

HUMAN CAPITAL MANAGEMENT - CHALLENGES IN A GLOBALIZED ECONOMY

Abstract

The role and responsibilities of a HR manager are very crucial in the modern and global business era. Due to work force diversity, advances in technology, rapid changes in economic, political and legal environment, highly competitive markets, changes in income levels and consumer demands and declining the boundaries of the nations and increasing global pressures, role of HR manager in has become a center point in all types of firms. To flourish and become appropriate in the global context, HR manager should extend his focus on increasing interaction of national economic systems all over the world through the growth in international trade, investment, and capital flows along with traditional functions such as recruitment and selection, training and development, and compensation. This interface is a worldwide initiative towards globalization and a globalized economic system. Globalization, an inevitable and irreversible force is a new reality in which HR managers, enterprises and government are always emphasize on new processes and innovations. This globalization process leads to enquire into challenges of HR management. This paper highlights and sums up the challenges of HR management in dynamic global business environment.

Keywords: HR management, Globalization, Economic system, competitive markets

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I. INTRODUCTION

Human capital denotes value of employee's experience comprising resources like education, training, skills, health. Companies also give importance to integrity, longevity, dedication and reliability. Human capital translates to increase in productivity which is directly proportional to Company's earning capacity. The higher the investment that is made in the context of training, empowerment and growth opportunities, higher the companies' prosperity is propelled to scale to great heights. Human capital encompasses an organization or company or a country's talent pool. The capabilities, aptitude, education, abilities, and knowledge that employees or citizens possess. It is the intangible collective resources that possess. Human capital in the economical perspective is a term that describes traits valuable to a company or country.

Organizations are known by the people, culture, ethics, development of their employees. These are the key factors of every company that has been able to create a name for itself irrespective the size of the company. And it is always how the management perceives/ treats its employees to the junior most employees. Thus, we can comfortably say, it is always a top down effect. It is often said to only be as good as its people from the top down, which is why human capital is so important to a company. Human Resources departments has the responsibility of managing all the employees of the company. HR is assigned the responsibility of Talent Acquisition, Talent Development, Talent Management, Talent Engagement. Companies ensure those individuals who are recruited are based on the skills, experience, education that matches the requirement of each of the positions across various departments that there is a need to recruit. Requirements can be for a new position, expansion of business so need more employees, acquiring new clients or projects. If the right fit to the position is not there, there will obviously be a loss to the company as well as time, money and energy loss. The second aspect/ area which every company focus is optimization of resources i.e. to make certain that every employee works on the tasks or roles that is assigned to the best of the abilities that match the requirement of the company.

It is a fact that all humans do not possess the same capabilities, understanding and intelligence. But, if they are going to be working on the same project or same area of job, it is utmost important to equip them with the required training so that all of them are on the same level for them to perform the job assigned. In today's times, most companies understand the importance of training. They have made it mandatory for all employees to complete various trainings and number of hours of training in a given year. These trainings can be classroom training, self-learning, web learning etc. Most companies are cognizant that it is vital to train employees at regular intervals. Those companies who do not invest on training, see there is marked difference in the company's growth. This can also be termed as Return on Investment (ROI).

Since human capital is based on the investment of employee skills, knowledge & experience, these investments in human capital can be easily calculated. One can calculate the total profits before and after investments are made. Any return on investment (ROI) of human capital can be calculated by dividing the company's total profits by its overall investments in human capital.

An individual's human capital is likely to depreciate if they can't or won't adopt new technology or techniques. Conversely it improves or accentuates tremendously if they

constantly learn new technologies and keep adapting to newer aspects which will help them grow in their career much faster.

II. HISTORY OF HUMAN CAPITAL

Adam Smith referred to the concept in his book *An Inquiry into the Nature and Causes of the Wealth of Nations*, way back in the 18th century in which he explored the wealth, knowledge, training, talents, and experiences of a nation. Adam suggested that improving human capital through training and education leads to a more profitable enterprise, which adds to the collective wealth of society. According to Adam, that is perfect win-win situation for everyone.

Human capital isn't just beneficial to one individual or a team but it enhances and propels the entire company. The growth if invested on employees' growth, stands to gain multifold for the company. A well-equipped in his area of work, creative and productive workforce contributes more to the long-term economic success of a nation on the whole than virtually any other assets or methods. The prosperity of the nation helps strengthen GDP as well. Examples of human capital include technical skills, soft skills, cross functional skills, creativity, integrity, experience, problem-solving skills, mental health, and determination.

Human capital complement's the economy. Increased development, science & technology, education, and management leads to increases in innovation, social well-being, productivity, equality and equity. Increases in economic growth tend to improve the quality of life of the country.

Human capital can be increased by giving all sections of society access to higher education. Automating sectors, departments and divisions making it easy for citizens to conduct their life with ease. Automating and augmenting technology to improve efficiency, expanding horizons of workplaces, obtaining more experience, increasing participation in a multitude of activities or organizations, empowerment, and expanding network.

Human capital risk denotes to the gap between the human capital requirements of an organization and the actual workforce. This gap can lead a company towards inefficiencies, inability to achieve its goals, a poor reputation, fraud, financial loss, and eventual closure. To reduce and eliminate human capital risk, an organization should train, foster, and support its workforce.

Human capital refers to the economic value of an employee's capabilities and skills. Companies can enhance their human capital through recruitment. Companies should stress on finding the right candidate for the right job. Else, if they recruit the wrong person for the job, his mind may not be on the job, will have low performance, productivity will go down. Once a candidate joins the organization, companies should equip the employee with many trainings on different skills that will be necessary for his job. Executing modern management techniques optimizes the productivity of their existing workers. Human capital is the most certainly an intangible asset. Like other tangible assets, human capital also depreciate through long periods of unemployment, and hence companies should invest in mandatory trainings, self-learning, web learning etc. Companies should ensure every

employee has the ability to learn, understand and keep abreast with technology and innovation.

Human capital is most important for development. When companies invest, it will generate returns, not just for the employee but for the economy as a whole. This means educating young people with the skills they need to thrive in the modern economy. It benefits them and it benefits the companies whose needs they answer.

Human Capital depreciate like any other capital that is measurable, It can or will also depreciate. It is measured in salary or the ability to stay in the workforce. Depreciation of human capital is through unemployment, accident (where he loses his limb etc.), mental decline, or the inability to keep up with innovation.

An employee who has a specialized skill, if he is unemployed or working in a company but not assigned any projects or work will not have the opportunity to utilize his skill he possesses. Also, in today's advanced technological age, it is very important to keep abreast of knowledge. So, if an individual does not get to use his skill, or upskills constantly, depreciation of human capital will most certainly happen. Or if an individual refuse or doesn't want to learn and adopt to new technologies and techniques, then his human capital worth will not only depreciate, it will also become obsolete.

III. CHALLENGES WITH A GLOBAL WORKFORCE

The following are the major challenges of Human Capital Management in the globalized economy.

- 1. Effective Communication:** Communication is an essential tool for every person in the Corporate world or working in other sectors, Employees often work in teams and are not individual contributors. They need to communicate within teams as they are closely working with each other, working with clients across the globe, working with Management across locations worldwide. Managing workforce in virtual is big mission to achieve organizational goals. There is a lot of difference between physical office space and virtual office space. Management teams should put additional efforts to maintain a professional relation virtual and make sure the communication is more effective. Thus, communication is imperative tool in today's modern world.
- 2. Managing Talent Diversity:** Most companies today, have a global presence. Even if entrepreneurs start their own company, in a few years' time, they want to have their companies to have a global presence. With the Indian economy opening up in the 1990's several multinational companies established or expanded their business in India also. When organizations have a presence at different places, the cultures, work styles, local laws of state also differ. Globalization made the workforce more diverse. Human resource managers face a challenge to deal with different teams in the organization. Having a diverse workforce will have multi facet implications for management to manage the organizations. They have to treat all their workforce irrespective of ethnicity equally. The management also will have to teach or train them on various cultural aspects so that employees learn of others cultures and respect each other's cultures. When offices are spread across locations, it is vital to know about the differences between work from local office and remote resources. So, to enhance the creativity, productivity and efficiency in

the organization, HR managers should apply different practices that coordinate the workforce. The department or HR personnel should strive to have transparency, better communication, and positive work culture. When companies expand their business to new countries and cities, it is pertinent to understand the law of the land and abide by them strictly. Violating any law or if there is a legal lawsuit handed to the company, the implications can harm the organization's brand image and also can incur high costs when ignored. Many labor laws change with state and country boundaries. Companies must ensure that they abide by the local laws and regulations. If the company breaks any rules, it may need to stop operations in that area.

- 3. Talent Gaps:** HR department's highest problem or challenge is to attract the right candidate to join the company, enhance their skills and hold employees that have the required skillsets to accomplish a job. Second important aspect is to engage employees by giving the roles that match their skillsets, upskill, also give them cross functional training at regular intervals. Third aspects will be to pay the salaries that match or at least close to the company's competitors. Failing to do so, the company would have to face high attrition. The HR teams in the organizations need to acquire for their companies by following immigration laws to hire people from abroad. Adaptation of HR software solutions may reduce the gap between the talent and the talent system.
- 4. Conflicts of Interest:** When companies are going to global presence, integration of different markets will be a challenge. There is difference among local markets also because of changes and differs from state to state. When it comes to the global market, human resources belong to different nations will have their own interest and the same impacts goals of the business organizations.

IV. CHALLENGES FOR HR DEPARTMENT

- 1. Adapting to Change:** In present days, organizations are adapting to the transformation of the global village. With new technology being invented at frequent intervals and changing the landscape of corporate world rapidly, it is becoming an increasing challenge to adapt and implement. It is imperative that all employees learn, adapt & adopt to the changes as well.
- 2. Work Culture and Environment:** When businesses are expanding to all regions of the world, companies will need to recruit local people of the region. These multinational companies, will have learn the culture, law of the land, the traditions, language etc. The Companies will have to deal with local government officials, people to run their business smoothly. They will have to mingle and work with them seamlessly. It is a challenge to concentrate on setting up a high work culture and sustain a positive work environment by considering all these hustle and bustle issues.
- 3. Formulating Right Ethics and Values:** Ethical values plays a pivotal role in any business's success. A varied workforce ensures in bringing all people from different backgrounds together. It is a challenge to line up employees from different backgrounds, cultures under one umbrella which has to be aligned with the Company's vision and mission. The best way to achieve desired purpose & objectives is to set the best policies and practices.

- 4. Maintaining Low Attrition:** Every organization strives to sustain/keep the attrition rate low. Company invests huge amount of money and time to recruit the right people and train them that are fit for the job. Globalization has opened many doors and windows to educated youth and citizens. Resources change for better opportunities and financial growth. Organizations ensure to find the right candidate, have defined roles, train them through the tenures, give them opportunities for onsite assignments thus, ensuring attrition is maintained at low level. But, as the markets expand and more and more companies set up offices in various locations, they are vying to hire the best candidate. So, competitors also poach these employees. Candidates also want to grab these opportunities for higher salary, better opportunities, more onsite travel, team management etc. These are some of the factors that make the attrition rate to fluctuate or soar.
- 5. Work-Life Balance:** It is crucial for every working professional to have a work-life balance. As much as an individual should spend time at work to build his career, it is equally if not more important to spend time at home with his family. It is also important to unwind from work and relax, failing which the individual sure will have to face burnout. This balance ensures that the individual is happy and stable. The organization, Reporting Manager & HR Department should take the responsibility that no employee is over working and feeling stressed. For human being recreation and bonding with family is pertinent. Thus work-life balance is pertinent.
- 6. Stress and Conflict:** The work culture in the era of globalization has changed how we work. Firstly, there is a lot of time-lines to be maintained by all departments. Second, organizations are catering to various time zones of different countries. An employee may be working in India, but he may work for Australia, US, or UK clients. So, he has to manage various time zones, which affects his body clock as he may have to login or start work early or late while also catering to the Indian operation needs. Apart from this, the companies are struggling with their competitors for the same market to share products, clients. It leads to increase the number of higher targets, and competition. This being the reality of most companies, it becomes imperative for department head's to not pressurize the employee unduly. The management, reporting managers and HR should take responsibility to keep employees don't get stressed, motivate the employees regularly. Encourage the employees to take up recreational activities. Companies today are investing on Yoga sessions, meditation for their employees so that employees can take these steps to relax. Another pain factor for management is conflicts that may arise between employees. The managers should nip it in bud and resolve these issues immediately and try to minimize these to the bare minimum.
- 7. Needed Organization Restructures:** With the advent of globalization, science, & technology rapidly changing, world is also moving at very high pace. Organizations have kept abreast with the changing technology and pace of the world. To stay in competition in this fast-paced world it is pertinent for the companies to adapt changes accordingly and streamline the workforce efficiently. Thus, it is essential to senior management to empower their teams and restructure their processes.
- 8. Overcome the HR Challenges of a Global Workforce:** Mentoring the new recruits in the organizations, imparting the requisite training for them to perform their tasks/roles well is the main job of the managers. Programs should be designed to engage and manage effectively the diverse workforce. It is also very important that organizations

stress on recruiting a diverse workforce. This is very healthy for every company and it would also project as well-defined organization in the global markets. Business leaders should choose talented managers from different sections to train employees from different backgrounds and give feedback too.

9. **Strategic Deployment of Talent:** A large number of organizations are entering the global market for their operations. When companies are catering to many countries, it necessitates the need for senior employees of the organizations to go to these countries, to not only set up business but also the various processes. When companies go global the way a business also changes, from transactional to more strategic. Business model, alliances with other companies also changes. This also increases the need of strategic distribution of various talents to evaluate and flourish in niche markets. To enhance business in the global market companies should choose senior employees who would have international exposure, who has the knack of handling local population etc. and can run the new office smoothly.
10. **Analyze the Results:** HR personnel are one of the pillars of the organization. It is the HR's role to ensure employees are getting the required training whether salaries are on par with the market standards. If the employees are lowly paid, employees will leave leading to high attrition. So, companies conduct a salary survey across other companies of the same industry to know what the competitors are paying salaries to their employees and correct their salaries if required. Also, managers will have to ensure the team members are upskilled & reskilled at regular intervals. This act provides the benefits to understand their longevity and growth. It also helps to understand the changes required in the work process.
11. **Motivated Workforce:** It is the responsibility of the Management, reporting manager to motivate their employees and team members. Motivated employee productivity is much higher, they can achieve the goals set for them which in turn helps the company to grow too. Workforce motivation is a key factor to success. If teams are happy & content, they will be able to motivate themselves and other colleagues/team members.
12. **Monetary Benefits:** Benefits such as monetary or kind has always been the best incentives that lure employees. Monetary benefits are the best motivators for most people. Companies should reward the best employees on their performance and announce these best employees to the entire company which enhance the morale of the employees even further. Companies, should also set metrics and incentivize employees on achieving those metrics. Some companies these days sponsor international trips on achieving targets. Companies can be innovative and doesn't need to give cash incentives but can give gifts, vouchers, gifts in kind, travel etc.

V. CHALLENGES OF HR IN A GLOBALIZED ECONOMY

1. **Staff Shortages:** Companies all over the world are facing staff shortages. There are many vacancies that are being filled up. The reasons being: people are not qualified for the job. Salary expectation of candidates are high. This is driving the unemployment rates higher in all countries across the globe. Changes between geographies, changes in policies of specific country, changes in expectations of employees due to pandemic are some reasons for shortage of staff. For Instance, effect of Brexit. In the United Kingdom,

implementation of new immigration rules, some overseas workers are wish to travel to Britain. The other big problem is that of migrant labour This is prevalent in all sectors, though, the severity of this is in industries like the manufacturing, (FMCG) fast moving, consumer goods, retail, transportation, hospitality, and construction. All these are labour intense companies. roles. The global skills shortage poses another major bottleneck i.e. recruiters are facing constant struggle to find suitable personnel with the required experience, skills and education. With the changing demands of the of global workforce needs revealed that 43% of companies have skills gaps with data analytics identified as the business area with the greatest need to address potential skill gaps. To the companies who have businesses across counties, it is essential to strategize and find new ways to attract new talent people with the requisite skills, retrain them and upskill current employees in order to future requirement of their business.

- 2. Failed Expatriate Assignments:** With businesses expanding across geographies, HR department have their plate full as they now have to cater to a new country and will have to recruit, onboard and support international staff as well as employees traveling to these new locations to set up offices. With new offices being set up, companies send their senior employees to set up business in a new country. But, at times, this is a huge risk, as sometimes the investment may not prove profitable. These may turn out to be loss making ventures. Emerging economies are experiencing higher rate of expatriate failure rate than the developed nations due to diversity in culture, uncomfortable locations, changes in food habits, language barriers and seclusion (loneliness - far from family). So, global HR managers should ease out these problems by developing suitable expatriate strategies. These include selecting the candidates who have global mindset, who can manager relevant cross-cultural issues, providing proper training and preparing and implementing a proper support system for employees, proper attention to repatriation process.
- 3. Localization vs. standardization of HR practices:** Issue of Standardization versus Localization is one of the biggest issues that multinational corporations are facing now. For this HR managers are trying to establishing equilibrium between by promoting global values while recognizing the need to adapt certain global HR practices and policies to suit local markets, cultures, and institutions. For instance, while preparing policies for shared parental leaves might be considered as a favourable culture in some countries, in others men are unfavourable. It would not make any difference to provide this parental leaves as 'perk'. So, global HR managers try to tailor country wise benefit policies to align with the local market norms. Because of global industrialization, HR managers should focus on developing a policy for deep understanding of the unique cultural attitudes, practices, and legal frameworks across countries to design practices and policies that support subsidiaries and employees in the host countries.
- 4. Ethical Challenges in Multinational Corporations:** The major challenge of the global HR managers is that establishing and maintaining unique and pre dominant ethical code across various jurisdictions by linking the localization versus standardization. It is common fact that organizations with strong ethical track records are viewed as desirable places to work. To attract and retain talent people, it is an important strategy, global companies should promote a global code of conduct and set of values. Still, conflicts may arise between the ethics of the parent company in one country and the laws and practices of the host countries. For instance, while companies in western countries have severe

child labour laws, but they might also have factories in other countries where child labours are permitted. Therefore, global HR managers should work along with their senior leaders to establish an ethical code conduct for organizations and consider how to promote consistent behavioral standards across international offices irrespective of different laws.

- 5. The Evolution of Digital HRM:** Digital HRM includes use of digital based platforms, tools and cloud computing technologies to automate routine processes and obtain data to create estimated models for optimum decisions. With the help of digital HRM, a firm can gain many benefits including increased productivity and efficiency, pose several challenges to HR line managers who must engage with these advanced systems as well as the workers. On the other hand, this augmented digitalization raises the job losses for those in administrative positions. Therefore, HR departments should consider the significance of technology in shaping the future work and aim to upskill or retrain employees to evade terminations.

Finally, global HR managers must find a suitable HR metrics across different countries accurately. It is also found that employees in one culture could be entirely dissimilar in another. An ability to inspect and interpret the data relating to varying cultural lenses is highly important for those reporting through digital platforms. When companies are expanding their operations globally and tap diverse talents, HR managers should prepare to manage and back the workforce that culturally and linguistically different. So, HR managers should have a deep knowledge of understanding cultural differences and the ability to acquaint & prepare HR policies and practices to meet the needs of a diverse workforce in rapidly changing business environment. Therefore, it is essential to HR managers to ensure that HR practices are consistent with firm's global operations. So, HR managers in the global scenario, should always be proactive and strategic in their approach in managing global workforce.

VI. ADVANTAGES OF TECHNOLOGY AND GLOBALIZATION IN HRM

Technology has had many advantages for the HR personnel and department like other departments across organizations. Thus, employees too are learning to use technology to their advantage as it is making their work and life rather simple. Recruitments being one of the focus areas of HR department, incorporating the recent technological and global needs/developments, finding the right candidate for the job has become easier. There are many job portals which enables to access a larger pool of talent. HR managers recruit candidates around the world by using online job portals and social media platforms. With this, companies tap diverse talented pool and find the most suitable candidates for different positions regardless of their location.

Adoption of advanced technological tools improves the efficiency and effectiveness of HR operations. Now, with the help of human resource information systems (HRIS) and other HR technological tools, HR managers are digitalizing their operations to focus on more strategic initiatives thereby freeing up time and resources. Digitization of various employee details is another added advantage; Large amounts of employee data are now stored using cloud computing in centralized locations. Now, HR managers can easily access, track and use required data of employees as per need. HR managers who accept and implement these developments effectively in present dynamic business environment will become successful.

VII. CHALLENGES OF TECHNOLOGY AND GLOBALIZATION IN HUMAN RESOURCES

No doubt, technology and globalization provide many benefits to HR managers. At the same time, they also throw many challenges that HR managers must address. The possibilities for cultural misunderstandings and conflicts, as well as the risk of job loss or reduced job opportunities for HR professionals in developed and developing countries are some of the challenges HR managers should encounter because of adoption of HR technology tools. HR managers must be able to effectively manage cultural differences and adapt to and adopt technological and global developments to succeed in an increasingly complex and rapidly changing business environment,

VIII. CONCLUSION

To conclude, technology has reorganized and mechanized many HR processes by changing the nature of HR management. They are using various tools that are available in the market to their advantage which in turn is helping them to perform better too. These tools are not only used for recruitment but in other functions like performance management systems, compensation & benefits rewards & recognition etc. It is easy to access last year's data generate various metrics, create targets etc. Globalization has also showed its impact on HR management and increased workforce diversity and changing HR professionals' roles.

Thus, there is also a constant need to keeping abreast with knowledge and learn the various technologies, tools that come into the market. HR managers should also have a deep level of knowledge to understand cultural differences and intercultural communication. Then only, HR professionals will be well-positioned to navigate the challenges and take advantage of the opportunities presented by technology and globalization.

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