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**RE-THINKING THE ROLE OF TALENT  
MANAGEMENT IN A FIRM'S  
PERFORMANCE: TALENT  
MANAGEMENT PRACTICES AND  
ABSORPTIVE CAPACITY**

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**Abstract:** This work aims to provide an overview of new perspectives of talent management research linked to investigation of the relationship between talent management (TM) practices, absorptive capacity (AC), and a firm's performance. We review the current theories in TM and provide the understanding of AC through TM lens. We discuss emerging market context as a setting for our study whereas Brazilian, Russian, Indian and Chinese firms will be analyzed to provide the link between TM and AC.

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# **Re-thinking the Role of Talent Management in a Firm's Performance: Talent Management Practices and Absorptive Capacity.**

## **Introduction**

Due to the increasing demand for qualified personnel and talented employees, companies in modern economic conditions are forced to look for additional competitive advantages that would allow attracting, developing and retaining human resources to ensure the implementation of the organizational strategies. In this "War for talent" firms face heightened levels of competition and the necessity to innovate, create and share knowledge becomes the key factor of their competitiveness. Even though many researchers already consider the importance of TM (Mäkelä et al., 2010; Mellahi & Collings, 2010; Skuza et al., 2013; Latukha, 2015) and its contribution to sustainable competitive advantage (Beechler & Woodward, 2009; Farndale et al., 2010), TM alone may not be sufficient since it does not directly address the issues connected with the firm's ability to quickly acquire and exploit external knowledge in its operations.

In modern economic conditions taking into account AC, or the firm's ability to identify, assimilate, and apply valuable knowledge (Cohen & Levinthal, 1990), becomes an important objective in ensuring competitiveness of the organization (Cohen & Levinthal, 1990; Zahra & George, 2002; Lane et al., 2006; Kostopoulos et al., 2011). Therefore, the scientific problem to be solved by this paper is the absence of an identified relationship between TM practices and AC of a company.

The main goal of this research to discuss the current theories in TM and provide the understanding of AC through TM lens. We discuss emerging market context as a setting for our study whereas Brazilian, Russian, Indian and Chinese firms will be analyzed to provide the link between TM and AC.

## **AC concept: definition and framework**

### ***Defining AC***

After Hedlund (1986), Ghoshal and Bartlett (1989) conceptualized a MNC as a "differentiated network", consisting of smaller units, each of which generates and exchanges knowledge with other inter-related parts of the firm, the number of studies investigating internal knowledge transfer and its importance has significantly increased in both academic research and corporate practice (Argote and Ingram, 2000; Argote et al., 2003). The research in the area of knowledge management has eventually led to the following conclusion that effective management of internal knowledge stocks and flows is the key determinant of value creation in organizations, meaning that the overall ability to create and transfer knowledge is one of the main CAs of MNCs with firm-specific knowledge ultimately becoming a driver of performance (Kogut & Zander, 1992; 1993; Spender, 1996; Grant, 1996; Kang et al., 2007).

In terms of a firm's innovation performance, aspiration level, and organizational learning, it has been said that in order to be innovative an organization should develop its AC, or "ability to recognize the value of new information, assimilate it, and apply it to commercial ends" (Cohen & Levinthal, 1990). It was the literature of the 1980s that by discussing the role of R&D in organizational learning and performance (Fiol & Lyles, 1985; Levitt & March, 1988) and addressing the role of organizational characteristics in technology transfer (Kedia & Bhagat, 1988) gave roots to this very important concept, which over the last couple of decades has received more and more attention in literature (Flatten et al., 2011). Its growing popularity can be confirmed by SCOPUS statistics, which show an exponential increase in the number of published papers regarding AC. The amount of business and management articles in 2014 exceeded one hundred and fifty, which is nearly seven times as large as a decade ago. The same data demonstrated strong academic interest in AC's effect on organizational learning, knowledge sharing, innovation, capability building, and firm performance.

Initially, Cohen and Levinthal (1990) have defined AC as the ability to learn from external knowledge through processes of knowledge identification, assimilation and exploitation (by-product of an organization's R&D efforts); so, in other words, AC is the capacity of a firm to value, assimilate and apply, for commercial ends, knowledge from external sources (cognitive aspects underlying the learning process). They assume that a firm's AC is path dependent and tends to develop cumulatively, building on existing knowledge (Minbaeva et al., 2003). In comparison, Lane and Lubatkin (1998) add the element of relativity to AC, determining AC as the ability of a receiver-firm to value, assimilate and apply knowledge derived from another sender-firm. They see relative AC to be more important to interorganizational learning than the commonly used measure of absolute AC.

Lane et al. (2001) refine this definition by clarifying 'the first two components, the ability to understand external knowledge and the ability to assimilate it, are interdependent yet distinct from the third component, the ability to apply the knowledge'. Meanwhile, in a later work, Lane et al. (2006) focus specifically on transformational AC, which is identified as a firm's ability to use knowledge from external environment through three sequential processes: (1) the recognition and understanding of new potentially valuable external knowledge through exploratory learning; (2) the assimilation of valuable new knowledge through transformative learning; and (3) the use of knowledge to create new knowledge and commercial outputs through exploitative learning.

Another very important and clear definition was given by Zahra and George (2002), who added more 'dimension' to the concept by identifying potential and realized AC. Potential AC makes the firm receptive to acquiring and assimilating external knowledge, whereas realized is a function of transformation and exploitation capabilities. Both, potential and realized AC, form dynamic AC, or "a set of organizational routines and processes by which organizations acquire, assimilate, transform, and exploit knowledge to produce a dynamic organizational capability", which is "pertaining to knowledge creation and utilization that enhances an organization's ability to gain and sustain a competitive advantage". In this 4-dimension model, "acquisition refers to a firm's capability to identify and acquire externally generated knowledge that is critical to its operations" (Zahra & George, 2002). Assimilation, in turn, refers to the firm's routines that allow it to analyze, process, and interpret the information obtained from external sources (Szulanski, 1996). As for transformation, it denotes a firm's capability to develop and refine the routines that facilitate combining existing knowledge and the newly acquired and assimilated knowledge, while exploitation is basically the capacity of a firm to apply the newly acquired knowledge in product or services that it can get financial benefit from (Zahra & George, 2002). According to the authors, particularly knowledge transformation and exploitation (potential capacity) allow firms to sustain a competitive advantage even in a dynamic industry context.

Nevertheless, Zahra and George (2002) were not the only ones to consider introducing different dimensions to AC. In comparison, Cohen and Levinthal (1990) determine three, which are (1) value recognition (the ability to value knowledge through past experience and investment); (2) assimilation (the ability to assimilate, based on knowledge characteristics, organizational or alliance dyad characteristics and technological overlap); (3) commercialization (ability to apply, based on technological opportunity and ability to protect innovation (appropriability)). Mowery and Oxley (1995) in turn saw human capital as the main source of AC and determined the following four dimensions: skill level of personnel, trained R&D personnel as percent of population, trained engineering graduates and R&D spending (Mowery & Oxley, 1995). Kim (1998), like Mowery and Oxley (1995), stressed the importance of importing new knowledge and focused on prior knowledge and intensity of effort (Kim, 1998). He suggested that the ability to solve problems came from modified knowledge (which is the basis for the transformation dimension).

## *AC and innovation performance*

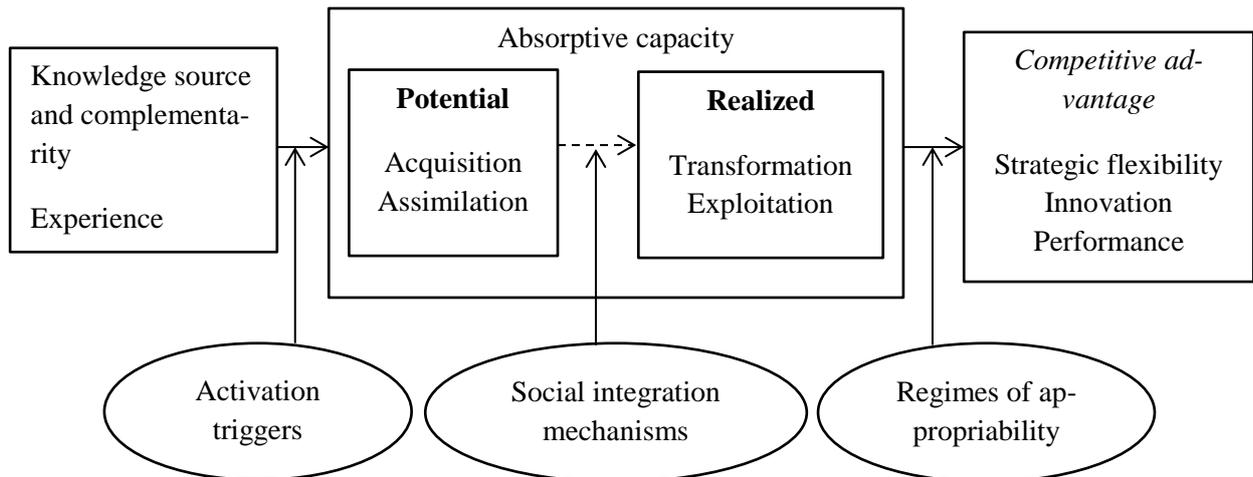


Fig. 1 A model of AC (Zahra & George, 2002)

Cohen and Levinthal (1990) put R&D at the center of firms' innovative processes by linking it to both learning and innovation. After their "Absorptive capacity: a new perspective on learning and innovation" (1990), scholars have continued analyzing AC's role in an organization's success, studying how AC is connected to the firm's ability to effectively transfer knowledge (Minbaeva et al., 2003), how AC influences innovative performance (Lewin et al., 2011), and product and process innovation (Murovec & Prodan, 2009). Effective internal knowledge flow has been linked to innovation and new product development (Tsai & Ghoshal, 1998; Hansen, 1999; Tsai, 2001), improved coordination processes and best practices (Szulanski, 1996; 2000; Kostova & Roth, 2002), and ultimately to competitive advantage leading to better performance (Kogut & Zander, 1992; 1993; Spender, 1996; Grant, 1996). But most importantly, it was obtained that AC is positively linked to innovation and firm performance (Cohen & Levinthal, 1990; Tsai, 2001; Kostopoulos et al., 2011). AC is the key to a firm's competitive advantage and survival (Zahra & George, 2002; Lane et al., 2006).

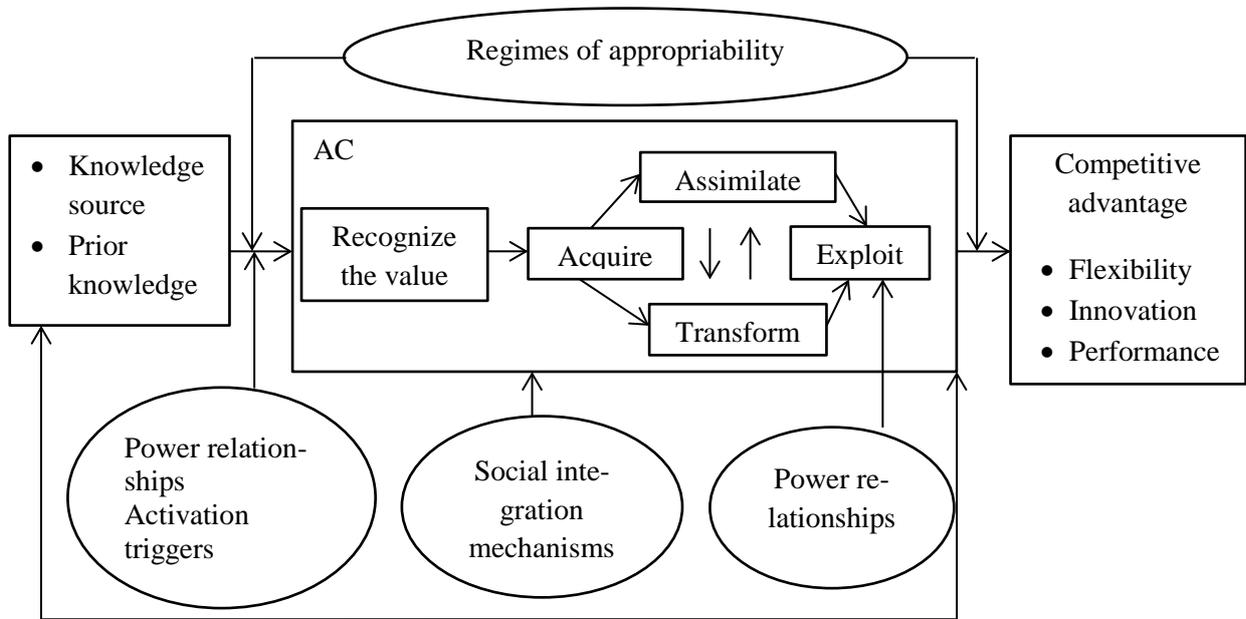


Fig. 2 AC theoretical construct (Todorova & Durisin, 2007)

Along with these conclusions, various models and frameworks have been proposed. One of first and in a sense “classical” AC models is the one suggested by Zahra and George (2002), which highlights external sources of knowledge and experience as key antecedents of AC and suggests when certain triggers activate AC. The main proposition of the model is that “firms with well-developed capabilities of knowledge transformation and exploitation are more likely to achieve a CA through innovation and product development than those with less developed capabilities”, leading to a “significant and positive relationship between realized AC and a SCA because of the higher costs associated with imitation”. Later on, based on empirical evidence from the innovation and learning studies Todorova and Durisin (2007), who do not support the concepts of potential and realized AC and view it as organizational routines, reconceptualize AC as well as the Cohen and Levinthal (1990) article (Patterson & Ambrosini, 2015) and propose changes to the component structure of AC.

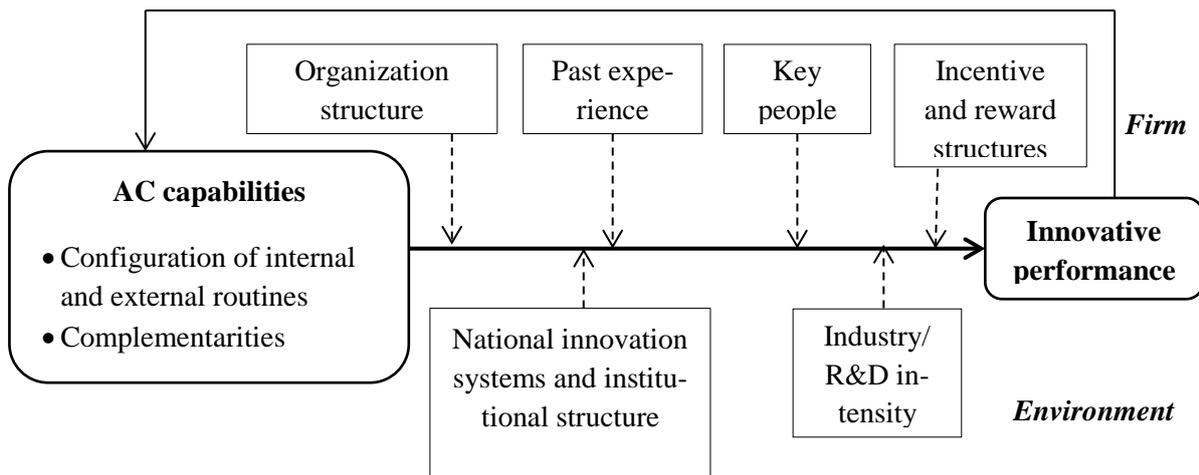


Fig. 3 Model of AC and Innovation Performance (Lewin et al., 2011)

As the first step toward the operationalization of AC construct, Lewin et al. (2011) suggest a routine-based model of AC, which emphasizes the important role of organization structure, past experience, national innovation systems and institutional structure, industry and R&D intensity, as well as the presence of key people and incentive and reward structures in

achieving innovative performance. This model is interesting from the point of view that two of its components, specifically key people and incentive and reward structures, can be directly influenced by HRM (or as it will be discussed later, by TM) practices. This interconnection between AC and HRM has already been observed by Minbaeva et al. (2003). According to the authors, employees' ability and motivation are essential parts of AC and they are needed to facilitate knowledge transfer between different parts of the organization. The model proposed Minbaeva et al. (2003) will be discussed in the following section.

### Connection between AC and HRM

According to Minbaeva et al. (2009), future research should be based on HRM and knowledge processes on the premise that a deeper understanding of the relationship between HRM practices and knowledge implies theorizing the individuals (Grant, 1996), individual heterogeneity (Felin & Hesterly, 2007), and individual interaction (Felin & Foss, 2005). There are a lot of factors that influence employee perceptions, like individual characteristics and cultural preferences, and according to Minbaeva et al. (2012), HRM is among the few determinants that organizations can control. HRM influences individual conditions, which are internal to the individual and consist of perceptions, attitudes, desires, and behavioral choices (Elster, 1989), which suggests the link between HRM and unit-level knowledge transfer is forged via individual-level mechanisms (Minbaeva et al., 2012).

The competitive advantage of the firm is dependent on the existence of human resources with relevant competence profiles (Minbaeva et al., 2003). Huselid (1995) factor-analyzed a number of HRM practices into two categories: those mainly influencing employees' abilities and those impacting employees' motivation. He emphasized that HRM practices influence employees' competences and skills through acquisition and development of human capital of the firm (Huselid, 1995; Minbaeva et al., 2003). Additionally, investment in learning and development enhances the human capital of the firm, leading to a positive relationship between employee training and organizational performance (Delaney & Huselid, 1996; Koch & McGrath, 1996).

According to Minbaeva et al. (2003) AC, as an organization-level construct, consists of two elements, which can lead to a high performance at any level (Baldwin, 1959): prior knowledge, which is related to the concept of potential AC and refers to already available knowledge (like the employees' ability, educational background and acquired job related skills) (Kim, 2001), and intensity of effort ('organizational aspiration'), which is related to the concept of realized AC and refers to the amount of energy expended by organizational members to solve problems (Kim, 2001).

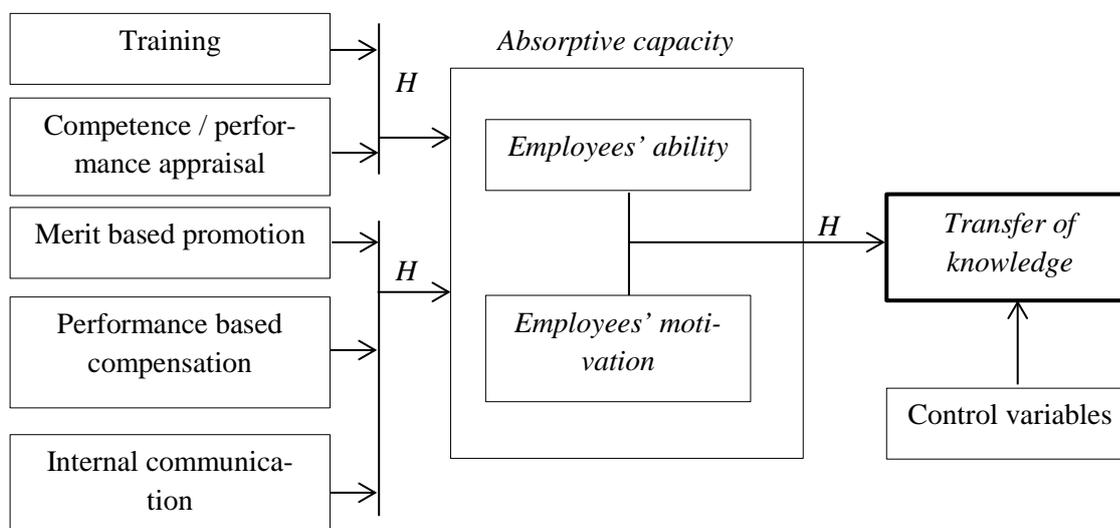


Fig. 4 Conceptual model (Minbaeva et al., 2003)

In the light of the mentioned above, Minbaeva et al. (2003) created a conceptual model with the following propositions: (1) the interaction between employees' ability and motivation will increase the level of knowledge transfer to the subsidiary, (2) the competence/performance appraisal and training are positively related to employee abilities and (3) is the performance-based compensation, merit-based promotion and internal communication are positively related to employees' motivation. Another interesting study was conducted by Eriksson et al. (2014), in which the relationship between firm-level innovation activity, employee turnover and HRM practices was analyzed based on the evidence of Chinese firms. The results have shown that higher R&D employee turnover is associated with a higher probability of being innovative, but decreases the intensity of innovation activities in innovating firms. Innovating firms are more likely to have adopted high performance HRM practices, and the impact of employee turnover varies with the number of HRM practices implemented by the firm (Eriksson et al. 2014). These results are important, because Cohen and Levinthal (1990) previously identified AC is positively linked to innovation and firm performance.

### **Growing importance of TM**

TM phenomena was introduced by McKinsey through the catch phrase “The War for Talent” in 1997 (Chambers et al., 1998) and was further developed by Michaels et al. (2001). Since then Scullion and Collings (2010) and Collings et al. (2011) have identified three key factors influencing the growth of TM in the global context: the growing recognition that the success of business depends most importantly on the quality of management in the business (Tarique & Schuler, 2010), the emergence of shortages of managerial and professional talents as a key problem for companies that undergo the internationalization process (Farndale et al., 2010) and the higher complexity of TM in MNCs than in domestic firms due to the more demanding skill sets required by MNCs. Additionally, Beechler and Woodward (2009) have identified four main factors that create an environment promoting the war for talent and impact characteristics of TM on global and, by implication, national levels, namely global demographic and economic trends, increasing mobility of people and organizations, transformational changes to business environments, skills and cultures as well as growing levels of workforce diversity.

Generally, the key questions for any organization are what TM and, most importantly, who “talents” are. Cooke et al. 2014 beautifully described TM to be an “old wine in a new bottle” (Cooke et al. 2014, 226) or simply, “a newer fashion of human resource management”. TM is an enduring process to achieve the needs and goals of a company, according to Cappelli (2009). To provide a clear TM strategy (Michaels et al., 2001; Kesler, 2002; Barlow, 2006; Pepe, 2007) a definition of “talent” is necessary. In HRM literature the notion “talent” as a distinguishing feature of “top performers” is commonly used since every employee brings different value to the company due to different level of experience and set of skills. For Michaels et al. (2001) and Beechler and Woodward (2009) talent is the sum of a person’s abilities, an intrinsic gift, skills, experience, intelligence, judgment, attitude, character and drive. Lewis and Hackman (2006) determine talent as high value-added skills or, simply, certain knowledge that is required for a company (Ulrich, 2006) to reach various objectives.

Even though TM is a segment of HRM and has an impact on HRM activities (Tarique & Schuler, 2010) it still needs to be separated from HRM due to significant differences in their concepts. The first difference concerns the overall number of stakeholders involved. Stakeholders of HRM include the society, company, customers, employees, and investors, whereas TM envelops most significantly just two - the company and its employee. The second difference results from the first - TM focuses mainly on planning, staffing, appraising, compensating, and training, while HRM practices are more diversified, numerous, and exten-

sive (Tarique & Schuler, 2010). Therefore, TM in general embraces narrower scope and concerns.

TM plays an essential role in achieving the main goals set by a company (Scullion & Collings, 2010). Thinking of human capital as a necessary investment and accurately diagnosing a firm's TM situation would help gain and SCA (Tarique & Schuler, 2010; Scullion & Collings, 2010). But while shifting the main focus specifically to the management of talented people, certain efforts should be made by the organization to assure best performance. An organization should be able to attract, select, develop and retain key talented employees on an international scale (Stahl et al., 2007) extending TM to a more "Global" dimension. These TM activities can be defined as both formal policies of the organization and the actual daily practices (Schuler et al., 1993). Developing HR reputation, attracting individuals with interest in international work; and, recruiting vis-a-vis positions can be included in attracting talent (Tarique & Schuler, 2010). Here, firms use a talent pool strategy to recruit the best people and then select them for positions rather than trying to select specific people for specific positions. When talking about developing talent, it is really important to understand who will benefit the most from certain type of developmental activities (Caligiuri, 2006). Organizations must identify those individuals with the requisite individual characteristics and then offer them developmental experiences or activities.

Throughout the years, many TM models have been proposed. One of the latest frameworks introduced by Schuler (2015) introduces the five major Cs (choices, considerations, challenges, contingencies and consequences) that summarize the main activities connected with managing talent and basically answers the most important questions: who is responsible for the implementation of TM policies and practices? what are these TM policies? who should be included in the TM processes? where should the company look for its "talents"? what are the main internal and external factors that influence TM? and finally, what are the outcomes of TM on the individual, organizational and country levels.

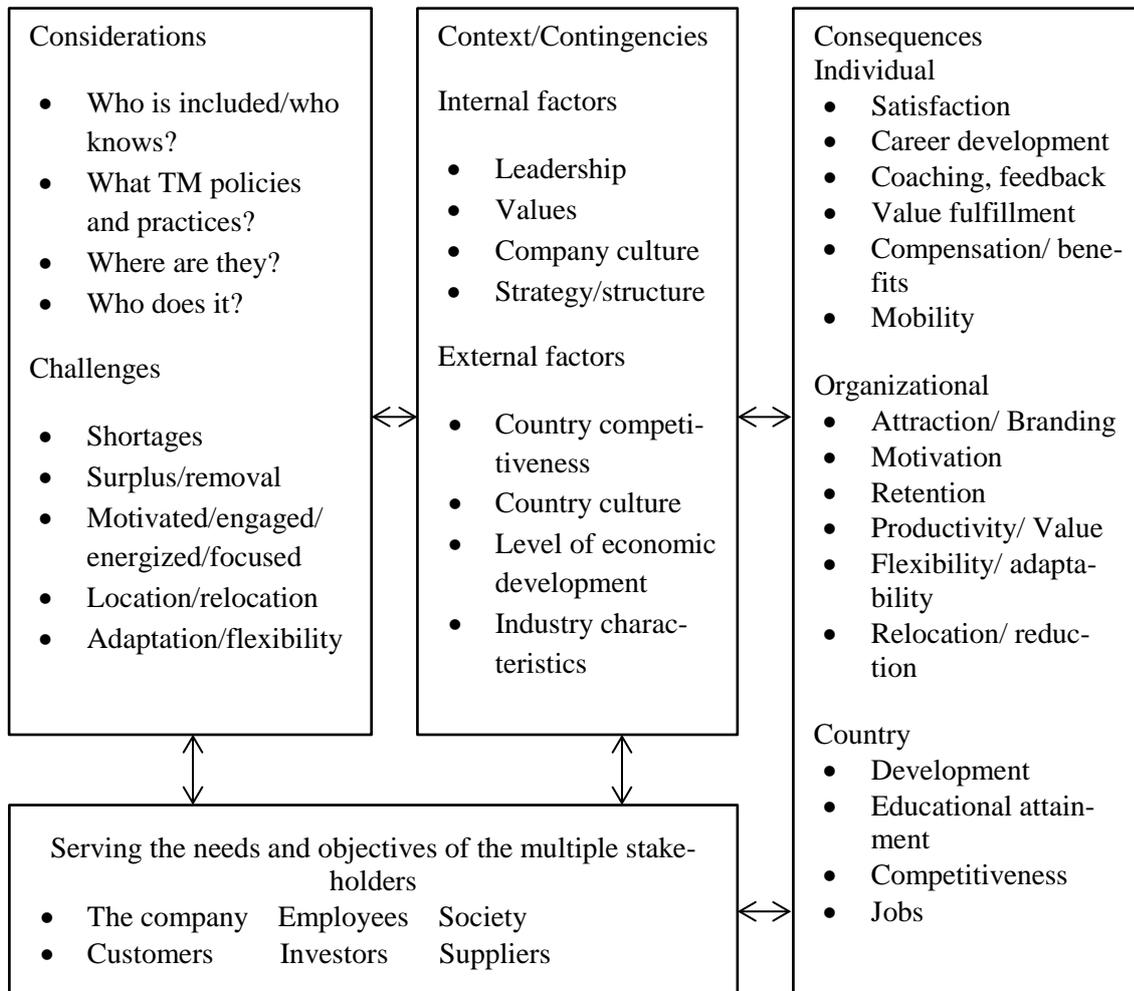


Fig. 5 The 5-C model of managing talent (Schuler, 2015)

To conclude, research in both developed and developing countries has shown that aligning TM practices to the strategy and goals of a company, results in its better performance (Khavul et al., 2010) and if applied properly, positively affects and increases a company’s competitiveness. TM, as an important segment of HRM, is also expected to contribute to AC, and hence, to knowledge transfer, since the greater AC, the higher the level of knowledge transfer (Minbaeva et al., 2003).

## TM and AC in the emerging market context

### *China*

Being the most populated country in the world, China has faced an appreciable shortage of the qualified labour. Keeping in mind that, due to Chinese economic expansion, the demand is constantly rising, problems of TM moves to the front scene (Into China, 2012). According to a survey of 328 MNCs’ executives, a lack of talents was rated as the third highest concern for the management of companies operating in China (The Economist Intelligence Unit Report, 2011). Nevertheless, there is currently a steady trend for MNCs in China to reduce the ratio of expatriates in favor of local labour. The rationale of this trend is twofold: on the one hand, it allows saving up on labour costs, and, on the other hand, it assumes better localization of the operations (Kuhlmann & Hutchings, 2009).

The Pageup People Research (Into China, 2012) identifies 6 major factors that influence TM in China: Confucianism (thus, individual achievements are considered to create disharmony within the group); “Iron Rice Bowl” (team work is challenged by poor cross-team collaboration, low flexibility to change, low leadership orientation); saving face (cautious activi-

ty is stimulated, especially, in group scenarios to avoid confrontation and challenges); the Doctrine of the Mean (individuals prefer to perform as 'in-group' members, often replacing their ideals with group norms); Guanxi (interpersonal relations can influence hiring, evaluation and promotion decisions); holistic mindset (orientation on long-term opportunities to the detriment of momentary benefits).

For Chinese people any contract, including labour contract, is a symbol of the beginning of a relationship between two sides, and not just a binding agreement, which often confuses foreign managers (Lee, 1999). Inter-partner conflicts and misunderstanding caused by different attitudes to work, motivation techniques, norms of interpersonal interaction, negotiation and communication styles between foreign and Chinese partners negatively influence firm's performance (Ghauri & Fang, 2001).

Collings and Mellahi (2009) argue that TM can improve organizational performance by identifying pivotal positions. TM can be mediated by various internal or external factors, e.g. motivation and organizational commitment, which can affect the performance of the firm. Many foreign multinational corporations transfer their TM practices to China without significant changes, focusing on talent development and on organizational culture creation (Hartmann et al., 2010). However, efficient TM practices are different in the case of China, but similarly important. The study by Zhang et al. (2015) explores the role of leadership style and TM practices in the effectiveness of post-acquisition integration in Chinese companies. In particular, they consider direct effects of TM and leadership style on the effectiveness of post-M&As integration. Chinese history of long isolation and command economy almost eliminated the HR function (Bruton et al., 2000) and traditional Chinese education being less oriented at creativity and innovative thought reduced the human capital (McComb, 1999), making it difficult to attract and retain personnel with the required skills (Eyring, 2008). The result of Zhang et al. indicate that authoritative, coaching, task-focused and relationship-focused leadership styles are appropriate for achieving effective post-M&A integration in China, while autocratic, empowering, democratic and pacesetting leadership styles were found to be inappropriate ones. Authoritative leaders provide understanding of company's vision and objectives (Goleman, 2000; Strange & Mumford 2002) through communicating and sharing relevant information at regular meetings, securing stability of the workforce, and serve as role models for employees. A coaching leadership style has a positive effect on the motivation and performance of employees, while a relationship-focused leadership style stimulate building of team harmony, increasing morale and improvement in communication. A task-focused leadership emphasizing tasks as well as clear goals, rules, processes and procedures (Brousseau et al., 2005) also contributes to positive trends in employees' performance. Talent retention was also found to be a crucial factor of post-M&A integration success in China. Hence, leaders tend to avoid dismissing employees in the acquired Chinese firm immediately after the acquisition. Finally, a leadership style has significant relationships with talent retention; in particular, authoritative leaders use communication techniques for talent retention, whereas leaders adopting a coaching style use an incentive system to retain talented employees (Zhang et al., 2015).

Knowledge is considered to be created at the individual level while knowledge sharing is accomplished on the organizational level between individuals, teams and organizations. Moreover, within the process of knowledge sharing existing knowledge could be transformed into new knowledge (Nonaka & Takeuchi, 1995). Ma et al. (2008) state that knowledge sharing is context specific, so they examine the impact of Chinese context on knowledge sharing process in the organization. Basing their statistical analysis on the survey data from 222 managerial employees, the authors found that within the Chinese context explicit knowledge promotes knowledge sharing while tacit knowledge creates barriers to knowledge sharing in project teams. Moreover, trust was found to have positive significant effect on knowledge sharing. However, the relationships between justice, leadership style, empowerment, and employees' willingness to share knowledge within project team occurred to be insignificant. Thus,

these findings provides support for strong need for improvement of knowledge sharing within project teams by designing mechanisms and incentives to convert more tacit knowledge into explicit knowledge. Moreover, there is a call for creating more trusting firm's internal environment which will improve knowledge sharing.

The study by Qing (2008) provides a conceptual framework in which knowledge search, knowledge transfer, and knowledge integration follow one another and, thus, influence the effectiveness of knowledge flows; this process is mediated by cultural specificity of Chinese context and type of knowledge. On the first step, the right knowledge source is identified and addressed. If both the transfer and recipient of knowledge are in the same organization it makes an access to the direct source of knowledge much easier. When more than one organization is involved, it complicates the process and increases costs to gain access to the knowledge source. The first step, to a large extent, defines the effectiveness of knowledge transfer; however, other factors also contribute to knowledge transfer effectiveness. Bhagat et al. (2002) states that organizations operating in individualist cultures are more successful in transfer and absorption of more explicit and independent knowledge, organizations located in collectivist cultures, in contrast, are better in transfer and absorption of more tacit and systematic knowledge. The effectiveness of knowledge transfer is verified by the level of knowledge integration.

### ***India***

India, as the second most populated country in the world after China, is one of the world's largest and most dynamic economies. It was not only the world's first poor country to choose a democratic form of governance; it also was the first country with grinding poverty to give priority to the development of technical skill and the state-of-art education in technology (Tyman Jr. et al., 2010). Nevertheless, global demographic and economic trends, increasing mobility of people and organizations, transformational changes to business environments, skills and cultures, and growing levels of workforce diversity seriously influence TM in India (Beechler and Woodward, 2009). According to a McKinsey study, HR professionals still consider hiring only 10–25% of India's university graduates to work in MNCs because they lack the necessary training, skills, and cultural awareness (Holland, 2008) required in large corporations. In addition to these recruitment issues, Indian companies (especially from the high-tech industry) have experienced annual attrition rates of 30–45% (Bhatnagar, 2007) which proves retention of knowledge workers to be an additional challenge. Cooke et al. (2014) categorized a number of other India-specific issues, some of which concern class culture/social hierarchy, management ignorance of and indifference to TM due to the lack of personal incentives to do so, excessive demand on excellent employees for total devotion to the firm, politics, nepotism and favoritism in workplace, low involvement of talented employees in strategic planning and decision making, etc. Al Ariss et al. (2013), Chadee and Raman (2012), Melahi and Collings (2010) identified this lack of a talent pipeline and the mis-alignment between talent and business strategies lead to the failure of Indian companies in effectively managing talent.

Most of the studies available on TM in the Indian context are relatively small in terms of the sample size, issues explored and level of analysis and highlight TM issues found in specific contexts (e.g. Preece et al., 2011) - in most cases, over 50% of the Indian sample skews toward the high-tech industry and, more specifically, towards the business-process-outsourcing sector. Nevertheless, due to of the strong influence of the American theories in the curricula of Indian business schools, leading Indian firms appear to be very enthusiastic and strategic in embracing the American approach to HRM, thus, to TM (Cooke et al., 2014). Authors focus on investigating the various interconnections between TM processes and a firm's performance: Bhatnagar (2007) explores how adopting a TM strategy to manage talented and skilled employees affects employee engagement and retention, while Chadee and

Raman (2012) analyze whether or not TM contributes positively to organizational performance.

A high proportion of the Indian firms adopt an elitist perspective to TM, i.e. focusing on those who are the best educated, best performing and/or with the highest potential (Cooke et al., 2014). The most widely adopted TM schemes in India are financial incentives, training and development, performance management, and fast-track promotion. They bear strong resemblance to those identified as high-performance work practices (e.g. Appelbaum, 2000): an extensive use of workplace-based voluntary benefits to incentivize employees, the qualification-based formal education programs, particularly the post-graduate management education (e.g. MBA/EMBA) programs.

AC is usually conceptualized as a dynamic capability (Lewin et al., 2011) composed of potential and realized AC (Zahra & George, 2002), enabling firms to acquire, process, and apply external knowledge (Cohen & Levinthal, 1990); it positively affects innovation (Tsai, 2001), R&D alliances (Kim & Inkpen, 2005), organizational responsiveness (Liao et al., 2003), and performance (Lane et al., 2001). Therefore, one can assume India has witnessed practices in acquiring, assimilating, transforming and exploiting knowledge by quite a large number of companies. However, in literature, managerial antecedents, crucial for fostering the absorption of knowledge (Vera & Crossan, 2004), have largely been ignored (Volberda et al., 2010). One the latest studies in this direction was conducted by Flatten et al. (2015) in “Fostering AC through leadership: A cross-cultural analysis”, which states that when trying to foster the exploitation of knowledge in high power distance cultures, like India, transactional leadership (based on transactions i.e., exchanges, between leaders and subordinates) is the most effective type of leadership (Flatten et al., 2015).

The main challenge of Indian companies is to create a direct people-to-people sharing mechanism (Kochikar, 2001). Goswami (2004) also talks about using knowledge management, a closely related to AC field, to capture and template permanently the learnings from

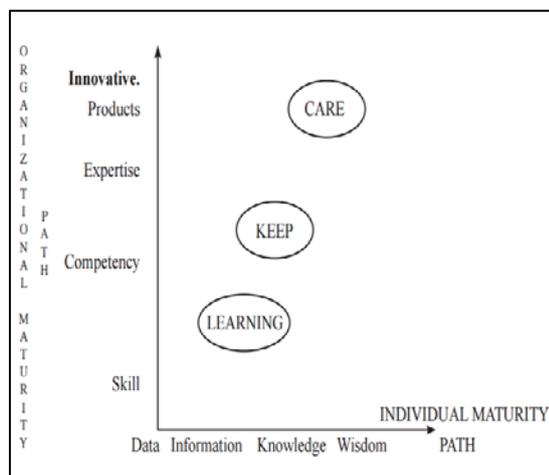


Fig. 6 WIPRO Knowledge management system (Anurag et al., 2001)

projects since software professionals tend to be mobile. The studies by Goswami (2008) and Vyas et al. (2012) provide qualitative data on Indian firms from different industries in terms of knowledge management. For instance, Infosys Technologies, a software producer, conceived, developed and deployed internally an elaborate architecture for knowledge management that aimed to take the company to a ‘Learn Once, Use Anywhere’ paradigm (Goswami, 2008). The vision was to ‘enable every action by the power of knowledge, leverage knowledge for innovation, empower every employee by the knowledge of every other employee, and to be a globally respected knowledge leader’. Wipro, another Indian

IT firm, developed an interesting framework (Anurag et al., 2001) to achieve its business vision. It was designed to build on the existing efforts in the organization and enhance the culture of knowledge sharing and utilization (Vyas et al., 2012).

- Learning → Building Capacity;
- KEEP (Knowledge Extraction Enhancement & Practice) → Collection of disparate knowledge and expertise within the firm;
- CARE (Competency Augmentation through Research) → Leverage on expertise and knowledge built up to come up with innovative products and services.

According to Vyas et al. (2012), it requires strong leadership, as well as appropriate rewards and recognition programs, to bring in cultural changes, set the right direction, and con-

tinuously monitor progress. The proposed framework encourages both bottom-up and top-down approaches to accelerate the culture change. As a result, both, the effective management of human resources (especially, talented employees) as well as the firm's ability to acquire, process, and apply external knowledge, play a crucial role for the continuous growth of businesses in India.

### ***Brazil***

The research about AC in Brazil is represented by the set of small/medium in size studies, each of which is dedicated to some particular industry in Brazil. The interesting findings were introduced by two academics from University of Sao Paulo when they were analyzing cosmetics industry of Brazil. It was found out that large cosmetics companies use special strategies for AC while small and medium firms apply less complicated methods in this regard (Celadon & Sbragia, 2015). As it has already been mentioned Brazil suffers from a poor educational system and employers have no choice but to invest to a great extent in order to fill up the knowledge gaps the average Brazilian employee has. Thus, Brazilian companies put a lot of effort in solving the issues related to AC. The large Brazilian cosmetic companies use vertical integration, which in its turn requires sophisticated approach to AC (Dougherty, 1992). According to the study, large Brazilian companies try to intermix external and internal knowledge, which boosts firm innovation capabilities (Gassman & Enkel, 2004). The firms tend to absorb external knowledge from suppliers as well as the competitors from abroad; the internal knowledge large firms gain by the means of their R&D activities (Celadon & Sbragia, 2015). This proved to have positive effect on company AC according to previous research studies (McCann & Folta, 2008; Maehler, et al 2011).

According to Zahra and George (2002), cross-country cooperation facilitates effectiveness of AC, the Brazilian cosmetic firms in this regard are being quite proactive and absorb external knowledge from their international colleagues, primarily from the USA and Europe (Celadon & Sbragia, 2015). The research conducted also shows that the process of assimilation in Brazilian companies was smoother if the company puts an effort in selecting right talented workers and train them appropriately. As for the decision-making process, companies have demonstrated directivity on the international as well as the domestic markets, which according to Todorova and Durisin (2007) effect firm AC practices. It was found out that Brazilian cosmetic firms maintained the efficiency of their ACAP by trying to widen the scopes of its products; Brazilian firm investments in social solidarity also positively effect on AC of the company which in its turn supported by the previous studies (Kogut & Zander, 1992).

The recent study by Engelman et al. (2015) researched companies from different industries located in south Brazil. It was discovered that in South Brazilian companies AC is influenced by intellectual capital, however each component of the latter has the different degree of influence on the company AC (Engelman et al., 2015). Such components of AC as acquisition, assimilation and exploitation turned out to be highly effected by human capital as well as organizational capital. These findings are quite consistent with the previous studies on AC conducted by Minbaeva et al. (2003) and Daghfous (2004). Based on the conducted study in south Brazil, the main foundation for AC development was experience, skills and creativity of the company workers, which in its turn constitute the human capital of the company (Subramaniam & Youndt, 2005; Delgado-Verde et al., 2011). Lane et al. (2006) also suggest the importance of presence of creative minds in a company due to their ability to extract value by the usage of new knowledge. The diversity of the knowledge researched at the companies surveyed was proved to be directly related to assimilation processes that take place in the companies (Engelman et al., 2015). The previous studies supported the mentioned relations (Hansen, 2002; Schimidt, 2005).

As for transformation of knowledge in surveyed Brazilian firms, Engelman et al. (2015) identified the proportional degree of influence on it by the organizational capital and human capital; the social capital affects the transformation of knowledge less significantly in compar-

ison with two other types of capital. Engelman et al. (2015) also managed to detect the influence of AC on innovation in the South Brazilian companies: it turned out that innovation highly positively affected by the processes of acquisition and exploitation of knowledge and less influenced by its transformation. The positive influence of AC on innovation in the companies revealed by the research is congruent with the previous studies made on the subject (Cohen & Levinthal, 1990; Kostopoulos et al, 2011). Bittencourt and Giglio (2013) studied the firms of Brazilian industrial activity sector and concluded that acquiring new knowledge by the means of in-house R&D takes more significant position than just simple absorption of external knowledge when it comes to technology absorption.

The review of the studies conducted on the subject of AC in Brazilian firms provides some fragmented knowledge about the concept in the some industry context. It is obvious that Brazil needs deeper and wider research when it comes to AC of the firms (Celadon and Sbragia, 2015; Engelman et al., 2015).

### ***Russia***

The subject of AC in Russian firms very briefly and randomly covered in the literature available in the open sources (Michailova & Sidorova, 2010; Michailova, & Jormanainen, 2011; Didenko & Egorova, 2014). Some authors claim that Russian companies might be titled as the active receivers of knowledge that was generated by the Western counterparts (Holden & Cooper, 1994; Czinkota, 1997; Gilbert & Gorlenko, 1999; Michailova & Husted, 2003; Monk, 2006). This point of view implies that Russian firms due to its relative “youth” in terms of conducting business have not been able to generate quality knowledge that would be worth transmitting to Western companies due to Russian past that is all associated with socialism, useless not relevant practices (Björkman et al., 2007). The opposition however states that Russians firms has the knowledge that can be of high value for Western colleagues if used appropriately (Child & Czegledy, 1996). Being quite dependable on the knowledge that West offered in the beginning of nineties, Russian companies managed to realize the importance of knowledge generation (Jormanainen, 2010).

Research conducted by Michailova and Jormanainen (2011) suggests that Russian firms have realized that their AC is quite limited and requires some significant investments. Working hard towards development of AC internally, Russian companies also actively involved in technology transfer from foreign colleagues. These findings of Michailova and Jormanainen (2011) are compatible with the study of Cohen and Levinthal (1990), according to which AC should satisfy dual requirements: generate knowledge inside a company as well as identify, absorb and assimilate external knowledge. This importance of duality of company AC also mentioned in works of Lewin and Massini (2003) and Bresman (2010).

The study of Dixon and Day (2007) suggests that Russian managers have the real potential to transform administrative heritage left from Soviet Union to contemporary more dynamic style of managing business processes, which increase the company’s AC.

Majority of works dedicated to the subject suggest that even though Russian companies had experienced the seventy years long stagnation when it came to creating competitive and innovative environment, the mid-nineties introduced significant organizational transformation (Khartukov, 2001; Dixon & Day, 2007). Pettigrew and Whipp (1991) figured out that the administrative heritage was holding back the development of AC in Russian firms. This situation can be reversed only if the inner logic will be changed from plan target fulfilment to high profitability and efficiency (Meyer & Møller, 1998; Newman, 2000). This suggestion can be perceived still relevant as the work of Dixon and Day (2007) states that some Russian companies continue to function in the old-fashion way inherited from Soviet Union times. The observation made by Swaan (1997) suggests that AC in Russia as well as in other emerging countries is weak due to the low level of organizational and technological skills that employees possessed, despite the fact that educational level in Russia is quite high. Dixon et al. (2007) justify weakness of Russian companies AC by their administrative heritage.

The interesting fact was discovered by Vlachoutsicos and Lawrence (1996), who after conducting some observations and research concluded that Russian managers on average are quite reserved when it comes to knowledge sharing, thus they perceive accumulated knowledge as personal power not like a corporate asset. Dixon et al. (2007) highlighted the connection between AC and OL (organizational learning), stating that OL- the ability to create, retain and transfer knowledge within the firm, directly depends on its AC. Elaborated by mentioned above authors, the following framework reflects the stages that are necessary for turning weak AC of Russian firms (the consequences of administrative heritage) to the strong one.

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