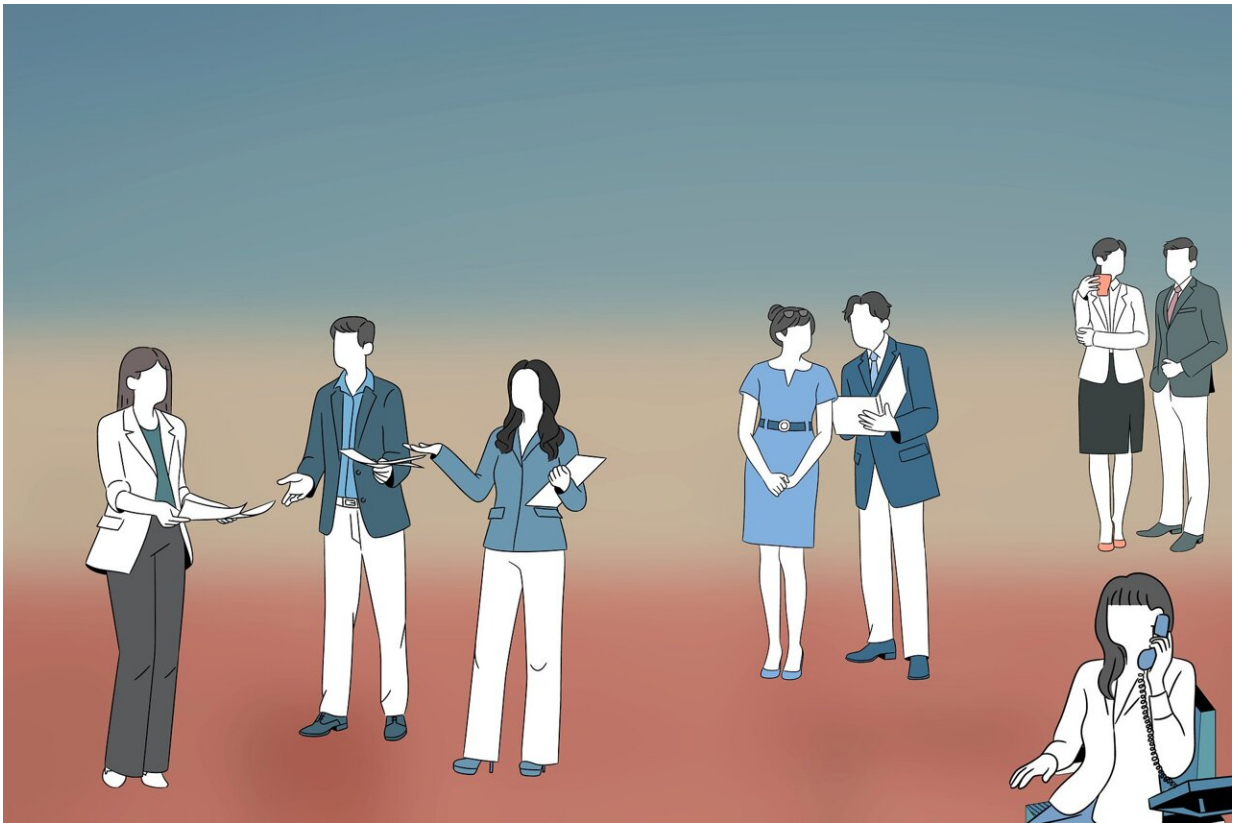


Study indicates political connections fuel innovation in emerging markets, but talent makes the difference

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Political connections can be a double-edged sword for innovation in emerging markets. While they provide companies with valuable

resources and partnerships, the right kind of skilled talent is needed to take advantage of these benefits, according to a new study from the University of Surrey.

Firms can be helped in emerging markets through political connections by gaining access to resources and knowledge or driving innovation. However, highly skilled employees are essential to utilize these benefits.

Tazeeb Rajwani, Professor of International Business and Strategy at the University of Surrey and co-author of the study, said, "Our research suggests that political connections can be a [valuable tool](#) for firms in emerging markets to drive innovation. However, having the right talent in place is critical to maximize these benefits.

"Simply having political connections isn't enough. You need the people to understand and implement the new knowledge and resources effectively. Think about it like this: if you give someone a box of expensive tools, they can't build a house if they don't know how to use a hammer and saw. Highly skilled employees are the hammers and saws that firms need to turn political connections into real innovation."

The study examined data from over 3,200 Chinese-listed businesses over a decade. Researchers looked at various factors, including:

- The CEO's political connections (determined by previous government work experience).
- The business' level of innovation (measured by the number of invention patent applications).
- The educational backgrounds of employees.

This comprehensive approach allowed Surrey's researchers to analyze the complex relationship between political connections, talent, and innovation in emerging markets.

The research differentiates between two types of employees: under-qualified and highly skilled employees. Companies with highly skilled employees can better use resources and knowledge from political connections, leading to more [innovation](#).

Read the full study in the [*International Business Review*](#).

More information: Tao Chen et al, Diverse human resource slack and firm innovation: Evidence from politically connected firms, *International Business Review* (2023). [DOI: 10.1016/j.ibusrev.2023.102244](https://doi.org/10.1016/j.ibusrev.2023.102244)

Provided by University of Surrey

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