



Received: 05-09-2025  
Accepted: 15-10-2025

## International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

### Linking Strategic HRM and talent management for competitive advantage in Cape Town Retail SMEs

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DOI: <https://doi.org/10.62225/2583049X.2025.5.5.5130>

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#### Abstract

**Orientation:** The retail sector is a foundation of the South African economy, yet its small and medium enterprises (SMEs) face major human resource challenges. This study investigates the relationship between strategic human resource management (SHRM) and talent management (TM) as a basis of competitive advantage for these corporations.

**Research purpose:** This research aimed to provide firsthand evidence on how SHRM practices impact TM and, consequently, improve the competitiveness of retail SMEs in Cape Town.

**Motivation for the study:** Regardless of the acknowledged importance of human capital, various SMEs operate with casual, ad hoc HR practices. Comprehension of the strategic integration of HR can give these corporations a viable path to better performance and sustainability.

**Research approach/design and method:** A quantitative, cross-sectional survey design was employed. A structured questionnaire was administered to 47 owners and managers of retail SMEs in Cape Town. Data were analysed using

descriptive statistics, correlation, and regression analysis.

**Main findings:** The study found that 65% of respondent businesses viewed their people as a strategic resource. A moderate positive correlation ( $r = 0.5$ ) was identified between SHRM and TM. Furthermore, regression analysis indicated that SHRM is a significant predictor ( $\beta = 0.500$ ,  $p < 0.001$ ) of positive organisational outcomes, while TM's direct influence was not statistically significant in the model.

**Practical/managerial implications:** Retail SMEs should formalise and align their HR practices with strategic business objectives. Prioritising SHRM can create a foundation for effective talent management, leading to higher employee retention, productivity, and competitive advantage.

**Contribution/value-add:** This study addresses a critical gap in literature by focusing on the SHRM-TM relationship within the under-researched context of South African retail SMEs, offering context-specific insights for both practitioners and scholars.

**Keywords:** Strategic Human Resource Management, Talent Management, Competitive Advantage, Small and Medium-Sized Enterprises (SMEs), Retail Sector, South Africa

#### Introduction

The retail sector is an important component of South Africa's economy, acting as a considerable employer and contributor to GDP (South African Retail Council, 2024) <sup>[18]</sup>. Within this sector, small and medium enterprises (SMEs) constitute approximately 68% of businesses in Cape Town, playing an essential role in local economic development and job creation (Department of Trade and Industry, 2023) <sup>[9]</sup>. However, these corporations operate in a vibrant and challenging world characterised by economic instability, technological interruption, and intense rivalry for skilled personnel (Van der Merwe & Smith, 2024) <sup>[23]</sup>.

A primary challenge compelling the growth and sustainability of retail SMEs is the efficient management of human capital. These companies often grapple with high employee turnover averaging 27% yearly in Cape Town, well above the national cross-sector average (Statistics South Africa, 2024) <sup>[20]</sup>. This is coupled with reduced resources and frequently informal, reactive human resource (HR) practices (Mkhize, Mtshali, & Buthelezi, 2023) <sup>[14]</sup>. In an industry where consumer service and

operational efficiency are dominant, the inability to attract, advance, and retain talented workforce directly undermines competitive advantage (Botha & Cronje, 2023) <sup>[4]</sup>.

Strategic Human Resource Management (SHRM) and talent management (TM) have been acknowledged as critical solutions to these challenges in large corporations. SHRM involves aligning human resource policies and practices with strategic business objectives to optimise workforce potential (Armstrong & Taylor, 2024) <sup>[2]</sup>. Talent management, as a key component of SHRM, focuses systematically on securing, developing, and motivating a skilled and committed workforce (Collings & Mellahi, 2009) <sup>[7]</sup>. However, the extensive body of research on SHRM and TM is predominantly centred on large organisations in developed economies (Collins & Clark, 2023; Thompson, Johnson, & Williams, 2023) <sup>[8, 21]</sup>. Their application and efficacy within the unique context of SMEs, particularly in developing economies like South Africa, remains poorly understood and underexplored (Ngwenya & Khumalo, 2023) <sup>[15]</sup>.

This study seeks to address this research gap by investigating the relationship between SHRM and TM in Cape Town's retail SMEs. The primary purpose is to examine how these firms can leverage SHRM practices to enhance their TM capabilities and, in turn, achieve a sustainable competitive advantage. The specific objectives are:

1. To evaluate the current state of SHRM practices in retail SMEs in Cape Town.
2. To analyse the relationship between SHRM implementation and key talent management outcomes.
3. To identify the critical success factors and barriers to SHRM implementation in this context.

## Literature Review

### Strategic human resource management in the SME context

SHRM is defined as the process of linking the human resource function with the strategic goals and objectives of the organisation to improve performance (Bratton, 2005) <sup>[6]</sup>. Unlike operational HR, which is administrative, SHRM is proactive, long-term, and integrated with the business's mission and vision (Armstrong & Taylor, 2024) <sup>[2]</sup>. In large firms, this often involves formalised HR departments and systems. In SMEs, however, SHRM is typically characterised by greater informality, with the owner-manager playing a central role in its implementation (Ngwenya & Khumalo, 2023) <sup>[15]</sup>. The challenge for SMEs is to adopt the strategic *mindset* of SHRM—ensuring HR decisions support business goals—without necessarily replicating the complex structures of large corporations.

### Talent management as a strategic imperative

Talent management extends beyond mere recruitment. It is a holistic approach encompassing the attraction, identification, development, engagement, retention, and deployment of talented individuals who are of particular value to an organisation (Collings & Mellahi, 2009) <sup>[7]</sup>. In the retail sector, where frontline employee performance directly influences customer satisfaction and sales, effective TM is not a luxury but a necessity (Botha & Van der Berg, 2024) <sup>[5]</sup>. For SMEs, this often means creating a compelling employer brand and fostering a culture that can compete with larger rivals for skilled individuals.

## The nexus of SHRM and talent management

SHRM and TM are not separate entities; rather, SHRM provides the strategic framework within which effective TM operates (Michigan State University, 2022) <sup>[13]</sup>. SHRM defines the organisation's long-term human capital needs, and TM executes the strategies to meet those needs. This relationship is illustrated in Table 1.

**Table 1:** The link between SHRM applications and talent management outcomes

| SHRM application                | Impact on talent management                                                                                                   |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>Workforce planning</b>       | Ensures a pipeline of skilled employees for current and future strategic needs (Wright & McMahan, 1992) <sup>[24]</sup> .     |
| <b>Training and Development</b> | Improves employee competencies and aligns skill development with strategic goals (Noe <i>et al.</i> , 2017) <sup>[16]</sup> . |
| <b>Performance management</b>   | Links individual objectives and performance with organisational goals (Aguinis, 2019) <sup>[1]</sup> .                        |
| <b>Employee engagement</b>      | Promotes loyalty and commitment, reducing turnover in competitive sectors (Harter <i>et al.</i> , 2002) <sup>[11]</sup> .     |

**Source:** Authors' construction from findings

## Theoretical framework: The Resource-Based View

The Resource-Based View (RBV) of the firm provides a robust theoretical foundation for this study. RBV posits that sustainable competitive advantage is achieved through possessing resources that are Valuable, Rare, Inimitable, and Non-substitutable (VRIN) (Barney & Wright, 2023) <sup>[3]</sup>. When applied to human capital:

- **Valuable:** Employees in retail SMEs create value through customer service, local market knowledge, and operational flexibility (Harris & Robinson, 2024).
- **Rare:** Individuals with specific retail competencies and a strong service orientation are increasingly scarce (Botha & Cronje, 2023) <sup>[4]</sup>.
- **Inimitable:** The unique culture, social dynamics, and tacit knowledge within an SME are difficult for competitors to replicate (Maharaj & Pillay, 2024) <sup>[12]</sup>.
- **Non-substitutable:** The human element in retail—relationship-building, empathy, and adaptive problem-solving—cannot be fully replaced by technology (Dlamini & Nkomo, 2024) <sup>[10]</sup>.

SHRM is the mechanism that transforms human capital from a generic resource into a VRIN resource by creating aligned HR systems that are specific to the firm's context (Wright & McMahan, 2023) <sup>[24]</sup>.

## Research hypothesis

Based on the literature and theoretical framework, the following hypothesis is proposed:

**H1:** There is a positive and significant relationship between the implementation of Strategic Human Resource Management and effective Talent Management in retail SMEs.

## Research methodology

### Research design

This study adopted a positivist research philosophy, employing a quantitative, cross-sectional survey design. This approach was deemed appropriate for objectively measuring relationships between the variables of interest (SHRM and TM) and for generalising findings from the

sample (Tuckerman, Kaufman, & Danchin, 2020) [22].

### Population and sampling

The target population consisted of owner-managers of retail SMEs within the Cape Town metropolitan area. A non-probability, purposive sampling technique was used to select participants who had direct knowledge of and responsibility for HR and talent decisions. The final sample comprised 47 respondents. Whilst this sample size is a limitation for broad generalisation, it provides a focused insight into the specific context under study.

### Data collection

Data were collected using a structured questionnaire distributed both physically and via email. The instrument consisted of two sections:

- **Section A:** Collected demographic and business profile data such as position, business age, qualifications and HR experience.
- **Section B:** Contained Likert-scale questions designed to measure the extent of SHRM implementation and TM practices within the organisation.

### Data analysis

Data were analysed using Microsoft Excel. Analysis included:

- **Descriptive statistics** (frequencies, percentages) to summarise the demographic data and response trends.
- **Correlation analysis** (Pearson's  $r^*$ ) to assess the strength and direction of the relationship between SHRM and TM.
- **Regression analysis** to explore the predictive power of SHRM and TM on a composite measure of organisational effectiveness.

### Ethical considerations

Ethical standards were rigorously upheld. Informed consent was obtained from all participants, who were assured of anonymity and confidentiality. The study avoided collecting sensitive personal data and ensured that participation was voluntary, with no physical or psychological harm to respondents.

## Results

### Demographic profile of respondents

The demographic results (Table 2) indicated that the majority of respondents were managers (76.6%), with 17% supervisors and 6.4% owners. Over half of the businesses (51.1%) had been operating for 6-10 years. The gender split was 57.4% female and 42.6% male. In terms of qualifications, 42.6% held a secondary school certificate (matric), 34% a diploma, and 17% a degree or higher. Notably, 72.3% of respondents had 1-5 years of HR experience, indicating their direct involvement in people management.

**Table 2:** Demographic profile of respondents (n=47)

| Category            | Frequency | Percentage |
|---------------------|-----------|------------|
| <b>Position</b>     |           |            |
| Manager             | 36        | 76.6%      |
| Supervisor          | 8         | 17.0%      |
| Owner               | 3         | 6.4%       |
| <b>Business age</b> |           |            |
| 0-5 years           | 11        | 23.4%      |

|                              |    |       |
|------------------------------|----|-------|
| 6-10 years                   | 24 | 51.1% |
| 10 years                     | 5  | 10.6% |
| More than 10 years           | 7  | 14.9% |
| <b>Gender</b>                |    |       |
| Male                         | 20 | 42.6% |
| Female                       | 27 | 57.4% |
| <b>Highest qualification</b> |    |       |
| Secondary School             | 20 | 42.6% |
| Diploma                      | 16 | 34.0% |
| Certificate                  | 3  | 6.4%  |
| Degree/Masters/PhD           | 8  | 17.0% |
| <b>HR experience</b>         |    |       |
| 1-5 years                    | 34 | 72.3% |
| 5-10 years                   | 6  | 12.7% |
| More than 10 years           | 7  | 15.0% |

**Source:** Authors' construction from findings

### SHRM and TM practices

A significant majority of respondents (80% strongly agreed, 15% agreed) confirmed that SHRM was practised in their organisations. Furthermore, 85% of respondents strongly agreed that SHRM has a direct impact on TM, supporting the integrated nature of these concepts proposed in the literature.

### Relationship between SHRM and TM

The correlation analysis revealed a moderate positive relationship between SHRM and TM ( $r = 0.5$ ), as shown in Table 3. This provides initial support for H1.

**Table 3:** Correlation between SHRM and TM

|      | SHRM  | TM    |
|------|-------|-------|
| SHRM | 1.000 |       |
| TM   | 0.500 | 1.000 |

**Source:** Authors' construction from findings

The regression analysis (Table 4) further investigated this relationship. SHRM was found to be a significant predictor ( $\beta = 0.500$ ,  $p < 0.001$ ) of the dependent variable (a composite performance metric), whereas TM's coefficient was not statistically significant ( $\beta = 0.003$ ,  $p = 0.450$ ). This suggests that whilst SHRM and TM are correlated, the overarching strategic framework of SHRM drives tangible outcomes more directly in this SME context.

**Table 4:** Regression analysis results

| Variable           | Coefficient | Standard Error | p-value |
|--------------------|-------------|----------------|---------|
| SHRM               | 0.500       | 0.100          | < 0.001 |
| TM                 | 0.003       | 0.005          | 0.450   |
| Constant           | 1.200       | 0.300          | < 0.001 |
| R-squared          | 0.450       |                |         |
| Adjusted R-squared | 0.420       |                |         |

**Source:** Authors' construction from findings

The data presented in this section was obtained from a questionnaire issued to 47 clothing store managers/owners in Cape Town. The demographical details of the participants are provided in Table 2.

### Discussions

The findings of this study underscore the critical role of SHRM in the South African retail SME context. The strong consensus (95% agreement) that SHRM is practised, whilst potentially optimistic, indicates a growing recognition

among SME leaders of the need to manage people strategically rather than merely administratively.

The moderate positive correlation ( $r = 0.5$ ) between SHRM and TM confirms the theoretical link proposed in the literature (Michigan State University, 2022; Sparrow, Scullion, & Tarique, 2022) [13, 19]. This suggests that as retail SMEs develop more structured and forward-looking HR practices, their ability to manage talent effectively improves concomitantly. This alignment is essential for building the VRIN human capital base advocated by the Resource-Based View (Barney & Wright, 2023) [3].

The most compelling finding lies in the regression results. The significant coefficient for SHRM, contrasted with the non-significant coefficient for TM, implies that the strategic *foundation* (SHRM) is a more powerful direct driver of performance outcomes than the tactical *execution* of TM alone. A possible interpretation is that in the resource-constrained SME environment, establishing clear strategic HR direction has a more immediate and measurable impact than isolated talent initiatives. TM's value may be fully mediated through the strategic framework provided by SHRM.

This study also highlights an area for improvement: only 50% of respondents agreed that employees were aware of or involved in SHRM/TM processes. This points towards a potential top-down approach to HR in these SMEs. Involving employees more deeply could enhance buy-in, engagement, and the overall effectiveness of these practices (Sohel-Uz-Zaman *et al.*, 2022) [17].

### Limitations

This study has several limitations. The sample size ( $n=47$ ) is small, limiting the statistical power and the generalisability of the findings beyond the specific context of Cape Town retail SMEs. The cross-sectional design provides a snapshot in time and cannot establish causality. Furthermore, the use of self-reported data from a single respondent per firm may introduce common method bias.

### Recommendations and future research

The results of the study inspires future research on HR systems and processes to focus on SHRM-TM for aligning HR policies and practices to be aligned to organisational performance. It is recommended that HRM functions should be streamlined to focus on meeting business objectives. It is also recommended that organisations should strategise on managing highly potential human resources for creating value for the business, securing talented people with special skills and achieving organisational goals.

Future studies should employ a larger, randomised sample to enhance representativeness. Longitudinal research would be valuable to trace the causal relationships between SHRM, TM, and firm performance over time. A mixed-methods approach, incorporating qualitative interviews, could provide deeper insights into the "how" and "why" behind the implementation challenges and successes of SHRM in SMEs.

### Conclusion

This research demonstrates a clear and significant relationship between SHRM and TM in Cape Town's retail SMEs. It concludes that SHRM acts as a vital enabling framework, turning talent management from a set of disjointed activities into a coherent system that contributes

to competitive advantage. For these firms, investing in the development of strategic HR practices is not merely an option but a prerequisite for sustaining a talented workforce and achieving long-term business success.

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