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## TALENT MANAGEMENT STRATEGIES OF MULTINATIONAL CORPORATIONS: ADAPTATIONS IN EMERGING ECONOMIES

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### **Abstract:**

The strategic significance of talent management is increasing specifically in the emerging economies owing to their demographic dividend. Since the emerging economies have come to the forefront due to their participation in global knowledge economy, it is essential to revisit their human capital development and talent management particularly when dealt by the large MNCs of the world. Researches on talent management strategies have largely focused on the large developed economies and the practices thereof have been replicated in the rest of the world without much deliberation on their efficacy. This paper has three principal objectives: one to explore the factors that have led to the focus of talent management practitioners on emerging countries, two to explore the talent management practices of multinational corporations in their extensions located at emerging economies and finally after analysing the institutional norms in local subsidiaries of these MNCs, to find out strategies for translating the global strategies into local and provincial cases.

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### **1. Introduction:**

There is paradigm shift in the balance of power from the developed to the developing economies in the last two decades with a demographic dividend causing a tremendous pool of talent in the emerging markets such as South Asia, Brazil, South Africa etc. These large economies have attracted large businesses to open their franchise here, have developed and sustained strong and indigenous industrial as well as service sector, have consistently maintained high GDP growth rate with fast resource acquisition and deployment (Doh et al, 2014). Managing talent of knowledge workers effectively is vital for the multinational companies doing business in emerging economies (Uen et al, 2012). Ironically researches on corporate talent management practices are predominantly carried on western industrialized economies and have to be adapted

sufficiently to native conditions before applying in emerging economies (Collings, 2007, Tymon, 2010).

The focal factors influencing corporate talent management strategies adaptations in emerging economies are acquiring suitable talents, developing them according to local requirements of management and finally recognizing and developing local knowledge (Collings et al., 2007). It is a major challenge for organizations to recruit and retain talents especially for young professionals and managers to take charge of growing global business in the emerging economies. While adopting corporate talent management strategies these professionals face tremendous pressure in the availability of locally adapted strategies that can fit into their demands (Tymon, 2010). T

his paper probes into this issue while using the term “adaptation” to refer to the shift of management practices through transformation into new ideas and concepts with change in setting and institutions. Given that the institutional set up in emerging economies are completely different from those of the western industrialized economies, these new institutional regimes need to be considered before the concepts and management practices are introduced in this region (Sun et al, 2015). Out of the different models of transformation this paper focuses on the transformation strategies in emerging economies at a macro organizational level i.e, talent management practices at the strategy formulation (Huselid and Becker, 2011).

#### 1.1 Definition of Emerging economies:

Emerging economies is defined as national economies which have shown sustainable rapid growth in the past few years and are still growing with consistent structural changes with a growing and strong market despite loose legal system. Such national economies are fast adapting the institutional norms of the developed economies to be liberal market economy (Elango and Pattnaik, 2007). There is a shift in balance of power being predicted world over by economists and research organizations alike that the share of global market economy is soon going to be in favour of these emerging economies leaving the major industrialized nations behind. This ongoing paradigm shift in global economy has implications for human capital development and therefore talent management since their emergence global leaders has been due their talent and knowledge base (Ibid: 543).

#### 1.2 Definition of Talent management:

Academic literature on HRM practices of MNCs resulting in competitive edge for firm arrive at a few common points that this paper takes for defining talent management for operational purposes. For this paper it is defined as procedures and functions involving development of a pool of talent in the organisation to fulfill the key positions in the organisation that support sustainable growth for the firm (Collings and Mellahi, 2009: 304).

#### 1.3 Background, relevance and contribution:

Researches on talent management are predominantly devising strategies to acquire and retain talents in the developed economies (Boxenbaum, 2006). Consequently little theoretical framework or empirical directions are available for MNCs on adapting and translating talent management strategies to rising economies. Neither is there any framework available to analyze

how the local factors of these emerging economies affect the adaptations and reception of corporate strategies to the domestic organizations. With this background relevance this paper probes into the global orientation and contextual specificity of the corporate strategies of MNCs with resource based view on one hand and neo-institutional perspective on the other. The contribution of this paper lies in presenting a heuristic framework of analysis for future research in this field. It also depicts the utter need for research into corporate talent management strategies in the MNCs operating within emerging economies through both international orientation as well as contextual specific perspectives within these economies.

This paper therefore probes into the adaptation of corporate talent management strategies from four different points of view. First, it proposes the need for contextualizing academic research to emerging economies. Second the paper investigates into the magnitude of talent management required for developing economies. Third, deriving from the micro and macro level analysis, the paper also finds out certain differences in investment patterns in the strategies in emerging economies. Four, at the final stage the paper reaches at few pointers on adaptations of talent management practices from global contexts to subsidiaries in local domestic contexts. The final analysis is done with the logic that both institutional and cultural consistency is needed for adaptation of talent management practices to local contexts with balancing needs of both contexts with management collaborations. This analysis poses few contributions, one, the gaps in academic literature on strategies in emerging economies are addressed. Second, it helps practitioners in managing talents in subsidiaries of MNCs in emerging economies.

## **2. Literature review:**

The emerging markets have shown tremendous growth in the last two decades and hence have multiple implications for talent management which has become a key issue for MNCs opening their franchise/subsidiaries in emerging economies (Tymon, 2010).

Talent Management: It is associated with the HRM practices to optimize organizational outcomes and enhance business performance (Meyers and van Woerkom, 2014).

Cappelli and Keller (2014) narrowed down the existing literature on talent management to mere two perspectives: that of inclusive or an exclusive perspective. Exclusive approach is much older and was often used in military as a means to optimize resources. It is the view that few jobs are crucial to the survival and sustainability of the firm and these key positions must be filled by the most talented, development and management of which is all about talent management. On the contrary, inclusive approach is more recent and is embedded in the egalitarian set up where all employees are regarded as making contribution to the organisation and therefore deserve benefits. Exclusive approach has again come to the forefront in the strategic human resource management as a new approach for segmentation and differentiation of employees for resource optimization (Becker and Huselid, 2011).

Gallardo and his associates (2015) underlined the existence of not only two but four different frameworks of analysis for academic literature pertaining to this field. The most prevalent among these approaches is the resource approach (RBV which is parallel with inclusive approach) that

fulfills the key positions with most talented employees to gain competitive advantage. Second approach is based on hunt for leadership talent known as employee assessment. Third is the international HRM which is based on global competitiveness of the MNCs and search for talent to sustain this competition. The last approach institutionalism focuses on the way procedural norms and institutions shape individual actors (Gallardo-Gallardo, 2015).

With these generic approaches also some specificity that is common in the talent management is the challenge face by MNCs in carrying out the talent management practices of the west, especially the US based MNCs to the emerging economies.

### **3. Theoretical Framework:**

#### 3.1 Resource based view:

At firm level Resource based view (RBV) on corporate strategies emphasizes the need for segregating employees on the basis of their talent for achieving sustainable competitive advantage. Firm competitive advantage lies in differentiating talented employees on the basis of their performance and contribution to business success (Bowman and Hird, 2013). At the subsidiary level the framework chosen is that of neo-institutional theory which explains the structural differences in institutions and regimes in the different contexts. In other words, global and local institutional regimes should be taken into consideration prior to the adaptation of talent management strategies to emerging economies.

### **4. Institutional Factors in Emerging Economies:**

#### 4.1 New emerging global leaders:

There is a global shift in balance of power from the developed nations to the developing economies which are endowed with a tremendous talent pool to drive growth and productivity. These emerging markets have shown a consistent growth of indigenous industrial and service sector as well as strong and vibrant resource acquisition and deployment (Doh et al, 2014). Business leaders of this context encounter larger issues concerning shifting institutional regime, perpetual market fluctuations and limited reference points to adapt. Academic literatures encounter similar problems of scarce theoretical frame and empirical extensions that is contextual specific to economies with limited resources. Hence researches on MNCs in emerging economies largely dwell on why businesses fail in their subsidiaries operating in these markets (Ramamurthi, 2004). Alternatively there are also studies pertaining to doing business in emerging markets (London and Hart, 2004). Some research also follow up the fast rise of multinationals in the developing economies and assign reasons behind such rise (Thite et al, 2012).

Managing talent is crucial to the MNCs operation particularly for emerging economies (Collings et al, 2007; Tymon et al, 2010). The need for emphasizing strategies in emerging economies to manage talent stems from many factors. First, these economies have shown consistent growth rate with increased flow of foreign investment more than the developed economies. Second increased competitive advantages are posed by the subsidiaries located in the emerging

economies (Thite et al, 2012). Finally, cultural institutional differences in the global and local contexts of the MNCs implicate a strong emphasis on talent management and skills building (Vaiman et al, 2012).

#### 4.2 Talent management in emerging economies:

There are many researches being carried on in the developing countries on talent management either empirical or extension of conceptual knowledge. Bhatnagar (2007) shows the talent management practices of information-technology firms in India, Bagla (2008) shows what an interesting and profiteering market an emerging economy as India is and how to invest there, Cooke and Saini (2015) show the difference in management perception of talent management and HR practices in India and China, Chadee and Rahman (2012) examine the role of talent management in performance of off-shore service firms, Chuai et al (2008) consider talent management practices in MNCs extensions in emerging economies as old wine in new bottle. There are many other fragmented works that have been questioning the efficacy of these talent management practices of MNCs of US into Indian and Chinese firms. Hartman et al (2010) identify an array of difficulties of MNCs in their adaptations to knowledge in local to increase responsiveness, Tymon and his associates (2010) point to the different organizational culture of manager social responsibility, key intrinsic rewards and loyalty as factors of enhancing and managing talents in Indian firms. Collings (2014) pointed out the shortage of human capital in BRIC and MIST nations (Brazil, Russia, India and China on one hand and countries (Mexico, Indonesia, South Korea and Turkey on the other) leading to failure of talent management practices of the US MNCs there and hence a need for development of local talent management practices is requirement of the time. Vaiman et al (2018) pointed towards the regional patterns of talent management practices in India and China while pointing towards the unique challenges faced by emerging economies in managing talent.

#### 4.3 Assessment of corporate limitations; role of local institutions:

Strategies to enhance talent are shaped by resource based view of exclusion approach where global competitiveness is to be achieved through optimizing resources. When the MNCs extend their operations to emerging economies the institutional and cultural contexts are woven around more inclusive norms and collectivistic orientation (Hofstede, 1980) dominated by relationships and tasks. Therefore there is a need for translating and adapting these strategies to local economies with increased focus on the complexities of institutional norms along with the global resource based approach. Hence integration of RBV with institutional perspective is called for (Cooke and Saini, 2015). The way local managers perceive global corporate talent management strategies is dependent on the complex institutional and relational system.

#### 4.4 From Corporate to Subsidiary:

While the corporate culture is knit around individualism and highly systematized work culture and task orientation, subsidiaries in the emerging economies are largely collectivistic with a relationship orientation (Hostede, 1980) with a preference for ambiguity in norms and low uncertainty avoidance and hence the way each emerging economy adopts these global talent management strategies are largely a consequence of their cultural specificity (Tymon et al.,

2010). There seems to be a urgency for the corporate to acknowledge these cultural contexts of the subsidiary while translating the strategies to the local extensions of MNCs.

#### 4.5 Skill Shortage and Diversity

There is an acute shortage of skilled talent in the emerging economies owing to the underdeveloped education and economy with scarce resource. To increase skills level for acquiring talent MNCs can contribute to the formation of skills through education and training facilities within the firm as well as outside to the societal development (Farndale and Sparrow, 2010). Emerging economies have the advantage of demographic dividend having large population in productive age. This can be tapped by the MNCs in acquiring local talent while formulating global talent strategies. Similarly including gender and other diversity might be a challenge if local norms and relational contexts are ignored (Vaiman et al, 2018). Growing ethnic diversity for instance might require the talent management strategies to reconsider extreme working hours for women.

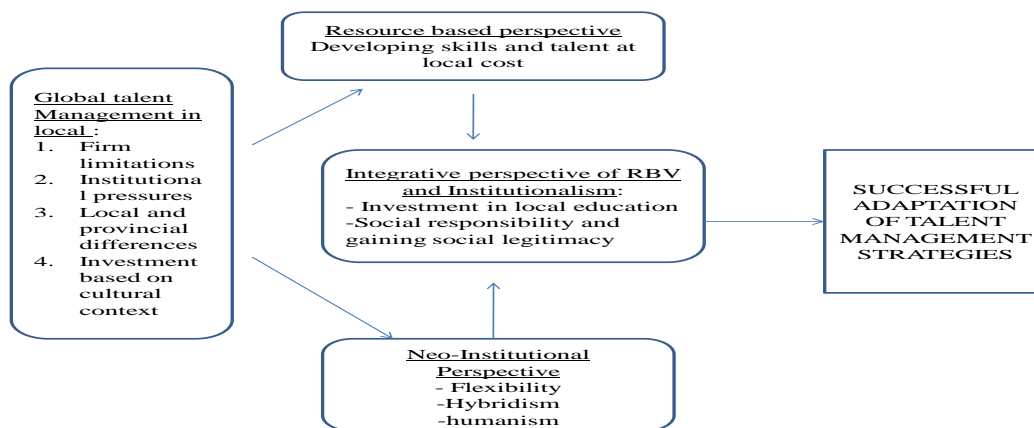
#### 4.6 Subsidiary Hybridism:

The global firms have a highly impersonal and flexible workforce that is based on international assignments, virtual teams and less tied to single firm (Vaiman et al, 2018). On the contrary firms in emerging economies are dominated by traditional psychological contract, trust and commitment. These factors of collectivism, embeddedness and psychological contracts are more stringent in the local interiors than metropolitans. Hence the subsidiary MNCs must adopt a hybridized version of the global with local context adopting the local management styles while implementing paternal strategies.

#### 4.7 Heterogeneity of emerging economies:

Within the framework of emerging economies there are large variations. Variations range from size, institutional regime, governance, normative standards, rules of law, and sources of power. As an instance, the Spanish companies people with seniority in age to hold key posts (Vaiman et al, 2018), Iranian firms avoid extreme working hours for women ( Al Arise et al, 2014).

### **Model based on Resource based and institutional perspective of talent management in emerging economies:**



Source: Self prepared from academic literature

## 5. Discussion and Conclusion:

The study recapitulates the academic research on managing talent on one hand while adapting and translating these strategies for MNCs to the sister firms world over on the other hand. From the existing body of work it is made clear that resource based view of talent management acquires a dominant view in forming strategies in the MNCs. However give the scarcity of resource and issue of institutional and cultural barriers in emerging economies, RBV alone is insufficient to adapt corporate strategies of the MNCs to manage talent in local extensions. Therefore, it is argued that institutional perspective taken along with RBV can act as a bridge in adapting strategies to manage talent in the developing or emerging economies. By developing corporate strategy of being locally responsive and flexibility in adopting local cultural context into the talent management strategies for specific countries give social legitimacy as well as sustainable growth. The study also points at the need for segregating the metropolitan firms from local within the broader framework of subsidiary. This further narrows down the issues faced by the MNCs in their adaptations to local subsidiaries in emerging economies. The issues at large are skills shortage, diversity, dynamism of cultural context, heterogeneity and global competitiveness through talent management.

In conclusion it can be said that the enhancement of knowledge on emerging economies can contribute to the enhancement of better talent management strategies by the MNCs. The institutional barriers, cultural context and heterogeneity of workforce in these quarters with a work culture based on collectivism, social contract and commitment can create serious gap in translation of existing strategies. To develop this contextualized capabilities investment in skills generation and hybridization are few ways.

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