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Institutional and corporate drivers of global talent management: Evidence from the Arab Gulf region

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ABSTRACT

This study analyses how talent management (TM) is molded by institutional and corporate drivers. We borrow from the vast institutional literature to understand how organizations adopt and implement TM practices within the Gulf Cooperation Council (GCC) context. This context is valuable not only because it tackles an under-researched region, but also because the type of variables found further our understanding of TM processes in non-Western contexts. Companies abide by localization rules to sustain their ''legal'' legitimacy, while trying to improve efficiency through actions that enhance their economic sustainability. Companies try to strike a strategic balance between local adaptation and global assimilation of their TM processes. We conclude by presenting a framework that portrays how various forces impact the TM process.

1. Introduction

While business and management scholars have called for more international research into talent management (TM) (Hartmann, Feisel, & Schober, 2010), research in this field remains fragmented and under-developed, and the topic still lacks a clear definition (Collings & Mellahi, 2009; Tarique & Schuler, 2010). We borrow from Collings and Mellahi (2009) the definition of talent management as ''activities and processes that involve the systematic identification of key positions which differentially contribute to the organization's sustainable competitive advantage, the development of a talent pool of high potential and high performing incumbents to fill these roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents and to ensure their continued commitment to the organization'' (p. 304). Most scholarly work has tended to ignore the role of contextual factors in shaping global TM practices (McDonnell, Lamare, Gunnigle, & Lavelle, 2010). Researchers refer to external forces or drivers, beyond corporate control, that impact the organizational ability to manage the global TM process. Tarique and Schuler (2010), for example, refer to globalized talent-migration tendencies, demographic changes, and demand–supply gaps, terming these as ''exogenous drivers'' of global TM challenges (p. 126). They also refer to the legal environment as being among those drivers although there is no extended work on the role of such forces in the global TM process. Schuler, Jackson, and Tarique (2011) identify several barriers to global TM initiatives that include (1) time dedicated to TM by senior managers, (2) organizational structures, (3) lack of involvement by middle managers, (4) lack of willingness to acknowledge performance variances among employed workers, (5) lack of HR knowledge in how to properly address TM challenges, and (6) the discrepancy between knowledge and action that limits managerial ability to make the right TM decisions. Those barriers are important and overcoming them is key to any successful TM strategy. Yet, as TM expands as a theory and practice across countries and emerging markets, there emerge other exogenous barriers that still need to be acknowledged and organizational responses in coping with them identified. Prior research has suggested that institutional mechanisms can reduce the impact of HR practices (Paauwe & Boselie, 2003). Along the same line, we argue in this paper, a failure to understand institutional structures found in specific contexts is likely to lead to a failure of TM recommended practices. This applies forcefully to MNCs who often face the dual, sometimes opposing, pressures of local adaptation on the one hand and global integration on the other (Kostova & Roth, 2002). We focus on the Arab Gulf region context in this study, a key emerging market which contributes to expanding the scope of understanding regarding the TM process at a global level.

2. The context of Arab Gulf countries

The Gulf Cooperation Council (GCC) context includes major oil-producing countries: United Arab Emirates, Qatar, Bahrain, Oman, Kuwait, and Saudi Arabia (EIU, 2009). The GCC is valuable not just

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Table 1
Local and foreign populations in GCC countries.

Country	Population[a]		Total[a]	Percentage of locals	Labor force[a]		Total[a]	Percentage of locals
	Locals	Foreigners			Locals	Foreigners		
Kuwait	1,133,214	2,433,223	3,566,437	32%	347,621	1,779,955	2,127,576	16%
Saudi Arabia	18,707,576	8,429,401	27,136,977	69%	3,837,968	4,310,024	8,147,992	47%
Bahrain	568,399	666,172	1,234,571	46%	139,347	457,694	597,041	23%
United Arab Emirates	947,997	7,316,073	8,264,070	11%	250,271	4,909,084	5,159,355	5%
Qatar	254,484	1,442,079	1,696,563	15%	71,076	1,199,107	1,270,183	6%
Oman	1,957,336	816,143	2,773,479	71%	274,027	740,241	1,014,268	27%
	23,569,006	21,103,091	44,672,097	53%	4,920,310	13,396,105	18,316,415	27%

[a] *Source*: Najjar (2013) with minor adjustments.

because we are examining an understudied geographic region, but because the extent and type of variables found there would help further our understanding of talent attraction, selection, development, and retention processes. The extreme heterogeneity of the workforce, the dynamics of managing pools of local versus foreign workers, and the distinctive regulatory environment vis-à-vis employment practices all represent factors that have not been duly addressed in prior TM research. Besides this, the region is notably very alluring to multinational companies due to its pool of natural resources, economic attractions, and developed infrastructures. This offers an opportunity to understand how companies are able to cope with such variables and use them to their advantage.

Established in 1981, the Gulf Cooperation Council countries are historically, geographically, and culturally linked (GCC, 2013). They are all situated next to each other in the Arabian Peninsula, in Southwest Asia. They are Arab countries, sharing Islam as their dominant religion, and ruled by hereditary systems (monarchies, emirates, or sultanates) with a colonial historical background. They have – with some inter-country differences – vast natural resources of oil and gas. Before the discovery of oil, those countries were dispersed tribal societies that depended on agriculture and primitive marine industries, such as fishing and pearl farming. Since the discovery of oil in the early part of the twentieth century, the region's economies witnessed structural changes. A major drive into building up the infrastructure and the oil/gas industries necessitated the import of droves of foreign labor from neighboring countries, such as Egypt and other countries of the Middle East, and from distant countries in Southeast Asia. Table 1 lists some statistics (2010) regarding the populations of the GCC countries, including the percentage of locals in relation to the total population and in the labor force, showing that about three quarters of the working population is comprised of expatriates.

The economic prosperity that ensued from the discovery of oil drove local citizens employed in various industries to quit their former employment, and companies began to depend increasingly on foreign labor. Within a few decades, it became apparent that the local/foreigner ratio of workers reached unprecedented levels, posing a multitude of social and organizational problems. The expatriate number rose from about 9 million in 1990 to an estimated 21–24 million in 2013 (about 14 million are workers) or about 48% of the total population and 73% of the working population (Dito, 2008; Hyslop, 2012; Najjar, 2013). The numbers of expatriates reached phenomenal levels in the UAE, Qatar, and Kuwait (sometimes over 90% of the working population), while the percentages are relatively lower in Saudi Arabia, Bahrain, and Oman. This dependency on foreign workers leads to unemployment among the local populations. Unemployment, for example, in Saudi Arabia, is estimated to be over 30% among the young population and women (Shediac & Samman, 2010). There are seemingly discrepancies between the skills of the local populations and the demands of companies, making the latter more likely to hire foreign labor and expatriate managers, leaving some of the local population without jobs.

The Economic Intelligence Unit (EIU, 2009) projects that the GCC will grow even further as an economic and trading hub. The GDP of GCC countries is expected to hit US $2 trillion in 2020. The GCC geographic location and trade links will continue to grow in importance. The region will remain a major importer of foreign talent by 2020, but competition for such talent will become even fiercer, especially in those sectors that have been witnessing a scarce supply of talent. Changes in the educational structure of the GCC will improve the domestic supply of specialized talent (Kapiszewski, 2006), but this is unlikely to have a major impact in meeting the growing demands, and dependency on expatriates is not expected to subside in the near future (Naithani & Jha, 2010). Despite huge investments made by national governments in the education sector, which include bringing outstanding universities and research projects to the region (EIU, 2009), the fruits of educational reforms are not expected to materialize in the short run. In sum, the region's growing importance will be coupled with a rising need for talent that cannot be met by local supply.

Sensing the negative trends in local/foreign labor ratios, the GCC countries responded in the 1980s and 1990s by implementing localization policies, with the aim of replacing foreign workers with local ones (Ebrasu & Al Ariss, 2012; Forstenlechner & Mellahi, 2011). Countries enforced varying localization (or nationalization) rates, which also varied from one sector to another. For example in 2011, nationalization rates in the private sector varied between 1% in Qatar to 20% in Bahrain (GulfTalent, 2009). At 59%, Saudi Arabia had the highest increase in nationalization during the same year, compared to 15% for Qatar. As a whole, the region still witnesses a very large foreign labor presence, which has not subsided even after localization policies were passed and compliance became monitored.

Inevitably, localization policies pose numerous problems for companies in the TM process. Companies cannot operate under the assumption that talent could be sourced from anywhere and placed anywhere without hurdles. The impact of nationalization policies on organizational abilities to attract, develop, and retain the right talent, both local and foreign, remains understudied.

3. Research framework and questions

As indicated earlier, the concept of TM has been laden with confusion and it is still in its early stages (Collings and Mellahi, 2009; Lewis & Heckman, 2006). Scholars (e.g. Schuler et al., 2011), however, are in agreement that there is a growing recognition regarding the importance of TM for competitive advantage and that there is a global talent shortage (World Economic Forum, 2011). Schuler et al. (2011) propose a model for global talent challenges and global TM (Fig. 1, with minor adaptations for clarity purposes) where forces and shapers of global talent challenges are