

Management and Industrial Engineering

Carolina Machado *Editor*

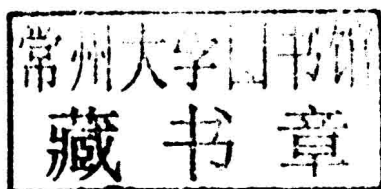
International Human Resources Management

Challenges and Changes

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Preface

International Human Resource Management (IHRM) covers the issues related to human resource management (HRM) in an international context. Today's organizations are no longer established only inside their home country frontiers. By the contrary, day after day they are looking for new markets and opportunities, in order to obtain better performance and productivity levels. International, innovative and pro-active strategies are needed. The consequences in these organizations human resources (HR) are considerable and with a huge relevance. Considered HR as one of the main critical success factors of today's organizations, it is urgent that the issues related with their management in an international perspective lead to the implementation of effective IHRM strategies, policies and practices in a context of a growing international and global activity of these organizations. The internationalization phenomenon, and consequently the organizational activity globalization, exerts a strong impact in HRM, making it imperative to competitive organizations to develop HR strategies in an international scale.

Conscious of this reality, this book looks to contribute to the exchange of experiences and perspectives about the state of IHRM research, as well as the future direction of this field of research. It looks to provide a support to academics and researchers, as well as those that operating in the management field need to deal with policies and strategies related to work issues and HRM in an international environment. Interdisciplinary perspectives to further our knowledge and understanding of the IHRM and related challenges and change processes and work practices in an international field are need.

Addressing these questions this book looks to explore the models, tools and processes used by international organizations in order to help international managers become better prepared to face the challenges and changes in their HRM and, consequently, in the way how to manage today's organizations in a global and competitive market.

Looking to share knowledge about IHRM through debate and information exchange, this book covers IHRM in eight chapters. Chapter 1 discusses "Talent Management: Contemporary Issues in a European Context". Chapter 2 covers "Knowledge Flows in MNEs and the Role of HRM". Chapter 3 contains information

on “Developing Strategic International Human Resource Capabilities in Sub-Saharan Africa”. Chapter 4 describes “The Influence of Pre-departure Training on Expatriate Adjustment: An Empirical Investigation with Portuguese International Assignees”. Subsequently, Chap. 5 covers “A Practice with Potential: Expatriate Cross-Cultural Training Among Irish MNCs”. Chapter 6 contains information on “Psychological Contract Breach and Violation: The Case of Temporary Workers in Vietnam”. Chapter 7 describes “HRM and SMEs: Contextualizing Significance, Neglect and Meaning in an International Context”. Finally, in Chap. 8, “Socialization of International Students: A Case Study” is presented.

Understood as an excellent opportunity to participate in an international and interdisciplinary exchange of information, ideas and opinions about the new challenges and changes in the IHRM field, we can say that this book is designed to increase the knowledge and understanding of all those involved in IHRM issues, in all kind of organizations and activity sectors, such as HR managers, managers, engineers, entrepreneurs, strategists, practitioners, academics or researchers. We all need to know what is happening, on both national and international arenas, to be able to give and develop effective answers to meet all these new demands and challenges, reason why the interest in this book is evident for many types of organizations, namely, important Institutes and Universities all over the world.

The Editor acknowledges her gratitude to Springer for this opportunity and for their professional support. Finally, I would like to thank all chapter authors for their interest and availability to work on this project.

Braga, Portugal

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Talent Management: Contemporary Issues in a European Context

Agnieszka Skuza and Hugh Scullion

Abstract This chapter has a number of objectives: first, to examine the reasons for the growth of interest in talent management (TM) both generally and specifically in the European context; second, to examine different conceptual approaches to TM and to review debates over the meaning of TM; third, to highlight the distinctive European context which influences the nature of TM; and fourth, to critically examine some important empirical studies and debates in TM in the European context.

Introduction

Talent management (TM) has emerged in recent years as a key strategic issue for multinational corporations (MNCs) for a number of reasons [1, 2]:

- There is a growing recognition of the critical role played by global managers in ensuring the success of MNCs and a growing understanding that the success of global business depends on the quality of leadership in the MNC [3].
- Competition between employers for talent has shifted from the country level to the regional and global levels, and MNCs increasingly need to manage talent on a regional or global basis to be competitive [2, 4].
- Shortages of leadership talent and professional talent have emerged as a key HR problem for many European MNCs and they are often a major barrier to many companies seeking to internationalize their operations [5, 6].

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- Demographic trends also influence the nature of talent management trends facing organizations. Declining birth rates and increasing longevity are key demographic trends in Europe, and recent research has highlighted rapid shifts in the demographic profiles of many countries with many European countries facing rapidly ageing populations. These issues influence labour supply issues and as the labour supply declines in some countries, firms may have to change their recruitment strategies [7, 8]. Therefore, shortages of leadership talent in many regions of the world coupled with rapid changes in demographic profiles impact on the supply of labour, future talent pipelines and the retention of key leadership and professional talents [9].
- The growth of knowledge-based economies is a further factor impacting on talent management as there is a growing need by companies to hire high-value workers in more complex roles which require higher levels of cognitive ability. The retention and motivation of knowledge workers is a key talent management challenge for many multinational organizations as despite the global recession, the evidence suggests there is still a scarcity of high-level knowledge talent in many countries [10–12].
- The rapid growth of the emerging markets is a major factor impacting on talent management and has resulted in an increasing demand for a distinctive type of managerial and professional talent which can operate effectively in these culturally complex and geographically distant markets [13–15]. The evidence suggests that despite the global recession there are still acute talent shortages in key areas across the emerging markets and for example, annual turnover rates of over 40 % are reported in key sectors of the economy in India [1, 16]. In addition, there is the problem that managerial and professional talent may not be prepared to move to the new growing emerging markets as these markets are seen as the most challenging international assignments with the highest degree of risk [16, 17]. Due to the intense competition for scarce professional and managerial talent in these markets, talents are able to be more selective in the assignments they choose to accept and often prefer to avoid what they perceive to be high-risk locations [18].
- The rapid increase in demand for expatriates with the capability to develop new markets and a growing need for highly mobile elites of management to perform boundary spanning roles to help build social networks and facilitate the exchange of knowledge to support globalization [2, 18].
- The growing demand for alternative forms of international assignments such as short-term assignments, commuter assignments which together with the globalization of a number of professional labour markets (such as Health Care and Information Technology) creates new patterns of international working [19, 20]. Despite the global recession, academic studies and recent practitioner reports both indicate that talent management will continue to be a high priority issue for the majority of MNCs in future [2, 11, 18, 21–23].

Whether we look at talent management in relation to different stages of globalization or across countries, it becomes clear that there are many differences in the understanding, meaning and goals of talent management. Also, the weakness

of established theoretical foundations in the area persists and there is continuing concerns over the definition, scope and overall goals of talent management [2]. There is still considerable debate regarding both the understanding of talent management and the conceptual boundaries of this emerging field [24]. Also, the effectiveness of talent management and its added value to organizations has not yet been fully evaluated. While the importance of talent management for success in global business has been discussed in the practitioner literature, the academic community has been slower to embrace the study of talent management [25, 26]. Over the last decade, however, there has been a considerable growth of more rigorous conceptual and empirical research on talent management and a stronger theoretical base is emerging [9, 17, 24, 25, 27–31]. The early work on talent management was largely based on North American experience mainly reflecting the specific challenges faced by US organizations [1]. However, more recently there has been a considerable growth of European studies which has helped to develop our understanding of talent management by drawing on insights and learning from a wider range of cultural and institutional contexts which are present in the European context.

In this chapter, we consider both the European context of talent management and consider some evidence on the nature of talent management in European MNCs. First, we critically examine the concept of talent management and consider the key debates that emerged around this topic.

Debates Over the Concept of Talent Management

The topic of talent management came to prominence in the late 1990s following the publication of the report “The war for talent” in the late 1990s by a group of McKinsey consultants [32]. The notion of the “war for talent” reflected the view that human capital had emerged as the most important source of competitive advantage in a period when tight labour markets made attracting and retaining leadership and professional talent more challenging. The typical focus of talent management in this period was on differentiated individual employee performance, and high potentials and high performers were the main focus of attention. Recent reviews highlight the rapid increase in the number of publications on talent management during the last 10 years [25, 33]. However, Dries [25] shows that only a small minority of articles that appeared in the period were published in academic journals which highlights the slowness of the academic community to engage with research on talent management. It has been argued that this reflects concerns about the ambiguity of the theoretical and intellectual foundations of talent management and the lack of clarity of definitions of talent and talent management [1, 27, 34]. The need to understand the conceptual boundaries of the topic has seen academic publications of a mainly conceptual nature, although recently there has been a growth of empirical research on talent management with an increasingly important contribution coming from Europe [15, 18, 23, 29, 35–42]. The last decade has also witnessed a talent management agenda that is

increasingly driven by international dimensions, and writers have recently argued that global talent management (GTM) has become of increasing strategic importance to organizations [2, 17, 43].

The literature identifies three key streams or areas with regard to talent management: first, the conceptualization of talent and talent management; second, the intended outcomes and effects of talent management; and third, talent management strategies, policies and practices [33].

The first stream places a significant emphasis on the definition of talent in organizations. A major debate in the literature is whether approaches to talent should be exclusive or inclusive. Some authors advocate an exclusive approach directed at a small, elitist group of talented employees who are strategically important for organization [12, 24, 31, 44], while others favour inclusive approach that is built on the premise that all people are talented in some degree and can contribute to competitive advantage, and it is suggested that organizations should help all employees to develop their talent [23, 45, 46]. An exclusive approach is based on the notion of workforce differentiation which uses a differentiated HR architecture [47] and assumes that investing in employees with valuable and unique skills will generate higher returns than investing in employees that lack these skills [48]. It is argued that this approach is more cost-effective and efficient and has a greater impact organizational performance [23, 24, 28, 49]. It has been suggested, however, that the exclusive approach may undermine teamwork and undermine the morale of the majority of employees who are not identified as talent. In addition, there are a number of critiques of the exclusive approach based on the lack of objectivity of both evaluations of performance and potential [2, 39, 46]. Yet the evidence suggests that the exclusive approach is more important both in the literature and in practice [21]. For those advocating the inclusive approach, in the view that everybody should be seen as talent, the key question is, should an organization provide all employees with the same opportunity to succeed in the organization? In this approach, talent management should be about that set of HR practices that enables identification, exploitation and optimization of the generic capabilities of all employees [2].

The second stream of literature focused upon the degree to which talent can be acquired [39, 50]. Innate perspectives imply that talent is a mix of inborn cognitive abilities and personality which are stable and difficult to develop [51, 52]. In contrast, acquired perspectives advocate that talent is a mix of knowledge, skills and abilities that are capable of being developed and imply a focus on practice, education and learning. The assumption is that talent emerges mainly through effort and experience [53–55]. The former view suggests a greater emphasis on talent identification and selection, while the latter implies much more focus on talent development.

Another key debate concerns the degree to which talent should be operationalized through high performance or high potential. High performance is measured through realized outputs such as achievements, results and performance [56, 57]. High potential, on the other hand, is defined through input factors and implies that “an individual has the qualities (e.g., characteristics, motivation, skills, abilities, and experiences) to effectively perform and contribute in broader or different roles in the organization at some point in the future” [57, p. 380]. However, the meaning and definition of high potential is not clear and measuring potential requires

a clear understanding of what kind of individual abilities and skills organization will need in the future to be able to perform effectively. The issue of intended outcomes and effects of talent management is also an important stream in talent management research. The main focus is the organizational level and examines the contribution of talent management in three areas: first, studies using psychological contract perspective based on social exchange theory examine the narrowing of the supply–demand talent gap [10, 32]; second, the overall firm performance, strategic goals and organizational capabilities [9, 44, 58, 59]; and third, filling the strategic positions or key roles [24, 47, 60]. The outcomes are also analysed on individual level and involve employee satisfaction and engagement [48, 61]. There is a dearth of research, however, on the effects of talent management on individuals, and there is little knowledge on how employees interpret and react to talent management practices [29]. However, recently some light on these neglected aspects of talent management has been provided by psychological contract perspective-based research [23, 25, 29, 31, 34, 38, 62].

Despite the considerable rhetoric about TM, there is little evidence that organizations manage talent effectively [21, 37, 63] despite it being a key priority for European organizations [64]. The third stream of research therefore focuses on the talent management practices required to effectively manage talent in organizations. Key talent management practices typically include attracting, selecting, developing and retaining the most valuable employees [7, 17]. However, some see talent management as little more than a simple rebranding of HRM and as such simply a new term for existing practice [26, 27]. Recent research, however, highlights significant differences between talent management and HRM. For example, workforce differentiation is seen as a key feature of talent management, and increasingly, the importance of differentiated talent development architecture is highlighted by researchers [24, 26, 65–67]. The tension between identification of talented individuals versus identification of key positions or strategic roles is a major debate in the talent practices area [24, 28, 60]. There is also considerable debate around the balance between organizational and individual focus of talent development strategies [29, 68], and the tension between developing talent internally (making talent) or buying talent from the external market which can differ considerably in different industries and different companies [1, 30, 39, 61, 69, 70].

Having examined some key debates about the concepts of talent management the following section will seek to examine the nature of talent management in the European context and will consider some evidence on the nature of talent management in the European context.

The European Context

Acknowledging the importance of Europe in international trade and increasing role of MNCs in shaping local human resources practices, we identify below some distinctive features of the European context that impacts on approaches to talent management programmes in European MNCs.

First, in Europe MNCs report a long history of internationalization which mainly results from relatively small size of their domestic markets. They not only earn a higher percentage of revenues from their foreign operations, but they also report moving their talents across borders much more often than US MNCs [5]. The internationalization has been greatly stimulated by the emergence of European Union and then intensified by the recent EU enlargement, which decreased the legal and administrative barriers to the movement of goods, services, capital and labour between member states, increasing cross-border trade, financial flows and strengthening the movement of talent across 28 countries. Moreover, the fact that most European locations are within 1–3 h flying time gave incentive to use of alternative forms of international assignments much more frequently than in other parts of the world (e.g. cross-border commuting is originally a European concept). It allowed European MNCs to develop less bureaucratic, more flexible and cost-effective staffing policies [19, 71] which became particularly important due to increasingly turbulent international environment and the recent recession which forced many MNCs to look at ways to cut costs. Therefore, with the growing recognition of the critical role played by international talent management for the success of MNCs, Europe seems to have enjoyed particularly favourable conditions in facilitating the development of talent across borders. One of the major constraint to this assumption is, however, a high degree of localization and autonomy that European MNCs typically allow their subsidiaries in managing employee relations, which regardless of high level of internationalization, might limit the development of effective talent pipelines at the regional or global level and the implementation of globally integrated talent strategies [72].

Second, with increasing economic and social integration across European Union which resulted in unified context for organizations to operate in [73, 74], one would expect that with regard to management practices and HRM systems, we should see a European hybrid management model emerging. Indeed, as Scullion and Brewster [5] pointed out many MNCs increasingly treat European market as a single entity and seek to integrate human resource strategies on the European regional level. However, while market forces and diverse institutional regulations within the EU increase the convergence of HRM practices, deeply seated national differences both on institutional and cultural level still play an important role in local labour markets.

Furthermore, differentiating forces that should be considered in the context of talent management include legislation, states role and ownership patterns that differ Europe from USA where most of the early theory on talent management has emerged [73, 75, 76]. First, European-level legislation and national-level requirements in Europe are much more strict than US legislation and influence the way people are recruited and dismissed, requirements on pay and hours of work, the number of holiday days, the range of management decisions that must be consulted with employees, trade union bargaining power level, etc. Second difference can be observed in the important role of the state in the development of employees' skills and competencies. One example is the increasingly popular in Europe dual system of vocational training which exists in Germany and

Switzerland and to a limited extent in Austria, Denmark, Norway, Luxembourg and the Netherlands. Third difference lies in ownership pattern. In many southern European countries, ownership of even large companies is controlled by single families, in Germany, a small number of substantial banks owns a substantial proportions of companies [76] and in Sweden, shareholders are obligated to be involved in strategic decisions. Such patterns of ownership promote not only longer term approach to firm-financing, but also a close involvement of shareholders in the management decisions which is in contrast to the dominant US short-term approach.

Finally, it is important to consider the major demographic trends that will influence talent management in Europe in the next decade. First, although varied across EU, increasing number of countries face talent shortages with shortages reaching or exceeding the world's average. As a share of the post-war baby-boomers retires with a lack of young employees to fill this gap (due to low birth rates), EU-based firms can face a substantial loss of knowledge and capacity to compete in global markets. A study commissioned by World Economic Forum [88] pointed out that ageing population will have "significant implications for how to manage workforce quantity, quality and costs" and that "demand will be the highest for well-educated professionals, technicians and managers" (p. 7). With recruitment becoming increasingly difficult, the role of talent management will increase, enhancing the attractiveness of internal development and learning, and intensifying efforts to minimize the assets loss and maximize retention of the valuable talent [77]. A second key demographic trend relates to generational differences in the workplace, which is of a high importance in Europe, specially with regard to European-level comparative research. As generational cohorts differ in their behaviour and attitudes in the workplace, they will respond differently to talent management practices. Analysing the influence of psychological contract on talented employees, Festing and Schafer [34] noticed that talent management practices do not influence psychological contract of all talented employees in the same way and that generations' distinct preferences and expectations will shape the relationship between talent management practices and their effects on individual belief regarding employee and employer obligations. For example, Millennials (also called Generation Y) are less loyal and more mobile, and they value learning and self-development opportunities, frequent feedback, high level of empowerment, independence and freedom to make own decisions. Kerslake [78] argues that as Millennials appreciate work-life balance more than other generations, they expect more employment flexibility, and they will devote extra time for something worthy, but only as an exception, not the rule. Baby-boomers, on the other hand, value loyalty and are ready to work long hours as work has been a defining part of both their self-worth and their evaluation of others, and they treat flexibility in a workplace with suspicion as "if the employees are not seen, they cannot be working" [79]. Therefore, a growing TM challenge will be to build talent management programmes around generation-specific career development opportunities, while at the same time to bridge the gap between generations and increase mutual understanding between talents representing different generation cohorts, so they