

Impact of Globalisation on Human Resource Management

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ABSTRACT

Globalisation is the process of increasing interdependence, interconnectedness, integration of economies and societies. The global environment of today is much different than it was two decades ago. Modern businesses have seen a lot of changes the way they manages their operations but their Human Resource Departments have seen more complex changes and they are still facing new challenges due to globalisation. HR department has to manage diverse man power at work place, address the concern for legal compliance and environmental issues, HR intervention and value addition by HR department. The business enterprises faces two important challenges- one, managing a 'global workplace' and another, managing a 'borderless workforce' while they increases business activities internationally. HR managers should focus on management of cross-cultural and ethnic differences.

Key Words : Globalisation, Human Resource Management, Global workplace, Borderless workforce, Cross- cultural differences

INTRODUCTION

The globalisation has affected business, society, governance and polity of all countries and all economies- capitalist, socialist, mixed. The changes in the business and society are visible in terms of various financial and welfare indicators. The business enterprises have been most affected and benefitted from the globalisation. Modern businesses have seen a lot of changes the way they manages their operations but their Human Resource Departments have seen more complex changes and they are still facing new challenges due to globalisation. The global competitions have compelled the businesses to change their strategy of managing human resources rapidly. HR departments have become the busiest departments of any organisation in the globalised world.

Today, everything can be purchased with money but acquiring, developing and retaining talented human resources are the most challenging task of HR departments. A very important measure to assess the success of any organisation is its 'market value'. *Market value* is contributed by tangible assets and intangible

assets. All of company's tangible assets, including the cash at work, work-in-progress, land, building and hardware, comprise only a small part of its market value (Rao, 2011). The major proportion of market value is due to intangible assets which are known as 'intellectual capital'. In some companies- IT companies for instance- tangible assets account for less than 5 per cent of the market value (Rao, 2011).

The 'value for shareholder' is not contributed by the tangible assets only, but they are largely due to 'intellectual capital' which is the creation of the 'people at work'. Intellectual capital may consist of talented and knowledgeable top level management, skilled employees capable of contributing toward growth of business, professionalism in operation of resources, satisfied customer base, the company's brand and credibility, continuous positive results, HR interventions etc. It is difficult to measure intangible assets which accounts for major chunk of market value.

The transformation of human resources today is a direct call of the rapid changes within businesses due to factors such as globalization (Bhushan, 2011).

Globalisation has resulted in a multi-cultural society across the globe having implications on HR Management in the developed and developing countries.

Today in the globalised economic and social world, talented man power and its management has become area of serious concern for the businesses. The global supply of talent is short of its long-term demand, and the gap is a challenge for employers everywhere (Bhushan, 2011). Acquiring talented human resources has become key function of HR manager in modern organisation. 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). 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, 2010).

The shortage of talent at middle and top level is likely to continue to increase. The financial capital is broadly available from investors and lenders, and innovations can be duplicated relatively easily and quickly, effective HR Management is the best way to differentiate one company from another (Bhushan, 2011). The organisations have to give more focus and emphasis on management of human capital in the global scenario.

In this paper, an attempt has been made to discuss concept of globalisation, its impact and its key challenges for Human Resources Management.

Globalisation and human resources:

Although, the concept of globalisation was enshrined in the Rig-Veda and other ancient books but it has become popular during the last quarter of 20th century. The ancient books ordained that the bounties of nature are meant to be utilised equitably on this earth as a whole, and that those who misuse their resources shall be punished (Om Prakash, 2006). In India, 'Vasu Dhaiv Kutumbakam' has been the ideal and dream for mankind living on the universe. In this way, globalisation is the process of removal and elimination of boundaries, barriers and restriction of all types- social, cultural, political, geographical, trade, commerce and industry to create global village to serve the 'mankind' in the better ways on this 'earth'. In economic sense, Globalisation is the process of increasing interdependence, interconnectedness, integration of economies and societies. It facilitates free flow of goods and services

among the countries. It is the process which has very much influence on nearly all aspect of human kind living in all countries to such an extent that an event in one part of the globe affects people living in other parts.

Globalisation has acted as a change agent for all systems-political, economic, religious, cultural, social, and family and all types of organisations-small, medium and large sized or 'for profits' or 'not for profits' organisations. 'Bad' or 'good'; 'should have' or 'should not have'; the waves of globalisation are flowing in all directions of world. It has changed the world's polity and way of dealing of international trades and will continue to shape the country's future. It has led the rise of the mighty transnational and multinational corporations in search of cheap labour, lucrative markets of developing countries and high profits. Evolution of ICT, rapid movement of goods and services including labour, availability of capital and transfer of technology across the world are the new trends of trades.

Globalisation has created various opportunities but it has also thrown up new challenges for HR department like managing diverse man power at work place, addressing the concern for legal compliance and environmental issues, HR intervention and value addition by HR department.

Effects of globalization on human resources management:

The global environment of today is much different than it was two decades ago. Globalization has a deep impact on the way companies manage their employees due to its diversity. Competing in global markets require multi-dimensional factors and centralization of its HR practices is definitely imperative to get better global competitiveness. This requires dealing with human resources efficiently to increase aggressive benefit in the global market place. Understanding the effects of globalization on human resources can help managers to better equip their organizations for the increasingly global business environment.

Free trade agreements between countries, technological advances that increases individual productivity, development of common platforms for moving knowledge and information, political and cultural differences increases requirement of need to integrate HRM practices to match the local countries in which they are operating.

Diversity in acquiring man power is one of the major effects of globalisation. Companies are now interacting

with various stakeholders including customers from diverse cultures, languages, regions, religions and social backgrounds. HR managers seek to hire employees from diverse background to deal with customers and other stakeholders.

The companies are focusing on professional development of its employees to have competitive advantages in global competition. HR managers help in professional development of employees by providing and extending education, training and development programmes. Similar to professional development, a greater emphasis on training has resulted because of globalisation in HR management.

An effect of globalisation on human resources management is the need for businesses to understand and apply the laws of many different jurisdictions to the particular business. The businesses have to follow federal laws as well as local and regional laws of different countries in which geographical boundaries they operate.

Key challenges for human resources management:

Today, generally all business enterprises-small, medium and large are engaged in international business activities directly or indirectly; remotely or nearby, of small amount or of large amount. MNCs and some multi-nation NGOs have affiliates in different regions and countries that employ people from different cultural and ethnic backgrounds.

The business enterprises faces two important challenges- one, managing a 'global workplace' and another, managing a 'borderless workforce' while they increases business activities internationally. A global workplace consists of employees from a background having different race, culture and geographic locations who interact and communicate with one other. A borderless workforce includes employees who have international job responsibilities and are dispersed geographically, virtually, and across countries and regions.

In a global workplace with a borderless workforce, managing human resources have become very complex. HR managers should focus on management of cross-cultural and ethnic differences. Misunderstandings and miscommunication are unavoidable. In the globalised business world, it is the responsibility of HR manager to develop cross-cultural competencies among its employees that enable employees to understand cross-cultural differences as well as the benefits of multicultural and multilingual diversity that exist in a global workplace with a borderless workforce.

Cross-cultural differences may be of general nature like individualism versus collectivism, materialism versus spiritualism, masculinity versus femininity, long-term versus short-term orientation, uncertainty avoidance. Country specific cultural differences may be based on language, customs, diversity, history, and geography. Cultural differences are region specific also. The business enterprises have to address cultural differences based on regional grouping of countries like OECD, EU, ASEAN, BRIC, and SAARC.

Another implication of a global workplace and a borderless workforce is the need to localize the HR functions. A single approach to training and development may not work in every region or country. As such, in certain regions and countries there can be pressure to localize the HR functions to comply with local values, laws, and regulations.

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