





Navigating Disruption in Micro Businesses: Enhancing Talent Acquisition and Development Practices to Foster Innovation

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Abstract. Talent acquisition, development, and reward are critical components of human resource management, playing a major role in fostering innovation across business scales. In Indonesia, where over 99% of businesses are micro-small medium enterprises, they often face significant challenges in promoting innovation due to time constraints, lack of financial resources, and knowledge constraints in fostering innovation in their talent. However, in an era marked by disruption due to rapid technological advancement, fostering innovation is crucial for micro businesses to compete and sustain the market. This study highlights the significant impact of talent acquisition, development, and reward on driving innovation within these enterprises. The results show that talent acquisition and reward had a significant impact on talent innovation. It indicates the importance of having proper talent acquisition and reward to attract the right talent and make them retain, loyal, and contribute to the business. By having a strategic focus on talent acquisition and reward, micro-businesses may overcome challenges, optimize their capacity for innovation, and ensure long-term success in a competitive business environment.

Keywords: Innovation, talent acquisition, talent, development, talent reward.

1 Introduction

In recent years, businesses have faced unique challenges when navigating disruptions. This disruption has significantly impacted businesses due to the rapid technological advancements, economic downturn, global pandemic, and shifting consumer behaviors which create volatile, uncertain, complex, and ambiguous situations known as the VUCA era [1].

Economic downturns and uncertainties, such as those experienced during the COVID-19 pandemic, have severely affected businesses [2]. Micro businesses may struggle to keep pace with the disruptions due to limited access to technology and expertise. Additionally, there has been a shift towards online shopping and demand for more personalized and sustainable products [3]. Microbusinesses must innovate and adapt their offerings and marketing strategies to meet these changing consumer

behaviors and, at the same time, need to prepare human resources to adapt to the changes. Unlike larger enterprises, micro businesses often lack the financial stability, vast networks, and robust infrastructure to absorb shocks and adapt quickly to change [4].

Talent Management is crucial in helping these micro and small enterprises remain resilient and agile [5]. Talent Management is also linked to innovation [6]. Talent management includes Talent Acquisition and Development to enable businesses to have a skilled workforce [7]. Acquiring and developing a skilled workforce equips micro-businesses with the necessary expertise to handle disruptions. Employees who are well-versed in digital tools and agile methodologies can quickly adapt to changes and implement effective solutions [8]. Additionally, an effective reward strategy is another critical element of talent management.

A well-developed talent pool ensures that employees possess versatile skills, allowing them to perform multiple roles and pivot as needed during times of disruption. Additionally, with a proper talent acquisition and development program, employees who are encouraged to innovate can bring fresh ideas and creative solutions to the table. Proper talent development programs foster a culture of innovation, enabling micro-businesses to stay ahead of the curve [9]. Through a skilled, versatile, and engaged workforce, micro-businesses can enhance their resilience, drive innovation, and maintain agility in the face of challenges. Investing in talent management not only helps micro businesses survive disruptions but also positions them for long-term success and growth [10].

Numerous research had discussed the practice of talent acquisition and development in multiple sectors and scales, nevertheless, limited research emphasized micro-scale business [11], [12], [13]. This research discusses the practices of talent acquisition, development, and reward in companies on a micro-scale. Furthermore, this paper aims to explore how effective talent acquisition, development, and reward practices can be leveraged to foster innovation in micro-businesses, enabling them to better handle disruptions.

2 Literature Review

2.1 Talent acquisition

Talent acquisition is important and incorporates multiple approaches to classify, recruit, and retain qualified talent [14]. Talent acquisition is critical for micro business success to grow and sustain [13]. Talent acquisition is not only about recruiting but also includes processes of job orientation, training, and development to nurture employee engagement which will lead to increased productivity [15]. Talent Acquisition includes determining the ways and steps to acquire talent as well as identifying and evaluating the required skills [7].

Talent acquisition is not only to filling empty positions in the organization, it is beyond that as it includes approaches to attract, evaluate, hire, and retain qualified employees to drive the organization's success [16]. Nevertheless, several challenges

are faced by micro-businesses in the talent acquisition process. These include firms' management of human resources, owners' educational background, location [11]. Effective talent acquisition requires a holistic combination of the business's goals, cultures, and values with the ability to recruit skilled candidates who can match them [17].

2.2 Talent Development

In Talent Management, Talent Development is the next phase after acquiring the talent. Firms need to create a clear development plan, identify the abilities and talents that will be developed in personnel, the time of the development program, as well as the tools to evaluate the effectiveness of people in the development program [18]. Talent Development programs provide equal opportunities for talent to grow and develop talents that can support innovation, encourage talents to experiment and take risks in jobs, develop cross-functional functions that support innovation, recognize and reward employee contributions regarding innovation within organizations as well as embrace the concept of lifelong learning [19].

2.3 Talent Reward

Reward is another important aspect of the practice of human resource [20]. The reward can be in the format of tangible as well as intangible resources given to the employee for their contribution [21]. It can be in financial or nonfinancial format. An effective reward strategy can lead to higher performance and contribute to the company's success [20]. Reward and remuneration hold a significant role in fostering innovation within the organization, as they can attract the best talents who have innovative ideas and skills [19].

2.4 Talent Innovation

Talent innovation is critical in micro businesses. Micro businesses should be innovative and cooperative to overcome talent challenges [22]. According to [19], talent management holds a pivotal role in fostering innovation by identifying, maintaining, and utilizing talents. By recruiting the right people, delivering the right development program, as well as creating an effective reward system that supports innovation, micro businesses can ensure that they have the right people in the right role.

2.5 Hypotheses Development

Based on the background and theoretical foundation, a research model was developed, and hypotheses were formulated as follows:

H1: This study assumes a statistically significant effect of Talent Acquisition on Talent Innovation

H2: This study assumes a statistically significant effect of Talent Development on Talent Innovation

H3: This study assumes a statistically significant effect of Talent's Reward on Talent Innovation

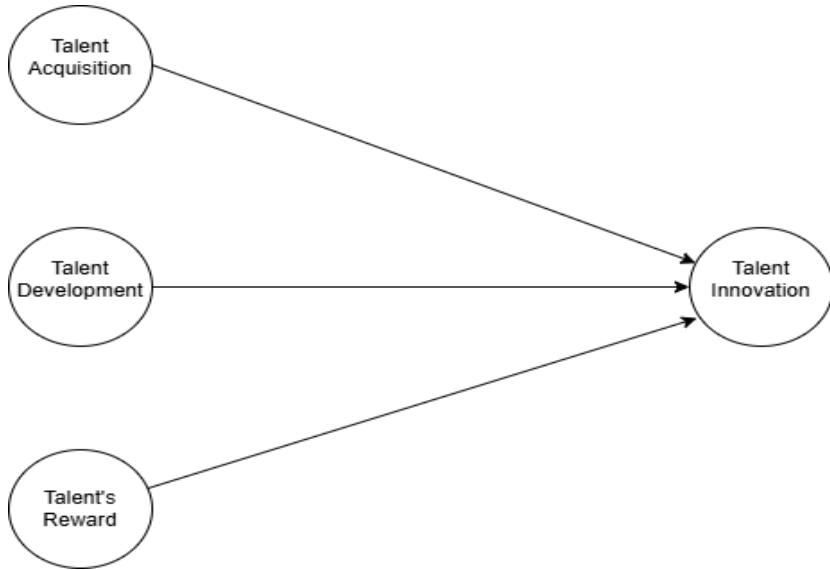


Fig. 1. Conceptual Framework

(Source: Self-made)

3 Method

This is preliminary research to explore the practice of talent acquisition, talent development, and talent reward towards talent innovation in micro businesses. This study employs quantitative research through a survey of micro-businesses to examine the relationship between talent acquisition and development practices and innovation to face disruption. The population of the study is micro-businesses in Java and Borneo Island. Samples are acquired through Snowball and random sampling resulted as of 84 micro businesses. Businesses that have a yearly sales revenue of a maximum of 2 billion rupiah are categorized as micro businesses. The data collection method is collected through Google Forms.

All respondents are instructed to fill out the questionnaire through the link which was distributed through WhatsApp. The data collection process takes about 2 months, around June-July 2024. A total of 84 usable participants of micro-businesses were in this study. The questionnaire is divided into 3 sections, the profile of respondents, the profile of the company, and the section that discusses talent acquisitions and development, as well as innovation. To assess each variable in this study, we used the

Structural Equation Model-Partial Least Squares (SEM-PLS) technique with Smart PLS 3.0. At the beginning of the analysis phase, the researchers conducted descriptive statistics to analyze the demographic profile of respondents such as gender, age, education, and status in the company with Ms. Excel.

4 Results and Discussion

The result of the demographic information shows the proportion of gender, age, education, income, and status in the company. Male and female respondents were 31% and 53%, and most of the respondents were less than 30 years old with 52%. Educational respondent's background was dominated by bachelor's degrees with 45%. Most respondents are owners with 60%. The detailed demographic information about the respondents can be seen in Table 1.

Table 1. Demographic Profile of Respondents

Variable	Responses	Frequency	Percent
Gender	Female	53	63.1 %
	Male	31	36.9 %
Age	Less than 30 years old	44	52%
	31-40 years old	22	26%
	41-50 years old	15	18%
	More than 50 years old	3	4%
Education	Elementary School	1	1%
	High School	28	33%
	Diploma	9	11%
	Bachelor's degree	38	45%
	Master's degree	5	6%
	Doctoral's degree	1	1%
	Others	2	2%
Status in the company	Owner	50	60%
	Manager	2	2%
	Supervisor	3	4%
	Staff	23	27%
	Others	6	7%

(Source: Data analyzed)

Table 2. Measurement Model

Construct and Item Measurement	Factor Loading	AVE	Composite Reliability	Cronbach Alpha
X1		0.621	0.868	0.796
X1.1	0.748			
X1.2	0.768			
X1.3	0.825			
X1.4	0.809			

X2		0.750	0.923	0.889
X2.1	0.895			
X2.2	0.859			
X2.3	0.891			
X2.4	0.818			
X3		0.661	0.886	0.828
X3.1	0.745			
X3.2	0.840			
X3.3	0.837			
X3.4	0.827			
Y1		0.717	0.910	0.868
Y1.1	0.797			
Y1.2	0.856			
Y1.3	0.875			
Y1.4	0.856			

(Source: Data analyzed)

Assessing internal validity and reliability was evaluated based on the following criteria: (1) the average variance extracted (AVE) should not be less than 0.5 [23]; (2) the composite reliability (CR) of latent variables should not be less than 0.7 [24]; and (3) the factor loading of confirmatory factor analysis (CFA) should not be less than 0.6 [25].

Table 2 shows that all values of the average variance extracted (AVE) are more than 0.6, all the composite reliability (CR) values are more than 0.8, and all the factor loading of confirmatory factor analysis (CFA) are greater than 0.7, meaning that validity and reliability are fulfilled.

4.1 Structure Testing Model

To test the Hypothesis, the bootstrapping test was conducted to calculate R^2 and to calculate the path coefficient (Beta) and level significance (t-value), the PLS square test was done.

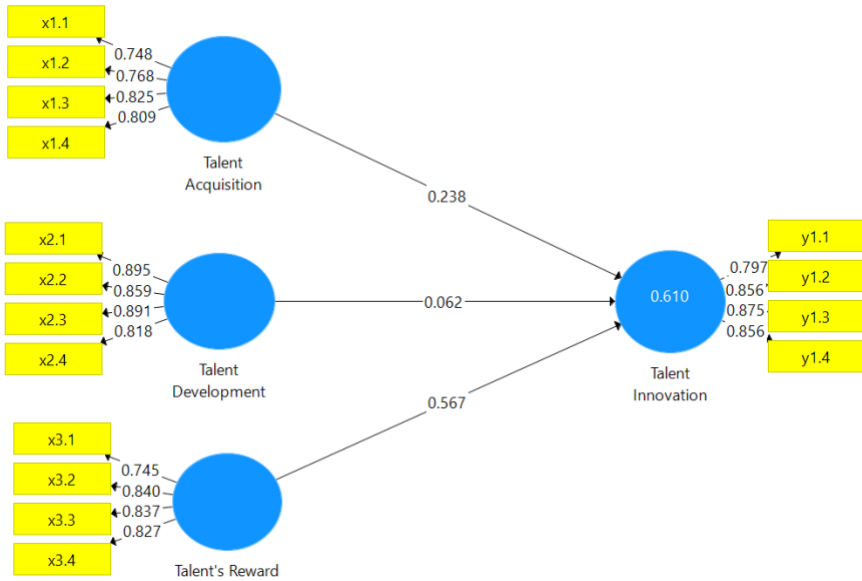


Fig. 2. Path Model

(Source: Data analyzed)

Figure 2 illustrates the path model of this research. The path coefficient indicates the strength of the relationships among the variables [26]. The model explains 61 percent of the variance in talent innovation. It shows that talent innovation is influenced 61% by talent acquisition, talent development, and talent reward. R2 values of 0.50 are considered moderate and 0.75 are considered strong, thus R2 values in this model of 0.61 are considered moderate, as it falls between the range of 0.50 and 0.75.

Table 3. Hypothesis Analysis

	Original Sample	Sample Mean	Standard Deviation	T Statistic	P Values	Significance Level
Talent Acquisition → Talent Innovation	0.238	0.227	0.083	2.857	0.004	Significant
Talent Development → Talent Innovation	0.062	0.081	0.138	0.449	0.653	Insignificant
Talent's Reward → Talent Innovation	0.567	0.558	0.112	5.043	0.000	Significant

(Source: Data analyzed)

The Smart PLS 3.0 is applied to test the structural model. Path coefficients and explanatory models with R were observed to test the model. The standardized path coefficient shall be at level 5% [27]. Table 3 shows the hypothesis testing result. The Hypothesis result showed that talent acquisition significantly impacted talent innovation (H1: β 0.238, t 2.857, p -value 0.004). It indicates that the p -value is less than 0.05 (the threshold for significance), and the t -statistic is significant as it is greater than 1.96, thus, the hypothesis is accepted.

Furthermore, talent development had no significant impact on talent innovation (H2: β 0.062, t 0.449, p -value 0.653). Thus, this hypothesis was rejected as the p -value is greater than 0.005 and the t -statistic is less than 1.96. The variable Talent's Reward had a significant impact on Talent Innovation (H3: β 0.567, t 5.043, p -value is 0.000). It indicates that the p -value is less than 0.05 (the threshold for significance), and the t -statistic is significant as it is greater than 1.96, thus, the hypothesis is accepted.

4.2 Talent's Acquisition Influence on Talent's Innovation

It is no doubt that MSMEs make a major contribution to the economy. A study by [28] highlighted how talent acquisition through social networking websites can impact talent innovation through access to a broader talent pool of candidates. By having wider access to talent, organizations may have a higher chance to identify and acquire talents who can bring fresh ideas and innovative approaches to the organization.

4.3 Talent's Development Influence on Talent's Innovation

Talent Development programs include any kind of program or activities that allow talents to experiment and take risks in jobs, reward employee contributions regarding innovation within organizations, and encourage the concept of lifelong learning [19]. However, since micro businesses have limitations in time and cost, not all firms at the micro level conduct development programs that allow talent to experiment and take risks as well as embrace lifelong learning. Thus, in this study which focuses on micro-businesses, talent development programs are not significant to innovation.

4.4 Talent's Reward Influence on Talent's Innovation

Considering the role of micro, small, and medium businesses in the economy, their significance is critical especially in opening employment opportunities and boosting the economy's progress on a global scale. Through innovative talent, micro, small, and medium businesses may catalyze transformative change and encourage social-economy progress [29].

One of the challenges in micro business is cost constraint. Thus, it is difficult for micro businesses to offer high salaries to talent as they are struggling to compete and sustain. To cater to the challenge, micro-businesses may alternate the choice of rewards as rewards can be in the form of financial and non-financial incentives [20], micro-businesses may focus on providing nonfinancial incentives such as flexible and

conducive working environments or a more family-oriented approach. A good work environment can be regarded as an incentive for talents to be more innovative [30].

5 Conclusion

Owners and managers of micro businesses should consider the process of talent acquisition, talent development, and talent reward to attract and retain the right talent for the organization. This leads to innovation within the organization. There is a great need to create and sustain suitable acquisition processes and methods in micro businesses as the application may differ from medium and large organizations. Besides, it is necessary to create an effective reward system that can foster innovation. There are substantial challenges that micro businesses face in talent management practice. Therefore, it is highly recommended that micro businesses suit the process of talent acquisition, development, and reward system according to their need, budget, and condition without neglecting the quality of the process. This research will provide valuable insights for micro business owners and managers, offering practical strategies for enhancing talent acquisition and reward systems to better cope with disruptions. The findings could also contribute to the broader field of business management by highlighting the critical role of talent in fostering innovation and agility.

Acknowledgements

The authors would like to express gratitude to Universitas Terbuka for providing financial support in this research.

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