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Building higher value-added firm practices in challenging contexts: Formal networks and talent management in Turkey

human relations

1–31

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Mehmet Demirbag 

University of Essex, UK

Ekrem Tatoglu

Gulf University for Science & Technology, Kuwait

Ibn Haldun University, Turkey

Geoffrey Wood 

Western University, Canada

School of Management University of Bath, UK

Cranfield University, UK

Alison Glaister

University of York, UK

Selim Zaim

Ibn Haldun University, Turkey

Smitha Nair


Independent Scholar, India 

Abstract

Where do high-impact human resources management practices thrive, and how do they make a difference in environments with limited institutional support? This study delves

Corresponding author:

Mehmet Demirbag, Essex Business School, University of Essex, Wivenhoe Park, Colchester, CO4 3SQ, UK.

Email: mdemirc@essex.ac.uk 

into the realm of talent management (TM) in Turkey, where institutional coverage is incomplete and unstable. Drawing on survey data, we explore the conditions under which TM succeeds, supplementing previous research on internal networks by examining the impact of external networks that encompass the entire firm. We find that when firms have closer ties with customers, suppliers and competitors (and hence, the basis for formal network tie building), TM is more prevalent and more likely to be successful. While conventional wisdom in comparative institutional literature suggests that such dense ties might be less effective in emerging markets due to the absence of advanced complementarities found in mature economies, our study challenges these assumptions. In the eyes of managers, TM is not merely a tool to overcome disadvantages; it is perceived as a source of opportunities. This prompts a critical question: what specific advantages does the emerging economy system confer on firms embracing TM? Our study seeks to unravel these dynamics and contribute to a deeper understanding of the interplay between institutional contexts and TM.

Keywords

complementarity, emerging markets, talent management, Turkey, uncertainty

Introduction

The empirical research on talent management (TM) has grown considerably, and the focus has evolved from ongoing concerns over a lack of a suitable definition of TM and the opacity with which managers view their talent objectives (Boudreau, 2013; Makram et al., 2017), towards the tensions inherent within the TM agenda (Gallardo-Gallardo et al., 2013; Gelens et al., 2014) and a closer look at how talent philosophies manifest themselves in organizations. Key concerns include how employees react to and experience TM (Clarke and Scurry, 2017; de Boeck et al., 2018; Meyers, 2019); and further investigation of how TM is applied in medium-sized enterprises (SMEs) (Cui et al., 2018; Krishnan and Scullion, 2017) and in multinational companies (MNEs) (Collings et al., 2019; Tatoglu et al., 2016), and towards specific types of workers (Crowley-Henry and Al Ariss, 2018; Kim et al., 2018); and the link between TM and varying measures of performance (Glaister et al., 2018; Son et al., 2020). TM involves the recruitment, retention, rewarding and career development of highly skilled workers. It aims to empower these individuals to realize their fullest potential. This implies that talented individuals possess unique characteristics that are not easily substituted (Kaliannan et al., 2023; McDonnell et al., 2017). An influential strand of the literature draws a distinction between exceptional and average performers (Collings and Mellahi, 2009; Minbaeva and Collings, 2013). We focus on specific areas of human resources management (HRM) practice commonly associated with TM, TM-centred recruitment, retention, advancement and rewards, and when TM focuses on a group of employees identified as top performers.

The micro-level literature on TM scrutinizes individuals and organizations, while the macro-level literature investigates contextual effects, encompassing both country-specific dynamics and variations in regulation (Khilji et al., 2015). This study focuses on

internal TM practices, drawing upon the micro-level literature that delineates core sub-components (Kaliannan et al., 2023; McDonnell et al., 2017). However, it goes beyond merely identifying these components by exploring their relative prevalence in relation to external contextual dynamics, thereby incorporating the macro-level perspective (cf. Vaiman et al., 2018). **[AQ: 3] [AQ: 4]** This approach allows for a more comprehensive understanding of TM, bridging the micro and macro perspectives to enrich the scholarly discourse in the field.

Responding to the need for empirical research in emerging market contexts (Cooke et al., 2014; Farndale et al., 2010), scholars have examined how institutional imperfections and voids continue to create organizational uncertainty making it much more challenging to implement TM and make it work (Bhatnagar and Budhwar, 2019; Blanco and Golik, 2019; Cooke and Wang, 2019; Outila et al., 2019). At the same time, two important tensions emerge in the literature. The first is a concern with the effects of institutional shortfalls and voids; it is suggested that managers in emerging markets spend much of their time compensating for systemically induced challenges or shortfalls (cf. Ge et al., 2019; Liedong et al., 2020). However, there are many successful emerging market firms that seem to base their success on the advantages conferred by a seemingly inhospitable environment. In short, it is possible that the same regulatory features may be seen as posing irresolvable challenges by some and providing real advantages to others. This may be true generally and/or specific to TM.

Second, there is a growing body of literature that connects TM to networks, with the majority focusing on internal, intra-employee networks within the firm and their correlation with identifying and supporting talented individuals (Pagan-Castaño et al., 2022). However, the impact of external network relationships between the firm and other actors on the effective management of talent remains an understudied area. Earlier work suggests that dense ties between formally constituted actors in mature institutional environments are conducive to higher value-added managerial practices, characterized by more optimal investments in people (Goergen et al., 2012). Yet, it is not clear how effective such formal ties are in contexts where institutions are much more loosely coupled or supportive and where the existing literature suggests actors are more likely to make recourse to informal networks of support to resolve systemic challenges (Demirbag and Wood, 2018; Hyden, 1983; Wood and Frynas, 2006). Hence, it is often held that external network ties between players in emerging markets tend to be informal and a way of compensating for systemic weakness (Horak et al., 2020; Hyden, 1983; Koch, 2022). This is seen as distinct from the formal dense ties that interlink actors within some of the more successful mature markets, and which constitutes a core concern in this article (Jackson and Deeg, 2008, 2019).

In this study, we focus on external engagements between firms, rather than the informal extended networks of support involving families, clans or regional peers. Although dense formal ties between actors may be seen as conducive to successful TM (Festing et al., 2013), the literature is rather unclear as to how viable and effective dense network ties, based on formalized engagement and knowledge sharing between industry peers, customers and suppliers, are in emerging markets, and perhaps most importantly, the value key actors assign to this (cf. Allen, 2014; Hall and Soskice, 2001).

There is much debate around the circumstances under which TM may succeed (Sparrow and Makram, 2015). On the one hand, it has been argued that as a strategic choice, TM has universalistic benefits and that it opens opportunities for managers around the world (Garavan, 2012). On the other hand, it has been suggested that successful TM is dependent on contextual supports, not only including the internal and external availability of skills and training but also a broadly supportive and consistent regulatory environment (Gallardo-Gallardo et al., 2020).

Turkey represents an interesting context for such an analysis. The country is undeniably one of the more prosperous emerging markets, with a diverse economy and a relatively good physical infrastructure. However, it is also widely seen as having a challenging and unpredictable institutional environment and, indeed, the country has experienced a great deal of macroeconomic volatility over the years (Central Intelligence Agency (CIA), 2023; Schwab, 2018; World Economic Forum, 2023). It has also been held that regulations are often inappropriate to the needs of firms (Nibbe and Çamlıca, 2014). There has been growing recognition of the importance of understanding how firms operate under volatility, uncertainty, complexity and ambiguity (Mack et al., 2015). Although even some mature democracies face such challenges, it can be argued that a country such as Turkey, which is both relatively developed and yet faces economic and political uncertainties, provides an interesting context to understand how firms cope under such circumstances.

In summary, this study aims to address two pivotal issues. First, it seeks to identify the specific contexts in which TM is likely to emerge and thrive within the constraints of an emerging market characterized by institutional deficiencies. In essence, we investigate the factors contributing to the success of TM in seemingly challenging circumstances, exploring managerial perspectives on contextual features often perceived as constraints in the existing literature on business operations. Second, the article delves into the significance of *external* network ties within an industry, as well as with customers and suppliers, in supporting TM initiatives. This builds upon prior research that primarily focused on *internal* network ties (Pagan-Castaño et al., 2022). Notably, we conduct this exploration in a context where the prevailing assumption emphasizes the importance of informally constituted networks that support individual actors. By doing so, we contribute insights to both theory and practice, shedding light on the implications of our findings for understanding and implementing TM strategies within unique and often challenging business environments.

This research found that in an emerging market with incomplete institutional coverage, TM was more likely to be encountered in organizations that sought to build formal ties with other actors and that this provided them with a competitive advantage. Hence, this study sheds light on where and how firms in inhospitable environments make effective use of high value-added managerial practices as a basis for superior performance. It might be held that organizations seek to build formal ties with peers and other actors when there are systemic incentives and support for the same (Jackson and Deeg, 2008). However, they may take the initiative themselves, contriving local ecosystems where it is easier to practise higher value-added practices; dense formal ties would mitigate against excessive opportunism by other players (Hall and Soskice, 2001; Jackson and Deeg, 2008), and hence may provide the space to invest in talent.

The viability of talent management in emerging markets: Constraints and networks

There is much debate as to whether TM really enhances returns (see, for example, Minbaeva and Collings, 2013). However, existing research concludes that TM affords the ability to change capabilities and may be enhanced through interactions between network actors (Fainshmidt et al., 2016; Kaše et al., 2009). Glaister et al. (2018) suggest that TM becomes a transmission mechanism enabling organizations to adapt to change through a range of flexible, socially driven, people engagement practices. Latukha et al. (2022a, 2022b) highlight the centrality of development and retention practices on firm performance, and Son et al. (2020) assert that TM helps to foster innovation (Basco et al., 2023). TM has been linked to the enhanced acquisition, assimilation and transformation of knowledge (Latukha, 2018). It is through the building of organizational capabilities via HRM interventions that organizations create resilience, and this relationship is stronger in the presence of uncertainty (Branicki et al., 2019; Cooper et al., 2015; Do et al., 2020). However, there remains much debate around not only whether TM enhances employee capabilities and performance but also whether, in turn, it might contribute to the overall bottom line (e.g. Boeck et al., 2018). **IAQ: 5** De Boeck et al. (2018) conclude that the mixed results might reflect the omission of context-specific and internal organizational factors.

Moreover, it has been argued that TM is more effective in contexts where there is a strong education and training system, which might raise the question of its viability in many emerging markets (Nankervis, 2013). There are two possible interpretations. The first is that chronic systemic weaknesses will make effective TM rare; efforts at TM are likely to flounder. A second is that actors may forge bottom-up solutions. Institutional shortfalls do not mean that high value-added practices cannot work; indeed, some systemic features may work quite well in seemingly unpromising environments, even though others are less effective (Demirbag et al., 2014; Kwong et al., 2021; Wood and Frynas, 2006).

It is argued that uncertainty creates a range of management constraints including the ability to hire managers with the right skills, to continue to train and develop employees despite austerity measures, to change employment regulations and trade union pressures, and to understand which new management practices to introduce as a suitable response to these external pressures (Kaplan, 2008; Kor and Mesko, 2013; Lai et al., 2016).

Within many uncertain contexts, it is widely noted that *informal* networks provide a way of compensating for institutional shortfalls (Demirbag and Wood, 2018; Hyden, 1983; Wood and Frynas, 2006). Such networks facilitate exchange relations and help offset failures in regulation and regulatory enforcement, but they also can be associated with patriarchal behaviours and corruption. However, it would be incorrect to assume that networks play a purely compensatory role when institutions are less than effective. It is also the case that in coordinated market countries (i.e. Scandinavia, Rhineland countries and Japan) with complex and, in most instances, highly functional institutional arrangements, dense *formal* network ties between players are both supported by institutions and provide the basis of complementarities (Jackson and Deeg, 2008, 2019). Inter alia, this is seen as

conducive to investment in organizational-specific capabilities and skills and career planning, making for sustained competitiveness (Hall and Soskice, 2001).

Networks can help overcome specific obstacles in a market; they can reduce transaction and knowledge acquisition costs and assist the co-creation of resources and customer value (Chandra and Wilkinson, 2017; Musteen et al., 2010; Peng et al., 2005); they enable actors to develop a shared understanding of diverse pressures and organizational priorities and access information about options that were hitherto inaccessible (Keller et al., 2020; Nayak et al., 2018). The combination of network resources offers opportunities for cost reduction, knowledge development and exchange, further alliance formation and knowledge recombination (Goerzen, 2007; Mitsunashi and Min, 2016; Srećković, 2018), and an organization's perceptions and strategic priorities can be informed by these networks (Liu et al., 2010; Rizopoulos and Sergakis, 2010). Again, networks foster knowledge-brokering, the development of social capital and the transfer of fresh thinking into the organization, providing feedback on the feasibility of specific actions (Eisenhardt and Martin, 2000: 1108; Ford et al., 2018; Zollo and Winter, 2002). These can help to create simple routines and capabilities that rely on experiential activities, rapidly creating adaptive, situational-based knowledge. Such networks include, inter alia, government bodies, universities and informal and formal personal relationships that may be maintained by a few social-capital-rich gatekeepers who oil the flow of information (Blyler and Coff, 2003; Eisenhardt and Martin, 2000; Salvato and Vassolo, 2018).

Formal network ties may make TM feasible; they mitigate against excessive opportunism in intra-employer interactions and optimize knowledge and skills development. Indeed, it could be argued that coordinated markets may be conducive to broad-based TM (Festing et al., 2013). In contrast, informal network ties are often associated with patronage (Hyden, 1983) and hence, may be counter-productive to effective TM. Hence, it is denser formal network ties that may make TM more viable; here, the issue emerges as to whether actors see it as worth engaging with other established actors (e.g. employer associations and industry peers) and sharing knowledge between them. Accordingly, we hypothesize that:

Hypothesis 1: Formal network ties positively mediate the relationship between talent management practices and firm performance in an emerging market setting.

If formal network ties make TM more feasible, the question emerges as to whether their beneficial effects are still valid in contexts with weaker institutions and a much greater level of uncertainty. In other words, can dense formal ties between the firm and other players be conducive to TM in emerging markets, given that the institutional support for such networks might be limited or ineffective? Indeed, if institutions are weak, this might mitigate against their formation in the first place and, indeed, their effectiveness when they are. **[AQ: 6]**

There have been many accounts as to what might constrain managerial capabilities. Commonly, it is held that this might encompass the ability to secure skilled managers in the first place, the ability to invest in people and relative knowledge of

the potential range of strategies and practices (Bloom et al., 2013). The literature on employment rights and labour law is more ambiguous. On the one hand, it has been argued that restraints on owner and managerial power vis-a-vis employees discourage innovation and result in organizational resources being diverted away from the bottom line, and this is carried over into influential scales of managerial constraints (Botero et al., 2004). On the other hand, it has also been argued that constraints on managerial power may discourage an excessively opportunistic approach to employees; when it is harder to easily shed labour, then firms have greater incentives to invest in their people and employees to build their organization-specific skills (Goergen et al., 2012). It might seem that these two arguments are necessarily contradictory. However, they are both predicated on a high level of institutional effectiveness.

Weaker institutions may mean that employers cannot count on consistency from regulatory authorities. This means that managerial power is constrained by uncertainty; optimal decision making is challenging when the reaction of sometimes capricious authorities is uncertain. Again, while strong security of tenure may incentivize skills and development, if employers and employees are uncertain as to whether the law will be enforced, then any potential benefits are lost. Employers will be discouraged from long-term investment in skills and careers if the environment seems uncertain; legal complexities and the potential capricious enforcement of employment law add to this. Meanwhile, employees cannot be secure in their rights and will inevitably focus on what skills and capabilities are externally marketable. Indeed, regulatory uncertainty is likely to add to opportunism on both sides. Again, labour law in emerging markets may often be conducive to the interests of larger firms but counter-productive to smaller ones; in part, this is because smaller players face uncertainties around law enforcement, which may discourage reinvestment and incentivize opportunism (Bischoff and Wood, 2013). This might suggest that they may constitute managerial constraints in the Turkish context; it is not worker rights or unions per se but rather an unpredictability in their effects that may pose severe challenges, particularly for a specific firm.

In summary, systemically induced uncertainty may weaken managerial capabilities. In turn, it may make it harder to effectively implement TM policies (de Boeck et al., 2018). Hence, there is a need to account for uncertainty and how it impacts what management can achieve in implementing TM policies (Cappelli and Keller, 2014). Accordingly, managerial capabilities (or, more specifically, how much they are constrained by uncertainty) may moderate the relationship between TM practices and performance (that is mediated by formal network ties) (cf. Wu et al., 2020). Hence, we hypothesize that:

Hypothesis 2: Constraints on managerial effectiveness moderate the relationship between talent management practices and firm performance (mediated by formal network ties) in an emerging market setting.

Figure 1 illustrates our research framework, outlining the hypothesized links.

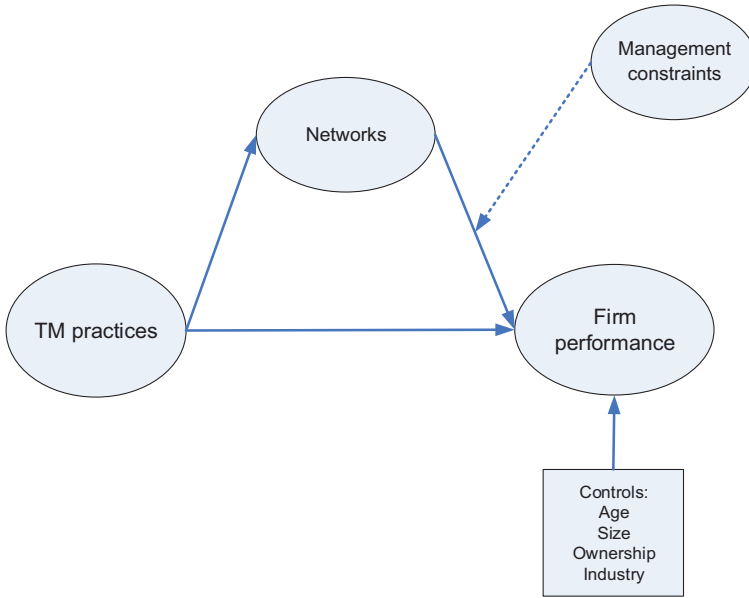


Figure 1. Research framework.

Method

Sample and procedure

A structured questionnaire was adopted to gather firm-level primary data from firms in Turkey. The questionnaire was translated from English into Turkish and then back-translated into English following Brislin (1970) to ensure both accuracy in translation and to identify misinterpretations prior to any administration.

Firms from several industries were sampled from the industrial database of TOBB (The Union of Chambers and Commodity Exchanges of Turkey, <http://www.tobb.org.tr>). This database comprises over 40,000 firms registered within 93 local chambers of commerce in Turkey. We conducted our study by including only firms with 20 or more employees, which was a deliberate choice based on the belief that smaller organizations with fewer than 20 employees might not have a recognizable people management function. Some practitioner-orientated work suggests that typically when organizations reach 20 employees, there is a higher likelihood of having the same (van Vulpen, 2023). However, setting a specific number, like 20 employees, as a universal cut-off for an organization to have a recognizable HRM department may not be universally applicable. The need for an HRM department and its appropriate size can vary significantly, depending on factors such as the organization's industry, the complexity of tasks, workforce structure and strategic goals (Cardon and Stevens, 2004). It can be argued that TM is more commonly encountered in larger firms. However, it is also worth noting that the figure of 20 employees is frequently utilized as a cut-off point in influential national firm

Table 1. Characteristics of respondent firms. [AQ: 7]

Characteristics	N	%
<i>Ownership type</i>		
Domestic	138	58.0
MNE subsidiary	100	42.0
<i>Age (years)</i>		
Less than 5	30	13.1
5–10	29	12.7
11–20	60	26.2
21–40	66	28.8
More than 40	44	19.2
<i>Size (number of employees)</i>		
Less than 250	157	66.3
250–1000	46	19.4
More than 1000	34	14.3
<i>Industry</i>		
Low tech	86	36.2
Medium tech	66	27.7
High tech	86	36.1
<i>Total</i>	238	100

surveys of HRM and industrial relations (Knox and Walsh, 2005), including ones that deal with aspects of TM. However, we chose this smaller figure, considering the importance of small businesses in the Turkish economy.

Through a random sampling selection procedure, a total of 1000 firms was generated and constituted the sampling frame for the study.

A Turkish version of the questionnaire was posted to the general manager of each firm with a cover letter requesting that the survey be completed by a general manager or senior executive with inter-departmental responsibilities with detailed knowledge about TM practices. After two rounds of data collection and one reminder, a total of 251 questionnaires were returned, of which 238 were usable, representing an effective response rate of 23.8%. Although very low response rates can undermine a study's credibility, there is no fixed rule regarding an acceptable response rate (Baruch and Holtom, 2008; Parry et al., 2021). Again, higher response rates do not necessarily make for a better balance in responses; indeed, it is not only very low but also unusually high response rates that may result in bias (Parry et al., 2021). Our response rate is broadly comparable with, or exceeds, contemporary international surveys of HRM practice (Parry et al., 2021). The characteristics of the sample firms are summarized in Table 1. The sample consists of both Turkish indigenous firms (58%) and subsidiaries of MNEs (42%). In total, 14.3% of the firms have more than 1000 employees, and 66.3% are characterized as small and SMEs employing fewer than 250 workers. In terms of firm age, 48% of the firms have been operating for over 20 years, and 26% of the firms have been operating between 10 and 20 years. Regarding the managerial roles held by the responding managers, it was

noted that 35% occupied top-level managerial positions (e.g. Chief Executive Officers, chairpersons, board members and managing directors). Additionally, 19% held senior-level managerial positions (e.g. Chief Financial Officer, Chief Operating Officer and Deputy General Manager). The remaining 46% were in various other senior-level management roles (e.g. HRM Director, Factory Head and Planning Manager).

To evaluate non-response bias, responses from early and late respondents were compared, and there were no statistically significant differences. A comparison of a randomly selected group of 120 non-participant firms and the 238 participant firms revealed no significant differences for any firm-level characteristics.

Measures

Brief descriptions of the endogenous and exogenous variables, along with the control variables used in this study, are provided below. All constructs were measured using five-point Likert scales that were reflective, except for networks, which was a formative scale.

Firm performance. Our assessment of company performance relied on a subjective measure, drawing upon the perceptions of managers who responded over the last three years. These managers were asked to rate their satisfaction with their firm's performance in several key areas, including growth in profits, sales, market share, return on assets, return on sales, the ratio of total sales to total assets and overall performance (Huselid, 1995; Kim and Gong, 2009; Pearce et al., 1987; Wickramasinghe and Wickramasinghe, 2020).

While objective measures provide concrete and quantitative data, utilizing a subjective measure for measuring financial performance offers various justifications. Subjective measures allow for a more holistic, contextually relevant and nuanced understanding of the complex aspects of firm performance. Additionally, they can help overcome challenges related to gaining access to objective financial data. Importantly, subjective measures of firm performance have been found to correlate well with objective measures (Geringer and Hebert, 1991; Powell, 1992).

By employing a subjective measure, we aim to capture the managerial perception and assessment of their firm's performance, providing valuable insights into the organization's overall achievements and strategic direction relative to perceived competitor success over a period of time. Multiple measures enable a degree of 'soft' triangulation and checking. This approach allows us to explore the human and behavioural aspects that influence financial outcomes, going beyond the strict numerical indicators provided by objective measures. Moreover, it enables us to consider the specific contexts, challenges and opportunities faced by each organization, leading to a more comprehensive analysis of firm performance in our study.

Management constraints. We assessed management constraints by utilizing eight items adapted from Bloom et al. (2011). Following validity and reliability analysis, only five items were retained for the scale. The deleted items include 'hiring non-managers with the right skills', 'bureaucracy within the organization' and 'obtaining cost-effective management consultancy'. Those that were retained connect closely to the factors that shape

TM. The TM literature suggests that hiring managers with the right skills is particularly problematic in a local setting and therefore the onus is placed on organizations to invest in more training and development internally. This has cost implications and risks associated with employee turnover. The institutional employment regulations and laws further shape and potentially limit workplace practice, setting parameters for action via a range of potentially coercive measures. Further, the presence of trade unions, while beneficial, places further constraints on organizational activities and emphasizes negotiation over unilateral action. These will further impact the predictability of workforce experience and managerial knowledge and understanding of the various practices that could be introduced in a given setting.

Networks. Formal network ties were assessed by rating the importance of three different knowledge sources for the firm drawn from the *UK Innovation Survey 2016–2018* (Office for National Statistics (ONS), 2019), including competitors, customers and suppliers. It should be noted that we are not measuring the operation of networks but rather how much value managers assign to relations with competitors, customers and suppliers, which in turn, will affect the scale and extent they engage with them, and the density of ties they build with them. These networks are particularly important in helping to improve organization outcomes. Competitor networks often involve peer-to-peer learning or communities of practice involving the engagement with sets of new management practices. Suppliers, depending on the extent to which they are integrated, may help the incorporation of new workplace practices to help boost productivity and performance in supply chain issues. Customer networks offer feedback on a range of product offerings and outputs that have the potential to improve and shape future products and therefore the nature of practices and subsequent skill sets of groups of employees.

The currency of the study is perceptions. Perception-based performance indicators have become increasingly common in the literature given the influence of approaches such as the balanced scorecard (Abdel-Maksoud et al., 2005) to promote and encourage a range of activities that may enhance outcomes (Ahmad and Zabri, 2016). A body of research compares managerially reported performance data with actual firm performance and confirms such a linkage; while managers may have incentives to talk up how well the firm is doing, claims on actual returns can, in the case of listed firms, be easily verified, discouraging gregariously false claims (Singh et al., 2016). Nonetheless, we recognize the possibilities for subjectivity. However, the key point to note is in that a grouping of employers does not see a range of critical systemic features as having any negative effect on the ability to manage talent successfully and that they also believe that it yields superior performance outcomes. Such firms are likely to persist with such measures.

TM practices. We adopted a set of TM practices, derived from rewarding high performers, promoting excellence and attracting/retaining talent, as outlined by Bloom and Van Reenen (2010) and Bloom et al. (2012). These practices, based on rewarding high performers, promoting excellence and attracting and retaining talent, were adapted from Bloom and Van Reenen (2010) and Bloom et al. (2012). This was subjected to exploratory factor analysis (EFA) to identify the first-order constructs contributing to *TM practices*. The measures incorporated in the survey included the attraction of talent

involving the provision of rewards and benefits that not only have extrinsic but intrinsic value, hence the addition of non-financial rewards as a key reward component. Promotion is central to career management and the provision of a 'line of sight' career structure. The measures included therefore focus on the performance and the active identification and development of good performers. Rewards are central to the bundle of TM practices, and these were focused on systems of evaluation, the setting of targets and the overall systematization of reward structures ensuring a more open and transparent approach to talent more generally. Retention, arguably the ultimate goal of TM, included *proactive* (as opposed to reactive) measures to limit turnover and encourage talent to stay within the business.

Control variables. The study controlled for the effects of *firm size, age, industry and ownership*. Firm size was categorized into eight ordinal groups based on the number of employees. Regarding the industry type, firms are classified into high-tech, medium-tech and low-tech industries based on the OECD's taxonomy of industries in terms of their extent of research and development (R&D) **[AQ: 8]** intensity (Galindo-Rueda and Verger, 2016). By categorizing firms based on R&D intensity into high-tech, medium-tech and low-tech industries, researchers, policymakers and stakeholders can gain insights into the technological landscape of economies, understand the drivers of innovation and tailor policies to foster growth and competitiveness in specific sectors. Firms were categorized into two ownership groups: subsidiaries of MNEs and indigenous firms from Turkey.

Common method bias

Although there has been a tendency against the usage of cross-sectional data, survey-based research of this nature has played a hugely influential role in moulding the field of people management, and well-designed studies continue to find their way into well-regarded journals, including *Human Relations* (Schulz et al., 2022). In dealing with potential common method bias (CMB), we deploy post hoc remedies, following on earlier work (Gong et al., 2005). We began by employing Harman's single-factor test (Podsakoff et al., 2003) with EFA and confirmatory factor analysis (CFA) to examine CMB. However, recognizing the limitations of Harman's single-factor test in detecting CMB, which has been found to be insensitive (Nimon, 2017), we subsequently utilized the more informative and sophisticated CFA marker technique as an alternative method (Bozionelos and Simmering, 2022; Simmering et al., 2015).

Harman's single-factor test with EFA is widely recognized as a prominent approach for evaluating CMB in studies with a single-method research design (Podsakoff and Organ, 1986; Podsakoff et al., 2003). In this test, all study items undergo EFA, and the presence of CMB is indicated if either (1) a single factor emerges from unrotated factor solutions or (2) a primary factor accounts for a significant portion of the variance in the variables (Podsakoff and Organ, 1986). In our current investigation, employing Harman's single-factor test with EFA revealed that it accounted for 19.8% of the variance, indicating that CMB might be of less concern ($\chi^2/df=1.69$, NFI=0.915, CFI=0.963, RMSA=0.054).

As an alternative to EFA, CFA can be employed when conducting Harman's single-factor test (Liang et al., 2007; Malhotra et al., 2006). In the CFA approach, all observable items are modelled as indicators of a single factor, representing method effects. The presence of CMB is indicated when a substantial portion of the overall covariance is accounted for by this single factor among all factors. In our study, the CFA-based analysis revealed that 8.4% of the variation was explained by the CMB ($\chi^2/\text{df}=1.684$, $\text{NFI}=0.918$, $\text{CFI}=0.964$, $\text{RMSA}=0.054$). As a result, we concluded that CMB was not a significant concern in our research.

In our study, we adopted the CFA variant marker variable technique (Simmering et al., 2015) as a robust approach to test CMB in self-report data (Lindell and Whitney, 2001; Williams et al., 2010). The fundamental idea behind this marker variable approach using CFA is to identify the variance attributable to CMB if it affects the relationships among variables in the theoretical model. To serve as a CMB marker, we chose the *socially relevant objectives* (SRO) construct in our survey for two reasons: (1) it is theoretically unrelated to the substantive constructs in our model, and (2) it was measured using a similar Likert-type scale format. SRO was assessed using five items measuring the importance that firms attach to objectives focused on the reduction of energy usage, mitigation of environmental damage, increasing flexibility of production, fulfilling government regulation or standards and reduction in usage of materials. These items have been adapted from the *UK Innovation Survey 2016–2018* (ONS, 2019).

Our findings indicated that 6% of the variation was accounted for by the CMB ($\chi^2/\text{df}=1.589$, $\text{NFI}=0.88$, $\text{CFI}=0.951$, $\text{RMSA}=0.05$), suggesting that CMB is not an issue in this study.

Endogeneity

Before testing the hypotheses, we also checked if endogeneity was a serious concern by reverse causality (Lu et al., 2018). In particular, there was a possibility of reverse causality between *TM practices* and *networks*. The theoretical potential of *networks* influencing *TM practices* raises the risk of *TM practices* being endogenous. The Gaussian copula approach was employed and tested for an endogeneity threat without instrumental variables (Park and Gupta, 2012). To carry out the Gaussian copula approach, one needs to use the latent variable scores of the original model estimation as input. Next, whether the variables are non-normally distributed should be checked (Sarstedt et al., 2020).

A latent variable score of *TM practices* and *networks* was checked using the Kolmogorov–Smirnov test with Lilliefors correction approaches. The results indicated that none of the latent variables had a normal distribution. Then, the copula approach can be used to check the endogeneity problem in the model. The results indicate that Gaussian copulas labelled as *TM practices*^C ($\beta=0.029$) are not significant ($p > 0.1$) in the copula model. Hence, it may be less likely that there is an endogeneity problem in this study.

Analysis and results

Descriptive statistics with the means, standard deviations and correlations are presented in Table 2. *TM practices* comprise 15 items, and EFA was conducted with varimax

Table 2. Descriptive statistics.

Variables	Mean	SD	1	2	3	4	5	6	7
1. Firm performance	3.56	0.77	1						
2. Management constraints	2.39	0.98	-0.40**	1					
3. Networks	3.91	0.59	0.36**	0.06	1				
4. TM practices: Attracting human capital	3.40	0.79	0.10	0.22**	0.19**	1			
5. TM practices: Promoting high performers	3.93	0.73	0.13*	0.09	0.08	0.32**	1		
6. TM practices: Retaining talent	3.64	0.73	0.06	0.18**	0.19**	0.43**	0.28**	1	
7. TM practices: Rewarding high performers	3.43	0.83	0.23**	0.21**	0.22**	0.44**	0.46**	0.39**	1

N=238; *p < 0.05; **p < 0.01 (2-tailed).

rotation to derive the multiple dimensions. The factor analysis revealed four dimensions: *attracting human capital*, *promoting high performers*, *retaining talent* and *rewarding high performance*. Reliability analysis was performed on these four factors. Based on the loadings and the item-to-total correlations, items with low loadings or correlations were removed from the analysis. Table 3 shows the 12 items that were selected for further analysis and the results from EFA and reliability analysis. The four factors accounted for 64.6% of the observed variance and Cronbach's alpha > 0.7, indicating scale reliability (Nunnally, 1978).

PLS-SEM was employed for the data analysis using SmartPLS V4 (Ringle et al., 2015). *TM practices* was modelled as a second-order reflective-reflective construct (with four first-order constructs, namely *attracting human capital*, *promoting high performers*, *retaining talent* and *rewarding high performance*). Using the two-stage method (Hair et al., 2018), the repeated indicator approach (with a factor weighting scheme) was used in the first stage to obtain the latent variable scores for the first-order constructs. In the second stage, these latent variable scores were used as reflective items for *TM practices* to analyse the measurement and structural model (with path weighting scheme), as shown in Figure 2.

Measurement model

All the constructs used in the model were reflective except for *networks*, which was a formative construct. Table 4 provides the results for the measurement model. Internal consistency reliability was established using Cronbach's alpha and composite reliability, which were > 0.7 for all the reflective constructs (Dijkstra and Henseler, 2015; Henseler et al., 2016). The average variance extracted (AVE) for all reflective constructs was > 0.5, and all loadings were > 0.5, indicating convergent validity (Fornell and Larcker, 1981). Discriminant validity was established using the Fornell-Larcker criterion (Fornell

Table 3. EFA and reliability analysis for TM practices.

Items	Factor loadings	Construct	Cronbach's alpha
The rewards and benefits provided by our company are comparable to those offered by others in the sector	0.713	<i>Attracting human capital</i>	0.732
We provide rewards and benefits better than our competitors to encourage talented people to join our company	0.743		
There are non-financial rewards for top performers	0.555	<i>Promoting high performers</i>	0.735
People are promoted primarily on the basis of performance	0.796		
Our company actively identifies, develops and promotes top performers	0.727		
If two people both joined the company five years ago and one was much better than the other, that person would have been promoted ahead of the other	0.762	<i>Retaining talent</i>	0.749
My company usually works hard to keep top talent	0.643		
My company will do whatever it takes to retain top talent	0.825		
No star performer has ever left the company without someone trying to keep them	0.733		
Our company has an evaluation system for the awarding of individual performance	0.827	<i>Rewarding high performance</i>	0.790
Rewards are clearly related to individual performance targets	0.549		
There is a systematic approach to identifying individual performance	0.823		

KMO=0.836; Bartlett test of sphericity= 1196.497; $p < 0.001$.

and Larcker, 1981). HTMT (heterotrait–monotrait ratio of correlation) ratios for all reflective constructs were also examined to ensure that they were below 0.9 (Henseler et al., 2015). For *networks* (formative construct), the variance inflation factors (VIF) were checked, and they were all below 2.5, suggesting that multicollinearity is not an issue (Hair et al., 2011). **[AQ: 9]** The outer loadings of items constituting *networks* were significant ($p < 0.05$). This indicates the validity of the formative construct (Diamantopoulos and Winklhofer, 2001).

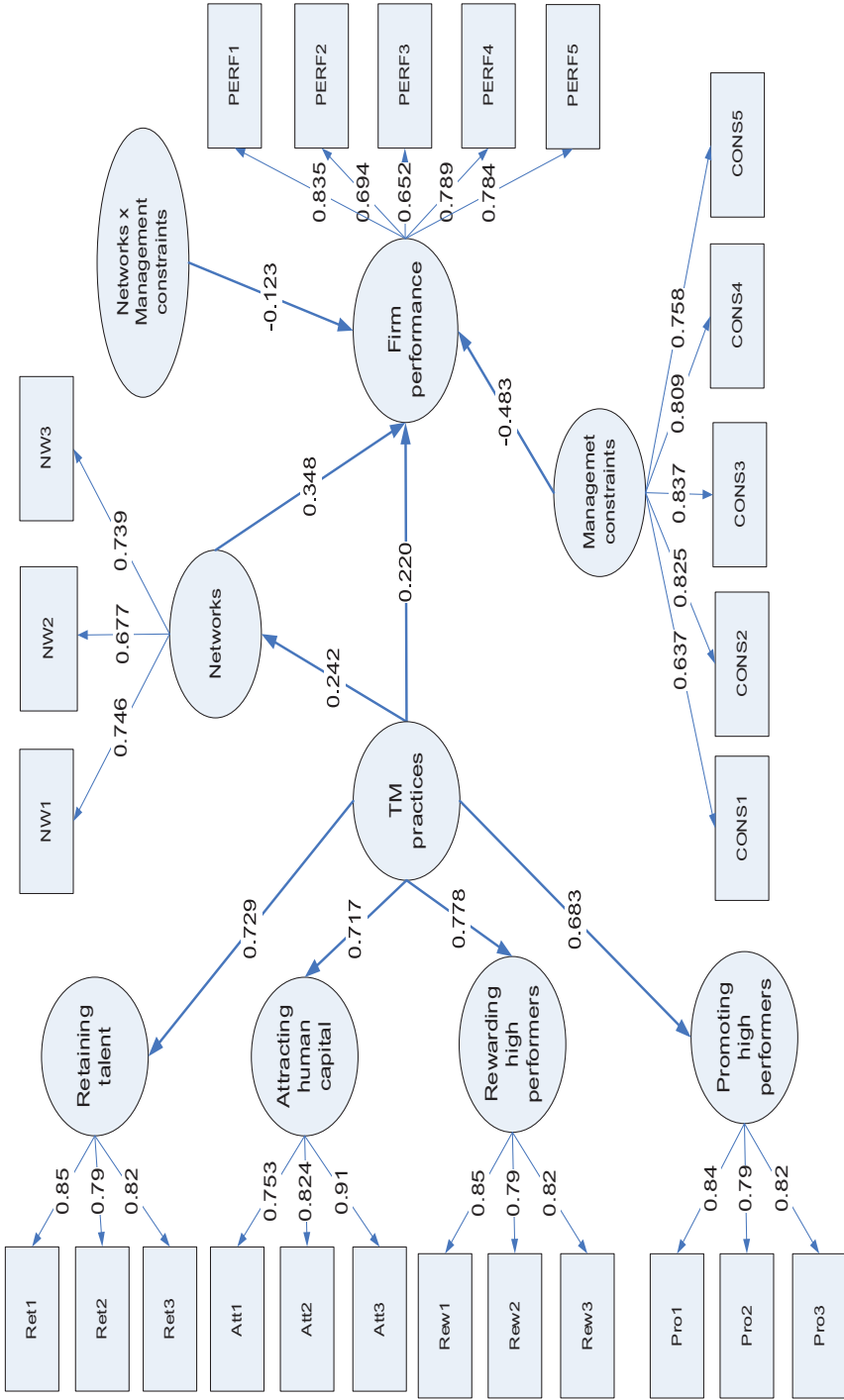


Figure 2. Results of measurement and structural model.

Table 4. Measurement model validation.

Constructs		Factor loadings ^a	Cronbach's alpha	Composite reliability	AVE
<i>Firm performance</i>			0.84	0.88	0.61
PERF1	Growth of profits – relative to competitors in the last 3 years	0.84			
PERF2	Growth of sales volume – relative to competitors in the last 3 years	0.69			
PERF3	Growth of market share – relative to competitors in the last 3 years	0.65			
PERF4	After-tax return on total assets – relative to competitors in the last 3 years	0.79			
PERF5	The ratio of total sales to total assets – relative to competitors in the last 3 years	0.78			
<i>TM practices</i>			0.71	0.82	0.53
TMP1	Attracting human capital	0.72			
TMP2	Promoting high performance	0.68			
TMP3	Retaining talent	0.73			
TMP4	Rewarding high performance	0.83			
<i>Networks (Formative)</i>			–	–	–
NW1	Competitors	0.71			
NW2	Customers	0.69			
NW3	Suppliers	0.76			
<i>Management constraints</i>			0.69	0.82	0.62
CONS1	Hiring managers with the right skills	0.64**			
CONS2	Training and development of existing employees	0.83**			
CONS3	Employment laws and regulations	0.83**			
CONS4	Trade unions	0.81**			
CONS5	Knowing what new management practices to introduce	0.76**			

^aAll factor loadings are significant at $p < 0.001$. **[AQ: 10]**

Structural model

The bootstrapping procedure was undertaken with 2000 samples to assess the structural model. The overall model fit was evaluated using a standardized root mean square residual, which was 0.067 ($p < 0.01$) and is less than the cut-off value of 0.08 (Henseler et al., 2016).

Table 5 shows the values of R-square (R^2) and Q-square (Q^2). The R^2 value is related to the predictive accuracy and looks at variance in the endogenous variable explicated by exogenous variable(s) (Afum et al., 2020). The R^2 values of *networks* and *firm performance* were calculated as 0.06 and 0.38, respectively. The explanatory power of *firm performance* was satisfactory though that of *networks* was relatively small (Chin, 1998).

Table 5. R-square (R^2) and Q-square (Q^2).

Dependent variables	R^2	Q^2
Networks	0.060	0.043
Firm performance	0.380	0.224

Table 6. Direct, mediation and moderated-mediation effects.

Paths	Path coefficients
<i>Direct effects</i>	
TM practices → Networks	0.24**
TM practices → Firm performance	0.22**
Networks → Firm performance	0.35**
Management constraints → Firm performance	-0.48**
<i>Mediation effect (Hypothesis 1)</i>	
TM practices → Networks → Firm performance	0.084**
<i>Interaction effect</i>	
Management constraints × Networks → Firm performance	-0.123*
<i>Moderated-mediation effect (Hypothesis 2)</i>	
TM practices → Networks → Firm performance	
Management constraints (Low)	0.117**
Management constraints (Medium)	0.084**
Management constraints (High)	0.056**
<i>Control variables</i>	
Age → Firm performance	0.018
Size → Firm performance	-0.023
Ownership → Firm performance	0.047
Industry → Firm performance	-0.120*

N = 238; Bootstrapping N = 2000; * $p < 0.05$; ** $p < 0.01$.

The Q^2 value assists in determining if a model has predictive relevance. As a result of the blindfolding procedure, the Q^2 values of *networks* and *firm performance* were 0.043 and 0.224, respectively. These Q^2 values of the model were higher than zero, suggesting that the research model has a predictive relevance feature (Afum et al., 2020).

The procedure that allowed testing for mediation with a single model using PLS [AQ: 11] was adopted for this study (Nitzl et al., 2016; Zhao et al., 2010). The model was tested with both the indirect and direct paths using a bootstrapping procedure (Nitzl et al., 2016; Preacher and Hayes, 2008). The direct, mediation and moderated-mediation effects are shown in Table 6. The direct effect between *TM practices* and *firm performance* is found to be significant ($\beta = 0.22$, $p < 0.01$). Table 6 indicates that the indirect effect is also significant ($\beta = 0.084$, $p < 0.05$), which denotes a positive mediating effect of *networks* on the relationship between *TM practices* and *firm performance*. The indirect path coefficients fall within the bias-corrected confidence intervals [0.033–0.146] ($p < 0.05$), and zero is not included in this confidence interval. Since both direct and indirect effects are noted to be significant, there is a partial mediation effect of

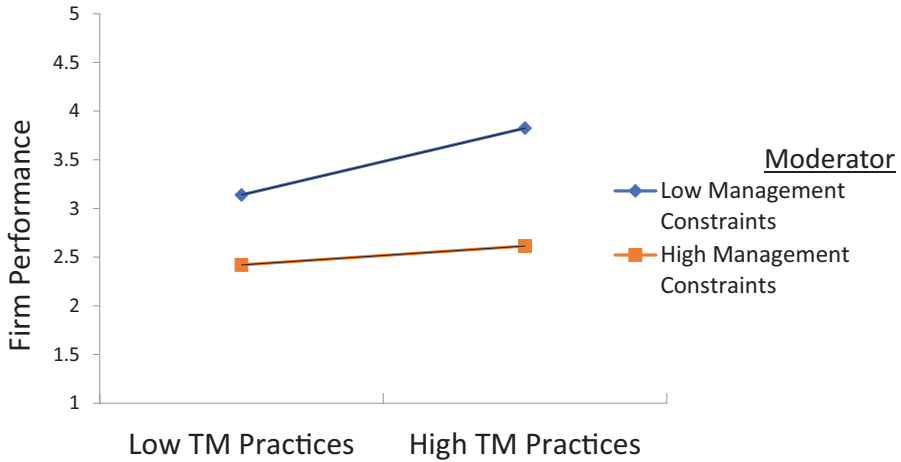


Figure 3. Plot analysis of moderated-mediation model.

networks on the relationship between *TM practices* and *firm performance* (Zhao et al., 2010), supporting Hypothesis 1.

Hypothesis 2 is tested through a moderated-mediation model, where *TM practices* is taken as the independent variable, *management constraints* as the moderator, *networks* as the mediator and *firm performance* as the dependent variable. As shown in Table 6, the interaction of *networks* and *management constraints* showed significant effects on *firm performance* ($\beta = -0.123$, $p < 0.05$). These results indicate that the mediating effect of *networks* on the relationship between *TM practices* and *firm performance* is moderated by *management constraints*. Figure 3 displays a plot analysis of our moderated-mediation model. The effect of *TM practices* on *firm performance* through *networks* becomes stronger at a low level of *management constraints* ($\beta = 0.117$, $p < 0.01$) than at a high level ($\beta = 0.056$, $p < 0.01$). Moreover, the pairwise contrasts between conditional indirect effects (Contrast = $0.117 - 0.056$, $p < 0.05$) are also found to be significant, thus confirming Hypothesis 2.

Additionally, f^2 values were also examined in the study since the path coefficients did not provide complete information about the effect size. According to Cohen (1988), if the f^2 value is greater than 0.35, it is considered to have a strong effect; between 0.15 and 0.35, a moderate effect; and between 0.02 and 0.15, a weak effect. In the light of intervals, *management constraints* (0.349) and *networks* (0.182) have a strong effect on *firm performance*. On the other hand, *TM practices* (0.07) and the interaction term (0.023) have a weak effect on the *firm performance*.

Among the control variables, only the industry type was found to affect *firm performance* significantly ($p < 0.01$).

Robustness of the model

The robustness of the model is also checked by investigating whether there is a nonlinear relationship between the dependent and independent constructs using Ramsey's (1969) regression equation specification error test (RESET).

To implement the RESET test in a variance-based structural equation model, construct scores should first be computed. Then quadratic and cubic effects should be considered to check whether the specification of a nonlinear effect yields a significant result (Sarstedt et al., 2020). In the model, *firm performance* was used as a dependent construct, and *TM practices*, *networks* and *management constraints* were used as independent constructs. Quadratic and cubic terms are added together to the model to check the potential nonlinear effect using STATA software. [AQ: 12]

Ramsey's RESET results indicate that both quadratic ($Y^2=0.062$) and cubic ($Y^3=-0.08$) nonlinear effects were found to be insignificant. Therefore, it is concluded that our linear model is robust.

Discussion and conclusions

This study examines the impacts of managerial constraints on the use of TM and its impact on firm performance. We acknowledge that the relationship between TM (and, indeed, HRM more generally) and performance is a complex one and is never likely to be definitively settled. We know that TM does not always result in performance enhancements. However, managers perceived it to make a difference; earlier work suggested that managerial perceptions of performance most commonly provide an accurate reflection of actual returns. In any event, managers are more likely to persist with, and extend such practices, if they perceive them as working. Our study found that formal network ties may make TM more viable. This may be because denser ties between actors mitigate against short-term opportunism (Hall and Soskice, 2001; Jackson and Deeg, 2008); this may provide firms with more space to invest in their people and deepen their pool of high performers. Such ties may facilitate knowledge sharing and mutual investment in skills development and promote longer-termism (Allen, 2014; Deeg and Jackson, 2008; Hall and Soskice, 2001); [AQ: 13] all these may be conducive to TM. The study confirms that when a higher value is assigned to engagement with other formally constituted groupings (business groups, competitors, customers, consulting firms, suppliers, universities and public/private non-profit research institutes), *TM practices* are more likely, and in turn, that the latter is more effective in terms of performance outcomes.

The comparative institutional literature would suggest that not only are formal linkages less prevalent in emerging market settings such as Turkey (as adverse to extended informal personal and group-based networks of support) but also that they may be less effective, given the absence of advanced institutional complementarities (cf. Crouch et al., 2005; Schotter et al., 2021). We found otherwise; more specifically, the comparative institutionalist theoretical literature suggests that dense formal ties between actors are less common when institutions are more loosely coupled and less effective, as is the case in Turkey (and other emerging markets) when compared with the mature economies (Darwish et al., 2024; Demirbag and Wood, 2018; Hall and Soskice, 2001). Nonetheless, this study highlights where they may emerge, persist and make a genuine difference. This helps answer the puzzle as to why firms that base their competitiveness on high value-added production paradigms may prosper in challenging settings; in short, bottom-up solutions are contrived that may approximate some of the features of a mature market setting. In other words, our study confirms the valuable role denser formal ties

may play between players (Jackson and Deeg, 2008), even in uncertain contexts with weaker institutions. However, in the absence of systemically conferred incentives, managerial decisions to engage in such tie building with peers and other formally constituted actors very much represent an ad hoc choice with potential benefits being only visible down the line. This study suggests that contexts such as Turkey are more complex than might initially be assumed; it is easy to dismiss emerging markets as largely dysfunctional or beset with institutional voids (Ge et al., 2019; Liedong et al., 2020). However, this study highlights how even in such settings, formal dense ties between established actors may emerge and persist, and this is conducive to the addition of high value-added intra-organizational practices. Hence, it could be argued that there is a need for a more nuanced understanding of institutions in settings such as Turkey; institutions are complex and multi-faceted. Even if some may be dysfunctional, this does not mean that this is uniformly the case. Instead, islands of functionality in both rules and practice may emerge and persist, making for firm-level outcomes that cannot readily be dismissed as sub-optimal in world terms. Indeed, the relative success of certain Turkish industries, such as electrical machinery, automotive, heavy engineering and apparel (and exports), would suggest some merit to this argument.

Again, the study found that when management operates under fewer systemically induced restraints, the effect of TM practices on firm performance via formal network ties becomes stronger than under high management constraints. It is important to note that the article deals with perceptions of restraints rather than actual facts on the ground. As some of the variables (e.g. employment laws and regulations) are common to all firms captured by the survey, differences in employer responses would suggest that the system is seen in a more positive light by some players than others. For example, some employers may see trade unions as an opponent that diverts resources from the bottom line and others as an important partner. When institutional regulation is uneven, such diversity in views is particularly likely; stronger regulation is likely to result in greater uniformity of outcomes. What is interesting about the study is that it showed that more successful managers in making use of TM did not perceive the system simply in terms of disadvantages that are impossible to overcome, even if they believed they operated under greater systemic constraints. It may be that better-resourced and higher-profile firms are not only more likely to practise TM but also, being higher profile, are more conspicuous to the authorities and hence be more likely to be subject to regulatory scrutiny. In other words, they are indeed subject to greater constraints than their lower-profile counterparts. However, they seem nonetheless capable of adopting practices such as TM that enhance their competitive advantage rather than simply playing a compensatory role.

Practical implications

Clearly, effective TM can make a difference, at least in terms of managerial perceptions thereof; this study showed that many managers believed it made a material difference to the bottom line. In turn, this means that they are more likely to persist with and extend such practices, perhaps even towards broadening the base thereof. However, if managers think that TM works for a few, it does not mean that they necessarily believe it will work for the bulk of employees. On the one hand, some contexts are much more conducive to

TM than others, based on the relative availability of skills and training and regulatory support. On the other hand, the study did suggest that even within a seemingly challenging context, TM can make a difference. It may be the case that firms that were more effective in operating in the Turkish environment in other areas of management practice were more successful, and TM was simply a by-product. However, this would still demonstrate the importance for managers to transcend views of context that see national systems largely in terms of posing difficulties; even if the latter do genuinely pose problems, it is nonetheless possible to contrive solutions that add value. This study underscores strategies to enhance the likelihood of success in TM within emerging markets. Achieving this goal involves cultivating more robust connections –beyond mere arm’s-length contracting – not only with customers and suppliers but also with competitors. Establishing dense ties with all these stakeholders not only facilitates efficient knowledge flows but also contributes to greater stability and a long-term perspective (cf. Allen, 2014). Despite the challenges associated with forging formal relations in emerging markets, our study illustrates the feasibility and desirability of such endeavours. By emphasizing the importance of comprehensive network development, this research provides valuable insights for optimizing TM practices in dynamic and evolving business environments. Again, systemic uncertainty may often make for excessive short-term adversarialism; the study highlighted the importance of valuing other actors and formally engaging with them as a basis of competitiveness, even when systemic pressures may encourage moving in the opposite direction.

Limitations and avenues for further research

This study is specifically centred on the Turkish case, indicating the potential value of conducting comparative studies within other similarly structured systems. Exploring how TM may thrive in less favourable institutional environments could provide valuable insights. Our focus has been on narrow-based TM, a strategy often adopted due to the relatively limited pool of existing skills and capabilities, making broader-based TM particularly challenging. However, investigating instances of broader-based TM in contexts such as Turkey and understanding how formalized links between organizations and other actors facilitate this presents an intriguing avenue for future research. This prompts questions about the specific advantages the Turkish system might offer to such firms, necessitating qualitative inquiry methods to delve into organizational rationales for building relationships and the factors influencing the range and scope of such ties.

Despite our meticulous evaluation using various alternative methods, including the CFA marker technique, the presence of CMB persists in our data. Recognizing the methodological limitations associated with cross-sectional data, further complementary studies are recommended to corroborate and potentially refine our findings.

Since our study focuses solely on one country, a comparative contextual analysis is beyond its scope. Nevertheless, we aspire that our study serves as a catalyst for future comparative research in this domain. This could encompass investigations into other emerging markets with distinct pockets of competitiveness, such as South Africa, Mexico and Brazil, facilitating a nuanced understanding of institutional effects in these settings rather than viewing them merely as challenges to be navigated.

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ORCID iDs

Mehmet Demirbag  <https://orcid.org/0000-0002-4417-5780>

Geoffrey Wood  <https://orcid.org/0000-0001-9709-1823>

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Mehmet Demirbag is a Professor of International Business and Deputy Dean of Essex Business School at the University of Essex. He has authored or co-authored over 90 scholarly articles and co-authored or co-edited five books. Mehmet's research has been published in prestigious journals such as the *Journal of International Business Studies*, *Journal of Management Studies*, *British Journal of Management*, *Business History*, *Human Resource Management*, *Journal of World Business*, *Human Resource Management Journal*, *Journal of Business Research*, *Management International Review*, *International Journal of Production Economics*, *OMEGA*, *International Business Review*, among others. Mehmet's research interests centre on the relationship between institutional settings, internationalization and market entry by emerging market multinational enterprises. Additionally, he focuses on post-acquisition dynamics and knowledge creation in emerging markets. [Email: mdemirc@essex.ac.uk]

Ekrem Tatoglu is a professor of International Business and affiliated with Gulf University for Science & Technology, Kuwait and Ibn Haldun University, Istanbul, Turkey. His research interests include global management strategies, operations management and strategy in emerging countries. He has published over 120 scholarly articles in esteemed international journals, including the *British Journal of Management*, *Management International Review*, *Journal of World Business*, *International Business Review*, *Human Resource Management*, *International Journal of Human Resource Management*, *International Marketing Review*, *Omega*, *International Journal of Production Research*, *Industrial Marketing Management*, among other distinguished publications. Notably, he co-authored two seminal books, namely *Dimensions of Western Foreign Direct Investment in Turkey* published by Quorum Books, and *Turkish Multinationals* published by Palgrave Macmillan. He also served on several editorial boards, including *Employee Relations*, *International Journal of Emerging Markets* and *European Journal of International Management*.

Professor Tatoglu's scholarly endeavours have garnered significant acclaim at the international level, exemplified by a cumulative Google Scholar citation count surpassing 14,200, coupled with an impressive H-index score of 61, which speaks to the impact and reach of his research. He has been a Fellow of the *Turkish Academy of Sciences* (TÜBA) since 2015. [Email: tatoglu.e@gust.edu.kw]

Geoffrey Wood is Professor and DanCap Private Equity Chair, and Department Chair DAN Management at Western University in Canada, and Professor at the University of Bath and Cranfield University. Geoff's research interests centre on the relationship between institutional setting, corporate governance, firm finance and firm-level work and employment relations. He is a Fellow of the Academy of Social Sciences, and a Fellow of the British Academy of Management, and is also in receipt of an Honorary Doctorate in economics from Aristotle University, Greece. [Email: gwood23@uwo.ca]

Alison J Glaister is an Associate Professor in International Human Resource Management. Her research focuses on the international and strategic aspects of human resource management with a particular specialism in global talent management and the transfer of people practices across borders. After having worked in industry for over a decade in international customer relationship management, Alison has developed a keen research interest in the impact of institutional settings on the nature of people practices and practice transfer with a specialist focus on emerging markets. Her work examines the way in which practices are hybridized and then reabsorbed, and their subsequent impacts on various hard and soft measures of firm performance. She has published articles in a range of internationally leading and peer reviewed academic journals including *Journal of World Business*, *Human Resource Management Journal*, *International Journal of Human Resource Management* and *Management International Review* and she has authored a series of industry reports for personnel specialists. [Email: alison.glaister@york.ac.uk]

Selim Zaim is a distinguished professor within the Management Department at Ibn Haldun University, Turkey where he brings a wealth of expertise in Production and Operations Management spanning undergraduate, postgraduate and executive education levels. With a prolific research portfolio, he has authored over 70 articles featured in esteemed journals such as the *International Journal of Production Research*, *Technological Forecasting and Social Change*, *Journal of Business Research*, *Annals of Operations Research*, *Decision Support Systems* and *Supply Chain Management*, among others. Dr Zaim's scholarly pursuits encompass multivariate data analysis, supply chain management, data analytics and knowledge management, reflecting his commitment to advancing these domains. Notably, he has played pivotal roles in several European Union projects dedicated to enhancing education quality in Turkey. [Email: selim.zaim@ihu.edu.tr]

The late **Smitha R Nair** was a Professor of International Business and Strategy at Rajagiri College of Management and Applied Science in India. Before her position in India, she served as a senior lecturer at the Norwich Business School, University of East Anglia. Her research focused on international knowledge transfers, organizational innovation and the internationalization of emerging market multinational corporations. She held a PhD in International Business from the University of Sheffield. Smitha authored or co-authored book chapters and scholarly articles in leading journals such as the *British Journal of Management*, *International Business Review*, *Management International Review* and *International Journal of Management Reviews*.