Talent Management in the 'New Normal' – Case Study of Indian IT Services Multinationals in China

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Executive Summary

Emerging market multinational corporations (MNCs) are coming under increasing scrutiny for their international performance. While the success of Indian IT multinationals in the West has been extensively researched and reported, there is a lack of research on their relative failure in China. The rise of economic nationalism and the COVID-19 pandemic pose challenges for the mobility of professionals and the global talent management (GTM) strategy of MNCs. Through in-depth interviews with senior managers from four well-known Indian IT services multinationals, this article presents an evidence-based critique of the design and implementation of their GTM strategy both inside and outside China. It focuses specifically on the quality of the IT talent pool in China, control and coordination issues, and the challenges of workforce localization.

Keywords

Global talent management; IT services industry; Indian multinationals; China; COVID-19; economic nationalism, new normal

Introduction

> As emerging markets, each with its own strengths, we need to become closer development partners who draw upon each other's strengths … The combination of the "world's factory" and the "world's back office" will produce the most competitive production base and the most attractive consumer market.
>
> – Chinese President Xi Jinping, media release on the eve of his visit to India in 2014

Considering the importance of India and China as emerging superpowers, it is critical from both theoretical and practice perspectives in International Business to examine how they compete and collaborate. As the opening statement by Chinese President Xi Jinping shows, there are tremendous opportunities for synergy between the two countries, especially in the IT industry, as China dominates the global IT hardware sector while India is most prominent in the IT services sector. However, the contemporary reality on the ground is disappointing.

Emerging market multinationals have experienced significant growth over the last two decades. However, they are still not well understood in terms of their internationalization process, strategic intent, strategy formulation, the challenges they face in managing knowledge and innovation, and implementation across their global network of subsidiaries (Cavusgil, 2021; Fleury, Ferreira Jr., & Cordeiro, 2016; Hunsaker, 2020; OECD, 2006; Wright, Filatotchev, Hoskisson, & Peng, 2005). Further, despite increasing South-South foreign direct investment (that is, investment between emerging economies), there is a poor understanding of how emerging market multinationals operate in other emerging markets (Guillén, Garcia-Canal, & Garcia-Canal, 2016).

Indian IT services firms are widely considered pioneers of the 'global services delivery' model with onshore, near-shore, and offshore delivery capabilities (Patel, Rammal, Ferreira, & Prikshat, 2021). In 2018-19, the exports from the Indian IT and BPM (business process management) sector reached US$137 billion (NASSCOM, 2019). It provides direct employment to 3.9 million people and dominates the global outsourcing market with a 56% share (Invest India, 2019). The revenues of 15,000 firms in this sector, of which over 1,000 are considered large, touched nearly US$150 billion in 2016. The United States continues to be the key international market for Indian IT services providers at 52%, followed by the United Kingdom (17%), Continental Europe (11%), and the Asia Pacific region (8%). The industry has over 700 offshore development centres (ODCs) across 80 countries enabling it to offer flexible business and pricing models. The employee profile of the industry shows that of the four million people it employs as the largest private-sector employer in India, 170,000 are foreign nationals, and 34% are women. The industry spends over $1.5 billion annually to train its workforce. It is estimated that there are over 6,000 technology education institutions in India, adding one and half million engineers to the country's talent pool each year; however, only 20% are considered employable (Times of India, 2017a).

One of the key success factors for the stellar global performance of the Indian IT services sector is the talented, world-class, and cost-effective Indian workforce conversant with English and Western business systems (NASSCOM, 2015a). As a result, India has emerged as a world leader in high-skill service sectors (Liu & Finegold, 2017), and its privately owned firms appear to be more strategic and competitive than their Chinese counterparts (Cooke, Saini, & Wang, 2014).

In contrast, the indigenous computer IT sector in China is still widely considered to be at a nascent stage, particularly in terms of its export performance (Cooke, 2008), with most firms in this sector being 'smaller than the smallest of the Indian firms' (Niosi & Tschang, 2009). They are mostly focused on the domestic market as their efforts to internationalize have been 'hampered by a lack of English language skills in their Chinese workforce,' and while they are cost-efficient, they are unable to compete with Indian competitors who can globally 'compete effectively first on cost and then on value' (McFarlan, Jia, & Wong, 2012, p. 4 and

7). The industry is overwhelmingly dominated by small to medium-sized firms with annual revenue below $60,000 and an average employee base of 200 employees, meaning they cannot provide the critical scalability in IT outsourcing. One notable achievement of the industry's internationalization is its well-established ties in the Japanese and South Korean markets. China has locational and language advantages in serving the Japanese market, particularly in Dalian and Shenyang, where there is a large Japanese-speaking workforce.

While IT professionals in China generally excel in technical skills, they lack systems knowledge and process maturity, English language skills, and exposure to high-value IT development (Chinasourcing, 2014; Tschang, 2003). As a result, they do not necessarily see IT services as providing a viable career path (Overby, 2013). The severe shortage of IT development professionals has led to spiralling wages and employee turnover in major cities, pushing firms to tier two and tier three cities (Cooke, 2008). Despite concerted efforts by the Chinese government to develop its IT industry as a top priority, the industry remains diverse and highly fragmented.

While Indian firms are keen to de-risk themselves from their over-dependence on the Western markets by entering emerging markets, such as China, the Chinese firms are equally keen to replicate India’s success in global services delivery. As a result, one might expect a strong mutual attraction to leverage each other’s synergies. Enticed by China’s red-carpet welcome and incentives from the Chinese government, the major Indian IT services firms (including those covered in this study) entered China between 2002 and 2004. The key strategic intent and drivers of their entry into China were fourfold: to expand their international talent base; to serve their multinational clients in China; to exploit the Chinese market; and to develop Japanese and Korean markets using Chinese talent that could speak their languages (Xu, 2011).

The evidence suggests that after more than a decade of operations in China, the Indian firms have not achieved any of their key strategic objectives in entering China, and the country remains 'elusive and untapped' (NASSCOM, 2015b). Concerning expanding the human talent base, major Indian firms seem to have achieved less than 50% of their recruitment targets (Xu, 2011). The recruitment numbers in China pale into insignificance compared with the country's Indian and global recruitment. For example, between 2006 and 2010, each of the top three Indian IT services multinationals expanded their global employee base by over 50,000, whereas their recruitment in China varied from 250 to 2,400 (Xu, 2011). In 2010, Chinese employees in these companies accounted for between 1% and 2% of their global workforce.

According to Xu (2011, p. 5), "Indian companies' neglect in the gaps (sic) of culture and education between China and India, as well as failure to fully consider language-related factors have resulted in their being unable to adapt themselves to the situations in China." In analysing the relative failure of Indian firms in China compared with their success in Western markets, Song Kongyao, a Chinese national heading the Chinese subsidiary of an Indian IT firm, believes that Indian IT services multinationals "are capable of globalization, less so in localization" (Chinasourcing, 2014, p. 1). Although all the top Indian IT services firms are present in China, they mostly service their global clients operating in China and are struggling to penetrate the domestic market (Times of India, 2017b).

At the same time, they realise that China is a fast-growing market and critical for innovation and future potential (Economic Times, 2014). In a significant move to break into the Chinese market, five top Indian IT services firms came together to form a consortium to work on major projects in China's Guizhou province (Times of India, 2015). They are also hopeful of collaborating with Chinese firms to exploit emerging new opportunities, such as big data and analytics (Times of India, 2017b). NASSCOM, the apex industry body for the USD 154 billion strong IT-BPM industry in India, has taken the lead to establish the Sino-Indian Digital Collaborative Opportunities Plaza in Dalian and Guiyang to provide market access to Indian firms in the burgeoning Chinese IT market (Economic Times, 2018). It has also set up three IT corridors in Dalian, Guiyang, and Xuzhou cities to further penetrate the Chinese market (Economic Times, 2019). At the firm level, Tata Consultancy Services (TCS) was awarded the Top Employer in mainland China in 2021 by Top Employers Institute (TCS, 2021). Infosys China completed a $150 million IT park in Minhang, Shanghai in 2016, which is said to be the largest single investment made by a foreign IT service company in China (Infosys, 2021). Another major Indian IT services company, Wipro has invested over USD 40 million and employs over 3,000 in China (Wipro, 2021).

However, the strategies employed by Indian IT firms to manage their operations in other emerging economies through their global talent management (GTM) are being threatened by changes in the institutional environment. The rise of economic nationalism can be witnessed in recent events such as Brexit and the de-globalization of the United States (US) trade practices under the Trump administration (Collings & Isichei, 2018; Garg & Sushil, 2021; Ridgway, 2019). The US-China trade conflict, which saw an increase in tariffs on goods, later morphed into restrictions on the operations of certain Chinese technology firms in the US (Itakura, 2020). The recent geopolitical tensions between India and China have seriously deteriorated their political, economic, and cultural relations. India’s opposition to China’s ambitious Belt and Road Initiative (BRI) policy is well-known (Li, Hofman, & Geraci, 2020; Singh, 2019). The recent border clashes in Doklam and Galwan Valley between India and China have had a serious economic impact with India banning Chinese apps, withholding approval for foreign direct investment by Chinese companies in India, amidst growing calls for the boycott of Chinese goods (British Broadcasting Corporation, 2020; The Week, 2020).

The rise in nationalistic policies has been accompanied by reduced inward foreign migration, both temporary and permanent (Köllen, Koch, & Hack, 2020). This development directly impacts the GTM practices of MNCs, especially those in the services sector that rely on the movement of their talent to help transfer their tacit knowledge within the intra-organization network (Amankwah-Amoah, 2020). This free movement of talent across national boundaries was one of the key issues raised by those supporting Brexit, amid claims that this harmed developing local talent and jobs (Portes & Forte, 2017).

The COVID-19 pandemic has exacerbated the curbs on the movement of talent (Caligiuri, De Cieri, Minbaeva, Verbeke, & Zimmerman, 2020) and provided further impetus to the strengthening of inward-looking economic policies (Levy, 2021). This changed economic environment is part of the new normal that firms are adjusting and responding to. In this study, we explore the future of GTM for emerging market MNCs. We use the example of Indian IT service firms to highlight the GTM strategies employed by emerging market MNCs in other emerging markets like China that have followed strong economic nationalism and centralized economic decision-making. Studying the firms' operations in the pre-pandemic era helps us explore the GTM issues the firms are currently facing and likely to face in the future.

GTM in Multinationals from Emerging Economies

In the context of globalization of markets and rapidly changing landscape of international business, the management of the global workforce has become highly dynamic, diverse, vibrant, and evolving (Scullion, Collings, & Gunnigle, 2007) with "new themes emerging that transcend traditional approaches" (Bjorkman & Stahl, 2006, p. 6). Collings, Scullion, and Morley (2007) argue that there is insufficient understanding of the complexities involved in global staffing and that researchers must take a more strategic view of staffing arrangements in an international context. For effective and optimum utilization of talent in multinational firms, the GTM strategy should be “more closely embedded in the strategic pathways of the firm” (Sparrow, Farndale, & Scullion, 2013, p. 1).

One of the areas of focus of GTM is on the mobility of talented employees to different sites of a multinational enterprise. According to King (2015, p. 275), GTM is a “set of HRM activities undertaken in the context of international business to manage talent for differentiated roles”. When it comes to defining talent, Wiblen (2019, p. 155) argues that “rather than aiming for a unanimous agreement, definitions should be informed by, and aligned to, an organisation’s business strategy and strategic goals. If organizations operate in different industries and seek to achieve different goals, then one should expect different understandings of ‘who’ or ‘what’ talent is”. In the contemporary Chinese and Indian business environment, “talent are those who are highly educated and (have the ability to be) high achievers/performers in the organization” (Cooke et al., 2014, p. 234).

Despite the critical importance of GTM to international business strategy in the contemporary global economy, the process, practice, and impact of GTM are poorly understood and increasingly difficult to execute as a strategy. Moreover, because of the de-globalization trends, the difference in environment and institutions, international management of human resources in multinationals from emerging economies is different, which needs to be considered (Farndale, Thite, Budhwar, & Kwon, 2021; Horwitz & Budhwar, 2015).

Theoretical Approaches

King (2015, p. 277) argues that “adopting a systems theory approach is helpful to understanding GTM as nested within the wider systems of HRM and the firm”; however, research on GTM is yet to adopt a wider systems perspective (Collings, 2014), especially in terms of focusing on outcomes rather than processes. In the specific context of skill shortages in the high-technology sector, a global rather than a local view of workforce planning and development is essential (Khoo, McDonald, Voigt-Graf, & Hugo, 2007) as firms increasingly are looking overseas for talent to supplement local skills.

Institutional perspective plays a critical role in global human resource management strategy and supports divergence in its practices, including talent management, between different institutional environments (Farndale, Brewster, Ligthart, & Poutsma, 2017). Institutional theory is useful for explaining the critical role played by national institutions, such as governments, professional bodies, and academic institutions, in managing and controlling the quantity and quality of professional work (Streeck & Thelen, 2005; Yuliansyah, Rammal, & Rose, 2016), as well as the endowment of resources, knowledge, skills, and talent between advanced and emerging economies in a global factory (Peng, Sun, Pinkham, & Chen, 2009).

Institutional theories tend to argue that institutional constraints restrict the choice of MNCs in terms of business strategies and structures, which are forced to adjust to these constraints in host countries. Taking this approach forward, comparative institutionalist approaches point out that while the institutions can be a constraint, they can also be valuable resources (Jackson & Deeg, 2008). However, Rees and Smith (2017, p. 266) highlight the tendency within the international business and human resource management literature “towards static models, of both forms of capitalism and of management strategies, combined with a lack of adequate consideration of agency”.

As proposed by resource-based theory (RBT), while firms have little choice but to comply with the regulatory framework within the same institutional environment, they can differentiate themselves from the competition within the normative and cognitive realms through a unique, valuable, and difficult-to-imitate set of best practices to attract, develop, and retain talent (Becker & Huselid, 2006). Thus, the RBT provides a powerful explanation of how firms seek to gain competitive advantage in today’s global marketplace through the optimum combination of tangible and intangible resources, including intellectual capital (Javalgi, Dixit, & Scherer, 2009).

Research Methodology

The purpose of this article is to report on an exploratory study conducted using qualitative methodology to examine the design and implementation of GTM strategy by multinationals from one emerging market in another. The findings reported here are limited to Indian IT services multinationals operating in China. This study covers four Indian IT services multinationals as case study firms. To ensure their anonymity, we refer to them as Alpha, Beta, Gamma, and Delta. We chose these firms as they had operations in China, a successful track record, and were recognized and won awards for excellence in HRM practices (see Table 1).

The case study method is appropriate for this kind of exploration, as it helps open up the black box of organizational processes (Doz, 2011). Eisenhardt (1989) suggests that four case studies can provide sufficient empirical grounding in case study research. We used 'convenience sampling' by searching for leads within our personal and professional networks that would help us gain access to the firms. This approach helped us gain access to senior leaders in the case firms.

Given the exploratory nature of this research, we followed the qualitative research method. We conducted in-depth interviews with 38 senior managers (including chief executive officers, global business heads, country heads, HR heads, and project managers), including 20 senior personnel located at their Indian corporate headquarters and 18 at their Chinese subsidiaries. Each interview typically lasted an hour and was recorded and transcribed. Table 1 provides a profile of participating firms and the spread of the sample. The positions of interviewees are mentioned next to their quotes in the findings.

[Insert Table 1: Organizational profile and sample here]

Data analysis was based on the “thematic analysis” approach as it goes beyond a single epistemic position and covers both realist and constructivist approaches (Braun & Clarke, 2006).

Findings

This section presents the GTM strategy's findings as conceptualised at the corporate level in the case study companies as an integral part of their internationalization strategy. It then reports on the issues and challenges of implementing this strategy with regard to its Chinese subsidiaries.

Talent Management Strategy

As frequently emphasised in the strategic HRM literature, for HR to make a strategic contribution to firm success, one of the key prerequisites is for the top management to be acutely aware of and to appreciate the critical importance of HRM as a core part of business strategy (Brandl & Pohler, 2010). The corporate leaders in the case study companies showed this in ample measure. Our focal case study firms were actively diversifying to reduce dependence on developed markets and spread their operations globally. The firms were also seeking to use the local workforce to demonstrate a long-term commitment to the local community and the need to spread the talent base beyond India – particularly in locations where good talent can be accessed at a low cost.

The strategic intent to localize the workforce, particularly in China, is illustrated in the interview quotes listed in Table 2.

[Insert Table 2: Awareness of the need for workforce localization in China here]

Thus, China is an important target for Indian IT services firms in building a global workforce and capabilities due to the perceived availability of a large workforce at low cost. China is also seen as a vital future market. As the COO of Gamma's China subsidiary highlighted:

> *From a strategy perspective, there are two components to our [China] strategy. One is to leverage the talent pool here to add and create capability to deliver to our global customers and [the other] is to leverage [the local] market.* (Chief Operating Officer [COO], Gamma)

Execution of Talent Strategy: Issues and Challenges

Our interviews revealed that Indian IT services companies have a lot to offer and gain from China. The major Chinese IT companies typically employ fewer than 5000 people, which is a small base compared with Indian IT firms; therefore, they have a lot to learn from India and, in turn, China offers an excellent talent base and investment incentives to Indian firms that can bolster their cost competitiveness.

IT Talent Pool in China

Our case study companies are generally impressed by the quality of IT talent in China and are keen to tap into it to augment their global talent pool; however, they also point out that in the specific context of IT services offshoring, the Chinese talent pool is deficient in several key areas, necessitating long-term investment in training, and development and career management, by employers. Table 3 highlights some of the perceived strengths and weaknesses of harnessing and developing the talent base in China.

[Insert Table 3: Perceived strengths and weaknesses of IT talent pool in China here]

More importantly, it appears that, due to China's late entry into the services sector, the IT career is not as coveted in China as it is in India. As explained by the GM at Delta:

When it comes to the IT talent, the industry itself is pretty new and, unlike India, in China, IT [development] is not a chosen job … [because] most of the people come from the mindset that this does not hold a future for me.

Challenges of Workforce Localization

Our interviews indicate that Indian multinationals are moving rapidly towards localizing their staff in international operations. Gamma is acutely aware of the need to increase managerial diversity in its international ranks. The corporate head of HR explained:

The fact that we do not have many senior managers from different countries is a concern because inclusivity at the highest level is required. [To become more global] we need to start hiring and creating jobs more in the local centres.

Similarly, at Beta, the Senior Vice President echoed the challenge of employee diversity:

[One of the HR challenges is] how do we build a global leadership cadre across all levels because today it is happening more by accident than by design … this is one big learning for us as a company … it is not easy building a multicultural, diverse organization.

Indian IT services multinationals have had tremendous success in the Western markets despite the lack of workforce localization. Still, our interviews indicate that they are struggling to replicate this success in developing markets. In the words of Beta's Vice President of a strategic business unit, this might be because:

In emerging markets, one needs to establish trust before selling content, whereas in developed markets content alone is enough to start a dialogue.

The lack of a China-specific business model seems to be another reason. As Beta's Head of Chinese operations explained:

You need different logic in different markets. Developing the China strategy will take lots of effort for an Indian service company with the right leadership and local *knowledge, and I don't think all [Indian multinationals] will succeed in this effort, at least in the short run, because it is very difficult.*

Implementing Global HR Policies

In terms of control and coordination between headquarters and subsidiaries – particularly in terms of convergence of policies – the HR Head at Alpha's Chinese subsidiary raised several challenges faced in implementing the company's global HR policies:

> *China is traditionally very hierarchy oriented ... when the corporate office decided to make the [organizational] structure quite flat [by having] only five levels, we were really worried [that] it wouldn't go really well in China ... if you look at the appraisal process [as stipulated by Headquarters], it says that we identify the bottom 10% and if we do not see an improvement, then people have to go through a performance improvement programme and finally we have to let them go. This is difficult to implement in China [due to] legal restrictions on employment termination.*

The Indian IT services firms are increasingly realizing the need to pay more attention to the local environment and its realities in policy formulation, rather than force-fitting an Indian model onto overseas subsidiaries. Acknowledging this need, the Head of HR at Gamma says this about control and coordination between the head offices and subsidiaries:

> *There is a high amount of centralized coordination, and frankly, we are not apologetic about the fact that we have a very strong culture and it does get permeated into the different international centres that we have ... how do we make sure that people get integrated into that culture without losing their sense of individuality is a more critical [issue], and that is something that we work on.*

The global HR strategy also needs to consider the difference in national culture in terms of work values. For example, according to Gamma's HR Head of Asia Pacific:

> *With regard to work-life balance ... if you were to peg the US and Australia at one end of the spectrum and India at the other end, China is somewhere in between.*

Based on the feedback given by HR Heads of China in the case study companies, it appears that the localization content in global HR policies needs to increase further to provide further autonomy to overseas subsidiaries to effectively address local needs.

Discussion

The Indian IT services industry has had a distinct and defined path of internationalization. The industry has pioneered a 'global network delivery model', leveraging low-cost and skilled talent – mostly from India but also increasingly from Eastern Europe and Latin America (Thite, 2012, p. 118). Very early in their expansion phase, Indian IT services multinationals relied on securing MNCs as clients, and through this linkage, were able to leverage knowledge concerning the internal processes of MNCs, which in turn assisted their outward expansion and creation of global development centers (Thite, Wilkinson, Budhwar, & Mathews, 2016).

As expected, the study found that most clients in all four case study organizations were based overseas – especially in Western countries – whereas the employee base is still overwhelmingly Indian. Having exploited the labour cost arbitrage until now, the next stage of evolution for the Indian IT firms is to diversify their markets and talent pool and build global leadership capability. With regard to developing the Chinese market, the achievement has been well below expectations, as Indian firms have not been able to replicate their stellar success in mature Western markets in other developing markets. The Indian firms also face tough competition from well-established multinational rivals, such as IBM, which enjoy formidable global branding, early-mover advantages, and sheer breadth and depth of IT products and services. According to some industry analysts, rather than viewing China solely as a sales or manufacturing destination, and to fight "China's heightened governmental regulations and growing consumer angst regarding foreign products and services", IBM intends to "actively assist China in developing its own tech industry (by working) with

Chinese companies as they build everything from servers to chips, all utilizing IBM architecture" (Brugger, 2015, p. 1). IBM has successfully leveraged its presence in both China and India as a globally integrated enterprise, with a quarter of its global workforce in India, a third of its hardware procurement from China, and research labs in both countries (China India Institute, 2014).

Further, as observed by an industry insider, the inability of Indian IT services firms to penetrate the domestic Chinese market might be because their global policies are designed specifically for mature markets and are unsuitable for China; they prefer centralized control in decision-making, which is not fast enough for the Chinese market; they do not have the same cost advantage in operating in the Chinese market that they enjoy in Western markets; and they expect quick results without long-term thinking and investment in China (Chinasourcing, 2014). Similarly, a report on entry strategy in China commissioned by NASSCOM, the peak IT industry body in India, recommended that Indian firms invest more in local resources and work more closely with local government agencies (Sen, 2014).

Arguably, where they currently fall short of becoming truly global organizations is in the size of their international workforce and leadership. Any MNC that derives a significant portion of its revenue from international operations needs to institutionalize global processes and systems and have a truly global workforce and leadership with a global mindset (Kumar, 2009). This is particularly the case in operating in emerging markets (Celly, Kathuria, & Subramanian, 2016).

Due to the extensive global canvas of operations and export earnings, the Indian IT services sector is presented with immense opportunities to excel in managing diversity and inclusion (age, gender, intra-national and international diversity). However, while diversity and inclusion are key elements of HR strategies, on certain aspects, such as international diversity that accounts for less than 10% of the overall workforce, the Indian IT services companies have a long way to go (Donnelly, 2015).

That said, the overwhelming use of home-country Indian IT services companies nationals in their overseas operations is not an exception, as Chinese MNCs often tend to follow the same path. Perhaps this might be a unique feature of global staffing for MNCs from emerging economies. As Rees and Smith (2017, pp. 280-281) point out, '… MNCs from emerging economies, when they are considered, are thought most likely to conform to existing practices, and are not seen as transformational of the field'.

Another related critical weakness of the case study companies is their tendency to lean towards centralized decision-making at the corporate level. Thite, Budhwar, and Wilkinson (2014) highlight this as a common feature across their global operations, including the developed market subsidiaries. To be successful, an MNC needs to maintain a fine balance between control/standardization/convergence in favour of headquarters versus autonomy/decentralization/divergence in favour of subsidiaries (Farley, Hoenig, & Yang, 2004; Hillman & Wan, 2005; Paik, Chow, & Vance, 2011). The emerging economy multinationals typically tend to centralize power due to a fear of losing control mainly and a lack of experience in managing global operations and workforce (Thite, 2015). As they grow and learn, this might change.

There is very little difference in the GTM strategy and implementation between the four case study companies. The company differences are mainly found in the technology and domain expertise acquired, based on their history and key global clients; however, all the top IT companies are present in most business verticals. Unlike their global competitors (such as IBM, Oracle, and SAP), none has come out with standout IT products and rely solely on IT services delivery. Similarly, the timing, mode, method, and model of these companies in China are largely the same, yielding near-identical business results; hence their attempt to bid jointly for Chinese domestic projects to face global rivals rather than compete among themselves.

As the study findings reveal, the case study companies are acutely aware of these structural weaknesses and are keen to learn from their established rivals. This is in line with the existing literature on emerging market multinationals that expand mainly via targeted acquisitions of niche companies in global markets with a primary intent to overcome latecomer disadvantages of lack of intangible resources and capabilities (Guillén & García-Canal, 2009). Moreover, by repeatedly leveraging these linkages of the global web of inter-firm connections, they reap the benefits of cumulative organizational learning (Mathews, 2006; Thite et al., 2016).

The poor performance of the case study companies in China highlights the critical importance of institutional context to GTM. The organizational talent management motives and practices are bound by societal context, so they must be framed within the applicable institutional framework (Tatoglu, Glaister, & Demirbag, 2016). Further, institutional constraints arising out of the structural differences in the Indian and Chinese economies also impact the convergence and divergence of HRM strategy and practice (Farndale et al., 2017). As argued by Beamond, Farndale, and Hartel (2016), in the GTM system applicable to emerging economies, resource-based theory and institutional theory exert a major influence in focusing on how such theories are enacted in practice.

The study findings confirm the critical importance of developing local talent (Collings et al., 2007) and recognizing local knowledge and factors (Vaiman, Scullion, & Collings, 2012) as key elements of talent-management strategies in emerging economies. However, this requires a genuine need and desire for MNCs to recruit locally and efforts by local institutions and talents themselves to acquire the skills and competencies needed by employers.

The findings of our study highlight the institutional support for GTM over time in China. Like many emerging economies, China welcomed foreign investment in sectors that they wished local firms to develop skills over time. The rapid pace at which China has developed the IT sector suggests the local talent's high absorptive capacity for tacit knowledge. This finding is consistent with recent studies in other transition economies that have found similar formal institutional support for foreign investment in the technology sector (Dang, Jasovska, & Rammal, 2020) and the significance of a skilled workforce in emerging economies for cross-border knowledge transfer (Mehreen, Rammal, Pereira, & Del Giudice, 2021).

Conclusions

Having gained international experience and exposure, Chinese technology firms are rapidly becoming innovative and superseding Indian firms. China ranks 14 in the Global Innovation Index, which makes it the highest-ranked upper-middle-income economy. India ranks 48 globally and third among the lower-middle-income economies after Vietnam and Ukraine (Global Innovation Index, 2020). The institutional support for innovation is also captured in the initiatives proposed by the two governments. While India is aiming to become the world's manufacturing hub with the "Make in India" initiative (Department for Promotion of Industry and Internal Trade, 2021), China is looking at exploiting its innovation by emphasising high-tech outputs in its "Made in China 2025" strategy (The State Council, 2021).

For Indian IT MNCs, the centralized decision-making and use of Indian expatriates to manage international subsidiaries are unlikely to be sustained in the new normal. Thus, the development of local talent in host countries like China is one of the priority areas for Indian IT firms that our study identifies. Some Indian firms facing mobility challenges for their expatriates have resorted to using inpatriation programs to transfer talent from the subsidiary to the head office as part of their GTM strategy (Guo, Jasovska, Rammal, & Rose, 2020). However, with international borders effectively shut during the COVID-19 pandemic, the use of virtual teams has become more prominent and is expected to become the norm in the future.

The study provides a much-needed empirical basis to conduct similar quantitative and qualitative studies on a bigger scale, involving different levels of employee voices to better understand the competitive advantages and disadvantages of emerging market multinationals operating in other emerging markets. Similar future studies would also help us better differentiate their strategic intent and implementation from developed market multinationals. While HRM research in emerging market multinationals offers immense opportunities, the field is still in its infancy. It desperately needs empirical data before theoretical implications can be drawn and contributions to theory made.

The rapidity and intensity of globalization – particularly the rise of emerging markets – and de-globalization amid trade wars, rising economic nationalism, and the COVID-19 pandemic require the human resources function to be ever more strategic and global in its role, outlook, and approach (Harvey, Buckley, & Novicevic, 2000). Similarly, with the shift in the global economy towards emerging markets, research on emerging markets will become more prominent and critical (Selmer, 2016). This study takes a step in that desired direction.

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Table 1: Organizational profile and sample

	Gamma		Beta		Alpha		Delta	
Year of establishment	1981		Early 1990s		1987		1976	
Turnover US$	$10 billion		$7.7 billion		$4 billion		$6.7 billion	
Employees	200,000		170,000		112,000		111,000	
Global spread	Presence in 50 countries		Presence in 50 countries		Presence in 90 countries		Presence in 32 countries	
Operations in China	Entry in 2003. Presence in Shanghai, Beijing, Dalian, Hangzhou, Qingdao and Shenzhen Setting up largest overseas development centre in Shanghai China HR Pioneer Award, 2015		Entry in 2004. Presence in Shanghai, Chengdu, Hong Kong, Taiwan and Shenzhen 30 local & MNC clients Employs 2000 professionals, 98% local Hiring partnerships with 19 universities; 80% joining rate		Entry in 2004. Present in Beijing, Nanjing and Shanghai		Entry in 2000. Present in Shanghai, Beijing, Tianjin and Qingdao. Employs 600 professionals, 95% local	
Select list of key HR awards	•PCMM Level 5 certification# •ASTD Award for Excellence in Inclusivity •Balanced Scorecard Hall of Fame Award		•Excellence in Diversity and Inclusion •PCMM Level 5 certification# •ASTD Award for training and development		•Many HR excellence awards •Among best employers in India •ASTD Award for learning		•Ranks among the top best employers in India •HR Leadership Award	
Sample	Line	HR	Line	HR	Line	HR	Line	HR
Headquarters	2	1	3	3	1*	5	3	2
China	3	1	4	1	4	1	3	1 **
Total	5	2	7	4	5	6	6	3

People Capability Maturity Model (PCMM) is a framework developed by Carnegie Mellon University focusing on continuously improving the management and development of the human assets of an organization. Level 5 is the highest level.

*Five line managers were recently transferred to handle key HR portfolios and were counted under HR.

**The HR Head – Asia Pacific is based in Australia and handles both developed and developing markets in the region.

Table 2: Awareness of the need for workforce localization in China

Alpha	"Today, 80 per cent of our total staff are from India because in offshoring business you provide solutions from low-cost countries to customers in high-cost countries who are looking for cost effective solutions … however, we're not limiting offshoring to India alone … internally, we have a target that at least 15 per cent of what we did hitherto offshore must happen outside of India". - Head – Global Delivery, Alpha
Beta	"To gain acceptance of the local community, local leadership is very important in China … from the Chinese government standpoint too, commitment to this country is valued [if you hire locally]. While the India based offshoring model has worked very well for Indian firms in Western markets, it does not work in developing markets because they are not used to service offshoring … they need localization in leadership, selling and delivery." - Head of Chinese subsidiary of Beta (a Chinese national)
Gamma	"Customers do demand in certain areas that you have the capabilities to deliver in the Asia Pacific market [and to them] we cannot say that we can deliver only from India. We need to have delivery capabilities in these geographies … as we move forward, the long-term strategy is how we have lot more of local business generated from many of the overseas subsidiaries [with local talent]." - Head of Gamma's Chinese operations
Delta	"The more you get localized the more chances for you being successful in China. We don't have the end-to-end capability to say that the customer is completely interacting with only [Delta] China. I have to bring the India angle somewhere … Chinese customers have no doubt about the [capability] of the team that is coming from India, but it is not looked at very positively … probably, it is a cultural issue." - Delta's General Manager in China

Table 3: Perceived strengths and weaknesses of IT talent pool in China

	Strengths	**Weaknesses**
Alpha (Country Head – HR, China)	"The average score of Chinese job applicants in technical assessment tests has been higher than Indian applicants … that is a kind of an eye opener for us … in terms of technical capability, I can close my eyes and promise to a customer that you have got no problem [with Chinese employees]."	"Leadership quality is the biggest challenge … we get more of a follower material."
Beta (GM – China)	"To use the Chinese resources [as part of our] global delivery model makes sense [as it provides] a very good synergy. We are very pleased with the quality of local talent base."	
Gamma (VP – HR, Asia Pacific)	"The productivity and quality levels [of Chinese] are comparable and in some cases better than India, particularly in automotive and aero-space engineering because of the manufacturing background that they have had."	"Most engineers come from manufacturing, non- IT background … They have no total end to end outsourcing experience … Tolerance for ambiguity is a big problem … They are very hierarchy conscious …"
Delta (GM – China)	"The quality of deliverables and the quality of talent that is coming out of China is definitely on the upswing … in certain areas [such as] science and R&D, China definitely leads India."	"Their English knowledge is below average … their sphere is so limited because every move they make, they are making it in Chinese … it is not that they don't know, they are pretty plugged on in everything, but they are plugged on in Chinese."