Business strategy choices in Low-skilled labor market: Expanding the scope of Strategic Human Resource Management

1. Introduction

Firms seek to develop and sustain a competitive advantage, which allows them to keep competitors at bay. There are many potential sources of competitive advantage, for instance those related to the access to exclusive, non-imitable inputs or assets, those related to specific product characteristics, or those due to the existence of a particular regulatory framework. Often times, the contribution of human capital is crucial to develop a sustainable competitive advantage. This fact entails a critical task for human resources management (HRM), which may enhance the quality of the available human capital.

In practice, since human capital is embodied in people, most firms, especially those for which the access to the global pool of human capital is high enough, must obtain this human capital from their local environment, and adapt it to implement a target strategy. Hence, there may be a mismatch between the required level of human capital and those that are available in the environment. The direct consequence is that the set of feasible strategies is reduced, especially on industries highly dependent of human talent (for example, professional services firms) or when it comes to key tasks where people and technical skills make a difference for business competitiveness (e.g.: R&D specialists or sales forces with highly specialized background).

We propose a simple theoretical model to illustrate this point. Specifically, our model is one of vertical product differentiation in which a domestic firm must choose its level of quality to compete against foreign producers in the world market. The domestic firm may invest in human capital development in order to increase the KSAs of its employees and, ultimately, the quality of its products or services. We show that the level of investment, and hence the level of quality of the domestic firm's products and/or services, depends on the level of available human capital. In particular, we show that a higher level of available human capital never reduces the level of investment in human

capital enhancement by the domestic firm.

Our model makes the point that the choice of strategy to create and sustain a competitive advantage may not be isolated from the environment in which the firm operates. In fact, recent evidence in Porter *et* al (2014) supported that America's productivity level decreased, with strong negative influence in both the competitiveness (broadly defined) and employment indicators of the country. This deterioration is explained by the difficulties of nationwide companies to attract talent with the required skills, affecting firms' performance. It is also suggested that America's education and workforce development systems are not producing skills relevant to today's workplace and for jobs in high demand (especially middle-skilled jobs). In addition, according to the 'Talent Shortage' study conducted by the Manpower Group (2014), almost 57% of the Colombian companies report difficulties in finding the required human capital, whether general or firm-specific.

Indeed, the main hypothesis underlying this study is that if the average skills in a specific labor market are low enough to satisfy the requirements of the desired business strategy, firms may show reluctance to invest in hiring and training human capital (for example, developing a film industry on emerging markets). More precisely, this article analyzes how a low-skilled labor market affects investment decisions in human capital.

On the one hand, mismatching may be associated with detrimental effects on employees' turnover, productivity, psychological factor, and non-work situations. In fact, little is known about two potential effects on firms of a low-skilled labor market. First, the impact on the feasibility of the business strategy formulation. Mismatching widens the gap between the desired (formulation) and feasible strategy (implementation). Thus, if the likelihood to obtain the proper skills for the strategy implementation were low due to the labor market qualification, firms' investments decisions to hire and train human capital would approximate to zero (not invest). Therefore, increasing employees mismatching, potentially widens the gap between the desired and the feasible strategy implementation; thus, if the time required reducing the desired-feasible gap is uncertain, investments may become a sunk costs. Second,

contrary to Barney (1991, 1995) a low-skilled labor market constrain the development of sustained competitive advantages. Consistently, firms potentially limit investments to develop firm-specific human capital due to the infeasibility to achieve a desired competitive position through employees. In those cases, public policy issues (i.e. tax deductions, scholarships, research funding, etc.) become relevant to stimulate domestic and foreign competitors to invest in certain industries where governments have special interest, like, for example, countries interested in developing certain cultural or creative industries.

In addition, the evolution and dynamism of contextual market factors such as technology, market competition, globalization and so forth, push companies as well as jobs requirements to adapt at the speed and complexity of the evolution. Recent literature provides a diverse set of mismatching sources such as skills, geographical, temporal, earning, and work-family factors. The industrial organization and the personnel psychology field studying industries and organizations framed this practice as "person-environment fit" (Kalleberg, 2008). Therefore, the profession can expect a wide range of strategic and empirical implications. This article proposes a particular effect with empirical and theoretical implications: the higher the gap between human capital with the workplaces specifications, an increasing gap between the desired and feasible firms' competitive position is also expected.

In this context, we propose a model that analyzes firms-specific human capital investments decision under a specific source of mismatching: low-skilled labor markets. In the model, firms must transform the existing human capital (taken from the environment) to fit the specifications required by the target strategy to be implemented. This is a costly process; therefore, if the level of knowledge, skills, and abilities (KSA) in the environment is low, then the cost of adapting to the requirements of the desired strategy will be very high. Hence, there are some strategies that become infeasible, given the environment's level of KSA. The output in the model shed lights on the transition from 'available-required' human capital to the 'desired-feasible' strategy choices in a low-skilled labor market. We also argue that HRM fails to match the available human capital with the desired strategy, and senior management may decrease

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the incentives to achieve a sustained competitive advantage (SCA) through the investments in the development of firm-specific human capital. For instance, entrepreneurs faces diverse options-value investments that could maximize profits rather than to invest in firm-specific human capital resources. These could also be the case when managers face hard decisions to relocate budget in the face of a crisis; then, short-term gains become more attractive than time-extended investments on human capital development associated with innovation but perceived uncertain results.

The remainder of our paper is organized as follows: Section 2 discusses some theoretical contributions relevant to our analysis. Section 3 proposes and develops the theoretical model. Finally, Section 4 presents some concluding comments.

2. Theoretical Motivation

The effects of a low-skilled labor market on HC's resource allocation decision making, drives to a theoretical overlapping between the strategy, HC, and industrial organization fields with strong implications in the strategic HRM's domain area. Hence, due to theoretical and empirical literature has ignored this potential effect on firm-specific investments, in this section a brief literature review is made in order to support the main assumption in the model, and to extend the scope of the management literature through the assembling of diverse multidisciplinary concepts and theoretical fields.

Human capital theory support that investing in people improves total factor productivity (see, e.g. Psacharopoulus, 1985; Chon, Geske, 1990; Fitz-Enz, 2000), thus increasing the organizational performance, as well as at societal level in the form of returns that benefit the entire society (Becker, G.S., 1964). Also, as noticed by Ogunade (2011: 2-3), investments spur economic growth by attracting foreign direct investments used for capital-intensive production processes, becoming an important location specific advantage of developing countries (Noorbakhsh et al, 2001: 1598). From the above, is accepted that the HC is not owned and fully controlled by firms, therefore decision to invest to fit with the organizational goals is eventually under uncertainty by nature.

Hatch and Dyer (2004), Palmer (2008) and Ogunade (2011) also signals that skills are one of the main and indispensable factors with potential to not only improve the productivity of the individual (e.g. wage rate, employability, job stability), the firm (e.g. cost advantages, output per unit of labor, market share and export performance) and the informal sector (e.g. increasing outputs and curbing underemployment), but also the training received –even by low level staff like equipment operators- is integrated into internal problem solving abilities of the company.

The dynamism of economies symbiotically related with competitive pressures, the speed of technological innovation, among others, naturally creates gaps between the available and required skills for workplaces (see, e.g. Bresnahan et. al., 2002). Related literature frames this discussion in the 'mismatching' effects of workers to workplaces. Mismatching effects are largely study in the sociological (e.g. Handel, 2003), psychological (e.g. Wilk, Desmarais, and Sackett, 1995; Walsh, 2006), and economic (e.g. the seminal work in Becker, 1962, 1975; Teyler, Murname, and Levy, 1995) fields and concerning on the dampening effects on hiring, wage inequalities, unemployment, employers and employees dissatisfaction, stress issues, productivity output, and so forth. However, little is known on how mismatching affects senior management decisions on strategy formulation. More precisely, how the strategy formulation is affected by the lack or absence of required skills in the labor market that senior management believes it is the path toward a competitive advantage. Thus, this study provides a theoretical insight by which is suggested that the nature of businesses may change at lower (higher) skilled labor market. Specifically, on the investment decisions behavior to create competitive advantages through HC.

Since early contribution in Becker (1962, 1975, 1993) with the Human Capital Theory, related literature supports firm-specific training investments to raise productivity levels in place of the acquisition of general skills in the market (see also Crook et al., 2011). Therefore, firm-specific investments issues motivate scholars to develop a venue for the achievement of a SCA; for example, human capital investments to attract and train a specific and highly qualified workforce to leverage the HC of specific companies (Bhattacharya and Wright, 2005). However, firms face contingency

factors (e.g.. an unexpected evolution on technology that creates a different consumption patterns on clients) that potentially constraint the adjustment between employees' KSA with the expected strategy in spite the effort made to achieve the strategy requirements and, thus creating uncertainty on the expected outputs of the investments to build firm-specific HC.

While, it is established that investments in jobs-training enhance the workers performance (see e.g. Garavan, Carbery, & Rock, 2012) being those that create new skills or updating the existent skills. For instance, an extensive literature review in Posthuma *et al.* (2014) shows strong evidence supportive of firms being still reluctant to invest in HRM practices. In this regard, some authors utilize Real Options Theory (e.g. Bowman and Hurry, 1993; Sanchez, 2003) to study the contextual factors that explain variability of investment in human resources and how this variability relates to organizational performance (Driouchi & Bennet, 2012; Bhattacharya, Doty, Garavan, 2014). In this study, is proposed that the effects of a low-skilled labor market may provoke organizations to face difficulties to learn, or to match the proper skills to implement specific strategies. Thus, it makes sense to treat both, HRM programs and the human recourses development (HRD) as sunk costs.

From the strategy field contribution, recent works in Kauffman and Miller (2011), Chami-Malaeb and Garavan (2013), Bhattacharya and Wright (2005) support that investment in HRM practices such as firm-specific training, development, leadership development, talent development, and organizational learning process drives to SCA and, hence enhancing organizational performance. A growing body of HRM's literature finds convergence and theoretical legitimacy with the strategy field in the resource-based view (RBV) of the firm (see for example Rumelt, 1984; Wernerfelt, 1984; Garavan, 2007; Crook, Todd, Combs, Woehr, and Ketchen, 2011; Shaw, Park, & Kim, 2013); specifically, the human capital (knowledge, skills, abilities) as key factor to enhance firms' performance, and lately to achieve a competitive advantages (Barney, 1991; Wright & McMahan; 1992, 1994). Thus, is provided a linkage between strategy and strategic HRM literature (Boxall, 1996; Wright, 2001). The RBV's proposition (see

Wernerfelt, 1984; Barney, 1991) contributes conceptually with the research agenda in the HRM field by adding the firms-specificity condition of the human capital (e.g. see Becker, 1993; Campbell *et. al*, 2014). More precisely, regarding how HRM strategy develops valuable, unique, rare, inimitable, and nontransferable employees' KSA that constitute the core competences of the firm (Shaw, Park, & Kim, 2013). Therefore, since the seminal work in Barney (1991, 1995), HRM's scholars make a considerable effort to contribute with the firm's sustained competitive advantage (SCA) and, hence with the firms' performance contribution (Nyberg *et* al., 2014).

This article introduces a short/long-run trade-off in the sense that some strategies that require a low human capital development may provide the firm with a temporary advantage. In other words, firms could not pursue a SCA through human capital. For example, on commodities like flowers, agro-businesses may not invest in human capital of their labor force, but they become highly dependent on local cheap labor easily available and with no other alternatives, climate conditions, exchange rates and other non-controllable factors. So, they are not as competitive as other countries where high investments in technology, R&D and distinctive service create more clear SCAs.

Meanwhile, those strategies that require a more developed human capital may take longer to develop and be worse in the short-run (relative to those with a low level of human capital development). Uncertainty, time to develop, and low SKA environment would therefore favor the adoption of low human capital strategies, making firms end up in an equilibrium where firms are not differentiated and thus none of them has a SCA (e.g.. industries needed of innovation to address new types of distribution channels, availability of products and new generations of customers, like editorial industries).

In this study is supported that time increases the likelihood of the desired strategy being dominated by some other alternative. Of course, there is an inverse relationship between the expected time to implement a given strategy and the quality of available KSA. As the time to implement increase, the chances that the strategy is dominated by, say, an alternative strategy that makes use of a new technology, or that

the government introduces a new legislation that makes the initial technology unprofitable, increase.

In addition, the time-variable becomes crucial for our hypothesis. Time transition to acquire and train human capital becomes risky by the uncertainty to match the strategy in low-KSA labor, even higher if markets (for example, the HC needed in the home video industry at the time of Blockbuster vs the Netflix era) demand for more sophisticated products and services (innovations). Therefore, in certain industries and/or markets conditions entrepreneurs may have lower incentives to acquire and/or develop the optimal set of KSA to adjust them to the expected strategy due to time-uncertainty. Indeed, firms can achieve a competitive advantage, but unsustainable trough time and, the HRM an ineffective mechanism to reach feasible strategic objectives such as higher levels of productivity, especially when radical product or service innovations are required by the business in the face of new competitors or fast changing conditions.

Concluding, in this article is developed a simple model that pursues to contribute theoretically with the strategic human resource management (SHRM) field through the study of investments in human capital (firm-specific) under uncertainty, namely low-skilled labor market variable. The model is expected to show that at lower KSA available in the labor market, the entrepreneur has the option to not allocate resources in human capital formation that constitute the basis of the SCA in the RBV.

3. The model

As pointed out in the introduction of this paper, the theoretical model that we propose is one of vertical product differentiation. On the demand side, we follow Shaked and Sutton (1982, 1983), and consider a continuum of consumers with heterogeneous willingness to pay for quality, with their taste parameter being distributed according to a uniform distribution on the $[0,1]$ interval. This assumption effectively implies that the size of the relevant market is normalized to one. The distribution of consumers' tastes gives rise to linear demand functions of the type $p = s(1-q)$,

where *s* is the level of quality of the product in question. See Tirole (1988) or Motta (1993) for further elaborations on models of vertical differentiation.

On the supply side, we assume that there is an international market for some variety of the good, with quality level s^w. Specifically, we assume the existence of a large number of competitive foreign producers supply the good at (foreign) marginal cost, c^w, which we assume to be greater than the production cost of the domestic producer, that is $c^w > c^d$. The fact that international producers sell the good at marginal cost is a direct consequence of price competition among producers of a product with the same quality level.

Facing potential competition from international producers, a single domestic firm must decide whether and how much to invest in enhancing the existing human capital and thus the quality of its product. The quality of human capital influences the quality of the product that is being produced, which constitutes the desired strategy. We are thus reinterpreting a model of quality choice as one of creation of competitive advantage. In our context, competitive advantage is the ability to produce a product that has a higher quality level than that of its competitors. This allows the domestic firm to escape the Bertrand trap and thus price above marginal cost, as opposed to its foreign competitors. In principle, human resources management may influence the selection of workers and the resulting human capital. We focus on the later effect.

In particular, we consider a firm who hires workers from the existing domestic workforce. These workers have some inherent knowledge, skills and abilities that determine their quality. If the domestic firm chooses to do so, the quality of human capital may enhanced by HRM practices, to reach a target level. That is, there may be a costly transformation of the existing level of human capital to fit the desired quality level, which is what we mean by the desired strategy. This decision determines the timing of our model, which turns out to be extremely simple: in a first stage, the domestic firm decides on the level of quality of its product, s^d. Given the existing level of human capital, h, if $s^d > h$ then the domestic firm must undertake an investment in human capital, to enhance the level of firm-specific human capital

required for the desired strategy, which in our model corresponds to the level of quality. The general human capital may be upgraded at a cost, to yield a higher level of quality, specifically, let the cost function be $\phi(s^d) = \alpha(s^d - h)^2$.

We now proceed to compute the equilibrium prices, quantities and profits, given quality levels s^w and s^d . We will distinguish between the cases of the domestic firm having a higher quality level and that where the domestic firm produces with a lower level of quality. First, if $s^w > s^d$, given that the foreign producers post a price equal to their marginal cost, it is easy to see that the domestic firm's profits are given by

$$\pi^d = \frac{\left(s^d c^w - s^w c^d\right)^2}{4 s^w s^d (s^w - s^d)}.$$

Now, in anticipation of these profits, the domestic firm chooses the desired level of quality to maximize its profits net of the quality investment cost:

$$\max_{s^d \geq h} \quad \frac{\left(s^d c^w - s^w c^d\right)^2}{4 s^w s^d (s^w - s^d)} - \alpha(s^d - h)^2$$

It turns out that the first-order condition of this problem involves a fifth-degree polynomial in s^d , which enormously complicates the analysis. However, by analyzing both terms, we may come up with some interesting conclusions. First, notice that the first derivative of the cost function, $\phi(s^d)$, equals $2\alpha(s^d - h)$, which is a linear, increasing, function of s^d for $s^d > h$. On the other hand, the derivative of the gross profit function is given by

$$\frac{\partial \pi^d}{\partial s^d} = \frac{\left(c^w s^d - c^d s^w\right)\left(c^d s^w + c^w s^d - 2 c^d s^d\right)}{4 \left(s^d\right)^2 \left(s^w - s^d\right)^2}$$

Notice that in order for this expression to be positive, we need $c^w s^d > c^d s^w$, which imposes a lower bound on the quality level of the domestic firm. For values of

$$s^d > \frac{c^d}{c^w} s^w$$
, the derivative is positive all the way to the level of quality of world producers, s^w.

In contrast, if $s^d > s^w$, the domestic firm's profits are given by:

$$\pi^d = \frac{\left(s^d - s^w - c^w - c^d\right)^2}{4(s^d - s^w)}.$$

In order to determine the domestic firm's optimal level of quality, it has to compare these gross profits with the cost of quality upgrading. Notice that now the derivative of the domestic firm's profits with respect to the level of quality of the domestic firm's product is given by:

$$\frac{\partial \pi^d}{\partial s^d} = \frac{1}{4}\left[1 - \left(\frac{c^w + c^d}{s^d - s^w}\right)\right],$$

which asymptotically approaches $\frac{1}{4}$.

Then, it is easy to see that for of h such that $h > \frac{c^d}{c^w} s^w$, the domestic firm's optimal strategy is to invest in human capital development. However, for values of h below that threshold, the optimal strategy may be not to upgrade the existing level of human capital and stick to a low-quality strategy. An increase in the cost parameter α induces the domestic firm to choose a lower level of quality. Finally, a decrease in h decreases the optimal level of quality of the domestic firm.

From the model, it is easy to see that the domestic firm's level of investment is non-decreasing in h. Hence, a reduction in the level of human capital of the environment never increases the quality of the final product or service of the domestic firm, and may thus decrease it. Therefore, the quality of human capital available to the firm on its environment effectively constraints its feasible strategy.

4. Conclusions

The basic contribution of the paper is to highlight the fact that a firm's choice of strategy in order to create and sustain a competitive advantage is constrained, not only by the characteristics of the environment in which it operates, but also on the level of human capital development as an important factor constraining the set of feasible strategies.

In order to develop this argument, we proposed a theoretical model of vertical product differentiation. In the model, a domestic firm must compete against a large number of international companies. In order to engage in competition against its rivals, the domestic firm must choose the quality level of its products or services. This level of quality is in turn determined by the given level of human capital of its employees. The firm may choose to upgrade this quality at a cost, by certain HRM practices characterized by being costly and subject to decreasing returns. We showed that a higher level of available human capital never decreases the quality of the final product or service and the level of investment in HRM practices within the firm.

The model contributes to the course taken by the theoretical overlapping between the strategy and HRM literature. Certainly, investments on firm-specific HC to develop inimitable KSA may increase a firm's probability to achieve SCA; however, the model support that firms find a restrictive factor at low-skilled labor markets toward strategies' formulation based in HC. This finding suggests that competitive advantage's literature must also consider the labor market features as one starting point, in order to narrow the gap between expected and feasible strategies' implementation, always dependent on the executive and operative talent available on the environment.

In addition, competitive advantages based in non-HC assets also modify, at least, the nature of the HRM role in the strategies formulation. While this study does not proof empirically the effects of investment (divest) on the process of KSAs creation and development, the KSA identification in the market, as well as its potential development

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must also be measured. Therefore, an expanded scope of the HRM's role will benefit firms to narrow the gap between expected and feasible strategies' implementation.

LIMITATIONS AND MANAGERIAL IMPLICATIONS

This study shows several limitations, considering the empirical proof of the model as the relevant contribution to be made in future works. In this sense, this article also motivates the overlapping of multidisciplinary theoretical perspectives to contribute with the business strategy literature research agenda with high implications for practitioners.

Obviously, the complex reality of different industries cannot be reduced into a single linear formula, especially when it comes to the human aspects of business. But this model also poses relevant questions in terms of public policy and managerial decisions. As mentioned by the Global Human Capital Trends Report (Deloitte, 2014) different industries have different talent priorities. Some need to invest in HC in order to remain competitive when technical SKA are needed to operate and compete (e.g. technology companies, professional services or health care), or when the industry is faced with radical transformations and rapidly evolving products or services (e.g. media and telecommunications, computers and software, pharmaceuticals, or energy companies), or where capability and productivity of workforce is particularly relevant (e.g. auto manufacturers, oil and gas, or social services).

It is also worth noticing that a positive relationship between HC and firm's success, is more evident in at least three cases, as noted by Choi et al (2014): 1) in new-technology knowledge-intensive industries, because the effect of reducing uncertainty associated with innovation and dynamic environments; 2) in start-ups and emerging businesses, as a result of management openness and disposition to learn and adapt without the "weight" of routines, established practices and track records; and 3) in developing countries, because of HC scarcity and the availability of more heterogeneous talent is more likely to create SCA for resource holders in that context.

But, as signaled in our model, there are cases (like new-technology companies) where high uncertainty and risk perceived –because of the venture itself and the knowledge-intensive business they are in- that makes difficult for companies to obtain the requisite resources, especially when they depend on external resource holders (Choi, 2014)[1].

In any case, every sector needs to develop leadership skills and vision to manage it all on times of change and uncertainty. And when it comes to strategy execution, people are a key factor to make business plans and strategies feasible. Management decisions related with delating HC investments could be explained by looking at industries or companies competing with low quality products or services, or because they are competing in mature markets with low entry barriers. This could also be the case of firms in crisis and needed of cash flow and short term gains in markets demanding innovations and rapidly evolving products and services. But the lack of SCA becomes a threat in order to survive in markets with more competitive firms.

Open economies stimulate modern competition and technology transfers that result in higher skilled labor and better capital utilization, specifically in manufactured products or services more than commodities with low value-added (Miller & Upadhyay, 2000). For that reason, skills development should be an essential part of HRM concerns, especially related with rising firm's productivity, contributing with optimization of processes, lowering costs, participating in value-added activities and getting higher returns for business. They all depend from training and education oriented to improve the capacity of the workforce to absorb information, operate new technologies and enhancing flexibility and adaptability (ILC, 2007; Ogunade, 2011).

As suggested by Lall studies (1999: 19) HR must be involved in "skill development through formal education and training and capability formation through specific technology-based experience".

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In low-skilled labor markets, workforce development frequently depends on foreign direct investments by multinational corporations attracted by low labor costs and/or natural resources. But it's also frequent that investments are oriented to create enough capabilities for efficient use of simple labor intensive technologies, avoiding the creation of advanced skills that are centralized elsewhere in the supply-chain. So, if government does not upgrade its education system, they remain stagnant at low levels (Lall, 1999).

On the other hand, business enterprises in developing countries usually provide a high level training in order to obtain a SCA and meet only firm-specific needs, with their own supply of equipment and technical information and expectations of low labor mobility in terms of their workforce. As highlighted by Tan & Bartra (1995) these strategy is usual on big companies, usually with foreign capital participation, looking for educated and skilled workforce, where it's also important other factors as R&D, licenses and quality control in order to be an export oriented firm.

In literature reviewed by Brenner (2004), human capital has been traditionally considered crucial for clusters and considered pivotal criteria for strategic decisions on relocation of factories and business units, because of the need to rely in local labor markets. In fact, it´s been considered that there is a positive relationship between local human capital and the arising and evolution of start-ups, the attracting of more new and bigger firms, and their level of innovation and production efficiency. It's also been signaled that these situations are related with transferable HC (available through knowledge provided by formal education), but especially through firm-specific non-transferable HC (available through practical experience), highly associated with organizational learning. In addition, these conditions are usually correlated with the potential of certain regions to attract new talented workforce and new companies, with influence on the local education system, generating higher levels of productivity[2].

Strong HC base and knowledge transfer from higher levels of inter-firm job mobility are key parts of successful clusters. But, according to Otto & Fornahl (2010),

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demand of HC seems to depend on the cluster life cycle; if demand of talented workforce is relatively modest when clusters are in the emergence stage, they all rely on the local HC base when they are growing. Therefore, at the early stages, HC can be created by training pupils and educating students or by job mobility from other industries and regions, seen as crucial for cluster development; it's also vital the adaptability of local workforce to the needs of the firms in this period. In fact, some industrial clusters rely more on the resource creation and attraction of workers from other regions and industries than on the availability of local HC, except when hardly available key competences and specialized knowledge is required, because general competencies (e.g. administrative and sales) are usually available[3].

Following ideas suggested by Otto & Fornahl (2010), when internal resources are available, HR must work intensively on in-house training and advanced education of local workers to enable a quick adaptation to business conditions and requirements of new ventures. They also need to be competent attracting highly adaptable and qualified employees from other regions and industries to boost performance in the early stages, but, at the same time, developing, measuring and keeping high levels of productivity in terms of the general jobs filled with the available and experienced local workforce. On the contrary, in the case of stablished and growing firms, developing and retention should become key strategies for HR managers to keep the specific HC of the firm.

In any case, HR has a double role to play in these markets where certain particularly competitive SKAs are scarce: whether attracting the best talent available in the market, especially for key positions, or retaining top performers on those same positions.

Either way, developing high-potential talents with the needed SKAs would be needed in order to prepare them to fill those positions in time; on the other hand, continuous improvement would be needed to keep key performers updated, productive, and motivated.

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