

# **Globalisation and Its Influence on Strategic Human Resource Management, Competitive Advantage and Organisational Success.**

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*This paper reports on how the phenomenon of globalisation has influenced organisations operating in a global context to revisit the way they manage their human resources in French, German and Indian global organisations, which has propelled the expansion of Strategic HRM. (Khandekar et al 2005). This paper examines principally the Resource Based View (RBV) perspective of Strategic Human Resource Management, which views human resources with their knowledge, skills and experience as the central source for organisational performance. It also seeks to understand the relationship between HRC 'Human Resource Capability' and organisational performance, and the ideologies advocated by the 'Type 3 Company,' (Handy et al 1990) which sets out a new agenda for human resource management and is evidence of the new people-first approach to strategy, and are synonymous with the basic principles of the (RBV) perspective of strategic human resource management. (Khandekar et al 2005.) This study seeks to assess, how this perspective can provide the basis for an organisation's competitive advantage and can act as a contributor to organisational success. The research methodology used to investigate the issue is the case study approach, with secondary research data which looks at examples from French, German and Indian global organisations who are attempting to implement these approaches. Empirical findings stress that in current times companies cope with the challenges posed by globalisation, through the use of the RBV perspective, which regards employee skills, knowledge and experience as a source of competitive advantage through the use of 'HRC, HR capabilities and by adopting the principles of the Type 3 companies, such companies are likely to gain competitive advantage, enjoy superior performance and attain organisational success.*

Field of Research: Globalisation, Strategic Human Resource Management, Type 3 Company, Competitive advantage and Organisational success.

## **1. Introduction**

This paper looks at how globalisation has influenced organisations to relook at the ways at which they manage their work-force. The last decade has witnessed a lot of changes due to the impact of globalisation, fewer trade barriers, and the rapid spread of the cyber revolution.

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All these changes and fluctuations have changed the world of work. (Redman et al 2001) In response to these changes, organisations and institutions are increasingly realizing the importance of human competitiveness as essential to organisational survival and success, which has created a new paradigm shift as to the ways in which people should be managed, that has propelled the expansion of Strategic HRM.(Husynski et al 2002) The essence of Strategic HRM is that people are regarded as competitive assets to be led, motivated, deployed, in ways that contribute directly to the attainment of the firm's strategic objectives. (Handy et al 1990).The overall purpose of Strategic HRM is to ensure that the organisation is able to achieve success through people.(Armstrong; M 2000)Modern day organisations are in quest of gaining competitive advantage over their competitors and the belief is emerging that human resources are those strategic assets that can lend an organisation added value over their competitors. This paper seeks to examine the ideologies and concepts of contemporary HRM, principally the Resource Based View (RBV) perspective of Strategic Human Resource Management, which views employees as a valuable resource whose skills and knowledge cannot be easily replicated, as they are valuable, unique and difficult to imitate and can provide the basis for organisation's competitive advantage and contributes significantly to organisational effectiveness and success and can assist modern day organisations to survive in times of rapid change and in a world that has gone global.(Schuler et al in Khandekar et al 2005). The research also seeks to gauge the impact of H.R capabilities and at the ideology of 'The Type 3 Company', which sets out a new agenda for human resource management and is evidence of the new people-first approach to strategy and is consistent with the (RBV) perspective of Strategic HRM which emphasises the importance of placing employees with their skills, knowledge and abilities at the centre of things in an organisation as it is this which may constitute a potential source of competitive advantage, this viewpoint is emerging in European and Indian global organisations, consequently many multinational corporations and global organisations, have started shifting their emphasis to human resources with their knowledge and experience as the central criterion for organisational performance.(Khandekar et al 2005). This paper seeks to assess the workings of the Resource Based View perspective of Strategic Human Resource Management and the ideologies advocated by the 'Type 3 Company and the significance of

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HR capabilities and seeks to gauge its impact on competitive advantage and organisational success, by using case studies from French, German and Indian global organisations. The research methodology used in this study is a case study approach with secondary research findings from French, German and Indian global organisations.

## 2. Literature Review

Globalisation is the buzz word of modern times and has many varying perspectives. It describes the way that world trade, culture and technologies have become rapidly integrated over the last twenty years.(Ozbilgin M 2005) Globalisation creates conditions of rapid change, all the changes way from the cyber revolution to trade liberalization, worldwide homogenization of consumer goods and services and export oriented growth, are all components of the phenomenon of globalisation. (Hucysnki et al 2002). It is attributed to various considerations which are often associated with a wide range of factors allied with it, that are of an economic, political, cultural and sociological nature. (Sparrow et al 2004). Globalisation is considered to exists within the action of those relatively (few firms) that look at the world as being nationless and borderless. (Ohmae in Sparrow et al 2004).These firms and multinational corporations carry out trade on a global basis, and their main concerns are fewer trade barriers, profit maximization, satisfying customer needs and creating a niche or market position, all these mechanisms have a direct and profound impact on the behaviors, attitudes and mindsets of people who work in such organisations,and on how they should be managed.(Sparrow et al 2004) The forces of globalisation, have changed the world of work, some of the principal changes, the world over have been the emphasis on competitiveness, increasing numbers of women joining the work-force, a more mobile and diverse work-force and growth in part-time and flexible work. Globalisation is often portrayed as a new stage in world development.(Sparrow et al 2004),which is characterised by intensified competition and continuing technological innovation, which have emphasised the importance of product quality and customer care which in turn has increased the emphasis on people management.(Hucysnki et al2002). To meet some of the challenges posed by intense competition organisations have been downsized, delayed, decentralized and are less hierarchical in nature. These changes have subsequently lead to many developments in HRM, as employers have to cope with the challenges posed by a competitive global economic environment.(Redman et al 2001), organisations are increasingly turning to the unique contribution provided to them by their human resources as a source of competitive advantage(Wright et al in Morley et al 2004).Organisations and institutions are increasingly realizing the importance of human competitiveness as essential to organisational survival and economic progress. There is also a growing belief that if organisations have to survive and thrive in a global

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economy, they require world-class human resource (HR) competencies and the processes for managing them.(Khandekar et al 2005) and this is in line with the (RBV) perspective of Strategic HRM, which states that employee knowledge, skills, talents and know-how are the central source of organisational performance, human resources are more likely to produce competitive advantage because they often are truly rare and can be more difficult for competitors to imitate(Jackson et al 2004) and that the effective management of human resources is critical to obtaining organisational success. The basic premise on which strategic human resource management is based is that human resources are strategic valued assets and a source of competitive advantage.(Khandekar et al 2005)Competitive advantage are those abilities, capacities, resources and decisions that undermine an organisation's capacity to survive and maintain its position. Management of people is increasingly being considered as one of the key links to generating a competitive advantage. Competitive advantage leads to organisational effectiveness. (Lengnick in Khandekar et al 2005).Among a firm's intangible resources 'Human Resources' with their tacit knowledge, skills and talents are more likely to produce competitive advantage, as these constitute the core competencies of the organisation, which will enable an organisation to capitalize on opportunities in the market place and avoid threats to its desired position.(Jackson et al in Khandekar et al 2005).Researchers like (Wright et al in Morley et al2004)have argued that HRM capability is a source of competitive advantage, as it is embedded in the collective knowledge of the firm members(inimitable) which is developed over a period of time(rare) and valuable as the firm's routines for managing people can direct employees talent and behavior to meet objectives and create value.(Handy et al 1990) Attracting and retaining individuals with skills related to the core competencies of the organization are key H.R activities directly relevant to building organisational capability. In the same vein, organisations are increasingly relying on 'HRC' Human Resource Capabilities' to cope with the challenges posed by globalisation and rapid change. H.R. capabilities are the routines embedded in the tacit and implicit knowledge of the members of an organisation functioning to acquire, develop, nurture, and re-deploy human resources through HRM practices in a dynamic competitive environment.(Ulrich et al 1990) HRM practices includes, HR functions like staffing, performance appraisals, training and development, rewards and career planning. 'HRC' enhances the firm's competitive position by creating superior human capital skills, experience and knowledge that contributes to a firm's economic value and this substantiates the (RBV) perspective of Strategic HRM as the basis for organisation's competitive advantage and a contributor towards organisational success. The RBV argues that resources such as H.R capabilities are important for firm's purpose.(Khandekar et al 2005). (Pfeffer 1994) asserted that H.R capabilities are the pre-eminent organisational resource and the key to achieve outstanding performance.(Huselid et al 1997) found that firms effectiveness was associated with H.R capabilities and its attributes. All these changes are indicative of new ways of managing people which have been mentioned in an influential book to appear in France recently entitled the '*Type 3 Company*' which points to the need for organisations to

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transform themselves into high performance companies that can harness the support, the ideas and energy of the front-line troops and is evidence of the new people-first approach to strategy and is testimony to the RBV perspective which sees employees as a source of competitive advantage. (Handy et al 1990). This new people-first approach to strategy is emerging in Europe. Some forward-thinking European firms are trying to put these ideas into practice. This book emphasizes the importance of proper recruitment, training and induction, employee involvement and instilling employee commitment towards the goals of the company through attention to reward systems, communications, encouragement and career development and also building the image of the company to attract and retain the best people in the organisation and also the need to invest in the human resources of the company. The ability to attract the talent, select the best, developing and upgrading skills, motivating innovation and retaining the valued employees will be the key levers for a firm's success in today's modern organisation and in a world which has gone global. (Handy et al 1990) The '*Type 3 Company*' points to a new agenda for human resource management, which inherently believes that employees are an important asset to the organisation and it is the management of people that lends an organisation competitive advantage. An effective human resource system it says should fulfill the following functions. (Handy et al 1990)

- The smoother introduction of new employees into the company through the recruitment and induction processes and in the first job assignment
- Personal dynamics-ensuring that employees devote part of their energies to the goals of the company through attention to reward systems, communications, encouragement and career development
- Progress-being receptive to employee ideas and preparing employees for the new skills demanded by tomorrow's needs through training, cross fertilization and job enrichment
- Setting up a permanent and constructive internal dialogue
- Attention to quality of working life, providing as much security as possible and a fair share in the fortunes of the enterprise.( Handy et al 1990)
- Building the image of the organisation-demonstrating a humane system of organization.

It is worth understanding that all this debate about whether 'employees are an asset' is based on the actuality that effective human resource management practices leads to organisational success and this becomes increasingly significant in global organisations which have to cope with huge levels of competition and unprecedented rapid change.

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### 3. Methodology & Research Design

The literature review raises a number of pertinent questions.

- What is the impact of Globalisation on Human Resources Management?
- Can the (RBV) perspective of Strategic HRM be a source of competitive advantage and a contributor towards organisational success in modern day global organisations
- The (RBV) contends that resources such as 'HRC' H.R capabilities are a pre-eminent organisational resource and the key to achieve outstanding organisational performance.
- What is the significance of the principles advocated by the Type 3 Company, which are in line with the (RBV) perspective in Strategic HRM, as the key element to achieving organisational success in a global context?

In order to address these questions, a case study methodology was chosen in order to gain an in-depth understanding of the above mentioned issues. Secondary data was collected from various publications that have researched the issue. Case examples from French, German and Indian global organisations were used. The major research findings were from the Group BSN of France, Breuninger, Ottoversand two German companies and from nine Indian and foreign global organisations from New Delhi( The capital of India)

### 4. Discussion of Findings

The following major research findings have emerged from an analysis of secondary data. The case examples used in this study are from French, German and Indian global organisations, namely the group BSN of France, Breuninger & Ottoversand German companies and Indian global organisations. These studies are part of the ongoing research into changing human resource approaches in European countries and organisations and the Indian Institute of Technology Delhi respectively and the findings have been published in the International Journal of Manpower (1990).( Handy et al 1990) and Journal of Education and Training (2005)(Khanderkar et al 2005)

Organisational responses to globalisation and rapid change

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- The forces of globalisation and rapid change have impacted all the organizations involved in the study to steer away from the hierarchical and directive management approaches that traditionally typified their countries corporate cultures to create more flexible styles that can cope with change.
- The French and German examples are particularly relevant as they reinforce the pivotal importance of human resources thus promoting a more strategic approach to people management.
- The study shows that Indian global firms are responding to the challenges of globalisation, by investing in H.R capabilities of the firm, by developing the knowledge base, desired skills and attitudes of the employees, which results in higher firm performance and competitive advantage and this coincides with the (RBV) perspective of Strategic HRM as a source of competitive advantage and organisational success.

The group BSN of France, one of the most successful and the largest food companies in Europe. (Handy et al 1990)

- believes in eliciting commitment and greater involvement of the managers to the shared goals/strategy of the company.
- believes in having the right type of employees at every level, not only at the highest level, but having people who are happy to work, who want to be efficient and to work with their minds.

Similarly Breuninger a retailing company in Germany its human resource policy is setting the direction for other German examples. Their philosophy is described in a paper entitled "People at the centre". The three cornerstones of this philosophy are as follows.

- People who are doing what they want to do will be successful and so will the company for which they work
- Give employees the space to develop themselves and the company will develop
- Trust in our employees and their abilities, is the basis of our management philosophy. (Handy et al 1990)

Ottoversand another German company, which is the world's largest mail-order firm its corporate culture is pragmatic and action oriented

- Pay is performance related and promotion is on the basis of merit
- High degree of participation in decision-making

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- The Training function is geared to resolving management's real problems
- It also believes that employees should be partners in the business and has introduced an employee share-ownership scheme under the slogan: "Participation and profit making"

The French and German companies are examples of the 'Type 3 Company' which reinforce the strategic use of employees in an organisation and emphasise the importance of employee participation and use of their knowledge, skills and abilities as a contributor towards organisational success.

Another very interesting empirical analysis of Indian global organisations has tried to examine the role of human resource capability (HRC) in organisational performance and sustainable competitive advantage(SCA) in Indian global organisations. To carry out this study an empirical research from nine Indian and Foreign global organisations from New Delhi has been carried out.

The study had the following findings.(Khanderkar et al2005)

- The study showed that that the firms that have combined their HRC 'Human Resource Capability' with their HR practices and dimensions of strategic HRM for developing superior human capital have shown better levels of organisational performance and it also indicated that this is consistent with the (RBV) perspective of Strategic HRM as a predictor of competitive advantage and a contributor towards organisational success.
- HRM practices are positively co-related to organisational performance.
- Conversely it also concluded that firms and organisations do not perceive pay/compensation as motivator for better employee performance and thereby higher performance.
- Recruiting and developing talented staff and synergising, their contribution with the resource bundle of the firm, can lay the basis for sustained competitive advantage.(Khanderkaret al2005) and organisational performance and contribute towards organisational success.

## 5.Conclusions

The case studies of the French, German and Indian global companies illustrate that organisations are responding to the challenges posed by globalisation and rapid change by adopting more flexible and participative ways of working and highlight the importance of people and their effective management as a means towards enhancing competitive



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advantage and organisational success.(Handy et al 1990)The forces of globalisation and rapid change impact on the human resource management function and promote its close involvement in the strategy making process and this new people-first approach to strategy is emerging in Europe and subsequently the French and German companies are advocating a more strategic approach to people management. The case studies of the Indian global organisations demonstrate the link between 'HRC' Human Resource Capabilities and organisational performance, HRC enhances the competitive position by creating superior human capital skills, experience and knowledge that contribute to the firm's economic value and can lay the basis for competitive advantage and reinstates that there is a significant relationship between HRC and organisational performance and the study indicated that this is consistent with the RBV of the firm. (Khandekar et al2005).As such the (RBV) perspective is broad and is synonymous with the principles of the '*Type 3 Company*' and the notion of 'HRC' Human Resource Capabilities as a vital and valuable organisational resource and a contributor of competitive advantage and the key to achieving outstanding organisational performance and reinforces the strategic importance of human resources with their knowledge, skills, abilities and know-how as a contributor of organisational success. Empirical research findings denote that the ability to attract the talent, select the best, developing and upgrading skills, motivating innovation and retaining the valued employees will be the key levers for a firm's success in today's global economic environment. In the same vein the principles advocated by the '*Type 3 Company*' have been adopted by top French and German companies, namely the Group BSN of France, one of Europe's largest food companies, Breuninger a retailing company and Ottersversand the world's second largest mail order firms, these companies have adopted the participative people-first approach to strategy.(Handy et al 1990).They also stress the importance of having the right type of employee at every level, having people who are happy to work and people who are happy doing what they want will be successful and in return the company will prosper.(Handy et al 1990). The findings from the Indian organisations also indicated that firms and organisations do not perceive pay/compensation as motivator for better employee performance and thereby higher performance.The studies also re-establishes the significant and vital role that Human Resource Management is being called to play in current times of rapid change and that effective human resource management practices are positively correlated to competitive advantage and organisational performance. (Khandekar et al2005). All this becomes ever so necessary for organisations who want to operate on a global basis, survive in international markets and in times of rapid, unprecedented change.

## 6. Scope and Limitations of the study

The theme of this study has a lot of relevance for modern day organisations and can have prescriptive value to other organisations, operating in a competitive global

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economic environment The study needs to be further validated by enhancing the research methodology and researching the issues concerned in various other organisations facing the challenges of a global economic environment and rapid change.

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