

Entrepreneurial Orientation on Talent Acquisition and Retention in Construction SMEs

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Abstract

This study investigates how Entrepreneurial Orientation (EO) influences talent acquisition and retention strategies in Small and Medium Enterprises (SME). Construction SMEs often face limitations in attracting and retaining skilled employees. Therefore, this study examines the role of EO dimensions (innovativeness, autonomy, and proactiveness) in offering a strategic approach to address these challenges and enhance HR practices. The author adopted a mixed-method research approach for this study, collecting data through semi-structured interviews with SME managerial-level professionals and administering a questionnaire survey among professionals in the construction sector. The data were analysed using correlation techniques and thematic analysis to identify the strategic alignment between EO practices and talent management efforts. The findings revealed that internships and employee referrals are the most used and effective talent acquisition strategies. In terms of talent retention approaches, performance-based incentives and career development programs were identified as dominant approaches. Moreover, the study found that the EO dimensions of autonomy and proactiveness significantly impact the adoption and success of these talent retention and acquisition strategies. The results offer a framework for construction SMEs to improve talent-related outcomes by integrating EO into their HR planning.

Keywords: *Entrepreneurial Orientation, Talent Acquisition, Talent Retention, Construction SMEs, HR Strategies*

Introduction

The construction industry plays a vital role in national economic development and employment, encompassing a diverse network of actors dominated primarily by small and medium enterprises (SMEs) (Akdogan et al., 2012). However, this sector faces persistent challenges, such as low productivity, poor workforce management, and fluctuating employment conditions (Abioye et al., 2021). Given the industry's heavy dependence on skilled labour, talent acquisition and retention have become critical HR concerns for SMEs, especially during economic uncertainty (Alsharef et al., 2024). Effective talent acquisition involves building a strong employer brand, using digital platforms, university partnerships, and analytics to attract qualified candidates (Wungsnuopparat & Jiarui, 2022). Despite the importance of talent acquisition, employee retention in the construction industry remains a significant challenge due to project-based work cycles, financial limitations, and high competition (Hongal & Kinange, 2020). Non-financial factors such as training, development, and work-life balance are known to support retention, though they may also increase employee (Baharin & Hanafi, 2018).

To address these challenges, the concept of **EO** offers a strategic lens through which construction SMEs can manage talent effectively. EO comprises five dimensions: innovativeness, proactiveness, risk-taking, autonomy, and competitive aggressiveness, collectively representing a firm's strategic posture in pursuing opportunities and navigating uncertainty (Tat et al., 2007). Studies suggest EO supports flexibility, innovation, and firm-level resilience in construction SMEs (Othman, Saadon and Al, 2022). Innovativeness enables SMEs to adopt technologies like BIM and sustainable materials, enhancing efficiency and appeal to employees (Saka & Chan, 2020). Risk-taking facilitates entry into new markets and investment in emerging construction technologies despite financial uncertainty (Okangi, 2019). Proactiveness empowers firms to anticipate market needs and adapt early to change, while autonomy fosters internal decision-making and responsiveness (Chelliah et al., 2023). Competitive aggressiveness, although context-dependent, allows SMEs to confront competitors to maintain market strategically (Abdullahi et al., 2019).

Despite growing academic interest in EO, its relationship with HR strategies in construction SMEs, particularly regarding talent acquisition and retention, has been underexplored (Anzules-Falcones & Novillo-Villegas, 2023). Much of the existing literature focuses on EO's impact on innovation and

business performance rather than workforce stability (Mara, 2018). The study thus seeks to fill this gap by examining how EO influences recruitment and retention strategies in construction SMEs facing limited resources, workforce shortages, and competitive pressures (Abdullahi et al., 2019). Talent acquisition strategies include social media recruitment, employer branding, internships, and partnerships with educational institutions (Malesev & Cherry, 2021). On the other hand, effective retention strategies include flexible scheduling, employee development programs, and inclusive work cultures (Lamane-Harim, Cegarra-Leiva and Sánchez-Vidal, 2023).

Due to financial and infrastructure constraints, SMEs also face challenges in implementing digital recruitment and HR analytics tools (Wentzel et al., 2022). Nevertheless, developing a strategic approach to talent management, especially one informed by EO, can help construction SMEs create a competitive and resilient workforce. By aligning EO with HR practices, SMEs can address their recruitment and retention issues and enhance organisational innovation, responsiveness, and long-term sustainability.

Methodology

The author adopted a mixed-methods research design to address the research objectives, combining qualitative and quantitative approaches to ensure a comprehensive understanding of how Entrepreneurial Orientation (EO) influences talent acquisition and retention strategies in construction SMEs. Initially, a comprehensive literature review was conducted to identify the dimensions of EO and existing HR strategies commonly used in construction SMEs. Following this, semi-structured interviews were conducted with selected SME managers to explore the current practices and real-world challenges they face in implementing talent acquisition and retention strategies. Semi-structured interviews provided the flexibility to probe deeper into participants' experiences while maintaining a structured framework to guide the discussion. Due to logistical limitations and professional commitments of the participants, the interviews were conducted virtually using online platforms, which ensured accessibility and convenience. The data were then analysed using code-based content analysis using **code-based content analysis to identify recurring themes, patterns, and linkages between EO dimensions and HR practices**. As the second phase of the data collection process, a questionnaire was administered, incorporating the literature and semi-structured interview findings. Quantitative data were then gathered through a structured questionnaire survey distributed among construction professionals. Descriptive statistical tools (mean, weighted average, percentage counts, etc.) using Likert scales were used to analyse the gathered data. This helped examine the influence of EO on various HR practices, particularly the most commonly used strategies such as internships, referrals, and performance-based initiatives. Pearson correlation analysis was performed by the author to establish the nature of relationships between EO dimensions and talent strategies. The combined use of qualitative interviews and quantitative surveys ensured a balanced and comprehensive exploration of the topic, enabling the identification of patterns, relationships, and practical implications for HR strategy development in construction SMEs.

Table 3: Likert scale used in survey

	Value	Range
Strongly Disagree	1	1.00-1.80
Disagree	2	1.81-2.60
Moderate	3	2.61-3.40
Agree	4	3.41-4.20
Strongly Agree	5	4.21-5.00

	Value	Range
Very Rare	1	1.00-1.80
Rare	2	1.81-2.60
Moderate	3	2.61-3.40
Often	4	3.41-4.20
Very Often	5	4.21-5.00

Table 4: correlation scale

Scale of correlation coefficient	Value
$0 < r \leq 0.19$	Very Low Correlation
$0.2 \leq r \leq 0.39$	Low Correlation
$0.4 \leq r \leq 0.59$	Moderate Correlation
$0.6 \leq r \leq 0.79$	High Correlation
$0.8 \leq r \leq 1.0$	Very High Correlation

DATA COLLECTION AND ANALYSIS

Qualitative Data

Respondent Profile

The author collected qualitative data from seven senior professionals, including Chartered Quantity Surveyors and Civil Engineers. All interviewees held managerial roles within their respective SMEs, representing consultancy and contractor firms. In parallel, the quantitative survey yielded responses from professionals with varying years of experience and organisational positions, providing a representative view of the SME landscape.

Responses	Position	Experience in the industry	Experience as entrepreneur
Respondent 01 (R ₁)	Chartered QS	50+ Years	45 Years
Respondent 02 (R ₂)	Chartered QS	32 Years	25 Years
Respondent 03 (R ₃)	Chartered QS	30 Years	27 Years
Respondent 04 (R ₄)	Chartered QS	14 Years	9 Years
Respondent 05 (R ₅)	Chartered QS	52 Years	26 Years
Respondent 06 (R ₆)	Civil Engineer	18 Years	12 Years
Respondent 07 (R ₇)	Civil Engineer	25 Years	8 Years

All the respondents possess 14 years or more of experience in the industry, of which 71.43% have over 30 years of experience. Similarly, 100% of the respondents possess entrepreneurial expertise ranging from 8 to 45 years, with 42.86% having over 25 years of entrepreneurial experience. Regarding professional designations

- 71.43% were Chartered Quantity Surveyors
- 28.57% were Civil Engineers

This participant mix demonstrates a strong representation of experienced senior professionals with extensive experience working in technical and entrepreneurial aspects of construction. Therefore, their views are of significant use for researching EO and its impact on talent acquisition and retention strategy.

Entrepreneurial Orientation Practices

The analysis of Entrepreneurial Orientation (EO) dimensions among participants reveals the following:

- **Innovativeness:** Most participants use modern software tools to enhance operations, though some, like R2 and R7, still rely on traditional or obligatory tools, indicating varied adoption of innovation.
- **Proactiveness:** All respondents demonstrate proactive behaviour, such as forecasting demand and monitoring trends (R1–R5), addressing shortages (R6), and informal planning (R7), showing that proactiveness is common across firms.
- **Risk-Taking:** All respondents reported engaging in risk-taking, such as entering new markets, adopting technologies, or investing in large-scale or unfamiliar projects, highlighting a willingness to explore growth opportunities.
- **Competitive Aggressiveness:** Most firms focus on internal competition to improve staff performance rather than external rivalry. Exceptions include competitive bidding (R6) and price-based competition (R7).
- **Autonomy:** Respondents support employee autonomy, especially in documentation and project decisions. However, R7 noted limited autonomy due to centralised decision-making by the director.

Talent Acquisition Strategies

Construction SMEs adopt various talent acquisition strategies that reflect their unique organisational structures, limited resources, and informal networks. The analysis identified four primary approaches: employee referrals, internship programs, social media recruitment, and collaborations with universities and training institutes.

Most Used Talent Acquisition Strategies

The most frequently used method across the surveyed SMEs was **employee referrals**, with six out of seven respondents identifying it as their primary approach. This method aligns with the network-oriented hiring culture prevalent in SMEs, where trusted recommendations are vital in reducing hiring risks. Respondents noted that referrals typically yield culturally compatible and reliable candidates who integrate quickly into the organisational environment.

Internship programs were also widely adopted, allowing firms to assess, mentor, and gradually transition individuals into full-time roles. As reported by R1, this method enhances the selection process by offering long-term observation and skill development.

Social media recruitment emerged as another practical strategy, particularly among firms seeking younger candidates. Platforms such as LinkedIn and Facebook enabled rapid outreach at a low cost, offering access to a broader talent pool. R4 emphasised that this approach is efficient when immediate hiring is required.

Most Effective Talent Acquisition Strategies

Employee referrals were the most used and perceived as the most **effective acquisition strategy**. Respondents emphasised that referrals expedite recruitment and yield high-quality hires with better alignment to organisational values. R4 highlighted the reduced hiring time, while R6 stressed the cultural fit and trust associated with referred candidates.

Internship programs were also highly effective for building a future talent pipeline. R3 noted that interns quickly adapt to company culture, while R7 emphasised the value of hands-on experience and loyalty development.

University partnerships were mentioned as a valuable avenue for identifying technically capable and trainable individuals. According to R3, these collaborations bring in candidates with the relevant academic background and potential for long-term development.

Target Groups and Application of Talent Acquisition Strategies

Each acquisition strategy tends to target specific demographic or skill-based segments:

- **Social Media Recruitment:** Primarily targets younger job seekers. Respondents R1, R4, R5, R6, and R7 noted its effectiveness in attracting entry-level or administrative candidates.

- **Employee Referrals:** Generally focus on experienced professionals such as quantity surveyors, site supervisors, and technical workers. This method builds on trust and minimises cultural mismatches.
- **University and Training Institute Partnerships:** These are geared towards recruiting fresh graduates with strong technical knowledge, allowing SMEs to align their values with new talent from the outset.
- **Internships:** Provide early career exposure to undergraduates, trainees, and diploma holders. This strategy enables firms to assess candidates over time, improving hiring accuracy and supporting skill development.

Talent Retention Strategies

The interview data analysis revealed various formal and informal strategies adopted by construction SMEs to retain employees. These practices were categorised into the most commonly used and the most effective by senior management.

Most Used Talent Retention Strategies

Training and development opportunities were the most frequently cited retention strategies. Respondents emphasised that these opportunities motivate employees by enhancing skills and fostering a sense of value and commitment. R1, R2, and R7 noted that such initiatives support continuous learning, while R3 added that training helps bridge skill gaps and reinforces employee loyalty. **Work-life balance** initiatives were also widely practised. Respondents highlighted efforts to manage stress and prevent burnout among employees working in demanding construction environments. R1 and R4 observed that flexible scheduling and supportive policies improved job satisfaction and retention. **Performance-based incentives** were mentioned as a key, albeit slightly less prevalent, strategy. R5 described them as a reward for loyalty and tenure, while R6 acknowledged their positive impact on productivity. However, it was also noted that financial limitations in SMEs may restrict the broad implementation of such schemes. Other, less frequently mentioned but relevant strategies included **employee recognition**, **feedback systems**, and **career path planning**. These were seen as supplementary tools that, while not uniformly applied, contributed positively to employee morale and engagement.

Most Effective Talent Retention Strategies

Among all strategies, **training and career development** were overwhelmingly considered the most effective for retaining talent. Respondents agreed that these programs demonstrated organisational commitment to growth and development, which fostered loyalty. R3 and R5 emphasised the direct correlation between access to development and improved performance and satisfaction. **Performance-based incentives** were highly regarded for their motivational effect, particularly in roles with measurable outcomes. R6 noted that such incentives directly enhanced productivity, while R7 highlighted their influence on employee morale. **Work-life balance** was cited as an essential, non-financial strategy contributing to job satisfaction. R4 reported that it helped reduce stress and absenteeism, while R5 pointed out its cost-effectiveness relative to financial rewards. Although not universally applied, **career progression opportunities** and **recognition programs** were acknowledged as beneficial. R4 and R6 observed that clearly defined growth paths and regular feedback contributed to employee retention, even without formal promotion structures.

Quantitative Data

A structured questionnaire survey was conducted among professionals working in construction SMEs in Sri Lanka to validate and support the findings of the qualitative phase. Respondents represented various levels of seniority across both contractor and consultancy organizations. Data were analyzed using descriptive statistics and mean score rankings to identify the most practiced and most effective strategies in talent acquisition and retention.

1. Talent Acquisition Strategies

1.1 Most Used Talent Acquisition Strategies

Survey responses showed that **employee referrals** were the most widely used strategy, with a **mean score of 4.130** on a 5-point Likert scale. This was followed by **internships** (mean: **3.826**) and **university/training institute partnerships** (mean: **3.891**). **Social media recruitment** (mean: **3.630**) was also commonly used, though slightly less than traditional networking methods.

Level of usage of following Talent acquisition strategies within the organisational level.	Weighted Average
Social Media Recruitment	Often
Employee Referrals	Often
University/Training Institute Partnerships	Very often
Internships	Often
Job Fairs	Moderate

1.2 Most Effective Talent Acquisition Strategies

When evaluating effectiveness, **internships** ranked the highest with a **mean score of 4.217**, followed by **university/training institute partnerships** (mean: **4.130**) and **job fairs** (mean: **3.804**). While employee referrals remained highly used, their effectiveness received a slightly lower score (**3.717**), indicating they are not always the most strategic option in terms of long-term outcomes.

Effectiveness to acquire talent in construction organisation	Weighted Average
Social Media Recruitment	Often
Employee Referrals	Often
University/Training Institute Partnerships	Often
Internships	Very often
Job Fairs	Often

2. Talent Retention Strategies

Most Used Talent Retention Strategies

According to respondents, **performance-based incentives** were the most widely implemented retention strategy, with a **mean score of 4.152**. **Training and development programs** followed closely at **3.783**, while **work-life balance initiatives** scored **3.739**. Other methods such as **employee recognition**, **career development planning**, and **feedback systems** received moderate usage.

Level of usage of strategies within the organisational level.	Weighted Average
Performance based incentives	4.152
Training and career development	3.783
Clear career progression paths	3.543
Work life balance initiatives	3.739
Regular feedback and appraisal systems	3.761

Most Effective Talent Retention Strategies

Performance-based incentives were also considered the most effective retention strategy, receiving a **mean score of 4.326**. **Training and development** (mean: **4.217**) and **work-life balance** (mean: **4.196**) followed closely. These findings support the idea that a combination of financial and non-financial strategies is vital to effective retention in SMEs.

Effectiveness of Talent retention strategies within the organisational level.	Weighted Average
Performance based incentives	4.152
Training and career development	3.783
Clear career progression paths	3.543
Work life balance initiatives	3.739
Regular feedback and appraisal systems	3.761

Correlation Between EO and HR Strategies

Relationship Between Employee Referrals and EO Dimensions

Employee referrals were identified as the most commonly used talent acquisition strategy in construction SMEs. The correlation analysis reveals a significant association between the use of employee referrals and key EO dimensions. Table 1 presents the correlation coefficients for each EO construct.

Table 1: Correlation Coefficient Between EO Dimensions and Employee Referrals

EO Dimension	Correlation Coefficient (r)	Strength of Association
Innovativeness	0.408	Moderate
Proactiveness	0.664	High
Risk-Taking	0.593	Moderate
Competitive Aggressiveness	0.035	Very Low
Autonomy	0.647	High

The strongest positive correlations were observed with **proactiveness** ($r = 0.664$) and **autonomy** ($r = 0.647$), suggesting that firms that are forward-looking and encourage independent decision-making tend to rely more on employee referrals. **Risk-taking** ($r = 0.593$) and **innovativeness** ($r = 0.408$) also exhibited moderate positive correlations, indicating a link between entrepreneurial risk behaviour and network-based recruitment. **Competitive aggressiveness**, however, demonstrated negligible influence ($r = 0.035$), implying that internal dynamics rather than external market competition primarily drive the adoption of referral-based hiring strategies.

Relationship Between Performance-Based Initiatives and EO Dimensions

Performance-based incentives were the most widely implemented talent retention strategy among the surveyed SMEs. Table 2 illustrates the correlation between this strategy and EO dimensions.

Table 2: Correlation Coefficient Between EO Dimensions and Performance-Based Initiatives

EO Dimension	Correlation Coefficient (r)	Strength of Association
Innovativeness	0.216	Low
Proactiveness	0.503	Moderate
Risk-Taking	0.529	Moderate
Competitive Aggressiveness	-0.127	Very Low (Negative)
Autonomy	0.639	High

The highest correlation was recorded between **autonomy** and performance-based incentives ($r = 0.639$), signifying that SMEs that empower their employees are more inclined to reward individual performance. Moderate correlations with risk-taking ($r = 0.529$) and proactiveness ($r = 0.503$) suggest that entrepreneurial firms align performance rewards with calculated risks and future-oriented strategies. On the other hand, **innovativeness** showed a weak correlation ($r = 0.216$), and **competitive aggressiveness** presented a slight negative relationship ($r = -0.127$), reinforcing the idea that internal organisational culture, rather than external competitiveness, plays a larger role in employee.

Conclusion

The research concludes that **EO** significantly influences Sri Lankan construction SMEs' talent acquisition and retention strategies. The five EO dimensions, **innovativeness**, **proactiveness**, **risk-taking**, **autonomy**, and **competitive aggressiveness**, were evaluated concerning HR practices.

The findings revealed that **employee referrals** and **internship programs** are the most commonly used and effective recruitment strategies. Referrals are preferred for attracting experienced and culturally compatible employees, while internships provide a cost-effective way to assess and develop future talent. Strategies such as **performance-based incentives**, **career development opportunities**, and **work-life balance initiatives** were identified as the most effective for retention, aligning with the SMEs' focus on relationship-based and resource-conscious approaches.

Among the EO dimensions, **autonomy** and **proactiveness** emerged as the most influential. Firms fostering employee independence and forward-thinking attitudes were likelier to adopt strategic, people-focused HR practices. **Risk-taking** and **innovativeness** also contributed, particularly in experimenting with new hiring approaches like internships. **Competitive aggressiveness**, however, had minimal impact on talent strategies.

Correlation analysis validated these relationships, showing strong positive links between EO dimensions (especially autonomy and proactiveness) and key HR practices such as employee referrals and performance-based incentives. It confirms that the internal entrepreneurial mindset of SMEs shapes how they attract, develop, and retain talent, making EO an essential strategic driver in HR planning.

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