
A Study on Trends and Challenges in Global HRM

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ABSTRACT

The advent of the epoch of liberalization and globalization along with the advancements in information technology (IT) has transformed the world around us. It has brought to centre point the significance of human resources, more than ever before. The rationale of human resource management (HRM) is to enable appropriate deployment of human resource so that the quality culture can maintain and satisfy the customers not only in national level but also in global level.

In a competitive scenario, effective utilization of human resources has become necessary and the primary task of every organization is to identify, recruit and channel competent human resources into their business operations for improving productivity and functional efficiency.

Emergency of trade blocks with the formation of different economic and political significantly changed the business environment in terms of competition, liberalization and open end marketing opportunity. Business environment become global business environment.

Globalization of business has probably touched the HR managers more severely than any other functional heads. The HR executives needs to give international orientation to whatever they do – employee hiring, training and development, performance review, remuneration, motivation, welfare, or industrial relations.

This paper focuses on the theoretical framework of global HRM and also highlights the trends and challenges of the International and Multi National Companies. Data for the research article is collected through literature review from Books and websites.

Key Words: *Liberalization, HRM, Global Market, Global HRM, MNC's*

INTRODUCTION:

With the advent of globalization, organizations - big or small have ceased to be local, they have become global. This has increased the workforce diversity and cultural sensitivities have emerged like never before. All this led to the development of Global Human Resource Management.

Even those organizations who consider themselves immune to transactions across geographical boundaries are connected to the wider network globally. They are in one way or the other dependent upon organizations that may even not have heard about. There is interdependence between organizations in various areas and functions.

The preliminary function of global Human Resource Management is that the organization carries a local appeal in the host country despite maintaining an international feel.

GLOBAL HRM- MEANING AND DEFINITIONS

Global human resource management is all about the world wide management of human resources – Process of sourcing, allocating, and effectively utilizing their skill, knowledge, ideas, plan and perspective in responding to TQM.

The process of procuring, allocating and effectively utilizing human resources in an international business is called **Global HRM or International Human Resource Management** or IHRM.

Global Human Resource Management is the process of sourcing, allocating and effectively utilizing human resources in a multinational organization.

The process of acquiring, designing and effectively using the human resources in a Multinational company or organisation, while trying and maintaining the balance of integration and differentiation of HR activities in the foreign location.

Global/ IHRM or International Human Resource Management is the process of employing competent people across all the nations in which the company spans and effectively utilizing the talent of these human resources in the organization to achieve the company's mission statement.

Global HRM can be defined as set of activities aimed managing organizational human resources at international level to achieve organizational objectives and achieve competitive advantage over competitors at national and international level.

Global HRM includes typical HRM functions such as recruitment, selection, training and development, performance appraisal and dismissal done at international level and additional activities such as global skills management, expatriate management and so on.

Scyllion (1995) defined IHRM as 'the HRM issues and problems arising from the internationalization of business, and the HRM strategies, policies and practices which firms pursue in response to the internationalization process

IHRM is the management of HR in business operations in at least two nations

OBJECTIVES OF THE STUDY

1. To study the theoretical framework of Global HRM
2. To study the dimensions of Global/IHRM
3. To study the differences between Domestic HRM and Global HRM
4. To study the objectives of global HRM
5. To study the trends in global HRM
6. To study the challenges and mechanisms to cope up with challenges of Global HRM

RESEARCH METHODOLOGY

Data for the research paper is collected through literature review from text books and websites.

OBJECTIVES OF GLOBAL HRM

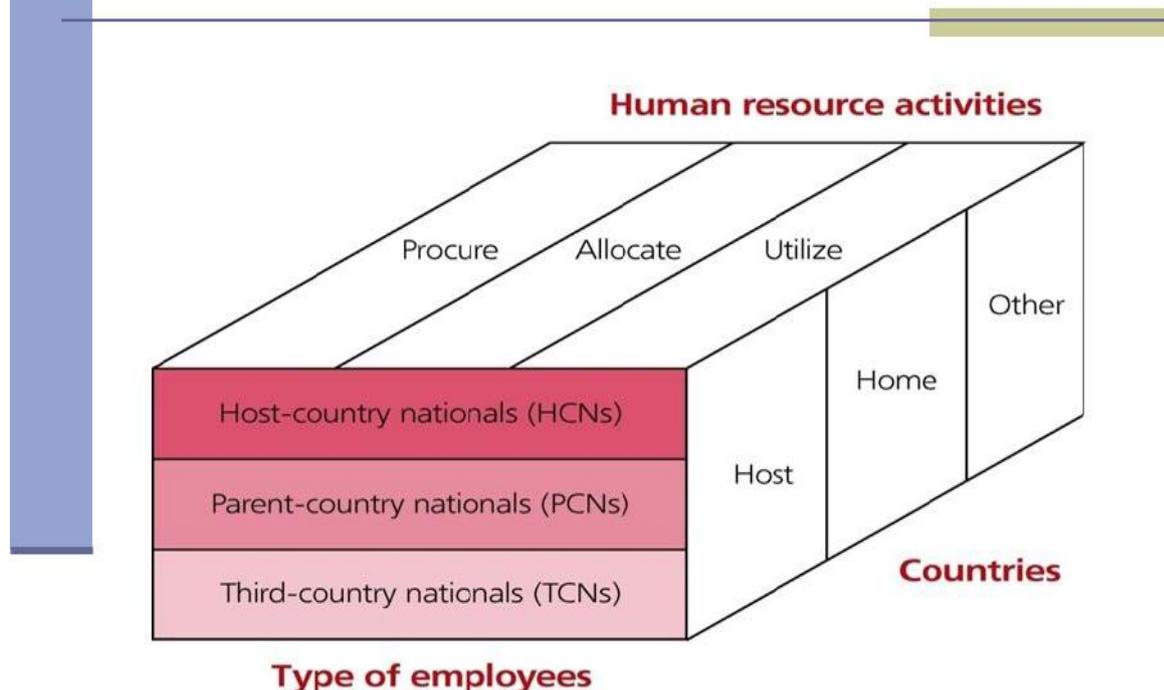
- Create a local appeal without compromising upon the global identity.
- Generating awareness of cross cultural sensitivities among managers globally and hiring of staff across geographic boundaries.
- Training upon cultures and sensitivities of the host country.

DIMENSIONS OF GLOBAL/ IHRM

According to P.V. Morgan: IHRM is the interplay among 3 dimensions:

- *f* HR Activities
- *f* Types of employees
- *f* Types of Countries

The Interplay of Three Dimensions (Morgan's Model of IHRM)



IHRM, Dr. Yang

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(Source: ad opting from P.V.Morgan, IHRM: Fact or Fiction. Personnel Administrator, Vol 31, 9 (1986) pp 44)

1) **Broad activities of IHRM** – procurement, allocation and utilization of human resources cover all the six activities of domestic HRM i.e, HR planning, Employees Hiring, Training and Development, Remuneration, Performance Management and Industrial Relations.

2) **The three national or country categories involved in IHRM activities are:**

- The host country where subsidiary may be located
- The home country where the company has its head quarters and
- Other countries that may be sources of labour or finance.

3) **The three types of employees of an international business are:**

- **Parent Country Nationals (PCNs):** A parent-country national is an employee working in a country which is not the country where his origin is based. He is also known as an expatriate. When these employees work for long periods (perhaps 4 –5 years or more) in the parent country they run the risk of being termed as “de facto” employee in the host country and subsequently the labor laws of the host country apply.

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- Host Country Nationals (HCNs): These employees of an organization are the citizens of the country in which the foreign subsidiary is located.
 - Third Country Nationals (TCNs): These are the citizens of a country other than the country where the organization is headquartered or the country that is hosting the subsidiary.

For example, IBM which employs Australian citizens in its Australian operations, after sends US citizens to Asia Pacific countries on assignment, and may send some of its Singaporean employees to its Japanese operations.

DOMESTIC HRM VERSES GLOBAL HRM

HRM is involved with the management of employees only in one country while Global HRM is into the management of employees in the three nation categories i.e., Parent Country, The host Country and Third Country.

HRM role includes hiring people, retaining them, negotiating their salary, performance management and retention etc. whereas Global HRM plays a key role in the achievement of a balance between the need for control and coordinator of foreign subsidiaries and the need to adapt to local environments.

Domestic HRM is implemented at national level and Global HRM is done at international level

The HR department does not have to deal with cultural differences as majority of the employees belong to the same social community while the IHRM department has to overcome multicultural differences to run a local subsidiary of the parent country.

Domestic HRM is concerned with managing employees belonging to one nation and IHRM is concerned with managing employees belonging to many nations (Home country, host country and third country employees)

Domestic HRM is concerned with managing limited number of HRM activities at national level and IHRM has concerned with managing additional activities such as expatriate management.

Domestic HRM is less complicated due to less influence from the external environment. IHRM is very complicated as it is affected heavily by external factors such as cultural distance and institutional factors.

TRENDS IN IHRM

- Global business process redesign, the pursuit of a global centre of excellence strategy and the global re-distribution and re-location of work.
- Absorption of acquired businesses, merging of existing operations on a global scale, the staffing of strategic integration teams, and attempts to develop and harmonize core HR processes within these merged businesses.
- Rapid start-up of international operations and organisation development as they mature through different stages of the business life cycle.
- Changing capabilities of international operations with increased needs for up-skilling of local operations and greater complexity.
- Need to capitalize on the potential that technology affords the delivery of HR through shared services, on a global basis, whilst ensuring that local social and cultural insights are duly considered when it is imperative to do so
- Learning about operating through formal or informal global HR networks, acting as knowledge brokers across international operations, and avoiding a “one best way” HR philosophy
- Identity problems faced by HR professionals as they experience changes in the level of decentralization/centralization across constituent international businesses.

MAJOR CHALLENGES IN GLOBAL HRM

Employee and family adjustments: More involvement for parent-country & third-country nationals, Housing arrangements, Health care, Remuneration packages, assist children left behind in boarding schools and local regulation and tax policies.

Selecting the right person for the foreign assignments: International placements should involve right person with KSAA (Knowledge, skill, attitude, ability) to adapt and to manage International assignments

Communication: HR Managers crucial role is to help employees deployed in the foreign country learn the local language and also assist them to learn the gestures and body language.

Handling Multicultural / Diverse Workforce: Dealing with people from different age, gender, race, ethnicity, educational background, location, income, parental status, religious beliefs, marital status, geographical locations, ancestry and work experience can be a challenging task for HR managers. With this, managing people with different set of ideologies, views, lifestyles and psychology can be very risky. Effective communication, adaptability, agility and positive attitude of HR managers can bind the diverse workforce and retain talents in the organization.

Managing Change: Bringing change in organizational processes and procedures, implementing it and then managing it is one of the biggest concerns of HR managers, as the ideology and mindsets of employees are affected by change. Business environment is so volatile. Technology keeps changing every now and then. All thanks to globalization. Upgrading the existing technology and training people for them is a real headache for HR department. The success rate of technology change depends how well HR Department can handle the change and manage people issues in the process.

Retaining the Talents: Globalization has given freedom to working professionals to work anywhere in the world. Now that they have endless lucrative opportunities to work, hiring and retaining the best industry talent is no joke. Maintaining harmonious relations with them, providing excellent work environment and offering more remuneration and perks than your competitors can retain and motivate them.

Conflict Management: HR managers may it be domestic or global HRM should know how to handle employee-employer and employee-employee conflicts without hurting their feelings. Although it is almost impossible to avoid conflicts among people still handling them tactfully can help HR managers to resolve the issues. They should be able to listen to each party, decide and communicate to them in a convincing manner in order to avoid future conflicts.

Managing Attrition: Attrition has become a major global challenge for companies like the IT major, Infosys that has seen unprecedented attrition among its employees in recent months. The situation has deteriorated to the extent that the company is having to address investor and analyst queries about this issue and has had to come up with a plan to tackle the same. The point here is that attrition in well-known companies affects their brand value and their brand image and considering the fact that companies like Microsoft and Unilever as well as P&G are respected globally for their HR practices, attrition in these companies dents the carefully crafted image of being people friendly. This is the reason why the blue chip companies take attrition seriously and to the point where Steve Balmer (the former head of Microsoft) is reported to have gone through all the exit interview forms of the employees.

MECHANISMS TO COPE UP WITH CHALLENGES OF GLOBAL HRM

- 1. Managing the shift from international human resource management (IHRM) to global HRM:** Traditionally, IHRM has concerned managing an international workforce – the expatriates, frequent commuters, cross-cultural team members and specialists involved in international knowledge transfer. Global HRM is not simply about covering these staff around the world. It concerns managing IHRM activities through the application of global rule- sets.

2. **Enabling capability development on a global basis:** Employees should be recruited and developed based on global competencies. Capability development should be a vital objective of global HRM.
3. **Ensuring effective knowledge management:** Creating, managing, sharing and utilizing knowledge is a key driver and critical tool for organizational survival, profitability and competitiveness. To manage knowledge effectively organizations should focus on three components- PPT- People, Process and technology and widespread these components globally according to the implied needs of the people and organisation.
4. **Providing HR services cost-effectively:** Global companies should have tie ups with the domestic HR Service providers to enter into the foreign markets especially to understand the cultural complexities and also to gain cost advantage.

CHANGING SCENARIO

1980's : Majority of the multinational organizations' had decided that splitting up the HR function on a country-by-country basis when the rest of the organisation was increasingly aligned behind global lines of business was not helping the function to achieve its objectives. However, concerns about diversity in employment law and the continuance of strong national influences on the employment relationship meant that total alignment of the HR function with other business processes remained problematic. As a compromise, many organizations' installed global HR directors as an extra layer in the reporting structure in order to create a position that acted as a strategic business partner. However, the result was often confusing as HR functions attempted to interweave their day-to-day administration work with the more strategic activities open to them.

1990's: The advent of shared service thinking provided the opportunity to transform HR structures. There does not appear to be a common path to the internationalisation of shared service models. Many organizations' have chosen to create regional centers as part of a single international organisation structure. Another arrangement has been to use service centres to support global business streams rather than organise them at a regional level on a geographical basis.

2000's: e-Enabled HRM (sometimes also called web-enabled) is another significant and developing trend in international organizations' that also has extensive resourcing implications for IHR functions. In its own right it has undoubtedly created a considerable impact on the role and activities of IHR departments, centrally and locally. The ability to get HRM information to and from, and support on to, line managers' –and even employees' -desks without a formal HRM intervention opens up new and exciting possibilities allowing HR to focus on its capability and business development roles.

Latest Scenario:

Outsourcing: The issue of outsourcing transactional aspects of HRM has been a source of considerable debate in recent years. Advocates for the outsourcing of HR activities point to reduced costs, increased service quality produced by greater economies of scale, increased incentives and accountability for service providers, and increased access to experts in specialised areas. The most common targets for outsourcing are those HR activities that can most easily be ring-fenced, and include: payroll, training, recruitment.

Offshoring: Offshoring is the process of sourcing business services from overseas. Offshoring is not outsourcing per se, but rather concerns the completion of the same task in a different location where the costs are significantly cheaper.

CONCLUSION

Thus the global IHRM department has to take the onus of understanding, researching, applying and revising all human resource activities in their internal and external contexts to know the impact the processes of managing human resources in organizations throughout the global environment has and only then IHRM will be able to successfully allow the multinational companies to achieve success globally. In the globalised world of today firms are going global. International HRM links HRM of subsidiaries and creates organizational strategies in order to achieve sustainable competitive advantage.

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