

## A STUDY ON IMPACT OF GLOBALIZATION ON HR MANAGEMENT

Ashwija

Assistant Professor

Dept. of Commerce, Government First Grade College Bhatkal, Uttara Kannada District

---

### ABSTRACT

An attempt is made in this paper is to analyse the impact of globalisation on Human Resource Management. The human resources management of any company is an integral part of its success. Human resources management for a multi-national corporation with subsidiaries that operate in multiple countries presents many cultural and socio-economic challenges. Globalization has many positive and negative effects on any multi-national corporation's human resources management department. Globalization is a polarizing subject that is not easily defined. Globalization allows for increased competition, lifts barriers to entry for developing countries, helps to promote economic growth and works to unify the world's economies. However, with this unification of economies, comes interdependence. Meaning, the negative events in major industrial nations such as the United States has a significant impact on the economies in other countries. In addition, the economic growth of one country can mean the economic contraction of another. Globalization makes for a larger labor pool from which to choose, but it also increases the possibility of language and cultural barriers in the recruitment process. If the company does not address such barriers, it can make the recruitment process increasingly time-consuming and difficult. Human resource managers must adapt to the different customs and cultures when hiring employees in different countries. Language barriers also may necessitate hiring bilingual employees and adapting employee documents, such as employee manuals and training materials, into different languages.

**Keywords:** Business faces, Human Resource Management and Globalisation.

### INTRODUCTION

Human Resources departments are transforming as the modern business faces numerous and complex challenges, and exploit opportunities. The transformation of human resources today is a direct call of the rapid changes within businesses due to factors such as globalization. In the global competition within the flat and connected new world, decision making in organizations has become increasingly intricate and convoluted. The new global world has widened the talent pool for excellent and marginal workers, and for permanent and fluid workers. An organization's talent can be a source for a sustained competitive advantage and can affect important organizational outcomes such as survival, profitability, customer satisfaction level, and employee performance (Pfeffer, 1994; Prahalad, 1983). Human resources need to take advantage of technology and data analytics to build a global human resource information system that collects and stores data from various sources. The system will help to analyze the data to provide business insights, predict future needs and develop strategies to fill those needs. Companies with the ability to foresee and sustainably manage their workforce needs – especially for high skills – will gain the decisive competitive advantage (World Economic Forum, 2010a).

The global supply of talent is short of its long-term demand, and the gap is a challenge for employers everywhere. The shortage between the demand and supply of talent is likely to continue to increase, notably for highly-skilled workers and for the next generation of middle

and senior leaders. Most emerging nations with large populations, including Brazil, Russia, India, and China, may not be able to sustain a net surplus workforce with the right skills for much longer. Now, more than ever, organizations need to place greater emphasis on attracting human capital rather than financial capital. Because capital is broadly available from investors and lenders, and innovations can be duplicated relatively easily and quickly, effective human resource management is the best way to differentiate one company from another. Global staffing and global leadership development are the two components of global human resources with the greatest potential for powerful leverage for global firms (Pucik, 1996). Only the multinationals that will be willing to adapt their human resource practices to the changing global labor market conditions will be able to attract, develop and retain the right talent, and will likely succeed in the global competition.

## **CHALLENGES OF GLOBALIZATION**

As stated in the previous section, the pool of talented individuals has been growing and is expected to continue to grow in the near future, mainly because of increased educational opportunities in emerging nations. In addition, the demand for such talent is likely to grow even faster in the same period. Based on data from 22 countries and 12 industries, a World Economic Forum study predicted that vast talent gaps between the supply and demand of highly skilled workers would appear by 2020 (World Economic Forum, 2011). The demand for talented people is growing not only from developed countries, but from the developing countries themselves as they pursue their own nation building.

Human resource professionals at multinational companies in emerging markets such as China, Hungary, India, and Malaysia have reported in a recent survey that candidates for engineering and general-management positions exhibit wide variations in suitability (Guthridge, Komm, and Lawson, 2008). According to the McKinsey Global Institute, only 13 to 19 per cent of 33 million university graduates in developing countries are suitable to work in a multinational company, due to their lack of language skills, low quality of educational system, and lack of cultural fit. Also, only a fraction of these people are willing or able to relocate to foreign countries for employment (McKinley Global Institute, 2005 - I).

It also remains the biggest challenge for global organizations' human resource departments to manage a workforce diverse in culture and language skills, and distributed in various countries. It is critical that the businesses not only familiarize with local ways of doing business, and understand the needs of local consumers, but also develop a global mindset among their employees. Being at the center of globalization, multinational organizations need to learn to integrate diverse value systems and espouse shared global work values to create an environment, where workers are able to communicate and coordinate their activities to reach common goals (Rosenblatt, 2011; Erez and Drori, 2009; Ralston et. al., 1997). Human resources must play new roles and responsibilities in leading the organization in uncharted waters of globalization.

## **ROLES AND RESPONSIBILITIES OF HUMAN RESOURCES**

In the past, the function of human resources was typically considered a cost center and an administrative overhead. The human resource departments focused on short-term gains and savings. They focused on administrative efficiency and compliance activities. They tended to expense investments in talent intangibles rather than capitalize and tended to raise short-term earnings by cutting discretionary expenditure on people development (Guthridge, Komm and Lawson, 2008; Hamel and Prahalad, 1994; Schuler and Jackson, 1987, Bryan, 2007). Such tendencies achieved short-term successes but encountered long-term problems when the objectives were achieved at the expense of employee productivity.

The role of modern human resource departments is to focus on organizations' long-term objectives. Instead of focusing exclusively on internal human resource issues, modern human resource department takes a balanced and broader approach. They place emphasis on future-oriented plans and objectives and value adding initiatives (Adler and Ghadar, 1990; Adler, 1997; Kobrin, 1988; Milliman et al., 1991; Tung and Punnett, 1993). Ulrich (1996) defines the roles of human resource based on the following four functions – Strategic business partner, Change Agent, Employee champion, and Administration Expert. They are also champions of globalization and technology savvy.

## **GLOBAL HUMAN RESOURCE INFORMATION SYSTEM**

Global organizations are utilizing the organization's data to making informed decisions instead of relying on their intuitions or gut feelings. Likewise, HR departments of global companies also assemble data such as employee, attrition and hiring, compensation and benefits, ethnic, gender, cultural, and nationality distributions, and load the same into data warehouses and data marts. By analyzing the past and current data, business analyst get business insights, and make fact based decisions. The Global Human Resource Information System consists of a number of component systems that are interdependent. The various components may be broadly classified into the following three main sub-systems: Data Warehousing, Data Analytics, and Information Delivery. These tools and systemic processes are critical to formulate questions or hypothesis, to design data and analytical models, to compute and communicate results to appropriate users, and then for the users to draw business insight from the results to shape business decisions and, ultimately, improve performance.

The information delivery system gives business users the ability to access reports and continuously monitor performance of a project or entire organization at enterprise and lower levels. End users are also able to monitor key activities such as trends, metrics, and Key Performance Indexes (KPI) in easy-to-understand designs, such as configurable information portals, scorecards and dashboards. Depending on an individual's role and responsibility, he or she is presented with the trends, metrics, and KPI at appropriate aggregate levels. Some users can get to the lowest detail that exists in the warehouse.

## **Labor Force Implications**

Globalization has a significant effect on the labor force of a company. It allows for more diversity within the corporation as well as economic growth for the countries in which the company is hiring. However, unless the corporation is creating new jobs in different countries and not simply moving existing jobs from one country to another, job growth for one country equals job losses for another. Human resources manager should be aware of the negative effect downsizing can have on employee morale because decreased morale often leads to decreased production. Human resources should have proactive procedures in place that address such morale issues.

To cope up with the intensity of competition brought by globalization, knowledge-based economy has emerged to replace the previous domain. As globalization emphasizes more on diversity, it has a great impact on the way companies manage their employees.

Various new technologies have emerged that are helpful for human resource professionals to manage the processes involved in globalization but there are also certain challenges that are faced by the organizations. The human resource department must learn to recruit and retain talented employees at a global level. As the company has to deal with changing demands, professionals will have a need to predict and manage culture-fit policies.

Companies are focusing on people with the right profiles as also those who are more capable.

With the great impact of globalization, demand for people has increased for highly skilled jobs or positions that require specialized knowledge. It becomes difficult for human resource professionals to locate such people in the nearby areas, they have looked for them globally. HR experts progressively are entrusted with working new computer system frameworks required to deal with a worldwide workforce. Human resource professionals have to spend a considerable time and effort to learn new platforms when their companies rely on the latest software to manage a worldwide workforce.

A major aspect of globalization on HR experts is the necessity to determine and understand the cultural and social dissimilarities at play with their new global manpower. They must know how best to communicate company goals and missions, integrate diverse value systems into their companies and coordinate the activities of all their employees to achieve their goals.

With advancement in technology, change in use of technology is also required. It becomes necessary for the organization to use the latest techniques and software. The organizations are tasked with operating new system software. This requires a considerable amount of time and effort to make the employees learn new platforms. Even the employee retention is of top concern for both international and domestic companies.

No doubt, Internet has made global communication simpler, but time zones have not. HR must devise ways to deliver and communicate vital information in a timely manner. To meet this challenge, Human Resource department must deliver the emergency information through email alerts or telephonically, so that no communication gap occurs.

Certain training programs needed to be devised to deliver training to the employees sitting in distant locations. This can be achieved by the virtual training concept, which can be conducted through online videos or teleconferences. The other challenge for the companies is if they want to send an employee abroad for work purposes, they must make suitable arrangements for him which might even include asking him to develop new language skills.

The most important thing that needs to be considered by the organizations and a company is to understand and apply the laws of different jurisdictions to a particular organization or company. There are not only tax and labor laws to be considered but also regional and local laws that apply to companies that operate in different states or different countries. Hiring employees at branch locations in different locations might change the requirements on minimum wage, tax allowances or working hours. Understanding and following these laws are vital as it has a great impact on the reputation and working of the company or organization.

## CONCLUSION

On the basis of above analysis and interpretation it can be conclude that the increasing prevalence of globalization is driven by a number of factors, including shortage of talent in developed countries, availability of low cost labor and growing consumers in developing countries, and technological progress. Despite the current economic downturn and unemployment, most developed countries, including United States, Germany and Japan will face long term talent shortages mainly due to ageing and retirement of baby boomers. There are more workers retiring than entering the labor force in these countries. By 2020, for every five retiring workers, only four new workers will join the labor force in most developed countries. The shrinkage of talent will be more than compensated by growing number of

professional talent produced in emerging nations, yet the global supply of talent is short of its long-term demand, and the gap is a challenge for employers everywhere.

The shortage between the demand and supply of talents is likely to continue to increase, notably for highly skilled professionals. The demand for talented people is increasing from developed and developing countries alike. Only the multinational enterprises that will be willing to adapt their human resource practices to the changing global labor market conditions will be able to attract, develop and retain high performing employees, and will likely survive, and succeed in the global competition. Management of culturally diverse and geographically dispersed workforce is a key goal of global human resources. It is also critical that the businesses not only familiarize with local ways of doing business, and understand needs of the local consumers, but also develop a global mindset among their employees. Human resources must play roles and responsibilities in leading the organization towards openness to cultural diversity.

The human resources need to focus on organizations' long-term objectives and on future-oriented plans. Instead of focusing exclusively on internal human resource issues, human resource departments need to take a balanced and broader approach. HR departments of global companies must assemble data on factors, such as employees, attrition and hiring, compensation and benefits, ethnic, gender, cultural, and nationality distributions, and load into data warehouses and data marts. By applying advanced analytical techniques on the data, human resource professional will get business insight, predict changes, and make informed decisions at operational and strategic levels. The human resource professional accesses current and anticipates future skills shortages through strategic skills planning. Global organizations not only need to a networked, collaborative and open to culturally diverse workforce, but also consists of high talent

## REFERENCES

1. Adler, N.J. and Ghadar, F (1990) 'Strategic Human Resource Management: A Global Perspective', in Pieper, R. (ed.) *Human Resource Management in International Comparison*. Berlin: de Gruyter.
2. Milliman, J., Von Glinow, M.A. and Nathan, M (1991) *Organizational Life Cycles and Strategic International Human Resource Management in Multinational Companies: Implications for Congruence Theory*, *Academy of Management Review*.
3. Prahalad, C.K. (1983) *Developing Strategic Capability: An Agenda for Top Management*, *Human Resource Management*, 22: 237-54.
4. Rosenblatt, Valerie (2011) *The impact of institutional processes, social networks, and culture on diffusion of global work values in multinational organizations*, *Cross Cultural Management: An International Journal*, Vol. 18, No. 1.
5. Schuler, R.S. and Jackson, S. (1987) *Linking Competitive Strategies with Human Resource Management Practices*, *Academy of Management Executive*, 1.