

GLOBALISATION-ITS IMPACT ON HR PRACTICES AND HR PLANNING IN MULTINATIONAL FIRMS

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Abstract : The concept of globalisation refers to an increasing flow of goods and resources across national borders and the emergence of a complementary set of organisational structures to manage the expanding network of international economic activity and transactions. Globalisation, the expansion of intercontinental business, technological advances and the increase in the number of multi-national companies dealing on the international stage have brought about a dramatic change in the frequency, context and means by which people from different cultural backgrounds interact. The adoption of globalization has resulted into more complexity and competitiveness in the business environment. Changes in business environment have substantially affected the approach to manpower. Globalization has opened the gates of economies resulting into huge movement of human capital across the globe. 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. 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.

Introduction

The concept of globalisation refers to an increasing flow of goods and resources across national borders and the emergence of a complementary set of organisational structures to manage the expanding network of international economic activity and transactions. Globalization has made the world very small. The whole world has emerged as a global economy where firms and financial institutions are operating transnationally, i.e., beyond the confines of national boundaries. The goods, factors of production and financial assets have become almost perfect substitutes everywhere. Globalisation has accelerated growth in developing countries. Globalisation, the expansion of intercontinental business, technological advances and the increase in the number of multi-national

companies dealing on the international stage have brought about a dramatic change in the frequency, context and means by which people from different cultural backgrounds interact. International and the national business is ultimately the result of human efforts. People from different parts of the world now can move to any part for economic reasons.

This paper tries to examine globalisation in relation to the management of human resources especially in developing countries. It tries to look at the effects of globalisation in terms of increased competition and how we can achieve competitive advantage through people. This is done by analysing the major activities of human resource management and how they can be performed effectively.

The impact of globalisation on human resource management:

The adoption of globalization has resulted into more complexity and competitiveness in the business environment. In order to survive in this new era, businesses have to focus even harder on their competitive strengths so as to develop appropriate long-term strategies. Old practices and systems that have evolved over time are no longer appropriate. Indeed development is achieved through people. The developing countries with widespread industrial unrest, growing trade union influence on work force, strained worker management relationship, increasing gulf between management and their people, emergence of militancy in trade unionism, and the growing conflict in the industrial relations scene have resulted in the workers getting out of gear of the management including in India. Changes in business environment have substantially affected the approach to manpower. The Technological changes, computer revolution, and introduction of microprocessor CNC machines in manufacturing operations, mechanization and automation of office operations, quick communication systems like satellite communication and facsimile introduction or robots, electronic revolution, and such other new developments have revolutionized the vital areas of business. Operational efficiency or manpower must cope with such a revolutionary change in the technology which necessitated a new approach to manpower. This has naturally resulted in the present human resources movement across the globe. Scholars have argued that the human resource satisfies four conditions necessary to achieve

sustainable competitive advantage: human resource is valuable, rare, and imperfectly imitable and has no substitutes. Competitors can easily duplicate competitive advantage obtained via better technology and products, but it is hard to duplicate competitive advantage gained through better management of people. The firms' decisions to locate production activities abroad and to outsource resources are therefore seen as consequences of deeper involvement in the international market operations. This resulted into great demand for the human resource across the globe. Globalization has opened the gates of economies resulting into huge movement of human capital across the globe. 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.

Factors influencing the movement of human capital:

The increasing movement of human capital is driven by a number of factors, including shortage of talent in developed countries, low cost labour and growing consumers in developing countries, and technological progress.

1. Shortage of Talent in Developed Countries : Despite the current economic downturn and unemployment, most developed countries are facing 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). 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.

2. Low Cost Labour in developing 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. 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. 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.

3. 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. 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.

Impact of the movement of human capital:

The movement of human capital resulted in a workforce diverse in culture and language skills, etc in various countries. Now the businesses not only familiarize with local ways of doing business, and understand the needs of local consumers, but also adopting the global mindset of their employees.

The multinational organizations are facing the diverse value systems to create an environment, where workers can be able to communicate and coordinate their activities to reach common goals.

In spite of increase in educational standards and movement of human resource there is great gap between demand for and supply of talented individuals. 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.

It also remains the biggest challenge for global organizations to manage a workforce diverse in culture and language skills, and distributed in various countries. 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). There is need to adopt the appropriate human resource strategies leading the organization in uncharted benefits of globalization.

Human resource planning (HRP)

Human resource planning is very crucial as it provides management with information on resources flow which is used to calculate, among other things, recruitment needs and succession and development plans. The HRP should focus on organizations' long-term objectives. Instead of focusing exclusively on internal human resource issues, there is need to adopt a balanced and broader approach. The HRP must take a detailed study of past and protected trends in employment loss and seek to minimise the shock of unexpected shortages of labour.

When there is a proper human resource plan in place, the companies will be able to obtain and retain the number of people needed with the skills, expertise and competencies required. Of late, a lot of teachers, doctors and nurses have left the country for greener pastures. This would not have been the case if human resources were properly managed. HRP should ensure that it can develop a well-trained and flexible workforce, thus contributing to the nation's ability to adapt to uncertain and changing environments.

Recruitment and selection:

In this environment, the importance of finding the right person for the job cannot be over emphasised and the decision to appoint an individual is one of the most crucial decisions an employer will ever take. Selection decisions should no longer be based on ethnic backgrounds or tribal lines. Human resources development and management

must be based on a realistic plan. Selection, socialization and development programmes must cope with the actual need of the urbanization, actual contribution made by the human resources must be compared with the standards expected of them for the purpose of evaluation. A pragmatic appraisal system must introduced under HR strategies in consonance with the humane approach which is the crux of the "human resources management".

Importance of Training and development:

There is also a need to continuously train and develop the workforce to achieve competitive advantage. Training will ensure that the employees develop the right skills, attitudes and knowledge that will enable them to perform their jobs effectively and efficiently. It also includes educating the executives and managers of the organization regarding the various aspects of the human resources approach adopted in the organization, to assist the top management regarding the human resources policies, strategies and approaches of the companies.

Management development:

Managers should have a vision and should also understand what is expected of them. Managers now should be trained to think globally and act locally. Also there should be people succession plans for management. The capabilities of any organisation to achieve its business strategies in the light of critical success factors for the business (innovation, quality leadership, etc.) depend largely on the capability of its managers as developed within the organisation to meet its particular demands and circumstances.

Employee participation:

Employee participation will tend to en-

hance the employee's contribution. There are various methods of employee involvement, e.g., joint consultation, quality circles, and suggestion schemes. Japan is again cited as an example in terms of employee participation practices. The most emulated techniques have been quality circles.

Motivation:

In order that we achieve sustained high levels of performance through people, they should be well motivated. This can be done through the provision of incentives, rewards, leadership and importantly, the work they do and the organisational context in which they carry out that work. These practices involved favouritism along tribal lines, corruption and nepotism in employment decisions, unfair promises made to employees regarding promotion, pay rises, transfers and time off.

Quality management:

The human resource practitioners should play a vital role in ensuring quality at all levels of the organisation. Quality is achieved through people and in accordance with a basic human resource principle: investment in people as a pre-requisite for achieving high quality standards.

Organisational culture:

In order to survive in this uncertain environment there is a need to adopt a work culture that is sustainable to the environment.

Conclusion :

Human resource management should take a new approach in this new environment brought about by globalisation. People should not be seen as a cost to the organisation but as a valuable asset which should be trained and developed to get the best out of them.