

Globalization: Opportunity and Challenges in HRM¹

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Abstract:

The development and success of an organization as well as a country largely depends upon the creative skills and abilities of its human resources. Effective corporate governance mechanisms and strategies are commonly referred to as the area of management that deals with getting the best performance from employees within the organization at hand. It explores the the impact of Globalisation and liberalization on developing countries. Globalisation has imposed internal pressure and external pressure to bear.

The rapid globalization of world markets has encouraged companies of all sizes and national origins to expand internationally. To benefit from their international expansion, companies need to prepare to face challenges throughout their operations. This article identifies several challenges companies encounter as they attempt to prove their existence on the ground and discusses ways can creatively address them. The economic life is hard despite the fact that reforms and globalization have created various new opportunities.

Introduction

The rapid globalization of world markets has encouraged companies of all sizes and national origins to expand internationally. Globalization has been defined by the International Monetary Fund (IMF) as the increasing integration of economies around the world, particularly through trade and financial flows. (IMF, 2000) As economies become integrated issues emerge with regards to the benefits and costs of such integration and which outweighs the other.

Prof. Sklair (2000) state that the combination of the discourse of sustainable development with that of national and international competitiveness provides powerful weapons for the transnational capitalist class. In this context globalization is not a Western term but a “globalizing capitalist ideology,” whose discourse and practices are necessary to stop the growing class polarization and ecological crises characteristic of this latest stage in the long history of capitalism.

Over the past 10 or 12 years, the term globalisation has gone from nowhere to be everywhere and now the notion of globalization has become attraction of business world.

India have an extended history of international trade going back centuries ago, their economies were until recently highly protected and controlled to a large extent. However after 1991 the scenario is changed and the Indian doors are opened for the foreign investments. There by the foreign Industries have come to India and automatically the employment opportunities have increased.

It has definitely opened itself to globalisation especially as a result of changes in economic policies in the early 90’s and will have to face increasing world competition given its commitments at the WTO.

The phenomenon of globalization has however affected given the large populations, big land mass and abundant resource bases, India has relied on indigenous capabilities to a large extent to develop a wide range of goods for their internal markets. Seventy-five percent of executives in multinational firms believed that their companies needed more employees with global leadership abilities; however, less than 8% of the companies had programs to address this shortage [Black, Morrison, &. Gregersen, 1999, p.7].

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Understanding Globalization:

This contemporary issue has been formulated differently by many academics while the basic notion that some cross-border trade and investment are happening between nations due to interdependency and an increasingly integrated international economic system, should be a starting point in developing any such paradigm. One could then argue about whether the concept is new and if not how does it differ from the old 'globalisation'? The main difference comes from the impact of technological progress and also from the idea of free trade with receding barriers promoting Ricardo's agenda of comparative advantage. The world's national economies are being redefined and interconnected at an unprecedented rate due to an increase in the mobility of capital as a consequence of deregulation, new communications and information technology.

Rosamond (1999) suggests that globalization can be a powerful component of the social construction of external context that, in turn, helps to legitimize certain sorts of policy. He notes that the term "globalization did not enter discourse until the mid to late 1980s. Rosamond (1999) points out that the concept of globalization has spread beyond the academic world and is frequently employed to signify worldwide economic changes of profound significance. Globalization is a term that is loosely defined; it can represent rapid changes in communication, transport and technology, or the integration of markets. Academics debate whether globalization is taking place or has already occurred, what the connection is to prosperity and problems, and the historical significance.

Encounters with globalization

Some of the major impacts feared by nations due to globalisation are such as giving away of national sovereignty and some new forms of colonialism by MNCs, The decline of the State as a protector of individuals and groups and the rise of virtual states depending on investment and production abroad. This sort of argument is very common in India.

This paper shows the impact of globalisation on the formulation of two different styles of the management and implementation of public policy in relation to issues like privatization of State Owned Enterprises, government approaches to deal with FDI and technology policy and development. WTO rules and regulations, in other words, the State will have to give away some of its sovereignty on economic matters and international trade.

Foreign direct investment is the locomotive of globalisation and India unlike many other third world countries have a sizeable number of highly skilled workers as well as an enormous supply of low unskilled labour, their development are closely linked to similar sectors in which they have comparative advantage and therefore face similar challenges like other countries such as China.

Importance of HRM:

Human beings are the most important resource in an organization. A firm's success depends on the capabilities of its members. Most problems, challenges, opportunities and frustrations in an organization are people related.

Human Resources Management is one of the toughest duties of a manager since humans differ in terms of attitudes, values, aspirations, motivations, assumptions, psychology, and life goals.

Looking at today's competitive world, managerial level staff will require more conceptual and strategic skills. Thus, managers should for example ensure a suitable, relevant and up-to-date training for specific skills of lower level employees.

Managers have to be proactive, able to anticipate technological developments and prepare their staff for whatever technological changes that might take place.

This will be a successful task only when the HRM itself is fully aware of those changes and has the means to deal with them.

HR managers have a number of roles to fulfill. They are the guardians of the key assets of the organizations. They are also counselor and protector of employees and directly responsible for productivity.

The government, including the Ministry of Labor, expects HR managers not only to comply with labor laws, but also to promote harmony at the workplace; this will directly contribute to healthier and more attractive work environment. As a result, both job hunters and seekers will feel compelled to target such organizations in their search for new job opportunities.

The success or failure of HR depends also on the top management recognition of the importance of HRM, and secondly on its commitment to assist HR to carry out its functions. Human Resources jobholders need capability, integrity and professionalism in order to succeed in the ever-changing environment.

Globalization and Strategy

The discussion of globalization and its many facets to a discussion of the costs and benefits to globalization discussion of “Globalization and Strategy” where the options for a multinational firm are introduced. This section begins with a discussion of the various strategies for global corporations. The four basic strategies are a multi-domestic strategy, an international strategy, a global strategy or a transnational strategy. A **multi-domestic strategy** is where a company has operations in more than one country. The goal of a multi domestic strategy is to optimize local competitive advantages, revenues, and profits. A **global strategy** is where a company has integrated operations in more than one country. A global strategy seeks to maximize worldwide performance through sharing and integration. An **international strategy** is where core competencies are centralized and other activities are decentralized. Finally a **transnational strategy** is a typically a global matrix that seeks to be both locally responsive and efficient. This strategy is based on the simultaneous attainment of location and experience curve economies, local responsiveness, and global learning.

In this section a recent article by Bartlett and Ghoshal (2003) is discussed. These authors present four types of managers for the transnational organization. The four types of managers are the business manager, the country manager, the functional manager, and the corporate manager. This is discussed in greater detail in the “Globalization and Strategy” section. The survey goes on to introduce the factors that affect a corporation’s strategy to invest abroad. Yip (1989) discusses four industry drivers that affect this decision: market drivers, cost drivers, government drivers and competitive drivers. **Market drivers** include the level of homogeneous needs, global customer base, available global channels, and transferable marketing. **Cost drivers** include economies of scale and scope, learning and experience curves, favorable logistics, differences in country costs and skills, and product development costs. **Governmental drivers** include favorable trade policies, compatible technical standards, and common marketing regulations. Finally, **competitive drivers** include the interdependence of countries and competitors who are global or becoming global. Lovelock and Yip (1996) apply this analysis to the service industry.

As we explore the opportunities of corporate strategies with regards to globalization Rugman (2000), adds a word of caution “a pure globalization strategy” that is typified by high economic integration and low national responsiveness will not always work in the 21st century. It is along these lines that he emphasizes a regional focus and discusses five lessons that have been learned as corporations go beyond national boundaries. The five lessons are (1) learn to deal with different cultures and be nationally responsive rather than assuming an integrated global market, (2) managers should develop network organizational competencies rather than relying on international divisions or global product divisions, (3) organizations should make alliances and foster cross-cultural awareness in senior managers (4) managers should develop analytical methods for assessing regional drivers of success, and (5) managers should “think regional, act local – and forget global.” Rugman (2000) seems to see the benefits of globalization but with cautious optimism, and emphasizes a regional focus rather than a purely global strategy.

In summary, globalization has many facets and the decision to invest abroad is not a straightforward one. In fact, managers must weigh both the benefits and costs of a corporate strategy to determine the appropriate opportunities to exploit. Managers today face a dual challenge—managers need to figure out what the global strategy is and then must successfully implement the strategy. Many authors such as

Rugman (2000) and Rugman and Moore (2001) seem to be leaning towards a regional focus rather than a global one. Finally, in determining the appropriate global strategy the existing organizational culture must be taken into consideration.

Organisation Culture

Hofstede (1980) defines culture as “the collective programming of the mind which distinguishes the members of one category (i.e. national, regional, gender, age, social class, profession) of people from another. Organizational culture is different from national culture in that it is partial and voluntary where national culture is permanent and involuntary. Hofstede (1980) looks at organizational culture and defines six dimensions: process-oriented versus results-oriented cultures, job-oriented versus employee-oriented cultures, professional versus parochial cultures, open system versus closed system cultures, tightly versus loosely controlled cultures, pragmatic versus normative cultures. Process-oriented cultures are dominated by technical and bureaucratic routines while results-oriented cultures focus on outcomes. Job-oriented cultures only assume responsibility for the employees’ job performance while employee-oriented cultures assume responsibility for the employees’ well-being. In professional cultures members identify with their profession while in parochial cultures members identify with the organization for which they work. In an open system outsiders are welcome while it is harder for newcomers to be admitted into closed system cultures. In tightly controlled organizations there is more formality and punctuality while loosely controlled organizations are more flexible. Finally, in pragmatic cultures organizations are more flexible with customers while normative cultures are more rigid.

Once the organizational culture of an organization is assessed, top management should decide whether to optimize the existing culture or attempt to change it. If the decision is made to change the existing culture, a cost benefit analysis should first be considered. Changing an organization’s culture requires appealing to feelings as well as intellect; gaining support from key management and employees; adapting new functions, departments, locations, and tasks, as well as recruitment, training and promotion.

Hofstede (1980) proposed that structure should follow culture. The purpose of an organization’s structure is to co-ordinate activities. The best structure at any given moment depends on the company’s people, resources, and goals. The integration of organizations across national borders requires managers to have insight into organizational structures, leadership styles, motivation patterns, and training and development models as they relate to organizational and national culture.

HR and Globalisation

The Human Resource management is globalisation oriented when each employee is able to (and expected to) grasp, and adapt to, conceptual and operational realities at different levels and in different cultures.

- The first corner stone to achieve is the development of new initiatives, programs and agendas. Human Resources must move beyond being the “police of policy” and “regulatory guard”. Instead, HR must be the pioneers in assisting the organizations achieve results, especially by helping employees to enhance their capabilities to ensure organizational objectives are met.
- The future of HR depends on its ability to align HR with the changes that are happening in the workplace and the economy. New models of competitiveness are needed so that organizations can better service their customers. Consequently HR must be the champions to help gear employees to provide added value.
- The new approach of HR is to emphasize new mindsets and new ways of thinking about business instead of sticking to policies and bureaucratic patterns. HR professionals should and must focus on cultural change, and the development of human capital, especially in international organizations. “Think globally. Act locally”.

- HR should sponsor a model of change, which will help the employees adapt to and be comfortable with changes. Here, a lot of question may arise, such as: How do we decide which practices to be transformed and which should be kept for purpose of continuity? How do we change and learn rapidly? How do we honor the past yet change the future? How do we capture the hearts and minds of employees?

Human Resource Management: Challenges

Human resource challenges that face today's managers may be categorized according to their primary focus: the environment, the organization; or the individual. Firms that deal with these challenges effectively are likely to outperform those that do not.

A. Environmental Challenges

Environmental challenges refer to forces external to the firm that are largely beyond management's control but influence organizational performance. They include: rapid change, the Internet revolution, workforce diversity, globalization, legislation, evolving work and family roles, and skill shortages and the rise of the service sector.

B. Organizational Challenges

Organizational challenges refer to concerns that are internal to the firm. However, they are often a byproduct of environmental forces because no firm operates in a vacuum. These issues include: competitive position (cost, quality, and distinctive capability), decentralization, downsizing, organizational restructuring, self-managed work teams, small businesses, technology, outsourcing, and organizational culture.

Organizational culture is a particularly important element. Culture is the basic assumptions and beliefs shared by members of the organization that express themselves through the rules, norms, dominant values, philosophy, and climate. Firms that regularly make adjustments to these elements to match environmental changes are likely to outperform those whose culture is rigid and unresponsive to external factors.

C. Individual Challenges

Human resource issues at the individual level address concerns that are most pertinent to decisions involving specific employees. These issues almost always reflect what is happening in the larger organization. How individuals are treated also is likely to have an effect on organizational issues. For instance, if many key employees leave a firm to join its competitor, it will affect the competitive posture of the firm. The individual issues include matching people and organization, ethics and social responsibility, productivity, empowerment, brain drain, and job insecurity.

II. Planning & Implementing Strategic HR Policies

To be successful, firms must closely align their HR strategies and programs (tactics) with environmental opportunities, business strategies, and the organization's unique characteristics and distinctive competence. A firm with a poorly defined HR strategy or a business strategy that does not explicitly incorporate human resources is likely to lose ground to its competitors. Similarly, a firm may have a well-articulated HR strategy yet fail if its HR tactics/policies do not help to implement its HR strategy effectively.

A. The Benefits of Strategic HR Planning

Formulating HR strategies and establishing programs to implement them is strategic human resource planning. Successful HR strategic planning provides many benefits for the company, including (1) encouraging proactive rather than reactive behavior, (2) explicit communication of company goals, (3) stimulation of critical thinking and ongoing examination of assumptions, (4) identification of gaps between current situation and future vision, (5) encouragement of line managers' participation, (6) identification of HR constraints and opportunities, and (7) creation of common bonds

B. The Challenges of Strategic HR Planning

In developing HR strategy, organizations face several important challenges including (1) maintaining a competitive advantage, (2) reinforcing overall business strategy, (3) avoiding excessive concentration on day-to-day problems, (4) developing HR strategies suited to unique organizational features, (5) coping with the environment, (6) securing management commitment, (7) translating the strategic plan into action, (8) combining intended and emergent strategies, and (9) accommodating change.

C. Strategic HR Choices

Human resource strategies, which are implemented through HR activities and programs, may affect the performance of the business. The options that a firm has available in designing its HR system are its strategic HR choices. Figure 1-5 shows a sampling, rather than an exhaustive list, of strategic HR choices. Firms may fall near the left, right, or middle of such a continuum.

III. Selecting HR Strategies to Increase Firm Performance

No HR Strategy is “good” or “bad” in and of itself. The success of HR strategies depends on the situation or context in which they are used. In other words, an HR strategy’s effect on firm performance is always dependent on how well it fits with some of the factors. *Fit* refers to the consistency or compatibility between HR strategies and other important aspects of the organization

A. Fit with Organizational Strategies

Organizational strategies may be examined at two levels: corporate and business.

Corporate strategy refers to the mix of businesses a corporation decides to hold and the flow of resources among those businesses. This involves decisions pertaining to acquisition, divestment, diversification, and growth. At one end of the spectrum is the evolutionary business strategy; at the other end is the steady-state strategy.

Business unit strategies refer to those established by firms or autonomous units of the corporation. Well-known business strategies were formulated by Porter (overall cost leadership strategy, differentiation business strategy, and focus strategy) and Miles and Snow (defender strategy and prospector strategy).

Strategies for Changes

- The first corner stone to achieve is the development of new initiatives, programs and agendas. Human Resources must move beyond being the “police of policy” and “regulatory guard”. Instead, HR must be the pioneers in assisting the organizations achieve results, especially by helping employees to enhance their capabilities to ensure organizational objectives are met.
- The future of HR depends on its ability to align HR with the changes that are happening in the workplace and the economy. New models of competitiveness are needed so that organizations can better service their customers. Consequently HR must be the champions to help gear employees to provide added value.
- The new approach of HR is to emphasize new mindsets and new ways of thinking about business instead of sticking to policies and bureaucratic patterns. HR professionals should and must focus on cultural change, and the development of human capital, especially in international organizations. “Think globally. Act locally”.
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Reshaping HR

The changes which affect the HR performance are:

- HR should not act as a therapy clinic
- HR must measure their outcomes
- HR practices must create value by increasing the organization's intellectual capital
- HR must attempt to make employees committed to achieving organizational goals, and not merely to make employees happy
- HR practices must be aligned with company strategies
- HR must champion the needs and development of employees and yet become partners in the business
- HR should receive corporate priority. Business firms should be ready to boost their investment in staff development; this is rewarding on the long run if its properly implemented
- HR should focus on the skills to be acquired taking into consideration the understanding of the international dimensions of political, economic and social development
- HR should promote the collaboration between public training institutions, the universities and the public sector in terms of planning an effective training program

Conclusion

Actually, the nation's capacity to face the challenges of globalization and industrialization of business towards the 21st century depends heavily on the human resources.

Firms have the capital, technology and human resources; but the HR is the one who can help facing the challenges of business globalization. Capital can be generated. So can technology. But the human resources are needed to propel the organization and the nation through the coming challenges with encouragement and motivation in the competitive era of the globalization.. The economic life is hard despite the fact that reforms and globalisation have created various new opportunities.

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