



e-ISSN : 2347 - 9671

p- ISSN : 2349 - 0187

July 2014 Vol - 2 Issue- 7

## HUMAN RESOURCE MANAGEMENT PRACTICE IN THE PERIOD OF GLOBALIZATION

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### ABSTRACT

*In the wake of Globalization, Organizations are being forced to become more competitive. Globalization of markets, changing customer demands and increasing product-market competition, people and the way they are managed acquire greater importance in the 21st century. Indian industry is waking up to the challenges thrown in by global business world. To survive in this highly competitive scenario, HR managers are being pressurized to improve quality, increase productivity, cut down waste and eliminate insufficiency. Human Resource management (HRM) is a management function that helps Managers recruit, select, train and develops members of the organization. It is also a management function concerned with hiring, motivating, and maintaining people in an organization. It focuses on people in organization to attain competition posed by the global world market. HRM is concerned with the people's dimension in organizations. The benefits between globalization and workers are mutual. Indian organizations are also witnessing a change in systems, management cultures and philosophy due to the global alignment of Indian Organization. As globalization has been a challenging issue for the organization. HR managers need to develop their existing workforce that will be the workforce of tomorrow so people would want to stay with the organization to keep their competitive advantage in the 21<sup>st</sup> century. The objective of the paper is to focus on various aspects of HRM practiced in India in the Global context.*

**KEY WORDS:** Globalization, Human Resource Management, Organization Culture, and Philosophy.

## **INTRODUCTION**

Since the 1980s, the political-economic map of the world has been changing rapidly. While on one hand, this period reflects a substantial withering away of communism from world polity, a number of nearly global economic events took place to promote liberalization, privatization, and globalization. Among all the factors of production, HR of late has acquired a cutting edge status. It is this human resource, without which neither the so-called structural or customer capital can be created nor optimally utilized. HR plays a crucial role in the economic development of any country. This article discusses the importance of HR, its contribution to the economy and critically analyzes what needs to be done to fully harness the potential of human resources, if India as a country has not only to survive but prosper as well. A lot of water has flown under the bridge since Frederick Taylor proposed his scientific management Principles, where the emphasis was on productivity rather than people. While these principles were considered to be valuable and gained a considerable attention of the industrialized world at that time, the Hawthorne experiments of the late 1920s shifted focus from productivity to people. Gone are the days when managers used to sit in an ivory tower and issue directives from a distance. The traditional authority structure is giving way to employee involvement, work teams, participative decision-making, etc. High productivity and high quality of work life are going hand-in-hand. Further, the management is becoming more and more aware that an organization has no life but for the Human Resources (HR) in it. (A Jagan Mohan Reddy, 2006).

## **CHALLENGE OF COPING WITH CHANGING ECONOMIC ENVIRONMENT**

The change in the economic environment of a particular industry effect the trade of that country with regard to other countries, in which

the former has international marketing operations. Also, as internal economic conditions deteriorate restrictions against foreign investment and purchasing may be imposed to strengthen the domestic economy. For example, the most pressing condition affecting the U.S trade during the mid-1980 was the relative strength of the dollar in the world markets. Because the U.S dollar value was high compared with the most foreign currencies, U.S goods were expensive for foreign buyers. In these circumstances, Indian organizations have to adopt new techniques, in order to gain and live in the present competitive business world.

## **RECENT DEVELOPMENTS IN HRM**

Many factors have contributed to a movement towards HRM. They are globalization, shifting sectoral employment, technology (especially information technology), changes in organizational structure, and a general shift of society from collectivism to individualism. (Goss, 1997:3-12). Globalization leads to intense international competitiveness and thus to concern for quality and cost-competitive innovations. These fallouts have serious implication for approaches and policies related to the management of people. People are viewed as resources having development needs and potential, and not as interest groups. Globalization has also eventually led to a substantial shift to employment in Western Europe and the USA-away from manufacturing and into services. The manufacturing industry is shifting to developing countries, where cheap labour is abundant and labour standards are poorly enforced by the state apparatus (Saini, 1999).

## **SIGNIFICANCE OF HUMAN RESOURCE MANAGEMENT IN THE CHANGING ENVIRONMENT**

The sweeping changes across the globe are making human resource management increasingly challenging. The recent trends in the

Indian corporate world are- sick unit turnaround, organizational restructuring, mergers and acquisitions, BPO, and the growing importance attached to Human Resource Management (HRM). Across the world, there is an increased emphasis on efficiency and effectiveness. Reasons for this are three-fold: First, competition on the cost front is building up, second, market is shrinking and third, the competitive pressure to go beyond the traditional market to expand is also increasing. Under these circumstances, human resource manager's role is becoming more dynamic and challenging than ever before. (Anita Sarkar, 2006).

### **BUSINESS PROCESS OUTSOURCING AND ITS IMPACT ON HR**

Outsourcing of HR activities like HR planning, performance appraisal, payroll, training recruitment and selection are gaining acceptance within organizations across the industries. As Gartner Group study (2000) reveals, HR outsourcing industry had revenue of \$ 21.7 billion accounting for more than 8% of total HR spending. The underlying assumption are that it is going to contain the cost and bring efficiency to the system putting direct impact on the bottom line of the organization concerned. Traditionally, the HR activities have been performed in-house, but the changing market scenario where cut-throat competition is in existence, the distinctive advantage has to come either through innovation or by cost reduction. That is where HR outsourcing plays a pivotal role.

### **HR SKILL REQUIREMENT IN MULTINATIONAL ORGANIZATIONS**

In order to expand their boundaries, against the contingencies of volatile environment increasingly companies are going for market expansion. In both developed and developing countries the numbers of MNCs are increasing. The debate in HR front is that whether companies should adopt standardized employment practice across the globe with little regard to the host

country or it needs to develop HR strategies as per the host country needs. (Morley and Collings, 2006). Hofstede (2001) emphasize that culture plays a vital role in determining which practices are to be followed; HR practices need to vary depending on host country situation. Overall, as Dowling and Welch (2004) propose, multinational orientation of companies means more activities for HR. Human Resource managers spend considerable time and energy learning about international relocation and socialization of employees, host government's employment policies and practices. Likewise, language translation services are some of the agendas, which are deliverables by HR managers, apart from its usual recruitment, selection, training and development, performance appraisal and employee exit handling situations.

### **TRENDS OF MERGERS AND ACQUISITION IN INDIA**

Mergers and acquisitions are not totally new to the Indian economy. In the past also, companies used the takeover strategy to expand their business. In 1988, number of takeovers was 15. (Business Today, Mar. 22, 1994, p-69), which has now grown to 115 foreign acquisitions in the first three quarters of 2006 with total value of \$ 7.4 billion. This is a huge increase as compared to the previous year. There seems to be a great rush of Indian organization to achieve global status through takeover and consolidation. Indian business Leaders are on the shopping spree. This includes IT firms, Pharmaceutical Industry, Tea Co., Steel Industry and even spare part producers are trying to enter global market. Recent cases include takeover of Tetley Tea by Tata Tea by spending \$ 435 million. This deal made Tata Tea, the world's 2<sup>nd</sup> largest Tea Company. In pharmaceutical, Ranbaxy bought Ethimed of Belgium and Mundogen, the Spanish generics arms of GlaxoSmithKline. In IT, Wipro took over Technology firms in Portugal, Finland and California. Bharat Forge, the world's second-

biggest producer of forgings for engine and chassis components has bought six companies in four countries – Britain, Germany, Sweden and China. (The Times of India, New Delhi, Oct. 17, 2006).

## **CORPORATE RESTRUCTURING AND HRM**

The challenge of HR managers handling corporate restructuring process is to make the process least painful for its employees (Turnley, William H and Feldman, Daniel C, 1998). In majority of the cases, during corporate restructuring phase employees face job loss, uncertainty, and stress due to change as well as organizational neglect by not getting right and required information. Some of the employees might need to leave the organization, while some others will be retained. Entire process needs to be 'sensed' as fair by the employees. Implications for human resource managers is that since today's organizations are operating in highly uncertain and changing environment, hence while employees are being recruited, HR managers need to be conservative in the promises they make to newcomers. Organizations can mitigate the most severe reactions of psychological contract violations by carefully and honestly explaining the external forces, which caused them to 'change' the deal of psychological contract and this communication need to be done immediately (Rousseau, 1996). Hence a change managers' role is called for on the part of HR professionals in Indian organizations.

## **EFFECTIVE PERFORMANCE MANAGEMENT**

To meet the demand of skilled employees and overcome the competitive pressures, organizations need to do their best to achieve an effective performance management. Performance Management is a process of setting objectives and identifying goals of the members of the organization. It is a way to provide regular

feedback to the employees, appraise and then evaluate them. In the contemporary business environment, organizations are in a constant state of competition. As the intensity of competition increases annually, so does the need for the organization to continuously improve their performances. Though traditional sources of competitive success, like natural resources, technology and economies of scale are adding value to the organization, their significance is decreasing, as these sources are easy to imitate (Smita Gupta, 2006). Pfeffer J (1998) suggested that the real challenge lies in finding specific, empirically supported ways to motivate employees for improved performance. Performance management is one such way of improving performance at work. Thus, modern organizations need to appraise the performance of their employees in order to meet the challenges posed by the globalization.

## **EMPLOYEE EMPOWERMENT**

In today's competitive business environment, the differentiator for any successful organization is its empowered workforce. Employee empowerment allows individuals to identify and use their potential in helping the organization achieve its goals. In the era of globalization of market economy, hyper-competition, and uncertainty of rapidly changing environment the success of an organization depends on how to balance top-down control with bottom-up empowerment. A growing number of today's organizations recognized that employee empowerment is a technique for unleashing employee potential and empowered employees can make the difference between success and failure in the long run. It is the responsibility of the management to transform the culture from command and control to giving employees the power to make decisions about their work. A survey of major firms revealed, firms who have transformed their culture claim to have increased productivity, number of clients, boosted employee

camaraderie, made each employee feel a sense of ownership, and increased profits. Organizations can achieve excellence by building a culture that drives risk-taking and decision making down to the lowest possible level. When employees are encouraged to take initiative and responsibility at every level and function they develop a feeling of psychological ownership leading to concern, interest, and commitment. Employee empowerment and involvement allows individuals to identify and use their potential in helping the organizations to achieve its goals. (Vara Prasad, 2006).

### **TRAINING AND DEVELOPMENT**

Every organization needs to have well trained and experienced people to perform the activities that have to be done. In a rapidly changing society, employee training and development are not only an activity that is desirable but also an activity that an organization must commit resources to if it is to maintain a viable and knowledgeable work force. Training is corner-stone of sound management, for it makes employees more effective and productive. It is actively and intimately connected with all the personnel or managerial activities. It is an integral part of the whole management programme, with all its many activities functionally inter-related. (Scott, 1961). Thus, training and development is one of the essential part of HRM practice. Indian organizations are also focusing more on training and development in these days, so as to sustain in the global competition.

### **TALENT MANAGEMENT**

Talent Management has become one of the most pressing aspects within HR organizations today. And it's no wonder, given the current economic environment. Under the cloud of a potential recession, the majority of HR professionals are under increasing pressure to cut costs. With this emphasis on belt-tightening,

companies are trying to squeeze every last ounce of productivity out of each employees. At the same time, the aging workforce has opened up significant gaps in their organizations' leadership pipelines, putting corporate performance at risk. And it's not only shortage of top executives the business organizations face; more than half of companies also cite shortages in directors and line managers. These pressures have brought Talent Management to the forefront of corporate HR agendas today. Indian organizations need to utilize Talent management in order to meet their goals.

### **'CUSTOMIZATION': THE NEED OF THE HOUR**

To succeed in today's fast-paced business environment, companies need to ensure that their most valuable assets- employees are able to enjoy the benefits offered by them. Hence, it becomes imperative to customize the HR services provided by the outsourcing agency for drawing strategic advantages. In this context, the customization of technology tools in the organizational environment becomes necessary. The technology applications in the name of achieving core satisfaction from the employees deserve a kind of critical acclaim. (Radha Mohan Chebolu, 2006).

### **NEED FOR STRATEGIC MANPOWER PLANNING**

As we have seen over the next three decades, India will have the largest pool of working age people in the world. With the large pool of people in our country and shortage in other countries there is a unique and huge opportunity for companies in India and for the Indian economy overall. The benefits to the economy are estimated at an additional inflow of \$200bn of income and the creation of 40million new jobs by 2020 (The Economics Times, dated April 14, 2005). But we must seize this opportunity and train the people accordingly. What is required is a strategic rather tactical

approach to manpower planning, as people with specific job skills cannot be provided to the head hunters or corporate recruiters. (A Jagan Mohan Reddy, 2006). Currently, India has wider scope to utilize its human resource for overall development of the country. Hence, there is a need for strategic manpower planning in India.

## CONCLUSION

In an increasingly competitive, complex and unpredictable world, many business enterprises are seeking competitive advantage by strategic management of their human resources and their knowledge base. In an environment where technologies are rapidly becoming obsolete, intellectual capital of the human resources has come to represent the primary source of value creation and advantage for the organizations. It is this mutually complementary Management of technology and human resources, which will be the basis of sustainable competitive advantage. All these developments make it imperative that Indian organizations shift their thrust from internally focused management to competitive mapping. The practice of benchmarking, customer relationship, total quality management, building a brand quality, creating a dedicated and knowledge-based work force can help in their quest for excellence in the borderless world. Therefore, HRM is still the key factor in the success of the organizations.

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