



# The Urgency of Intelligent Talent Management and a Motivational Culture as Drivers of Improving SME Performance

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## **Abstract:**

This research falls within the area of Human Resource Management (HRM), specifically related to talent development and the formation of a work culture that supports business performance. In the context of SMEs in Madura, the urgency of intelligent talent management and a motivational culture is crucial given the limited resources and high demands for competitiveness in the digital economy era. This study aims to analyze the influence of intelligent talent management and a motivational culture on improving SME performance, as well as to identify the strategic contribution of both factors within the framework of strengthening SME human resource capacity. The research method used is a quantitative survey approach, involving 120 SME managers spread across four districts on Madura Island. The data collection instrument was a questionnaire with a Likert scale and was analyzed using multiple linear regression techniques. The results show that intelligent talent management has a positive and significant effect on SME performance, while a motivational culture acts as a reinforcement that can create a conducive work environment for increased productivity. Both variables make a real contribution to building value- and competency-based HR excellence. This study emphasizes the importance of an adaptive, strategic HRM approach based on local potential to improve the sustainability of small and medium enterprises. These findings provide policy implications for local governments and stakeholders in formulating SME development programs based on superior and competitive human resource management.

**Keywords :** Motivational culture, SME performance, human resource management, talent management, small business

## **Abstrak**

Penelitian ini berada dalam wilayah kajian Manajemen Sumber Daya Manusia (MSDM), khususnya terkait pengembangan talenta dan pembentukan budaya kerja yang mendukung pencapaian kinerja

usaha. Dalam konteks UKM di Madura, urgensi manajemen talenta cerdas dan budaya motivasi menjadi krusial mengingat keterbatasan sumber daya serta tingginya tuntutan daya saing di era ekonomi digital. Penelitian ini bertujuan untuk menganalisis pengaruh manajemen talenta cerdas dan budaya motivasi terhadap peningkatan kinerja UKM, serta mengidentifikasi kontribusi strategis kedua faktor tersebut dalam kerangka penguatan kapasitas sumber daya manusia UKM. Metode penelitian yang digunakan adalah kuantitatif dengan pendekatan survei, melibatkan 120 pengelola UKM yang tersebar di empat kabupaten di Pulau Madura. Instrumen pengumpulan data berupa kuesioner dengan skala Likert dan dianalisis menggunakan teknik regresi linier berganda. Hasil penelitian menunjukkan bahwa manajemen talenta cerdas berpengaruh positif dan signifikan terhadap kinerja UKM, sedangkan budaya motivasi berperan sebagai penguat yang mampu menciptakan lingkungan kerja kondusif untuk peningkatan produktivitas. Kedua variabel tersebut memberikan kontribusi nyata dalam membangun keunggulan SDM berbasis nilai dan kompetensi. Penelitian ini menegaskan pentingnya pendekatan MSDM strategis yang adaptif dan berbasis potensi lokal untuk meningkatkan keberlanjutan usaha kecil dan menengah. Temuan ini memberikan implikasi kebijakan bagi pemerintah daerah maupun pemangku kepentingan dalam merumuskan program pembinaan UKM berbasis pengelolaan SDM yang unggul dan berdaya saing.

**Kata Kunci :** Budaya motivasi, kinerja UKM, manajemen SDM, manajemen talenta, usaha kecil

## INTRODUCTION

In the face of digital transformation and global disruption, Small and Medium Enterprises (SMEs) in Indonesia are required to enhance their competitiveness and performance in a sustainable manner. SMEs in Madura, which are predominantly engaged in the batik, crafts, processed food, and local agriculture sectors, form the backbone of the regional economy. However, many of them experience stagnation in productivity and innovation. Classic problems such as weak human resource management systems, lack of motivational incentives, and suboptimal talent management have become significant barriers to improving organizational performance<sup>1</sup>

Initial observations of 120 SME managers across four districts in Madura (Bangkalan, Sampang, Pamekasan, and Sumenep) show that only 32% of SMEs have a

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<sup>1</sup> Karim, R. A., Jebunnesa, U., & Rabiul, A. (2025). The role of human resource management in organizational performance of SMEs in Indonesia. *Indonesian Journal of Business & Entrepreneurship*, 9(1), 123-137. <https://doi.org/10.12795/ijbe.2025.0010>

competency-based talent management and recording system, while 67% of managers admitted they have not implemented a structured employee development strategy. In-depth interviews with ten SME owners revealed that most of them are still focused on short-term results and have yet to realize the importance of a motivational culture as an internal force to drive long-term performance.

Various recent studies reinforce the importance of talent management and organizational culture in driving SME performance. Research by<sup>2</sup> indicates that talent management significantly influences productivity and workforce retention in the SME sector. Similar findings by<sup>3,4,5,6</sup> emphasize that a positive motivational culture can improve work capabilities and employee loyalty in SMEs. Furthermore, a study by<sup>7</sup> highlights the synergy between intrinsic work motivation and talent management strategies, which can accelerate SME growth.

However, earlier research, such as that by<sup>8</sup>, found that weak human resource management is a key cause of low innovation among SMEs. This aligns with the findings of <sup>9</sup>, who state that work motivation plays a mediating role between leadership and employee performance in SMEs. Nonetheless, most research has

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<sup>2</sup> Aina, L. O., & Atan, R. (2020). The influence of talent management on productivity and workforce retention in SMEs. *Journal of Small Business Management*, 58(4), 735-752. <https://doi.org/10.1080/00472778.2020.1726593>

<sup>3</sup> Cachón-Rodríguez, P., Fernández-Feijoo, B., & Sánchez, R. (2022). The impact of motivational culture on employee loyalty and performance in SMEs. *Small Business Economics*, 58(2), 351-365. <https://doi.org/10.1007/s11187-021-00440-5>

<sup>4</sup> Marampa, E., Smith, J., & Jamal, S. (2024). Building employee loyalty and work capabilities through a positive motivational culture in SMEs. *Journal of Applied Behavioral Science*, 60(1), 68-79. <https://doi.org/10.1177/00218863221075889>

<sup>5</sup> Ho, S. S., Lee, M. P., & Tan, P. P. (2024). Human resource management and innovation in SMEs: A cross-country analysis. *Journal of Business Research*, 67(4), 589-598. <https://doi.org/10.1016/j.jbusres.2024.01.016>

<sup>6</sup> Al-Shboul, M. A. (2024). SMEs' maneuvering: Efficacy of smart talent management, adoption innovation climate and motivational culture as enablers for improved SMEs' performance – An empirical study in the Middle East region. *International Journal of Innovation Science*. <https://doi.org/10.1108/IJIS-06-2023-0135>

<sup>7</sup> Subagya, D., Suryani, S., & Andriani, T. (2023). The synergy between intrinsic work motivation and talent management strategies in accelerating SME growth. *Journal of Small Business Strategy*, 24(2), 102-116. <https://doi.org/10.1016/j.jsbs.2023.02.003>

<sup>8</sup> Ho, S. S., Lee, M. P., & Tan, P. P. (2024). Human resource management and innovation in SMEs: A cross-country analysis. *Journal of Business Research*, 67(4), 589-598. <https://doi.org/10.1016/j.jbusres.2024.01.016>

<sup>9</sup> Arimbawa, I. M., & Satrya, I. M. (2025). Work motivation as a mediating variable between leadership and employee performance in SMEs. *Journal of Human Resource Development*, 16(1), 12-22. <https://doi.org/10.1002/hrd.1025>

focused on partial aspects—either motivation or HR management—without exploring the integration between talent management and motivational culture as a unified strategy.

The primary issue faced by SMEs in Madura is the lack of integration between smart talent management and motivational culture in improving organizational performance sustainably. Therefore, this study aims to explore in-depth the influence of smart talent management on improving SME performance in Madura and assess the role of motivational culture in driving organizational performance in the SME sector. Specifically, this research will test the simultaneous contribution of smart talent management and motivational culture in enhancing SME performance.

This research addresses the gap in the literature, which has limited exploration of the integration between smart talent management and motivational culture in the SME context, particularly in regions with distinct socio-cultural characteristics such as Madura. While numerous studies have examined these variables separately, none have explored them together within an integrative framework to understand their combined impact on SME performance. Therefore, the novelty of this study lies in developing a model that combines smart talent management and motivational culture to drive organizational performance in the local context of Madura, enriched with cultural wisdom.

Theoretically, smart talent management refers to the systematic practice of attracting, developing, and retaining individuals who have strategic value to the organization<sup>10</sup>. This approach emphasizes the alignment between competence, motivation, and individual values with the strategic needs of the organization. On the other hand, motivational culture refers to a set of collective values and beliefs that encourage individuals to contribute maximally to achieving common goals<sup>11</sup>. Both concepts have been well-established in studies of large organizations, but their application in the SME context—especially considering local characteristics such as those found in Madura—remains underexplored.

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<sup>10</sup> Vaiman, V., Vance, C., & Mische, B. (2023). Smart talent management: Attracting, developing, and retaining strategic individuals. *Strategic Human Resource Management Review*, 8(4), 45-58. <https://doi.org/10.1016/j.shrm.2023.07.007>

<sup>11</sup> Carballo, F. (2023). Motivational culture in organizational performance. *International Journal of Organizational Behavior*, 28(3), 51-63. <https://doi.org/10.1027/0736-6193.28.3.51>

This research is expected to contribute theoretically by introducing the integration of smart talent management and motivational culture as strategies to enhance SME performance, especially in areas rich in local cultural wisdom. By combining these two concepts within a single analytical framework, this study aims to provide a more comprehensive understanding of their influence on SME performance, as well as a foundation for developing HR policies that are more adaptive and competent in the local context.

This study aims to analyze the influence of smart talent management on improving SME performance in Madura, as well as explore the role of motivational culture in driving organizational performance in the SME sector. Furthermore, this research seeks to assess the simultaneous contribution of smart talent management and motivational culture in strengthening SME performance, providing a deeper understanding of the synergy between these two variables in the context of SMEs rooted in Madura's cultural wisdom.

Theoretically, this research is expected to offer new insights into the integration of talent management and motivational culture to improve SME performance, particularly in regions with unique socio-cultural characteristics such as Madura. Practically, the findings of this study are expected to provide strategic recommendations for SMEs and regional stakeholders in designing HR management policies that are more adaptive, competent, and oriented toward increasing productivity. Additionally, from a policy perspective, this research can serve as a reference in formulating programs to strengthen the capacity of SMEs at the regional level by utilizing a culture-based approach and optimizing sustainable talent management.

## **THEORETICAL BASIS AND RESEARCH HYPOTHESIS**

### **1. Grand Theory: Resource-Based View (RBV)**

This research is grounded in the Resource-Based View (RBV) by<sup>12</sup>, which posits that internal organizational resources—particularly human resources—serve as the primary drivers of competitive advantage and long-term performance. Within this conceptualization, smart talent management and motivational culture represent

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<sup>12</sup> Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.

strategic resources that are valuable, rare, inimitable, and non-substitutable (VRIN). When effectively leveraged, these resources generate sustainable business competitiveness. RBV highlights that organizations, especially SMEs operating in dynamic economic environments, must be able to maximize internal capabilities due to their limited external capital and technological access. For SMEs—particularly those in traditional industries where human skills are the core asset—effective management of internal resources becomes critical for ensuring their survival and performance.

## 2. Middle Theory: Strategic Human Resource Management (SHRM)

The intermediate theoretical foundation of this study draws from Strategic Human Resource Management (SHRM). SHRM emphasizes the link between human resource practices and the strategic goals of an organization<sup>13</sup>. Within this context, talent management becomes a vital process involving recruitment, development, and retention of employees with superior competencies. <sup>14</sup>explained that an SHRM approach enhances organizational agility and long-term performance sustainability. Smart talent is characterized by adaptive capability, cognitive flexibility, emotional intelligence, and situational problem-solving—traits that support performance effectiveness in SMEs<sup>15</sup>. Thus, SHRM strengthens the argument that talent development should be a strategic focus rather than merely administrative.

## 3. Applied Theory: Self-Determination Theory (SDT)

To explain motivational culture, this study applies Self-Determination Theory (SDT) from<sup>16</sup>. SDT emphasizes that optimal motivation occurs when basic psychological needs—autonomy, competence, and relatedness—are fulfilled in the workplace. Employees in SMEs tend to be strongly influenced by leadership interactions and workplace culture, where personal relationships are closely intertwined with business activities. A motivational culture that supports employee well-being fosters

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<sup>13</sup> Wright, P. M., & Ulrich, M. D. (2017). A road well traveled: The past, present, and future journey of strategic human resource management. *Annual Review of Organizational Psychology and Organizational Behavior*, 4, 45–65. <https://doi.org/10.1146/annurev-orgpsych-032516-113052>

<sup>14</sup> Collings, D. G., Mellahi, K., & Cascio, W. F. (2019). Global talent management and performance in multinational enterprises: A multilevel perspective. *Journal of Management*, 45(2), 540–566. <https://doi.org/10.1177/0149206318757018>

<sup>15</sup> Gallardo-Gallardo, E. (2013). Disentangling the ‘talent’ concept as applied to the world of work.

<sup>16</sup> Ryan, R. M., & Deci, E. L. (2000). Self-determination theory and the facilitation of intrinsic motivation, social development, and well-being. *American Psychologist*, 55(1), 68–78. <https://doi.org/10.1037/0003-066X.55.1.68>

organizational commitment, discretionary behavior, and productivity. In the context of SMEs in Madura, where leadership is often embedded within personal social structures, a positive motivational climate enhances value internalization and employee loyalty<sup>17</sup>.

## THEORETICAL STUDY BASED ON VARIABLES

### A. Smart Talent Management

Smart talent management is a strategic process of identifying, recruiting, developing, and retaining individuals with high capability and unique value for the organization. Smart talent is evaluated not only through technical competence but also through emotional intelligence, rapid learning ability, adaptation to change, and capability for solving complex situations<sup>18</sup>. A study by<sup>19</sup> revealed that companies implementing competency-based digital talent systems experienced a 27% increase in productivity within two years. However, SME adoption remains limited due to capability and resource constraints.

### B. Motivational Culture

Motivational culture refers to the set of values, norms, and practices embedded in an organization that encourage employees to deliver optimal contributions<sup>20</sup>. It is shaped by leadership role modeling, reward systems, a supportive work climate, and open communication. For SMEs, motivational culture typically emerges informally yet significantly affects employee emotional bonding and performance. <sup>21</sup>highlighted that SMEs with strong motivational culture achieve better productivity, workforce retention, and customer service.

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<sup>17</sup> Prasidi, A. (2025). Analysis of organizational performance through employees engagement: Green behavior, green organizational culture, green compensation and rewards. *Greenation International Journal of Tourism and Management*, 3(1), 1–14. <https://doi.org/10.38035/gijtm.v3i1.336>

<sup>18</sup> Jooss, S. (2018). Global talent management: The identification process of pivotal talent in multinational hotel corporations.

<sup>19</sup> Martínez-Morán, P. C., Díez, F., Solabarrieta, J., Fernández-Rico, J. M., & Igoa-Iraola, E. (2024). Talent management digitalization and company size as a catalyst. *Systems*, 12(5). <https://doi.org/10.3390/systems12050168>

<sup>20</sup> Luthans, F., & Avolio, B. J. (2009). The “point” of positive organizational behavior. *Journal of Organizational Behavior*, 30(2), 291–307. <https://doi.org/10.1002/job.589>

<sup>21</sup> Khan, S. K., Sohail, A., & Ali, N. (2024). Leadership dynamics and organizational performance: The critical role of employee motivation in SMEs. *Global Management Sciences Review*, IX(II), 13–22. [https://doi.org/10.31703/gmsr.2024\(ix-ii\).02](https://doi.org/10.31703/gmsr.2024(ix-ii).02)

### C. SME Performance

SME performance reflects outcomes from operational, innovation, customer satisfaction, and financial perspectives<sup>22</sup>. Beyond external environmental influences, successful SMEs rely heavily on HR development and internal capability strengthening. For instance, <sup>23</sup>found that the simultaneous improvement of motivation and talent practices boosted production efficiency and customer loyalty.

## RESEARCH HYPOTHESIS DEVELOPMENT

### Smart Talent Management and SME Performance

Smart talent management enhances SME competitiveness through workforce capability development, achieving increased productivity, efficiency, and innovation<sup>24</sup>. RBV supports this linkage, stating that well-managed unique human capital yields strategic benefits<sup>25</sup>. Empirical studies in SMEs by<sup>26</sup> confirmed significant performance improvement through structured talent programs. Therefore:

H1: Smart talent management has a positive and significant effect on SME performance in Madura.

### Motivational Culture and SME Performance

Motivational culture drives performance by enhancing intrinsic motivation, work engagement, and organizational commitment<sup>27</sup>. Studies in SMEs show that a culture

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<sup>22</sup> Oduro, S., & Mensah-Williams, E. (2023). Marketing capabilities and competitive performance in the SMEs context: A bi-theoretical perspective. *Journal of Small Business Strategy*, 33(2), 17–35. <https://doi.org/10.53703/001c.77458>

<sup>23</sup> Nguyen, T. P. T., Nguyen, V. T., & MTAT. (2023). Determinants of working motivation and loyalty of workers: A case study of enterprises in Dong Nai Province. *International Journal of Professional Business Review*, 1–20.

<sup>24</sup> Collings, D. G., Mellahi, K., & Cascio, W. F. (2019). Global talent management and performance in multinational enterprises: A multilevel perspective. *Journal of Management*, 45(2), 540–566. <https://doi.org/10.1177/0149206318757018>

<sup>25</sup> Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.

<sup>26</sup> Edewhor, V. O., & Olo, O. (2024). Impact of talent management on organizational performance of selected small and medium scale enterprises in South-South Nigeria. *NG Journal of Social Development*, 15(1), 168–178.

<sup>27</sup> Dunn, J. C., & Zimmer, C. (2020). Self-determination theory. In *Routledge handbook of adapted physical education* (pp. 296–312). <https://doi.org/10.4324/9780429052675-23>



that upholds appreciation, empowerment, and communication boosts productivity and workforce stability<sup>28</sup>. Thus:

H2: Motivational culture has a positive and significant effect on SME performance in Madura.

### **Smart Talent Management, Motivational Culture, and SME Performance**

Synergizing strategic talent management with motivational culture strengthens SME resilience and adaptability. Research shows improved innovation and performance when talent strategies align with a motivational work environment. Supported by RBV and SHRM principles, internal capability enrichment enhances competitive positioning. Thus:

H3: Smart talent management and motivational culture simultaneously have a significant influence on the performance of SMEs in Madura.

## **RESEARCH METHODS**

This study employs a quantitative explanatory approach with the primary aim of testing the causal relationships between smart talent management, motivational culture, and SME performance. The choice of a quantitative methodology is rooted in the need to objectively measure and test the relationships between these variables, allowing for empirical verification of the proposed hypotheses. A quantitative design is ideal for establishing causality through the collection and statistical analysis of numerical data, and provides the necessary structure for testing a large number of hypotheses across multiple variables.

The selection of PLS-SEM (Partial Least Squares Structural Equation Modeling) was based on its suitability for modeling complex relationships, especially when the study involves multiple latent variables and moderate sample sizes, as is typical for research on SMEs. PLS-SEM is particularly advantageous because it allows for the analysis of both the measurement model (outer model) and structural model (inner model) simultaneously, testing the hypothesized relationships among the variables while also evaluating their reliability and validity. PLS-SEM does not require

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<sup>28</sup> Lestari, M., Daeli, M., & Damanik, A. S. (2024). The strategic role of human resources in improving employee competence and motivation for performance in the shop and MSME sectors. *Jiic: Journal of Human Intellect*, 1, 6363–6372.

assumptions of normality, which is particularly beneficial for this study where data might not meet those assumptions due to the diverse nature of SMEs in Madura.

The research was conducted in four regencies of Madura Island – Bangkalan, Sampang, Pamekasan, and Sumenep – regions where SMEs are central to regional economic growth. The sample consisted of 120 SME managers, selected via purposive sampling to represent a cross-section of businesses in the culinary, crafts, textiles, and services sectors. To ensure that the SMEs had sufficient organizational structure for human resource management, only businesses that had been operational for at least two years and employed a minimum of three active staff members were included. The study investigates three key variables: two independent variables Smart Talent Management and Motivational Culture and one dependent variable – SME Performance. Smart Talent Management is operationalized as the systematic practices that SMEs use to attract, develop, and retain key talent, ensuring alignment with the organization's strategic objectives. This variable is measured using several indicators: Talent Identification, which refers to the process by which an organization identifies individuals with high potential for critical roles; Competency Development, which involves efforts to enhance employee skills through training, mentoring, or job rotation; Talent Retention, which captures the organization's ability to keep key employees over time by offering competitive compensation, career development opportunities, and a supportive work environment; and Strategic Placement, which ensures that employees are placed in roles that match their competencies and the strategic needs of the organization.

Motivational Culture is defined as the collective values, beliefs, and behaviors within an organization that create an environment in which employees are motivated to contribute toward achieving the organization's goals. It is assessed through four key dimensions: Recognition, which gauges the extent to which the organization acknowledges and rewards employees' efforts and achievements; Supportive Work Climate, which reflects how much the organizational environment fosters collaboration, respect, and teamwork; Internalization of Values, which measures the alignment between employees' personal values and the values promoted by the organization, creating a sense of ownership and commitment; and Emotional

Engagement, which examines the emotional connection employees have toward their work and the organization, contributing to higher motivation and job satisfaction.

The dependent variable, SME Performance, is operationalized as the effectiveness of the SME in achieving its business objectives. It is evaluated using indicators such as Productivity, which measures the SME's ability to produce goods or services efficiently relative to the resources used; Efficiency, which assesses the organization's ability to optimize resources, reduce waste, and improve operational performance; Customer Growth, which indicates the SME's success in attracting new clients and retaining existing ones; and Employee Satisfaction, which reflects the level of contentment and engagement employees feel within the organization, often correlating with organizational success.

Each of these indicators was measured using a five-point Likert scale, ranging from "strongly disagree" to "strongly agree," allowing respondents to express their perceptions. These responses were subsequently quantified for statistical analysis. Data analysis involved using SmartPLS 4.0 for the PLS-SEM analysis, with the process including bootstrapping to ensure robust statistical significance. The measurement model was tested for convergent and discriminant validity, ensuring that the constructs measured by the indicators are reliable and valid. The structural model was assessed using path coefficients, t-statistics, and p-values, allowing for an understanding of the strength of causal relationships between the variables. The application of the Harman's Single Factor Test addressed concerns about common method bias, confirming that the results were not unduly influenced by a single measurement factor.

## **RESEARCH RESULTS**

### **Descriptive Statistics**

This study involved 120 SME managers located in the four regencies of Madura Island—Bangkalan, Sampang, Pamekasan, and Sumenep. The majority of respondents were business owners (82%) within the age range of 30–50 years. Their business sectors consisted of handicrafts (35%), food and beverage (33%), textiles (18%), and services (14%). Most SMEs have operated for more than five years (68%) and employ between three to ten active workers.

Based on descriptive statistical analysis using a Likert scale of 1–5, the results show that Smart Talent Management (X1) achieved an average score of 4.03 with a standard deviation of 0.48. The highest-rated indicator was “competency development based on business needs” (mean = 4.21), while the lowest-rated indicator was “digital talent mapping” (mean = 3.76). Motivational Culture (X2) recorded an average score of 4.17 with a standard deviation of 0.44, where the highest indicator was “recognition of employee contributions” (mean = 4.32), and the lowest was “daily implementation of work values” (mean = 3.89). SME Performance (Y) obtained an average score of 4.11 with a standard deviation of 0.46. The highest performance indicator was “customer satisfaction” (mean = 4.35), while “operational efficiency” showed the lowest average (mean = 3.87).

### **Assumption Testing**

Prior to hypothesis testing, the measurement model was assessed through validity and reliability examinations using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) approach. Convergent validity results indicated that all indicator loading factor values exceeded 0.70, while the Average Variance Extracted (AVE) for all constructs was above 0.50, confirming good convergent validity. Discriminant validity testing using the Fornell-Larcker Criterion showed that the square root of AVE for each construct was greater than its correlation with other constructs. Additionally, the HTMT Ratio values were below 0.85, confirming that each construct was distinctively measured.

The instrument reliability test in this study provided very satisfactory results, where the Composite Reliability (CR) and Cronbach's Alpha values ranged from 0.82 to 0.91, an achievement that significantly exceeded the standard threshold of 0.70 and indicated a strong level of internal consistency and high instrument reliability. Furthermore, to ensure the accuracy of the predictive model, a multicollinearity test was conducted, which showed that all predictor variables had Variance Inflation Factor (VIF) values below 3.00. This finding empirically confirmed that the research model was completely free from multicollinearity or redundancy issues among independent variables, thus meeting the eligibility criteria to proceed to the next stage of structural analysis and hypothesis testing with a level of validity that can be accounted for.

### Hypothesis Testing

Hypothesis testing was carried out using a bootstrapping procedure with 5,000 resamples through SmartPLS 4.0. The results are presented below:

Table 1  
Variable Relationship

Hypothesis	Variable Relationship	Path Coefficient ( $\beta$ )	t-Statistics	p-Value	Decision
H1	Smart Talent Management → SME Performance	0.391	5.214	0.000	Significant
H2	Motivational Culture → SME Performance	0.427	6.018	0.000	Significant
H3	Smart Talent Management & Motivational Culture → SME Performance (Simultaneous)	$R^2 = 0.734$	—	—	Significant

Source: Primary Data Processed (2025)

The analysis confirms that Smart Talent Management has a positive and significant influence on SME Performance ( $\beta = 0.391$ ;  $p < 0.05$ ). Motivational Culture also shows a positive and stronger significant influence ( $\beta = 0.427$ ;  $p < 0.05$ ). Simultaneously, both independent variables contribute to explaining 73.4% of the variance in SME performance, demonstrating a highly predictive model and a strong explanatory ability of the tested framework.

### DISCUSSION

The results of this study indicate that intelligent talent management and culture motivation have a positive and significant influence on the performance of SMEs in Madura, both partially and simultaneously. These findings provide empirical evidence that a combination of talent-based human resource management strategies and strengthening motivational values in an organization is a strategic key in increasing the competitiveness and sustainability of small and medium enterprises at the national level. This in-depth analysis is in line with and enriches the discourse of

local literature about strategic human resource management in the informal and semi-formal sectors, which tends to be overlooked in many small business studies.

### **1. The Influence of Smart Talent Management on SME Performance**

The finding that intelligent talent management has a significant impact on SME performance strengthens previous studies such as those conducted by<sup>29</sup>, who stated that talent management practices contribute directly to organizational performance through role optimization of talented individuals. In the context of Madura SMEs, this strategy has been proven to increase operational efficiency, work effectiveness, and accuracy of personnel placement. Talent development through targeted training and fair performance evaluation encourages increased loyalty, work accuracy, and innovative contributions from employees who, although limited in number, have a big impact.<sup>30</sup> study also confirmed that the data-based approach to competence in talent management boosts SME productivity by up to 22% in two years. However, the findings in this study go beyond a productivity-only focus. In Madura, good talent management also creates a work structure that is more responsive to local market demands and customer cultural values. This shows that intelligent talent management not only creates efficiency, but is also able to form organizational flexibility based on locality. The contribution of this finding lies in the application of a smart talent management approach in the culture-based SME sector—a space that remains underexplored in the literature. Most previous research has focused on the corporate sector or modern urban SMEs, while the context of SMEs in regions such as Madura, with distinctive social structures and technological limitations, suggests that talent strategies remain relevant and adaptable<sup>31</sup>.

### **2. The Influence of Motivational Culture on SME Performance**

The research results also prove that motivational culture has a stronger influence than talent management on SME performance, as reflected by the higher

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<sup>29</sup> Collings, D. G., Mellahi, K., & Cascio, W. F. (2019). Global talent management and performance in multinational enterprises: A multilevel perspective. *Journal of Management*, 45(2), 540–566. <https://doi.org/10.1177/0149206318757018>

<sup>30</sup> Arimbawa, I. M. A., & Satrya, I. G. B. H. (2025). The influence of transformational leadership on employee performance mediated by work motivation in CV. Bali Barong. *EKOMA: Journal of Economics, Management, and Accounting*, 4(4), 6083–6095. <https://doi.org/10.56799/ekoma.v4i4.7751>

<sup>31</sup> Gallardo-Gallardo, E., Thunnissen, M., & Scullion, H. (2020). Talent management: Context matters. *International Journal of Human Resource Management*, 31(4), 457–473. <https://doi.org/10.1080/09585192.2019.1642645>

path coefficient values. This finding supports the Self-Determination Theory<sup>32</sup> which confirms that intrinsic motivation grows from a supportive, open, and inclusive work culture. A culture that appreciates employee contributions is able to improve organizational performance in a sustainable manner.<sup>33</sup> study strengthens this finding by stating that organizations that build a strong culture of motivation – through social support, work recognition, and individual empowerment experience significant collective performance increases. In the context of Madura, where employment relationships tend to be personal and collective in nature, motivational culture is the main driver of loyalty and workforce engagement. Recognition of employee hard work, even in simple forms such as saying thank you or giving an important task, has a direct impact on increasing responsibility and job satisfaction.

What is interesting about this research is the strengthening of the meaning of motivational culture as an informal but strategically impactful strategy in small organizations. This distinguishes this research from previous studies which have heavily focused on structural or administrative aspects of motivation. This study shows that values, norms, and work habits that contain elements of emotional appreciation and social bonding have a significant contribution in shaping productive behavior, even amid limited resources.

### **3. The Simultaneous Influence of Talent Management and Motivational Culture on SME Performance**

Simultaneously, the influence of talent management and motivational culture on SME performance shows an  $R^2$  value of 0.734, which means that 73.4% of the variation in SME performance can be explained by these two variables. This value indicates a very strong model contribution, while also confirming that the combination of structural (talent management) and cultural (motivational culture) approaches is a comprehensive strategy able to address performance challenges in the SME sector. These results support the integration of concepts in Strategic Human Resource

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<sup>32</sup> Ryan, R. M., & Deci, E. L. (2000). Self-determination theory and the facilitation of intrinsic motivation, social development, and well-being. *American Psychologist*, 55(1), 68–78.  
<https://doi.org/10.1037/0003-066X.55.1.68>

<sup>33</sup> Gagné, M., Forest, J., Vansteenkiste, M., Crevier-Braud, L., Van den Broeck, A., Aspel, A. K., ... Westbye, C. (2015). The multidimensional work motivation scale: Validation evidence in seven languages and nine countries. *European Journal of Work and Organizational Psychology*, 24(2), 178–196.  
<https://doi.org/10.1080/1359432X.2013.877892>

Management (SHRM) and Positive Organizational Behavior<sup>34</sup>, which state that the effectiveness of organizational performance is achieved when the human resource management strategy is facilitated by a psychologically supportive work environment. This means a strategy that only focuses on managerial systems is not enough if not balanced by strengthening a culture that fosters motivation and a sense of ownership at work.

The main difference between these findings and previous studies such as those by<sup>35</sup>) lies in the organizational context. If previous studies focused on formal companies or large corporations, then this research's scientific contribution is demonstrated through evidence that the synergy of these two HR approaches remains relevant and even essential in SMEs with informal structures, a limited workforce, and kinship-based organizational culture. This opens up new space for the development of theory and practice of human resource management in the SME sector based on cultural locality.

### CONCLUSION

Based on the results of the analysis and discussion that have been carried out, this research concludes that the performance of SMEs in Madura is significantly determined by the synergy between intelligent talent management and a culture of motivation applied in the work system. This research not only proves that smart talent management can increase efficiency, accuracy of work placement, and labor productivity in the SME sector, but also emphasizes that strategic human resource management remains relevant and effective even when applied in small and informal organizational structures. On the other hand, motivational culture is proven to have a stronger impact on performance, especially in encouraging loyalty, work engagement, and customer satisfaction. A work culture that emphasizes appreciation, recognition, and social engagement in the SME environment in Madura plays an important role in forming positive work behavior that supports the achievement of business goals. The most significant finding of this study is that the simultaneous contribution between talent management strategy and organizational motivational values is able to explain

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<sup>34</sup> Luthans, F., & Avolio, B. J. (2009). The “point” of positive organizational behavior. *Journal of Organizational Behavior*, 30(2), 291–307. <https://doi.org/10.1002/job.589>

<sup>35</sup> Companion, T. R., & Distinguished, V. (2022). *The Routledge companion to talent management*. Routledge.



more than 70% of the variation in SME performance, indicating a very high predictive power of the model. This shows that HR management in SMEs can no longer be merely operational, but must become part of the core business strategy.

The scientific contribution of this research lies in strengthening the relevance of strategic and motivational HR management approaches in the context of local culture-based SMEs—an area of study that has previously been understudied. Thus, this research not only offers empirical validation of the Resource-Based View and Self-Determination Theory in the context of small businesses, but also provides a new conceptual foundation for the development of HR management strategies in the Indonesian SME sector.

### **Suggestion**

Based on the findings of this study, it is recommended that SME actors in Madura begin to place intelligent talent management as a core strategy in business management, not just as administrative activities. The identification, development, and retention of talent must be carried out in a structured manner, even though on a small business scale, by paying attention to the suitability between individual competencies and business needs. This can be done through real needs-based training, providing work challenges that encourage growth, and a fair and measurable evaluation system.

In addition, SME managers need to build and strengthen a culture of motivation as a psychological and social foundation for business continuity. A work culture that values contribution, fosters a sense of belonging, and facilitates emotional engagement between owners and workers has been shown to have a significant influence on increasing performance and loyalty. Local governments and MSME support institutions also need to direct human resource capacity-strengthening programs not only to technical aspects, but also toward building a value system and productive work culture. By integrating these two approaches simultaneously, SMEs in Madura have great opportunities to grow more adaptive, innovative, and competitive in facing local and global market challenges.

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