The effects of TM and CM on organizational leadership in foreign entities of MNCs

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Abstract

Background. Foreign direct investment (FDI) of multinational corporations (MNCs) from Central Europe have become more visible in the last decade, but many studies describing the role of talent management (TM), competency management (CM), and organizational leadership (OL) in MNCs have taken place in enterprises with headquarters in developed countries. The relationship between different variables in MNCs headquartered in less developed countries has not been satisfactorily explained in the scientific and professional literature.

Research aims. Hence, the main aim of this paper is based on the outcomes presentation of the relations between TM, CM, and the advancement level of OL practices in MNCs having their headquarters in less developed countries.

Methodology. The theoretical and empirical suppositions are based on two major concepts: resource-based views and a situational approach. The data were collected using the computer-assisted telephone interviewing (CATI) method in 200 nonfinancial enterprises with the domination of the Polish capital having foreign entities, inter alia, in Central and Western Europe.

Findings. The conducted research shows that there is a relationship among TM, CM, and OL practices. Also, there are significant differences between companies depending on the duration of the MNC’s operation on the market, the size of the organization, and the type of business profile. Whereas the assumptions have been based on a literature review, empirical research has not confirmed that there is a difference between foreign subsidiaries located in more and less developed countries (here, Central Europe and Western Europe).

Keywords

Organizational leadership, talent management, competency management, multinational company, foreign direct investment

Although foreign direct investments (FDIs) definitely differ due to the character of economy and culture of their headquarters and conditions existing in regions where their foreign entities exist (Filatotchev et al., 2007), there is a trend toward the unification of practices in Western and Central Europe since the admission of new members to the European Union in 2004 (Poór, Fehér, & Tikhonova, 2018). The knowledge about the impact of talent management (TM) (Blass, 2006; Collings et al., 2022; Collings & Mellahi, 2009; Cooke et al., 2014; Farndale et al., 2010; Farndale et al., 2021; Farndale, Horak, Phillips, & Beamond, 2019, Farndale, Sparrow, Scullion, & Vidovic, 2019; Festing & Schäfer, 2014; Kabwe & Tripathi, 2020; Lewis & Heckman, 2006; Scullion, 2010; Shet, 2020; Stor & Haromszeki, 2021; Tarique, 2022) and competency management (CM) (Buzady, 2016; Koon & Ho, 2021; Poór et al., 2015; Rakowska & de Juan-Espinosa, 2021; Stor & Haromszeki, 2020) on organizational leadership (OL) is an effect of several decades of research. Each of these factors plays a specific role in shaping leaders in organization, but according to the situational approach, it is not only the identification of leadership competencies (traits and relations), but also the factors affecting leaders in an organization (Freye, 2015; Tourish, 2013) that is important. Therefore, it is important to continue research in these changing conditions. Additionally, the modern approach to situational leadership should not be focused only on present reality, but in process of planning TM, CM, and succession programs to anticipate future conditions and expectations toward leaders (Rothwell, 2010). The trend of the increasing role of succession programs in MNCs was observed at least a decade ago (Haromszeki & Listwan, 2012), but recently different problems, crises, and changing conditions that disturb this phenomenon have been observed (Bąkiewicz, 2020; Jackson & Dunn-Jensen, 2021; Jindal & Shaikh, 2020; Moreno & Girard, 2019; Sharma & Sengupta, 2018). The studies in this domain have been usually conducted in MNCs having headquarters in developed countries (Brewster et al., 2016; Lara et al., 2020; Latukha & Panibratov, 2015; Muratbekova-Touron, 2009; Poór, Fehér, & Tikhonova, 2018). The results presented here can fill this research gap.

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Hence, the main aim of the paper is the presentation of results explaining the relationship among TM, CM, and OL practices (all treated as Human Resource Management (HRM) subfunctions) existing in foreign entities of MNCs headquartered in less-developed countries.

The paper starts with this short introduction, which is followed by a presentation of the background of the study and the methods and results of our empirical research. The article ends with a discussion and conclusions.

**Background**

The theoretical and empirical assumptions in this paper are based on two major theories: resource-based views and a situational approach. The presented approach takes into account, inter alia, human resources existing within a company and the possibilities for recruiting in chosen places and times. Hence, formal aspects and practices of TM, CM, and OL are perceived as components of the HRM subfunctions. A better understanding of the chosen approach requires presentation of their major aspects. Hence, a critical analysis of the literature is divided into three parts focusing on particular subfunctions. This way of presenting TM, CM, and OL as separate subfunctions is not surprising. What is new, is the internal arrangement of components and looking for the relationships among TM, CM, and OL. The number of factors from HRM subfunctions is not the only foundation of an organization’s success (Kaufman, 2015) because chosen practices from different subfunctions, properly analyzed by using factor analysis (FA), can show significance unattainable by using simple correlations.

**Organizational leadership**

The foundation of modern definitions of leadership is the situational approach (Tannenbaum & Schmidt 1958), useful for the identification of leadership competencies, talents, traits, values, and existing factors, like TM and CM practices. OL is defined here as a relationship between a superior (e.g., a manager) and his/her subordinates (or co-workers, depending on the particular type of OL) (Haromszeki, 2010:40).

What is important in the presented approach is that, on the one hand, OL is based on an individual’s personality, temperament, knowledge, skills, abilities, attitudes, etc. (Kożuch, 2020), but on the other hand, the impact of the organizational environment plays a crucial role. Different organizational aspects can have an impact on leadership and, vice versa, leadership practices can be important in achieving success in an organization. For example, leadership effectiveness and a company’s performance (Schein, 1992), overall results (Haromszeki, 2015; Maister, 1997; Yildiz et al. 2014), increase in company’s value (Bennett & Bell, 2004), organizational innovation (Mathisen et al., 2012; Mumford & Licuanan, 2004), and quality (Strukan et al., 2017), long-term planning (Appelbaum et al., 1998), responsibility for decisions (Vroom & Jago, 1974) and employees’ attitudes toward work and their motivation (Kremmydas & Austen, 2020; Wziątek-Staśko, 2016) and a positive climate for coexistence (Chew & Chan, 2008; Drewniak, 2018; Hamdia & Phadett, 2011) are all aspects that have been important in theoretical and empirical studies of MNCs. For example, the improvement of leaders’ skills and the increasing role of the company (Black et al., 1999; Csoka & Hackett, 1998; Stroh & Caligiuri, 1998) and its foreign entities (Duda, 2017; Kuzel, 2013) have already been quite well described.

What can be treated as a link among the three analyzed subfunctions is the research-based conviction that lack of leadership talents can be the foundation of problems with achieving success in the long term (Thomas et al., 2013). The major reason for implementing different TM and CM programs, according to the human capital approach, is investment in the leadership of MNCs. The importance of those programs (including succession; Groves, 2007) have been observed at least from the beginning of 21st century (Leskiw & Singh, 2007). A rational investment in building foundations, skills, and OL is very important because in specific circumstances, both ethical and unethical leaders can achieve similar successes, find followers, and shape organizations for years (Haromszeki, 2020), and perhaps due to unethical behavior, be a destructive factor (Branson & Marra, 2022). Hence, the most important issues to consider also include ways of creating background for leadership development, whether focused on individualism or collectivism, characteristic for crowdsourcing (Lenart-Gansiniec & Sulkowski, 2020), diversity management (Wziątek-Staśko, 2012), and trends in management (Bojar, 2020).

**Talent management**

TM is the process of attracting, retaining, motivating, and developing talented employees in accordance with the needs of an organization (Armstrong, 2007:354). TM also can be treated as a separate HRM subfunction. The foundation of TM practices has a similar approach as for OL. However, there are some specific elements of TM in MNCs that should be described. For example, the size of the company (Pocztowski et al., 2020) and type of the organization determine the usefulness of hard and
soft talent management (Macfarlane et al., 2012) and models for managing talent (Maqueira et al., 2019). There is also an
important relation between the competencies of top managers who invent and finance TM programs and the success of an
organization (Minbaeva & Collings, 2013). The responsibility for TM programs and their effects is not only the domain of top
managers, but depends on engagement of each manager, HR specialists, and each talented employee (“Towards effective
global talent management,” 2016). Successful TM has various aspects, but the crucial one is talent identification (Meyers et al.,
2013). The importance of this practice is presented in the theoretical background and empirical research findings section of
this article. According to the situational approach, developmental programs are also important because, thanks to such programs,
crucial abilities among employees can be achieved at the highest level in a chosen place and time.; both organizational context
and human capital (i.e., employees) must be the foundation for TM (Bolander et al., 2017). It is assumed that TM training in
modern organizations should be offered especially for those in key positions (Collings & Mellahi, 2009; O’Connor & Crowley-
Henry, 2017; Scullion et al., 2016; Thunnissen et al., 2013) which have an impact on the results of organizations, due to so-
called “psychological contract fulfilment” (Mensah, 2018). TM plays a particularly important role in MNCs because it depends
on International Human Resources Management (IHRM) strategies in centralization/decentralization, gives a chance to make
decisions in more or less culturally dependent way (Tarique & Schuler, 2018), which is a factor that can increase not only
positive organizational climate, but also the effectiveness of teams and employees and their inventiveness (Turek & Wojtczuk-
Turek, 2018).

TM, like OL practices and CM, has its pros and cons. That is why it is important to take different perspectives and avoid a
dogmatic solution for each organizational problem. First, and the most distracting effect of an incorrect approach to TM is to focus
on individuals rather than the workforce, which could interrupt the process of teamwork and building cooperative organizational

culture and Corporate Social Responsibility (CSR) (Lacey & Groves, 2014). Hence, one of the most important long-term
solutions, should be an organizational culture based on accepted long-lasting values (Ott et al., 2018), an investment in human
capital (Majowska & Austen, 2019), and in the HRM subfunction (Yapp, 2009), which can decrease the negative aspects of TM
(Son et al., 2018). Then, the first phase of the TM subfunction can become a rational process (Haromszeki, 2014) that predicts
problems that may occur (Cole, 2016). There are some TM practices that have been foundation of successful organization for
the last decade. These include adaptation of TM to a changing environment (Panda & Sahoo, 2015), a talent recruitment and
retention suited to existing conditions and trends (Ott et al. 2018; Uren, 2011; Woollard, 2010) and talent development, based
on a strong internal talent pipeline built within the TM framework (Jooss et al., 2019).

Competency management
CM can also be treated as a separate HRM subfunction. CM may be defined as a set of activities aimed at identifying, acquiring,
developing, and retaining in the organization such employee competencies that enable the implementation of the strategic
goals of the company (Stor, 2016:165). The CM research results published so far show the complexity of this subfunction,
not only because of the role of its components, processes, and phenomena, but also because of its relationships with TM
and OL. The concepts and empirical research results presented in the literature are very diverse and analyze this issue from
different perspectives that are characteristic of various scientific disciplines (Buzady, 2016; Czubasiewicz, 2007; Rakowska &
de Juana-Espinosa, 2021; Sgobbi, 2002) or that present cross-cultural competence (Magala 2005). Research conducted in
local organizations usually present CM from within one national culture (Listwan & Stor, 2008; Rakowska, 2007; Rakowska &
Sitko-Lutek, 2000; Srikanth & Jomon, 2020; van Esch et al., 2018). Research conducted in MNCs usually concern companies
with headquarters located outside Poland (Brewster et al., 2016; Lara et al., 2020; Latukha & Panibratov, 2015; Muratbekova-
Turon, 2009; Poór, Juhász, Machová, Bencsik, & Bilan, 2018.).

Just as with OL and TM, CM should be analyzed and described within a situational context (Capece & Bazzica, 2013). Also, the
identification of employees with high potential, the most important component of CM, must be preceded by the determination of
expected standards coherent with the mission and vision of the organization (Bugalska, 2019; Juhdi et al., 2015). Nowadays,
CM programs are mainly prepared for leaders (Gangani et al., 2006) and based on both theoretical concepts and practical
outcomes while taking into account the digital transformation of organizations (Jedynak et al., 2021).

Methods

A review and critical analysis of the literature show that TM and CM practices can shape OL in MNCs headquartered in Poland.
The main research problem, therefore, was formulated as a question: In what ways do TM and CM practices in MNCs have a
relationship to OL? And the general research question is: Are there any characteristics of TM and CM that play important roles
in OL practices in MNCs? Therefore, taking into account the above aspects, we ask the following research questions:

1. Are there the factors (effect of FA) that consist of different TM, CM, and OL practices, and show the impact of TM and CM on OL?
2. What is the significance of TM and CM to the OL of foreign subsidiaries of MNCs?
3. How do the individual components of TM, CM, and OL interact with factors created during FA?
4. Are there significant differences between the importance of factors in various companies due to the duration of the MNC’s operation in the market?
5. Are there significant differences between the importance of factors in various companies due to the size of the organization measured by the number of employees?
6. Are there significant differences between the importance of factors in various companies due to the type of the business profile (industry)?
7. Are there significant differences between the importance of factors in various companies due to the region in which the foreign entity exists (Central Europe, Western Europe, non-European countries)?

In addition, the literature analysis allowed us to formulate the following hypotheses:

H₁: The higher the level of individual practices of TM and the mean of this subfunction, the higher the level of OL (both individual components and a subfunction as a whole).

H₂: The higher the level of individual practices of CM and the mean of this subfunction, the higher the level of OL (both individual components and a subfunction as a whole).

H₃: The longer the company operates in the market, the higher the level of TM, CM, and OL in foreign entities.

H₄: The bigger the company, the higher the level of TM, CM, and OL in foreign entities.

H₅: The type of the business profile (industry) determinates the level of TM, CM, and OL in foreign entities.

H₆: The higher the development of countries in which foreign entities are located (e.g., Western Europe), the higher the level of TM, CM, and OL practices than those existing in less developed countries (e.g., Central Europe).

The research findings presented in this article make up a part of a bigger and more complex research project financed by the National Science Center, Poland. The population of the companies under research made nonfinancial economic entities, existing in the marketplace no less than two years, with a dominant share of the Polish capital and which possessed at least one foreign subsidiary that was an effect of FDI. The research team assumed that the reference base for the number of business entities comprising the whole researched population would be the last report on the Polish nonfinancial enterprises conducting their business activates abroad. Prepared by the Polish Central Statistical Office, the report said that there were 1760 Polish economic entities which confirmed possessing 4086 business entities in 150 countries.

The computer-assisted telephone interviewing (CATI) method was selected for this project, since it is the best method for conducting interviews with specific persons and for clarifying definitions and issues during the interview. The interviews were conducted in 200 MNCs with headquarters (HQs) in Poland and with foreign entities in 31 countries around the world. The credibility of this research is based on the quality of the ICAN Harvard Business Review database and the purposeful type of sampling. The reliability of questions in the questionnaire used is an effect of the pilot study in chosen MNCs before research began. The quality of results is based also on the type of respondents,—the people with the best knowledge on both business and HRM issues, i.e., HR managers/directors, CEOs, managing directors, and company presidents. The structure of the research sample was diverse in terms of the companies’ business profiles according to the European Classification of Business Activity (ECBA). Owing to the size of the sample and the confidence coefficient level of 0.95, the maximum measurement error amounts to 0.065.

After the first stage of data analysis, when both descriptive and correlational statistical methods were used, the results were
subjected to FA because FA allowed us to sort items into sets of practices that are better than other methods and can be presented together with correlations.

**Results**

The critical analysis of the literature was the basis of the approach to OL, TM, and CM treated as subfunction of HRM. Practices, or components, are presented in Table 1.

**Table 1. Components (practices) of OL, TM, and CM**

<table>
<thead>
<tr>
<th>OL practices</th>
<th>TM practices</th>
<th>CM practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification of leadership talents (POL1)</td>
<td>Criteria for TM identification (PTM1)</td>
<td>Competencies of the managerial staff identification (PCM1)</td>
</tr>
<tr>
<td>Leadership developmental programs (POL2)</td>
<td>Measurement of employee creativity (PTM2)</td>
<td>Knowledge and skills of employees identification (PCM2)</td>
</tr>
<tr>
<td>Succession programs in managerial positions (POL3)</td>
<td>Systemic TM within the development paths (PTM3)</td>
<td>Cyclic measurements of the competency of managerial staff (PCM3)</td>
</tr>
<tr>
<td>Support solutions for so-called natural leaders (POL4)</td>
<td>Trans-organizational cooperation between talented employees (PTM4)</td>
<td>Cyclic measurements of the knowledge and skills of employees (PCM4)</td>
</tr>
<tr>
<td>Co-financing postgraduate leadership studies or MBA programs (POL5)</td>
<td>R &amp; D facilities for talented employees (PTM5)</td>
<td>Regular examination of the competency gap of managerial staff and designing solutions to deal with this problem (PCM5)</td>
</tr>
<tr>
<td>Implementation of proactive organizational culture (POL6)</td>
<td>Platform for the exchange of experience and knowledge using ICT tools (PTM6)</td>
<td>Regular examination of the knowledge and skills gap of employees and designing solutions to deal with this problem (PCM6)</td>
</tr>
<tr>
<td>Monitoring and periodic evaluation of employees’ opinions and expectations towards managers (POL7)</td>
<td>A dynamic (changing over time) competency database (PCM7)</td>
<td>CM associated with other HRM subfunctions (PCM8)</td>
</tr>
<tr>
<td>Regular external stakeholder surveys (opinions about managers) (POL8)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Own research.

The analyzed data uncovered both correlations between TM and CM practices and OL practices (Table 2) and between means of components within whole TM, CM, and OL subfunctions (Table 3). The highest results were observed between “Talent identification” (PTM1), “Identification of leadership talents” (POL1) (0.55), and “Leadership developmental programs” (POL2) (0.51); “Measurement of employee creativity” (PTM2), “Identification of leadership talents” (POL1), “Identifying competencies of the managerial staff” (PCM1), and “Identification of leadership talents” (POL1) (0.54). The relationship between means of subfunctions achieved the level of about 0.72. These results may prove how important identification and development of leadership talents are in achieving organizational success. A similar approach was used by Ruiz-Palomino and Linuesa-Langreo (2018). A rational approach to employees’ potential as a foundation of their optimal development was also highlighted by Naqshbandi and Jasimuddin (2018). Additionally, the results confirm the discussion presented in the Background section of this article.
Table 2. Correlations Among TM, CM, and OL Practices in Foreign Entities of MNCs

<table>
<thead>
<tr>
<th>Variable</th>
<th>POL1</th>
<th>POL2</th>
<th>POL3</th>
<th>POL4</th>
<th>POL5</th>
<th>POL6</th>
<th>POL7</th>
<th>POL8</th>
</tr>
</thead>
<tbody>
<tr>
<td>PTM1</td>
<td>0.55</td>
<td>0.51</td>
<td>0.25</td>
<td>0.29</td>
<td>0.53</td>
<td>0.35</td>
<td>0.24</td>
<td>0.23</td>
</tr>
<tr>
<td>PTM2</td>
<td>0.54</td>
<td>0.40</td>
<td>0.23</td>
<td>0.25</td>
<td>0.36</td>
<td>0.26</td>
<td>0.15</td>
<td>0.23</td>
</tr>
<tr>
<td>PTM3</td>
<td>0.30</td>
<td>0.38</td>
<td>0.27</td>
<td>0.20</td>
<td>0.24</td>
<td>0.26</td>
<td>0.12</td>
<td>0.26</td>
</tr>
<tr>
<td>PTM4</td>
<td>0.36</td>
<td>0.30</td>
<td>0.24</td>
<td>0.22</td>
<td>0.42</td>
<td>0.30</td>
<td>0.27</td>
<td>0.24</td>
</tr>
<tr>
<td>PTM5</td>
<td>0.31</td>
<td>0.21</td>
<td>0.14</td>
<td>0.28</td>
<td>0.34</td>
<td>0.22</td>
<td>0.18</td>
<td>0.26</td>
</tr>
<tr>
<td>PTM6</td>
<td>0.43</td>
<td>0.35</td>
<td>0.26</td>
<td>0.24</td>
<td>0.42</td>
<td>0.32</td>
<td>0.31</td>
<td>0.34</td>
</tr>
<tr>
<td>PCM1</td>
<td>0.54</td>
<td>0.43</td>
<td>0.25</td>
<td>0.24</td>
<td>0.37</td>
<td>0.35</td>
<td>0.30</td>
<td>0.24</td>
</tr>
<tr>
<td>PCM2</td>
<td>0.32</td>
<td>0.33</td>
<td>0.10</td>
<td>0.15</td>
<td>0.25</td>
<td>0.21</td>
<td>0.22</td>
<td>0.29</td>
</tr>
<tr>
<td>PCM3</td>
<td>0.14</td>
<td>0.26</td>
<td>0.19</td>
<td>0.20</td>
<td>0.18</td>
<td>0.18</td>
<td>-0.02</td>
<td>0.10</td>
</tr>
<tr>
<td>PCM4</td>
<td>0.42</td>
<td>0.32</td>
<td>0.18</td>
<td>0.30</td>
<td>0.33</td>
<td>0.27</td>
<td>0.16</td>
<td>0.06</td>
</tr>
<tr>
<td>PCM5</td>
<td>0.44</td>
<td>0.41</td>
<td>0.14</td>
<td>0.28</td>
<td>0.32</td>
<td>0.40</td>
<td>0.29</td>
<td>0.22</td>
</tr>
<tr>
<td>PCM6</td>
<td>0.44</td>
<td>0.40</td>
<td>0.22</td>
<td>0.28</td>
<td>0.35</td>
<td>0.28</td>
<td>0.16</td>
<td>0.16</td>
</tr>
<tr>
<td>PCM7</td>
<td>0.38</td>
<td>0.40</td>
<td>0.14</td>
<td>0.28</td>
<td>0.35</td>
<td>0.39</td>
<td>0.25</td>
<td>0.16</td>
</tr>
<tr>
<td>PCM8</td>
<td>0.43</td>
<td>0.34</td>
<td>0.12</td>
<td>0.26</td>
<td>0.36</td>
<td>0.37</td>
<td>0.23</td>
<td>0.19</td>
</tr>
</tbody>
</table>

Note. Correlations in bold type are significant at p < .05000. N=200.
Source: Own research.

Table 3. Correlations Among Means of TM, CM, and OL Subfunctions in Foreign Entities of MNCs

<table>
<thead>
<tr>
<th>Variable</th>
<th>TM</th>
<th>CM</th>
<th>OL</th>
</tr>
</thead>
<tbody>
<tr>
<td>TM</td>
<td>1.00</td>
<td>0.65</td>
<td>0.716</td>
</tr>
<tr>
<td>CM</td>
<td>0.65</td>
<td>1.00</td>
<td>0.72</td>
</tr>
<tr>
<td>OL</td>
<td>0.716</td>
<td>0.720</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Note. Correlations in bold type are significant at p < .05000. N=2.
Source: Own research.

Thanks to FA, it can be observed that the practices are combined into five factors (the score stops at five eigenvalues), which consist of statistically significant practices of TM, CM, and OL subfunctions (Table 4).

Table 4. Cross-functional FA Factors Consisting of TM, CM, and OL Practices

| Factor 1: Information collected from internal and external stakeholders to develop talented leaders (F1) | PTM5, (0.746); PTM6, (0.679); PCM7, (0.507); PCM8, (0.713) |
| Factor 2: Expected competencies at work and managers’ competency gap research (F2) | PCM4, (0.781); PCM5, (0.597) |
| Factor 3: Identification of talented leaders, core competencies, and developmental programs (F3) | PTM1, (0.697); PTM2, (0.707); PCM1, (0.635); POL1, (0.630); POL2, (0.521) |
| Factor 4: Leadership succession based on expectations of internal and external stakeholders (F4) | POL3, (0.617); POL7, (0.659); POL8, (0.621) |
| Factor 5: Knowledge management as inspiration to teach managers and shape proactive organizational culture (F5) | PCM3, (0.518); PCM6, (0.588); PCM7, (0.524); POL5, (0.561); POL6, (0.620) |

Factors, which are an effect of FA, are named based on discussions with specialists in HRM (both researchers and practitioners) from different types of companies.
Source: Own research.
Table 5 below shows in bold how the activities were combined into groups of practices from the three subfunctions: TM, CM, and OL.

Table 5. Cross-subfunctional FA of TM, CM, and OL Practices

<table>
<thead>
<tr>
<th>Variable</th>
<th>Main components</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F1</td>
</tr>
<tr>
<td>PTM1</td>
<td>0.203971</td>
</tr>
<tr>
<td>PTM2</td>
<td>0.00072</td>
</tr>
<tr>
<td>PTM3</td>
<td>-0.237242</td>
</tr>
<tr>
<td>PTM4</td>
<td>0.283543</td>
</tr>
<tr>
<td>PTM5</td>
<td>0.746452</td>
</tr>
<tr>
<td>PTM6</td>
<td>0.678741</td>
</tr>
<tr>
<td>PCM1</td>
<td>0.292974</td>
</tr>
<tr>
<td>PCM2</td>
<td>0.104725</td>
</tr>
<tr>
<td>PCM3</td>
<td>-0.177512</td>
</tr>
<tr>
<td>PCM4</td>
<td>0.015860</td>
</tr>
<tr>
<td>PCM5</td>
<td>0.19253</td>
</tr>
<tr>
<td>PCM6</td>
<td>0.064451</td>
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<tr>
<td>PCM7</td>
<td>0.507667</td>
</tr>
<tr>
<td>PCM8</td>
<td>0.713526</td>
</tr>
<tr>
<td>POL1</td>
<td>0.244591</td>
</tr>
<tr>
<td>POL2</td>
<td>0.004479</td>
</tr>
<tr>
<td>POL3</td>
<td>-0.058101</td>
</tr>
<tr>
<td>POL4</td>
<td>0.374017</td>
</tr>
<tr>
<td>POL5</td>
<td>0.319469</td>
</tr>
<tr>
<td>POL6</td>
<td>0.203485</td>
</tr>
<tr>
<td>POL7</td>
<td>0.220329</td>
</tr>
<tr>
<td>POL8</td>
<td>0.184955</td>
</tr>
<tr>
<td>Explained variance</td>
<td>2.560882</td>
</tr>
<tr>
<td>Share</td>
<td>0.116404</td>
</tr>
</tbody>
</table>

Note: Factor loadings (Varimax). (The loads marked in bold type are >.500000).
Source: Own research.

After checking the scales according to Cronbach’s alpha, the decision was made that F4 should be removed from the analysis because of lack of reliability. This is an interesting observation because F4 refers to leadership succession.

Then the focus became finding significant differences among factors F1, F2, F3, and F5 in these categories:
- duration of the MNC’s operation in the market
- size of the organization measured by the number of employees
- type of the business profile (industry)
- differences between geographical regions (Central Europe (CE) and Western Europe (WE))

The significant differences were tested by using the classic analysis of variance (p-value <0.05, marked in bold). Then the means between the categories were compared for singled-out factors build from practices included in TM, CM, and OL subfunctions. Taking into account the duration of the MNC’s operation in the market, the statistical significance in Factors 3 and 5 was found (Table 6).
In the category “size of the organization measured by the number of employees,” there is a statistical significance in each of the created factors (Table 13). The same results, as presented above, in the category “type of the business profile (industry)” were observed (Table 15).
Table 6. Analysis of Variance for the Category “Duration of the MNC’s Operation in the market”*

<table>
<thead>
<tr>
<th>Variable</th>
<th>SS effect</th>
<th>df effect</th>
<th>MS effect</th>
<th>SS error</th>
<th>df error</th>
<th>MS error</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>1.455991</td>
<td>2</td>
<td>0.727995</td>
<td>51.87512</td>
<td>197</td>
<td>0.263325</td>
<td>2.764622</td>
<td>0.065446</td>
</tr>
<tr>
<td>F2</td>
<td>0.925991</td>
<td>2</td>
<td>0.462996</td>
<td>49.82276</td>
<td>197</td>
<td>0.252907</td>
<td>1.830692</td>
<td>0.163019</td>
</tr>
<tr>
<td>F3</td>
<td>2.367441</td>
<td>2</td>
<td>1.183720</td>
<td>43.71876</td>
<td>197</td>
<td>0.221923</td>
<td>5.333932</td>
<td>0.005547</td>
</tr>
<tr>
<td>F5</td>
<td>2.009550</td>
<td>2</td>
<td>1.004775</td>
<td>29.34965</td>
<td>197</td>
<td>0.148983</td>
<td>6.744227</td>
<td>0.001469</td>
</tr>
</tbody>
</table>

*16 companies fewer than 10 years; 99 between 10 and 20 years, and 85 over 20 years. Source: Own research.

Table 7. Analysis of variance for the category “Size of the organization measured by the number of employees”*

<table>
<thead>
<tr>
<th>Variable</th>
<th>SS effect</th>
<th>df effect</th>
<th>MS effect</th>
<th>SS error</th>
<th>df error</th>
<th>MS error</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>2.95896</td>
<td>2</td>
<td>1.479478</td>
<td>50.37216</td>
<td>197</td>
<td>0.255696</td>
<td>5.78608</td>
<td>0.003616</td>
</tr>
<tr>
<td>F2</td>
<td>3.86220</td>
<td>2</td>
<td>1.931101</td>
<td>46.88655</td>
<td>197</td>
<td>0.238003</td>
<td>8.11377</td>
<td>0.000411</td>
</tr>
<tr>
<td>F3</td>
<td>10.45300</td>
<td>2</td>
<td>5.226500</td>
<td>35.63320</td>
<td>197</td>
<td>0.180879</td>
<td>28.89497</td>
<td>0.000000</td>
</tr>
<tr>
<td>F5</td>
<td>4.35244</td>
<td>2</td>
<td>2.176222</td>
<td>27.00676</td>
<td>197</td>
<td>0.137090</td>
<td>15.87439</td>
<td>0.000000</td>
</tr>
</tbody>
</table>

*16 companies with fewer than 50 employees, 49 with between 50 and 249 employees, and 135 with over 250 employees. Source: Own research.

Table 8. Analysis of Variance for the Category “Type of Business Profile (Industry)”*

<table>
<thead>
<tr>
<th>Variable</th>
<th>SS effect</th>
<th>df effect</th>
<th>MS effect</th>
<th>SS error</th>
<th>df error</th>
<th>MS error</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>2.95896</td>
<td>2</td>
<td>1.479478</td>
<td>50.37216</td>
<td>197</td>
<td>0.255696</td>
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<td>0.003616</td>
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<tr>
<td>F2</td>
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<td>2</td>
<td>1.931101</td>
<td>46.88655</td>
<td>197</td>
<td>0.238003</td>
<td>8.11377</td>
<td>0.000411</td>
</tr>
<tr>
<td>F3</td>
<td>10.45300</td>
<td>2</td>
<td>5.226500</td>
<td>35.63320</td>
<td>197</td>
<td>0.180879</td>
<td>28.89497</td>
<td>0.000000</td>
</tr>
<tr>
<td>F5</td>
<td>4.35244</td>
<td>2</td>
<td>2.176222</td>
<td>27.00676</td>
<td>197</td>
<td>0.137090</td>
<td>15.87439</td>
<td>0.000000</td>
</tr>
</tbody>
</table>

Note:*The 16 companies represent manufacturing; 49, retail; and 135, services. The effects marked in bold type are significant with p < .05000. Source: Own research.

Further analysis showed that there are no significant differences in factors between the geographical regions of Western Europe and Central Europe.

Discussion

According to the results, it can be confirmed that there are some patterns of TM and CM that coexist with OL practices. There are two factors (the effect of FA) that consist of different TM, CM, and OL practices: F3 (identification of talented leaders, core competencies and developmental programs); and F5 (knowledge management as inspiration to teach managers and shape proactive organizational culture). These two factors are reliable enough to prove the relationship among TM, CM, and OL, but only factor F3 represents the impact of TM and CM on OL. Factor F5 shows relationships between CM and OL. Some studies highlight the role of competencies in achieving leadership success and in the activities of project teams (Podgorska & Pichlak, 2019), or specific conditions such as the pandemic caused by COVID-19 (Stefan & Nazarov, 2020). Significance was observed also in the correlation analysis of the individual practices of TM, CM, and OL and means within subfunctions (Tables 2 and 3). As for research question 2, the significance of TM and CM to OL of foreign subsidiaries of MNCs can be seen (Tables 2 and 3). The coexistence of TM, CM, and OL as a crucial factor is possible to find in different studies (see, for example, Garavan et al., 2021; Knoll & Sternad, 2021; and Stor & Haromszeki, 2019). Thanks to past research, it is evident that the individual components interact within factors created during FA by the number of factors from each subfunction and presenting their
character, which is more or less trans-subfunctional, or cross-subfunctional. These include statistically significant practices from TM and CM subfunctions (F1); only from CM subfunction (F2); each chosen subfunction from TM, CM, and OL (F3); only from OL subfunction (F4); and from CM and OL subfunction (F5) (Table 5). Problems with leadership succession is nothing new, but it has been discussed for decades, as researchers try to answer the question: Should we implement succession programs or find potential leaders outside an organization? This has become a more serious problem because of the changing character of organizations and the increasing role of remote labor (Agrawal et al., 2020; Caligiuri et al., 2020; Deters, 2018; Newman & Ford, 2021).

There are aspects of reality that have an impact on practices presented within the TM, CM, and OL subfunctions. In the chosen samples, there is a significant difference between companies due to the duration of the MNC’s operation in the market in factors F3 and F5 (Table 6), the size of the organization measured by the number of employees (F1, F2, F3, and F5) (Table 7), and the type of the business profile (industry) (F1, F2, F3, and F5) (Table 8). The assumptions based on the literature review (i.e., that there is a difference between foreign subsidiaries located in more and less developed countries), whereas here, for Central Europe and Western Europe, these assumptions have not been confirmed in the empirical research. However, differences between MNCs headquartered in more and less developed countries are a well-known phenomenon (Haudi et al., 2020).

The verification of our hypothesis brings both positive and negative results. As both correlation and FA show, the higher advancement level of talent identification (0.697) and measurement of employee creativity (0.707), the higher the level of OL (the confirmation of the H hypothesis). Additionally, it was observed also in correlation and FA that the higher level of identifying competencies of the managerial staff (0.635), cyclical measurements of the competency state of managerial staff (0.518), regular examination of the knowledge and skills gap of employees and designing solutions to deal with this problem (0.588), and a dynamic (changing over time) competency database (0.524), the higher the level of OL (the confirmation of the H hypothesis). The confirmation of the hypothesis H (The longer the company operates in the market, the higher the level of TM, CM, and OL in foreign entities) is in two factors, F3 and F5. If we take into account the size of the company and type of business profile, we see the impact of TM and CM on OL in each of the reliable factors (F1, F2, and F5) (the confirmation of the H and H hypotheses). There is not a significant difference between developed and less developed countries, if we take into account the impact of TM and CM on OL practices. Thus, there is a falsification of hypothesis H; (The higher the development of countries in which foreign entities are located (Western Europe), the higher the level of TM, CM, and OL practices than in those existing in less developed countries (Central Europe)). According to presented results and comments, the question presenting the main research problem can be answered and show ways in which TM and CM practices in MNCs have a relationship with OL.

### Conclusion

Therefore, the main aim of the paper—presentation of the results that show relations between TM and CM practices and OL practices in MNCs headquartered in Poland—has been achieved. There are certain relations between both the advancement level of TM and CM and OL. It is visible in the correlation analysis between practices within the subfunctions presented above (Table 2), means of those subfunctions (Table 3), and factors built upon them (Table 5), especially F3 (Identification of talented leaders, core competencies and developmental programs) and F5 (Knowledge management as inspiration to teach managers and shape proactive organizational culture).

The highest scoring practices focus on those crucial for TM and CM programs (i.e., talent identification and identifying competencies of the managerial staff), which are the foundations for the first stage of formal, structural, rational, and long-term approaches toward OL development in chosen organizational conditions. Additionally, the role of contexts and a practical, situational approach to leadership emphasize the practices included in the factor that calls for “Knowledge management as inspiration to teach managers and shape proactive organizational culture.”

Interesting differences between foreign entities owned by Polish MNCs were observed due to their duration in the market, size of the organization measured by the number of employees, and the type of business (industry). An even more valuable observation is that there is not a significant difference in the effects of TM and CM on OL between foreign entities operating in more and less developed geographical regions.

There are some limitations of the research, such as the TM, CM, and OL structures and branches of the economy included in the research sample. Despite these issues, the results show certain relationships that appear between the analyzed variables in MNCs headquartered in Poland with the domination of Polish capital.

In conclusion, it should be considered that the theoretical significance of the research findings is revealed both in terms of
internal and external factors of the organization, dependent on various practices included in TM, CM, and OL. The study presents an original approach to these relationships. The results may add some new prospects for HRM to the development of the management discipline.

The practical significance of the research could be useful especially for entrepreneurs, managers, and HR specialists, who would like to fill the competency gap in managerial and leadership skills and build the most optimal TM and CM programs for identification and development of talented leaders within managerial career paths. It can help achieve success of the chosen organization and its subsidiaries in different internal and external contexts. This is possible because many researchers have found that there is a strong positive correlation between leadership effectiveness and a company’s performance.

There is a chance that the presented approach could help organizations survive in difficult times and start becoming more resistant to crises in the future way by using the competencies and talents within an organization. It is important because, as the paper shows, the increasing global shortage of leadership talent with specific competences is now recognized as a key source of risk to business success. Focusing on the interactions between OL development and talent and CM within a social context may enable management in MNCs to choose the forms and styles of managing human resources that are the most appropriate for them.

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**References**


