

## **The effect of inclusive talent management, internationalization and innovativeness on firm's absorptive capacity and performance**

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Environmental dynamism and hardening competition are placing greater demands on companies that find it exceedingly difficult to differentiate themselves from rivals and defend their competitive position (Fosfuri, Tribó, 2008). The number of organizations, whose economic value is defined mainly by their intangible assets (including human resources) rose significantly, while at the same time the value share associated with their tangible assets has diminished (Sullivan, 2000). Talented employees serve as repositories of the requisite capabilities which, if sufficiently nurtured and recognized as a distinctive source of competitive advantage, enable the firm's development and future success. Thus, talent management (TM) is widely regarded as a key element in developing firms' human resources and utilizing them to the fullest extent (Swales, 2013). TM encompasses the 'employee lifecycle' from when they are hired to when they leave through coordinated actions, such as the recruitment and onboarding of new hires, career and succession planning, compensation and rewards, performance reviews, as well as training and education.

Even though previous studies have confirmed the positive role of TM (Mellahi & Collings, 2010), its contribution to performance improvements (Latukha, Veselova, 2019) and the firm's long-term survival (Heinen & O'Neill, 2004, p. 81), the focus on TM per se may, however, be insufficient, as it does not directly address the intricacies of gathering, transferring, and applying knowledge from external sources for competitive purposes. In this connection, the notion of absorptive capacity (hereinafter referred to as AC) becomes of greater interest. It was Cohen and Levinthal (1990) who first defined the concept of AC, referring to it as the firm's ability to recognize the value of new, external information, assimilate it, and apply it to commercial ends. Since then, researchers have examined the AC phenomenon in innovation (Tsai, 2001), knowledge transfer across firms (Szulanski, 1996), and business performance (Lane et al., 2001).

To conclude, both TM and AC have become critical constructs that allow firms to meet the demands and face the inherent challenges of the modern 'knowledge economy' and 'information society', in which human capital and knowledge-based assets represent key ingredients for staying sufficiently competitive.

Thus, the aim of the paper is to explore how firm-specific characteristics affect the relationships between talent management practices, absorptive capacity, and performance. In particular, the paper examines the moderating role of the type of TM strategy (inclusive vs. exclusive), the level of firm's internationalization and innovativeness on the relationship between TM and firm's performance mediated by a firm's AC (see Figure 1). Basing on the profound literature review we formulated the following hypotheses:

**Hypothesis 1.** Talent management positively influence a firm's performance through a firm's absorptive capacity.

**Hypothesis 2.** The inclusive strategy in talent management practices strengthen the positive effect of talent management on a firm's performance through a firm's absorptive capacity.

**Hypothesis 3.** The positive effect of talent management on a firm's performance through a firm's absorptive capacity is stronger for more internationalized firms.

**Hypothesis 4.** The positive effect of talent management on a firm's performance through a firm's absorptive capacity is stronger for more innovative firms.



Figure 1. Conceptual model

The research design is quantitative in nature and, thus, involves the collection of numeric data, whereby the information is quantified and subjected to statistical treatment. The data were collected from the individuals who take top HR positions in the firms operating on the Dutch market. The final sample comprise of 185 observations. All the measures and scales were previously validated. To empirically test the hypothesized relationships (mediation and moderated mediation), we conducted bootstrapping analysis using Hayes (2013) PROCESS Macro for SPSS.

Our results confirm the hypothesized mediated relationship between a firm's TM and performance though a firm's absorptive capacity which is line with prior studies (e.g. Latukha, Veselova, 2019). We also confirmed the partial positive moderation effect of inclusive strategy, regional scope of operations and innovativeness on the relationship between TM and absorptive

capacity; a partial positive moderation effect of regional scope of operations on the relationship between absorptive capacity and performance, and partial negative moderation effect of local scope of operations on the relationship between absorptive capacity and performance. Hence, our study contributes to the literature on talent management and knowledge management as it considers specific firm-level characteristics that require special attention from researchers (while analyzing the relationships) and from practitioner (while developing talent management strategy of the firm to increase its competitiveness).

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