



GLOBALISATION IN HUMAN RESOURCE MANAGEMENT: IMPACT & CHALLENGES

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Abstract

Human Resource Management discipline extracted its roots from organizational psychology discipline and proved to be an important practice for managing organizations. The role of this practice has emerged to be strategic with due course of time. Global competition is rapidly becoming the norm in which nearly all business organizations must compete in one fashion or another. The roles and responsibilities of Human Resources departments are transforming as the modern business faces pressures of globalization. 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 but the global supply of talent is short of its long-term demand, and the gap is a challenge for employers everywhere.

The study is based on secondary sources collected from published articles, various journals, newspapers, reports, books etc. This paper discusses the impact of globalization in human resource management and the challenges faced by the human resource management in the global market.

Keywords: Human Resource Management, Globalization, Organization, Competitive Advantage.

Introduction

Globalization is the free movement of goods, services and people across the world in a seamless and integrated manner. It is the free movement of goods, services and people across the world in a seamless and integrated manner.

1. Doing business in more than one country.
2. Operating and expanding the business throughout the world.
3. Establishing manufacturing and distribution facilities in any part of the world.
4. Global organizational structures, organizational culture & strategies.

Globalization represents the structural making of the world characterized by the free flow of technology and human resources across national boundaries new boundaries as well as the spread of information technology and mass media presenting an ever changing and competitive business environment. Since the human factor is the key in the new era of globalization, the primary objective is to present conceptual framework for effective management of human resources as a response to the growing interaction of globalization and business performance. That in order to manage employees for competitive edge in a period of globalization human resources personnel must possess competitiveness relevant for implementing such strategic HRM policies and practices. The potential impact of globalization on the work patterns of particular groups in society is well recognized, particularly from the point of poorer economies. These issues are also tied up with the debate about the implications of globalization for the distribution of income. At first sight, one of the benefits of globalization appears to be greater equality, as demand is transferred from the higher to the lower income countries. However, the evidence to date suggests that this might not be the case either within countries or across countries.

Background to Globalization: International Business evolved from the age of World War I (1919) & World War II (1939) . The economies of several countries were down. Exports & imports were restricted due to unhealthy relations. Then the world war countries found the need of international cooperation in global trade. This led to the formation of IMF (International Monetary Fund) & World Bank. The attempt of these advanced countries ended with the GATT (general Agreement of Trade & Tariffs) & gradually GATT was replaced by WTO (World Trade Organisation) in 1995.

Hence the efforts of IMF, World Bank & WTO led to the globalization of business during 1990s.

Phase 1 – From export-import to International Marketing: Earlier organisations used to only export or import their products across nations. Later these organizations began their promotion in the countries where their products were in demand thus starting international marketing.

Phase 2 – From International Marketing to International Business: Since the demand of the products started increasing in the neighboring countries, it was becoming difficult for the producers to export at a larger rate hence they decided to manufacture their products in the countries where there is high demand. Eg: Uni lever established its subsidiary in India i.e HUL/HLL. Now HUL produces its product in India and markets them not only in India but to Bangladesh, Sri Lanka, and Nepal etc.



Concept of HRM

Human Resource Management (HRM) is the term used to describe formal systems devised for the management of people within an organization. The responsibilities of a human resource manager fall into three major areas: staffing, employee compensation and benefits, and defining/designing work. Essentially, the purpose of HRM is to maximize the productivity of an organization by optimizing the effectiveness of its employees.

According to Decenzo and Robbins “HRM is concerned with the people dimension in management. Since every organisation is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organisation are essential to achieving organisational objectives. This is true, regardless of the type of organisation-government, business, education, health, recreation, or social action”.

Thus, HRM can be defined as a process of procuring, developing and maintaining competent human resources in the organisation so that the goals of an organisation are achieved in an effective and efficient manner. In short, HRM is an art of managing people at work in such a manner that they give their best to the organisation for achieving its set goals.

Objective of the Study: The main objective of the study is to understand the impact of and challenges for human resource management in the global world.

Research Methodology

This is a descriptive research paper based on secondary data. Data have been collected through books, various websites, magazines, newspapers, and publications of recent research papers available in different websites, Research Articles, Research Journals, E-Journals etc.

Factors Driving Globalization in HRM

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.

Shortage of Talent in Developed Countries

Despite the current economic downturn and unemployment, most developed countries, including the United States, Germany and Japan will face long term talent shortages mainly due to ageing and the 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. According to one estimate the United States will need to add 26 million workers to its talent pool by 2030 to sustain the average economic growth of the two past decades (1988-2008) unless a technological breakthrough replaces manpower, while Western Europe will need to add 46 million employees (World Economic Forum, 2010). The shortage of workers is predicted across most industries, including manufacturing, construction, transport and communications, trade, hotel and restaurants, financial services, IT and business services, health care, public administration, and education.

Availability of Low Cost Labor from Emerging Countries

The opportunity has never been greater for multinationals to attract top talent from emerging countries, such as Brazil, Russia, India, and China, or to outsource work to these countries. Global population growth differs greatly between developed and developing countries. In the developed countries, USA, EU, and Japan, the current annual rate of growth is less than 0.3 per cent, while in the rest of the world the population is increasing almost six times as fast. According to McKinsey Global Institute, there are approximately 33 million potential professionals in emerging markets and they are growing very quickly.

The stock of suitable, young professional talent in emerging markets is growing at 5.5 per cent annually, while the number in developed countries is growing at just 1 per cent annually (McKinsey Global Institute, 2005 - II). The total number of university-educated workers in low-wage countries far exceeds the number for higher wage countries. Currently, India produces as many young engineers as the United States, and China produces more than twice as many. Russia produces 10 times as many finance and accounting professionals as Germany. According to the International Organization for Migration, there were an estimated 214 million international migrants in the world in 2010, and fifty-seven per cent of all migrants live in high-income countries (World Migration Report, 2010). The number of migrants is likely to grow exponentially in the coming years. Furthermore, the migration of workers and outsourcing of work would not be limited to unidirectional flow from emerging countries to developed countries.



Technological Progress

Globalization is made possible by the development of cost effective, yet very powerful technologies, including the Intra- and Internet, enterprise resource planning system, data warehouse, data mart, and data analytics. Friedman (2005) defined globalization a whole set of technologies and political events converging—including the fall of the Berlin Wall, the rise of the Internet, the diffusion of the Windows operating system, the creation of a global fiber-optic network, and the creation of interoperable software applications, which made it very easy for people all over the world to work together—that leveled the playing field. It created a global platform that allowed more people to plug and play, collaborate and compete, share knowledge and share work, on a scale never seen before. Cloud computing and new advances in remote access and support technologies also seem to fuel globalization. Many service jobs, such as call centers, animation, transcription, and software development can be carried out remotely. It is estimated that 160 million jobs, or about 11 per cent of the projected 1.46 billion service jobs worldwide in 2008, could be carried out remotely, barring any constraints on supply (McKinley Global Institute, 2005 - I). Section 5 discusses a global human resource information system that collects and stores large volumes of data from various sources, including external and remote sources. The system is designed so human resource personnel are able to analyze the data to get business insights, predict future needs and develop strategies to fill those needs.

Impact of Globalization on HRM

1. **Managing Cultural Diversity:** Managing different employees from different cultures in the same organization is a complex activity. Employees from each country think differently, perceptions are different towards work culture, the languages change, vocabulary differs and even non verbal communications are quite different from each region. This makes the task of the human resource department challenging due to globalization.
2. **Managing Expatriates:** Preparing the home country employees to work in a different country is a herculean task. The beliefs, value system, culture, attitude are diverse in nature. Recruiting, retaining and motivating expatriates have a major impact on the business. Understanding expatriate's need is a prime concern for the human resource team.
3. **Difference in the Employment Laws:** The employment laws or the labour laws differ from one country to another. The understanding of not only the monetary benefits becomes essential but also the non monetary benefits such as leaves, flexi timings are important to be included in the human resource policy.
4. **Managing Outsourcing of employees:** Outsourced employees to manage business are the big impact of globalization. Managing the BPO, KPO employees working with a different culture, different language, working in completely opposite shifts is a new shift in the area of human resources. Managing the expectation of these employees is a challenge for today's HR and this challenge is a result of globalization.
5. **Managing virtual employees:** Majority of the information technology based organizations have employees working "on-site" at a client's location which is completely new to them. The virtual employees have to be managed, retained and motivated in a different way unlike the "off-shore" employees. This practice of managing the virtual employees is a result of organizations going global.
6. **Corporate Social Responsibility:** Corporate houses actively participating in the practice of doing for the betterment of the society has emerged from the western countries. It is one of the ways make the presence felt in the host countries. Employees are encouraged to participate in such activities which help to reduce stress working with MNC's.
7. **Coping with flexible working hours:** The practice of flexible working hours has emerged as one of the retention initiative of workforce specially women employees who can maintain the work life balance. This practice of flexible working hours is result of working beyond normal time zones. Organisations which have a global presence need the attention of employees at various time zones which is not possible for all employees doing a continuous shift. Hence this practice emerged from globalization and has a positive impact on the HRM practice.
8. **Evolution of more part-time and temporary work (especially among women, the elderly and students):** The concept of part time employment, contract jobs have emerged from the practice of MNC's since hundred percent of workforce on permanent payroll is quite a expensive matter to these organizations. Majority of large MNC's in the information technology sector has their employees under contract employment.
9. **Coping up with emerging technologies & quality measures:** Every employee in today's leading organization is being trained with the latest technologies especially with the ERP concept like SAP or PeopleSoft. This step has been taken by MNC's to equip the employees with latest technology enabling the employees to cope up with the changing technology. Certifications like Six Sigma are availed to employees to manage the business on an international platform.
10. **Changing perspective from subordinates to business partners:** The shift has been observed in today's MNC that culture of subordinates is getting extinct. Employees have been treated as business partners' i.e every employee is responsible towards the growth of the organisation and considered as a partner in the company. This impact is the result of globalization.



Challenges of Globalisation in HRM

Globalization has influenced business so much that even small businesses have global concerns. Businesses can exploit markets worldwide fairly easily in terms of marketing, but the human resources they need on the ground in various countries can present challenges. The human resources department must learn to recruit and retain talent on a global scale. This presents a number of new challenges.

Supply and Demand

When viewed from a global perspective, the demand for employees exceeds the supply. This can be especially true for highly skilled jobs, or positions that require specialized knowledge. HR must not only find qualified candidates, it must find them in locales across the globe. If your company has a need for a specific type of employee that you are used to finding locally, you may be surprised that such employees don't exist in remote locations where you need them. Your HR department must devise strategies to relocate or train employees to suit company needs.

Expatriation

HR may have to persuade employees to work abroad for extended periods. That means HR must provide for housing, orientation to new customs and even new language skills. HR also must be prepared to provide such services to entire families, because employees with families cannot be expected to spend extensive time abroad without their spouses and children.

Communication

Though the Internet has made global communication simpler, time zones have not. HR must devise ways to communicate vital information in a timely manner, without expecting remote employees to be available at odd times, such as midnight or the early morning hours. HR departments can meet this challenge by limiting same-time communication to emergencies only, and setting up email alerts that arrive at the beginning of the remote employee's work day.

Training

HR must devise ways to deliver training to employees abroad who cannot attend live sessions in the company's home country. Solutions may include self-paced training; virtual training that is live but conducted through Internet connections, and teleconferences. If the nature of the training is such that personal contact is essential, HR must find ways to either send trainers abroad or bring remote employees to the home country temporarily.

Conclusion

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. 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. Instead of focusing exclusively on internal human resource issues, human resource departments need to take a balanced and broader approach.

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