GLOBALIZATION AND ITS IMPACT ON HUMAN RESOURCE MANAGEMENT

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ABSTRACT

Globalization influences the number and kinds of jobs that are available and requires that organizations balance a complicated set of issues related to managing people in different geographies, cultures, legal environments, and business conditions. HR functions such as staffing, training, compensation, and the like have to be adjusted to take into account the differences in global management. This paper provides an overview of recent trends in the global business environment which affects the practice of HRM, including globalization.

Why Study Human Resources Management, Challenges of globalization for managers, Challenges of new technology, Challenges of managing change, Challenges of developing human capital, Market Challenges, Challenge of containing costs, Demographic Challenges and finally The Partnership of line managers and HR. In order to manage employees for competitive edge in a period of globalization, human resource personnel must possess competencies relevant for implementing such strategic HRM policies and practices (Barney and Wright, 1988; Huselid, et al., 1977; Ulrich, 1989, 1996, Ulrich, et al., 1995). As a global company, the only way to succeed is to develop an effective global HRM system with personnel capable of designing and implementing multi- and transnational companies (MNCs / TNCs) business strategies, a value-added function in organizations. The conclusion is based on best practices and lead to recommendations for improved global HRM.

Key Words: Globalization, Economic Integration, Technological Innovation

Parikh (2004) argued that as compared to the past, the 21st century organizations are getting to be globally market driven ones with “invest anywhere and share everywhere”. Now the question arises what is really globalization? It is very difficult to define in a single definition. According to megasays.com (2005) "the concept of globalization today has invaded the globe and the national boundaries have been virtually eliminated. So what is the effect of this?

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Simple, the world today has become a small but a very complex and dynamic neighbourhood. Today we live in a global village and this means that our activities have crossed the national boundaries to become global.

The term 'globalization' has invaded in the mind of every successful businessman in the modern business world. "Globalization" does not simply mean more international trade. It does not simply mean traveling more, or having better international Internet connections. It doesn't simply mean having more cross-border investment flows. According to Bertucci and Alberti (2001), Globalization is a complex phenomenon, which encompasses a great variety of tendencies and trends in the economic, social and cultural spheres. It has a multidimensional character and thus does not lend itself to a unique definition. It may be described as increasing and intensified flows between countries of goods, services, capital, ideas, information and people, which produce cross-border integration of a number of economic, social and cultural activities. It creates both opportunities and costs, and for this reason it should not be demonized nor sanctified, nor should it be used as a scapegoat for the major problems that are affecting the world today. According to Bertucci and Alberti (2001), there are four main driving forces behind increased interdependence:

(1) trade and investment liberalization;
(2) technological innovation and the reduction of communication costs;
(3) entrepreneurship; and
(4) global social networks.

Although many believe that technological innovation and entrepreneurship are the main forces behind globalization, these factors cannot alone explain the process of enhanced economic integration.

According to Held globalization is characterized by four types of change. First, it involves a stretching of social, political and economic activities across political frontiers, regions and continents. Second, it suggests the intensification, or the growing magnitude, of interconnectedness and flows of trade, investment, finance, migration, culture, etc. Third, the growing extensity and intensity of global interconnectedness can be linked to a speeding up of global interactions and processes, as the evolution of worldwide systems of transport and communication increases the velocity of the diffusion of ideas, goods, information, capital, and people. Fourth, the growing extensity, intensity and velocity of global interactions can be associated with their deepening impact such that the effects of distant events can be highly significant elsewhere and even the most local developments may come to have enormous global consequences. In this sense, the boundaries between domestic matters and global affairs can become increasingly blurred.

According to Ali (2005), Globalization can be defined as a process of rapid economic, cultural, and institutional integration among countries. This unification is driven by the liberalization
Globalization and trade, investment and capital flow, technological advances, and pressures from international organizations towards achieving international standards. Globalization has reduced barriers between countries, thereby resulting in intensification of economic competition among nations, dissemination of advanced management practices and newer forms of work organization, and in some cases sharing of internationally accepted labour standards. According to Ofreneo (2002) following are the drivers behind this globalization: First, technology, which is changing how certain products are produced and at the same time altering the quantity and the quality of labour that is required to produce those products. Second, policies of economic liberalization, that are leading to the opening up of the economy, encouraging free flow of goods, and capital, and enhancing integration with the world economy. It is also leading to privatization policies by governments, deregulation of entire sectors, tariff reduction, and import liberalization. Third, pressures of competition, businesses have to adjust to the ever-increasing global and domestic competition. The competition is cut throat and companies, which are not prepared or undercapitalized should either try to upgrade themselves or be destroyed by bigger global transnational corporations. Supporters of globalization say that free trade and increased foreign direct investment will increase employment and earnings in advanced and developing countries alike. Critics argue that globalization, in reality, has a deleterious effect on the wages, employment, working conditions of most, though not all developing country workers. These negative effects, they believe, are resulting from competition of multinationals and selective opening of markets to international trade in favour of industrially advanced countries. So, changes in organization and workplace are nonstop under globalization.

This paper provides an overview of recent trends in the global business environment which affects the practice of HRM.

Globalization and Advances in Technology

In addition to globalization, the nature of competition has evolved as the computer and other advanced technologies continue to change the way work is performed. Introduction of advanced technologies has even altered the types of skills companies need—a shift from touch labour to knowledge workers. The onslaught of information technology has also transformed the way HRM itself is performed. Rapid advances in technology have enabled many firms to take greater advantage of human resource information systems and these systems enable managers to forecast HRM needs, track costs, and plan employee development. Globalization and advances in technology are only two of the many changes that managers face today. As a result, managing change in the business environment has become an increasingly important role for firms (The Pennsylvania State University (2003). Firms are successful when they exercise an advantage over their competition and this is accomplished along the lines of product or process innovation, improved quality, or reduced costs. An important aspect of creating any such competitive advantage is the strategic management of a firm’s Human Resources (HR).
To succeed in today's business environment companies must expand their operations and compete on a global scale. Firms that go global face important issues related to managing employees across countries, cultures, laws, and business practices. Therefore, managers must recruit employees who can succeed in an international environment, train these workers to adopt to new and challenging customs and practices, and adapt compensation practices to meet local customs and expectations.

**Market Response and Cost Containment**

According to The Pennsylvania State University report the remaining challenges, responding to the market and containing costs, are fundamental components of effective management. According to this report there are several factors such as:

First, managers must constantly search for ways in which they can continually meet the needs of their customers. Total Quality Management and Reengineering are two approaches that have a direct impact on the HRM requirements needed to manage employees.

Second, despite the competitive contributions of a firm's workers, the labour associated with managing these workers still remains a significant cost for most firms. Consequently, many firms have taken steps to lower these costs.

Outsourcing and employee leasing represent two more recent developments in the management of employees. Both involve the use of outside workers to meet internal demands and may provide organizations with the flexibility needed to meet customer demands while minimizing long-term investment in labour costs.

**Demographic Trends and Cultural Changes**

There are a variety of demographic trends and employee expectations that have continued to grow in importance and also impact the manner in which a firm's HRM practices should be used. Several demographic trends are altering the makeup of the workforce such as the labour market is more diversified than ever with minorities claiming a larger portion of the labour market—and many firms have increased their efforts to attract and retain a more diverse workforce. The aging workforce, the increasing presence of women in the workforce, and the rising level of education also represent major shifts in the labour market and these will directly impact how firms attract and manage their employees.

Besides that there are also cultural changes (i.e., changes in the attitudes, beliefs, values, and customs of people) occurring in society. Another cultural change incorporates the changing attitudes toward work. Compared to purposes in the past, individuals are now generally less obsessed with the acquisition of wealth and are pursuing jobs that are more personally rewarding and provide more personal time. In today's social environment, managers must recognize that as the presence of dual-income families and single parents continues to increase, firms may have to adjust their HRM practices to accommodate the balancing of work and family. HR professionals and line managers are expected to work together to solve problems and create innovative ideas to improve the management of a firm's workforce.
Thus, it is critically important for globalizing firms to make sensible decisions in key areas of human resource management which take into account institutional, cultural and psychological differences between parent company institutions, values and practices, those of host countries and those of third country nationals employed to work in global organizations. These decisions usually concern such areas as how people are recruited, selected, deployed, developed, motivated, compensated and how their performance is managed.

GLOBALIZATION AND ITS IMPACT ON HRM

Twenty years ago, Human Resource Management was almost an unknown term in Asia. Training, selection, and performance appraisal were given less importance when they existed, were known as Personnel Managers, or had a dual role of Administration Manager with a "Personnel" tag thrown in for good measure. Asian companies were not too much aware of how effective management of the human resource had a major bearing on the bottom line. The educational sector gave little support. Professional associations were fledgling to say the least. The National University of Singapore, the government anointed showcase of an Asian university did not offer one unit in psychology. China funded anything to do with science and technology, but soft sciences such as management and HRM were ignored (This Week of 22nd to 29th November, 1999; Human Resource Management, Journal of Managerial Psychology Employee Relations).

Human input in the production process was at one time considered as a variable cost item and people were treated just like a production, which can be sell and purchase at any time. Very few importances were given on developing and maintaining the workforce rather than controlling and minimizing its cost.

This being the position, functions of personnel management remained confined mainly to recruitment, remuneration and separation. During the 1950s and 1960s much of the work concerned with managing individuals in organizations highlighting individual needs and motivation. Labour was the first area to be hit whenever the problem of the reduction of costs arose. During the 1970s another discipline evolved under the name of human resource management with tradition of personnel and industrial and organizational psychologists that focuses only on the safety and health of the worker as well as individual satisfaction and performance. In the late 1970s and 1980s, the discipline of organizational strategy started to make an impact upon human resource management and the economic success of Japan in the 80's gave rise to a new thinking about the importance of the human element.

As a result, the nomenclature, "personnel management" was replaced by "human resource management", with changes in its role and functions which currently are: manpower planning, recruitment and selection, training and development, remuneration including wages, salaries, benefits administration, career planning, coordinating performance appraisal process, industrial relations and advising the line managers on the rules, regulations governing employment matters.
Today, forces of global competition, worldwide labour availability; business ethics and environment are winning the attention of human resource management. All these are carried forward, making job of human resource management challenging, rewarding and exciting.

Traditional human resource practices are being replaced with new practices tailored to maximize the productivity of a highly skilled internal workforce (Applebaum, et al., 2000). This new bundle of HR practices, known as high performance workplace practices (HPWP), emphasize merit based pay and programs that train and empower employees to blur the traditional distinction between managers and employees (Handel and Gittleman 2004).

One of the most critical determinants of an organization's success in global ventures is the effective management of its human resources. In the 21st century, due to globalization there are tremendous pressures on today's organizations such as rapid technological change, tougher competition, and organizational changes such as new organizational alliances, new structures and hierarchies, new ways of assigning work, a very high rate of change, changes in the workforce, including employees' priorities, capabilities, and demographic characteristics. Besides that, globalization poses distinctive HRM challenges to businesses especially those who are operating across national boundaries as multinational or global enterprises. Basically, global business is characterized by the free flow of human and financial resources in the developed economies of European Union (EU), the North American Free Trade Agreement (NAFTA), other regional groupings such as the Association of South East Asian Nations (ASEAN), the Economic Community of West African States (ECOWAS), the Southern African Development Community, etc. These developments are opening up new markets in a way that has never been seen before and this accentuates the need to manage human resources effectively to gain competitive advantage in the global market place (Bawa and Ali, 1999). Further, they suggest that to achieve this, organizations require an understanding of the factors that can determine the effectiveness of various HR practices and approaches, because, the countries differ along a number of dimensions that influence the attractiveness of Direct Foreign Investments in each country and these differences determine the economic viability of building an operation in a foreign country and they have a particularly strong impact on HRM in that operation. Critics (Baird & Meshoulam, 1998; Jackson & Schuler, 1995; Lado & Wilson, 1994; Milgrom & Roberts, 1995; Wright & McMahan, 1992) argue that on how HRM Practices affect the organizational outcomes, whether some practices have stronger effects than others and whether complementarities or synergies among such practices can further enhance the organizational performance.

Noe, et al., (2000: 536) suggest several factors that affect HRM in global markets are identified:

1. Culture
2. Economic System
3. Political System the legal framework and
4. Human capital.

Consistent with the scope of the present paper, only one dimension is treated: human capital (the skills, capabilities or competencies of the workforce). O’Reilly (1992) suggests that competency-based human resource plans provide a source for gaining competitive advantage and for countries profoundly affect a foreign country's desire to locate or enter that country's market. In order to manage employees for competitive edge in a period of globalization, human resource personnel must possess competencies relevant for effective implementation of such strategic HRM policies and practices (May, 1999; Barney & Wright, 1988; Cunningham & Debrah, 1995; Huselid, et al., 1997; Ulrich, 1987, 1996; Ulrich, et al., 1995).

In the globalization era, it is becoming more evident that a strategic approach to human resource management will be an imperative for firms to enhance their competitive advantage and this involves designing and implementing a set of policies and practices that ensure that a firm's human capital contributes to the achievement of business objectives (Baird & Meshoulam, 1988; Jackson & Schuler, 1995). Research studies reveal that strategic HRM perspective is an assumption that firm performance is influenced by the set of HRM practices that firm has in place (Arthur, 1994; Cutcher - Gershenfeld, 1991; Huselid, 1995; Huselid & Becker, 1996; MacDuffie, 1995). Pfeffer (1994) suggests that HRM Practices such as employee participation, empowerment and job redesign, including team based production systems, extensive employee training, and performance contingent incentive compensation, are widely believed to improve the performance of the organizations. Moreover, empirical research studies shows that there were positive associations between HRM systems and organizational performance (Arthur, 1994; Cutcher - Gershenfeld, 1991; Huselid, 1995; MacDuffie, 1995).

Bawa and Ali (1999) argued that “a great deal of evidence has accrued to suggest that changes taking place in the global business environment often are not accompanied by complementary changes in human resource management practices leading to a situation whereby the failure of some firms is due to the mismanagement of people rather than to problems with technical systems per se”. In this context, Huselid, et al., (1997) states that this is because organizations have achieved relatively low levels of effectiveness in implementing Strategic Human Resource Management (SHRM) practices and this is particularly the case in emerging economies of South East Asia like Malaysia and other developing countries like Nigeria that are exposed to the challenges and opportunities of globalization. Other researchers (Barney & Wright, 1988; Cunningham & Debrah, 1995; Huselid, et al., 1997; Ulrich, 1987, 1996; Ulrich, et al., 1995) states that in order to manage employees for competitive edge in a period of globalization, human resource personnel must possess competencies relevant for effective implementation of such strategic HRM policies and practices.

Ulrich (1997), provides a clear path to the next generation of HR with Human Resource Champions: The Next agenda for Adding and value and developing results (1997). He describes
a multi-faceted approach to delivering HR services that needs of both employees and employers and role of HR as a significant contributor to organizational success. Ulrich (1997) suggest that HR should be responsible strategy execution, administrative efficiency, employee contribution, and capacity for change. In the course of delivering in these four areas, he describes four corresponding roles for HR to play within a business:

(a) as a strategic partner working to align HR and business strategy,
(b) as an administrative expert working to improve organizational processes and deliver basic HR services,
(c) as an employee champion, listening and responding to employees' needs, and
(d) as a change agent managing change processes to increase the effectiveness of the organization. Ulrich's approach includes all of the ways that HR can deliver value to an organization, rather than shifting focus from one area to another.

Parikh (2004), states that 'The concept of modern management is primarily concerned with the planning and development of HR, the man behind the machine has rightly become the focus of attention with a sense of responsibility to make most of the skills, experience and initiative of its employees. HR management has a pivotal role in developing the capabilities and strengths of an organization. Hence, the importance of HR in an organization cannot be overemphasized'. Alfred Marshal in his book, 'Principles of Economics', that most of valuable of all capital is vested in the HR. henceforth, the caliber and quality of the workforce in general and the top management in particular determines the quality and caliber of the organization itself.' According to Parikh (2004), developing an effective human resource development plan is not as simple as developing a number of charts or spreadsheets. This exercise needs a broad range of activities including image building, recruiting, developing job descriptions and goal setting, performance management etc. Such a plan needs to be formulated for a long-term vision. HR management has become a priority and is being recognized as a key element to business success. The role of HR professionals has evolved significantly from traditional and transactional role as administrators and guardian of policies to a more strategic and result oriented. However, the biggest challenges faced by HR are the 'identifying and retaining the talent'.

**Human Capital**

If organizations rely upon people to be competitive, then it is important that organizations devote appropriate resources toward the development of human capital (*i.e.*, the knowledge, skills, and abilities of individuals who have economic value to the organization). To ensure this firms must have an adequate stock of human capital and managers need to take actions to achieve this goal, and HRM practices are one of the primary ways in which this is achieved. Staffing decisions must be on the aim of securing highly qualified individuals with potential and sufficient training to workers to continually develop new skills, and providing employees with
the opportunities needed to master these skills are all possible means to ensure that a firm's employees possess valuable human capital.

Effective management of human resources has a positive impact on the firm's overall success and, ultimately, its bottom line. This term refers to the organization's survival, growth, profitability, competitiveness and flexibility in adapting to changing conditions. Human resource departments positively affect the bottom line through: (1) improving productivity; (2) improving quality of worklife; (3) increasing the firm's legal compliance; (4) gaining competitive advantage; and (5) assuring workforce flexibility - the more specific goals of managing human resources (Schuler and Huber 1993).

**Human Resource Management Activities**

According Schuler (1996) to The activities performed by the human resource department include: (1) scanning and analysing the environment; (2) planning for human resource needs; (3) staffing the human resource needs of the organization; (4) appraising employee behaviour; (5) compensating employee behaviour; (6) improving the work environment; and (7) establishing and maintaining effective work relationships. Not all human resource departments of organizations currently perform all these activities, but the trend is clearly in that direction. Certainly, they are performed in the most effective firms in highly competitive environments today (Towers Perrin 1992).

**Planning for Human Resource Needs**

Human resource planning involves two major components: planning and forecasting the organization's short-term and long-term human resource requirements (the macro component); and analyzing the jobs in the organization to determine the skills and abilities needed (the micro component). They indicate: (1) what types of employees (namely, what competencies) and how many of them are needed today, as well as tomorrow; (2) how employees will be obtained (for example, from outside recruiting or by internal transfers and promotions); and (3) the training and development programmes the organization may need. In fact, these two components of planning can be viewed as the major factors influencing the staffing and training and development activities of the entire organization.

**Compensating Employee Behaviour**

Employees are generally rewarded on the basis of the value of the job, their personal contributions and their performance. Although providing rewards based on level of performance can increase an employee's motivation to perform, rewards are often given only according to the value of the job. Other rewards (namely, indirect fringe benefits) are provided just for being a member of the organization. According to Schuler (1996), the compensating activity includes: (1) administering direct compensation; (2) providing performance-based pay; and (3) administering indirect benefits.
Improving the Work Environment

Improving the work environment is a crucial activity of human resource management. As domestic and international competition increase, organizations have to improve their competitiveness. Schuler (1996), suggest several organization improvement programmes such as: (1) to train employees and provide management development opportunities; (2) to raise the level of product or service quality; (3) to enhance innovation; or (4) to reduce costs. This may also mean redesigning jobs and improving communications with employees. All these programmes come under the activity of organization improvement.

Establishing and Maintaining Effective Work Relationships

Schuler (1996), suggest that this function is composed of the following sets of activities: (1) respecting employee rights; (2) providing a safe and healthy work-place; (3) understanding the reasons and methods used by employees when organizing; and (4) bargaining and settling grievances with employees and the organizations representing them. A crucial activity here is improving the physical and socio-psychological workplace to maximize employee safety and health. Failure to improve conditions for health and safety can be illegal and very costly.

Who is responsible for managing human resources?

The following roles are important factors for managing human management.

(a) Enabler's role
(b) Monitor's role
(c) Innovator's role
(d) Adaptor's role
(e) Staffing the human resource department
(f) The human resource leader
(g) Human resource generalists
(h) Human Resource specialists
(i) Change and Knowledge facilitator Role
(j) Human Resource Staff
(k) HR Competencies

Implication for HRM Practices

Delery & Doty (1996), states that individual HR practices impacts on performance and emphasis on internal fit in the resource based view of the firm and a system of HR practices may be more than the sum of the parts, appears to be consistent with discussions of synergy, configurations, contingency factors, external and internal fit, holistic approach, etc. (Delery & Doty, 1996; Huselid, 1995; Bawa and Ali, 1999)). Researchers (Osterman, 1987; Sonnenfeld and & Peiperl, 1988; Kerr and Slocum, 1987; Miles & Snow, 1984; and Delery & Doty, 1996)
identified seven practices that are consistently considered strategic HR practices. These are (1) internal career opportunity (2) formal training systems (3) appraisal measures (4) profit sharing (5) employment security (6) voice mechanisms and (7) job definition. Schuler & Jackson (1987), presented a very comprehensive list of HR practices.

The United Kingdom-based Management Charter Initiative (MCI), an independent competence based management development organization, identifies seven key roles and required competencies such as managing activities, managing resources, managing people, managing information, managing energy, managing quality and managing projects (MCI Management Standards, April, 1997). Finally, Huselid, et al., (1997) identified two sets of HR personnel competencies as important for HR personnel: (1) HR professional competencies and (2) Business-related competencies.

Huselid, et al., (1997) suggest that this competence insures that technical HR knowledge is both present and used within a firm. Jackson & Schuler (1995). Bawa and Ali, (1999) suggest that these competencies will enable the HR staff to know the company's business and understand its economic and financial capabilities necessary for making logical decisions that support the company's strategic plan based on the most accurate information possible.

**Recommendations**

1. Instill a talent mindset at all levels of the organization
2. Good leaders
3. Attractive compensation
4. Build a high performance culture
5. Recruit great talent continuously
6. Develop people to their full potential
7. Make room for talent to grow
8. Focus on retaining high performers

**CONCLUSION**

In conclusion it may be said that in today's business world, international experience has become critically important, companies can no longer get away with operating loosely connected groups of businesses that happen to be located around the world. Global competition has forced executives to recognize that they must think differently about management. The only way to succeed is to develop an effective global human resource system with personnel capable of designing and implementing transactional/ multinational business strategy. Human resource management has escalated to the forefront of organizational attention due to the enormous transformations taking place in the social, political, economic and educational environments. Expanding business operations beyond national boundaries while continuing the commitment to local markets requires more complex business structures.
The increasing significance of businesses providing information and services as well as requirements for increased utilization of technology demand a well educated and trained workforce. Growing globalization, rapidly changing technology and the mounting importance of knowledge capital are exponentially increasing the demands on the HR function and its ability to contribute in a meaningful way. HR leaders/managers need to take a long hard look in the mirror, redefine themselves, their capabilities and their role. The synergistic effect of these dynamic forces demands that employees must be capable of rapid change and prepared for continuous learning. The learning organization is a reality of effective HRM and one of the most critical processes contributing to an organization's ability to rapidly respond to change.

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