, surveys, or matched employer-employee designs—to assess the perceived effectiveness and actual impact of the identified retention mechanisms.

Second, regarding sample scope, our study is based on eight IT SMEs operating in Spain. Although data saturation was empirically reached during the coding process, the sample remains geographically and sectorally bounded. The Spanish institutional context—including specific labour regulations on digital disconnection (LOPDGDD), the structure of temporary and permanent contracts, and the post-pandemic evolution of remote work policies—may condition both the availability and the effectiveness of certain retention practices. Caution is therefore warranted when generalizing these findings to other institutional environments or knowledge-intensive sectors beyond IT.

Third, regarding methodological design, while the grounded theory approach was appropriate for the exploratory nature of this research, the cross-sectional design captures retention practices at a single point in time. Talent retention is inherently a dynamic process: practices that are effective today may lose relevance as labour market conditions, employee expectations, and technological demands evolve. Longitudinal or repeated-interview designs could offer valuable insights into how SMEs adapt their retention strategies over time.

Fourth, the study does not include quantitative indicators of retention outcomes—such as turnover rates, tenure data, or employee satisfaction scores—that would allow us to assess the actual effectiveness of the identified practices. The framework presented captures what SMEs do to retain talent, not how well these practices work. Mixed-methods research combining qualitative identification of practices with quantitative outcome measures would strengthen the evidence base considerably.

These limitations notwithstanding, the study contributes an empirically grounded and analytically structured framework for understanding talent retention in knowledge-intensive SMEs—a context that remains underrepresented in the TM literature. Future research could extend this work by comparing retention practices

across different countries, sectors, and firm sizes, and by incorporating multi-stakeholder perspectives that capture the full complexity of the retention phenomenon.

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Authors' contributions

Josep Lluis Torres-Soto: conceptualization, methodology, formal analysis, writing - original draft .

Vicenc Fernandez: methodology, validation, writing - review & editing .

Eva Gallardo-Gallardo: conceptualization, supervision .

Data availability

Data available upon request

Use of Artificial Intelligence

The authors have not used AI to develop the research or prepare the manuscript.

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