Impact of Human Resources in Modern era of Globalization

Amena khatoon, Research Scholar, University College of Commerce & Business Management

Abstract

The roles and responsibilities of Human Resources departments are transforming as the modern business faces pressures of globalization. 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 talent is likely to continue to increase, notably for high skilled workers and for the next generation of business executives. Now organizations need to place greater emphasis on attracting human capital rather than financial capital. Global staffing and management of a workforce diverse in culture and language skills, and dispersed in different nations are the key goals of global human resources. Only those multinational enterprises willing to adapt their human resource practices to the changing global labor market conditions will be able to attract and retain high performing employees. Companies with the ability to foresee their business needs and their workforce needs – especially for high skills – will gain the decisive competitive advantage.

Keywords: *Human Resource Management, Globalization, Data Analytics, Data Warehouse*

Introduction

Human Resources departments are transforming as the modern business faces numerous and complex challenges, and exploit opportunities. The transformation of human resources today is a direct call of the rapid changes within businesses due to factors such as globalization. In the global competition within the flat and connected new world, decision making in organizations has become increasingly intricate and convoluted. 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 (Pfeffer, 1994; Prahalad, 1983). Human resources need to take advantage of technology and data analytics to build a global human resource information system that collects and stores data from various sources. The system will help to analyze the data to provide business insights, predict future needs and develop strategies to fill those needs. 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, 2010a).

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 talent is likely to continue to increase, notably for highly-skilled workers and for the next generation of middle and senior leaders. Most emerging nations with large populations, including Brazil, Russia,

India, and China, may not be able to sustain a net surplus workforce with the right skills for much longer. Now, more than ever, organizations need to place greater emphasis on attracting human capital rather than financial capital. Because capital is broadly available from investors and lenders, and innovations can be duplicated relatively easily and quickly, effective human resource management is the best way to differentiate one company from another. Global staffing and global leadership development are the two components of global human resources with the greatest potential for powerful leverage for global firms (Pucik, 1996). Only the multinationals 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 the right talent, and will likely succeed in the global competition.

Factors Driving Globalization

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.

Challenges of Globalization

As stated in the previous section, 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. 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).

Roles and Responsibilities of Human Resources

In the past, the function of human resources was typically considered a cost center and an administrative overhead. The human resource departments

focused on short-term gains and savings. They focused on administrative efficiency and compliance activities. They tended to expense investments in talent intangibles rather than capitalize and tended to raise short-term earnings by cutting discretionary expenditure on people development (Guthridge, Komm and Lawson, 2008; Hamel and Prahalad, 1994; Schuler and Jackson, 1987, Bryan, 2007). Such tendencies achieved short-term successes but encountered long-term problems when the objectives were achieved at the expense of employee productivity.

Strategic Business Partner and Change Agent

Strategic business partner and Change agent functions are about leading and helping in formulating the organization's overall business strategy and to align human resource activities and initiatives with the organization's overall business strategy. Unless the human resource strategy is appropriately formulated and skillfully implemented, success of the organization is at risk (Belcourt and McBey, 2010). In these roles, the human resource professional contributes to the formulation and the accomplishment of the organization-wide business plans and objectives, and formulates the human resource business objectives to support the attainment of the overall strategic business plans and objectives.

Partner with Frontline and Middle Managers

One of the characteristic features of human resource literature is the pivotal role that has been given to frontline managers as a delivery point for a variety of employment policies that are intended to raise the performance of the workforce (Patrick, McGovern, Lynda Gratton, Veronica Hope-Hailey, Philip

Stiles and Cather, 2007). The people and performance research carried out for the CIPD by a team at Bath University found a direct correlation between employees feeling positive about their relationship with their frontline managers and them being more likely to have higher levels of job satisfaction, commitment and loyalty which are associated with higher levels of performance (Hutchinson, S. and Purcell, J., 2003). The human resource role is to partner with frontline and middle managers to effectively acquire, develop and retain human capital for all business units in the company. Modern technology has made it possible to for human resource personnel and line managers to have virtual, without face-to-face, meetings and communications.

Employee Advocate and Champion of Globalization

As an employee sponsor or advocate, the human resource manager plays a pivotal role in organizational success via his knowledge about and advocacy of people. This advocacy includes expertise in how to create a work environment in which people will choose to be motivated, contributing, and happy (Ulrich, 1996). When employees are motivated they want to do their best work – not out of obligation but because their job matters to them, both professionally and personally. On the other hand, discipline comprises systems, policies, and practices that raise accountability. When motivation and discipline unite, employees are excited about, accountable for, and rewarded for their work (BCG and WFPMA, July 2010). Workplace flexibility is expected to be on the rise in the future workplaces and thus, most of the interaction between human resource personnel and line managers or workers will be Virtual, without face-to-face,

meetings. The human resource personnel are a champion of globalization, and help develop global mindset in its employees. Having a global mindset implies recognition of benefits that can flow to the whole organization from encouraging and valuing cultural diversity in people. Globalization is increasingly adding one more thing to low-cost labor and high-power technology: unfettered imagination–that is, high innovative and creative capabilities (Friedman, 2005). The role of human resource is to implement the necessary organizational strategies with sensitivity to specific cultural influences (Pucik, 1996).

Global Human Resource Information System

Global organizations are utilizing the organization's data to making informed decisions instead of relying on their intuitions or gut feelings. Likewise, HR departments of global companies also assemble data such as employee, attrition and hiring, compensation and benefits, ethnic, gender, cultural, and nationality distributions, and load the same into data warehouses and data marts. By analyzing the past and current data, business analyst get business insights, and make fact based decisions. The Global Human Resource Information System consists of a number of component systems that are interdependent. The various components may be broadly classified into the following three main sub-systems: Data Warehousing, Data Analytics, and Information Delivery. These tools and systemic processes are critical to formulate questions or hypothesis, to design data and analytical models, to compute and communicate results to appropriate users, and then for the users to draw business insight from the results

to shape business decisions and, ultimately, improve performance.

The Data Warehousing System

A data warehouse is a decision support database that is maintained separately from the organization's operational databases. Operational databases contain data pertaining to each transaction while data warehouses contain summary data such as totals, counts, maximums and minimums. The data stored in a data warehouse is optimized for querying and data analysis. Data warehousing systems deals with design, implementation, and operations of a data warehouse including data extraction, data cleansing, data transformation, and loading of data from different sources. The system also includes meta-data management, security management, backup and restore, and disaster recovery.

The Business Analytics System

Global Human Resource Information systems are generally very rich in business analytics applications, including Online Analytical Processing (OLAP), data mining, and advanced analytics applications based on statistics, forecasting and predictive analytics. These applications can not only give answers to questions such as, ─What happened? Why did it happen?‖ but also can enables the user to predict and influence the future. OLAP applications can retrieve summary statistics (metrics), such as totals, averages, percentages, standard deviations, maximum, minimum of data measurements (facts) from multiple dimensional views. These applications are capable of performing several data retrieval operations, including Drill down, Roll up, and Slice and dice and allow users to view metrics based on different detail levels.

The Information Delivery System

The information delivery system gives business users the ability to access reports and continuously monitor performance of a project or entire organization at enterprise and lower levels. End users are also able to monitor key activities such as trends, metrics, and Key Performance Indexes (KPI) in easy-to-understand designs, such as configurable information portals, scorecards and dashboards. Depending on an individual's role and responsibility, he or she is presented with the trends, metrics, and KPI at appropriate aggregate levels. Some users can get to the lowest detail that exists in the warehouse.

Summary and Conclusions

Creasing 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. Despite the current economic downturn and unemployment, most developed countries, including United States, Germany and Japan will face long term talent shortages mainly due to ageing and 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. 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.

References

Adler, N.J. (1997) *International Dimensions of Organizational Behavior*, 3rd edition. Cincinnati: South-Western College Publishing.

Adler, N.J. and Ghadar, F (1990) ‗Strategic Human Resource Management: A Global Perspective', in Pieper, R. (ed.) *Human Resource Management in International Comparison.* Berlin: de Gruyter

BCG and WFPMA (2010) ‗Creating a New Deal for Middle Managers – Enpowering a Neglected but Critical Group' The Boston Consulting Group and World Federation of People management Associations, July.

BCG and WFPMA (2010) ‗Creating People Advantage 2010 – How Companies Can Adapt Their HR Practices for Volatile Times', The Boston Consulting Group and World Federation of People management Associations September.

Belcourt, Monica and Kenneth McBey, *Strategic Human Resources Planning*, Cengage Learning, 2010

Friedman T.L. (2004) *The World is Flat* New York: Farrar, Straus and Giroux

Guthridge, Matthew, Asmus B. Komm, and EmilyLawson (2008) ‗Making talent a strategic priporityʻ McKinsey Quarterly, January

Hamel, G. and Prahalad, C.K. (1994) *Competing for the Future*. Boston Mass.: Harvard Business School Press

Hutchinson, S. and Purcell, J. (2003) ‗Bringing policies to life: the vital role of front line managers in people management. Executive Briefing', London: Chartered Institute of Personnel and Development

Kim, D. A. (2002 March). ‗Information Visualization and Visual Data Mining', *IEEE Transactions on Visualization and Computer Graphics*, Vol. 8, Issue 1

Kobrin, S.J. (1988) Expatriate Reduction and Strategic Control in American Multinational Corporations, Human Resource management, 27