

Chapter 1

Globalization and Human Resources Management: Managing the Diverse Workforce in Global Organizations

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ABSTRACT

As a result of globalization, many firms have begun to compete on a worldwide basis. This situation has led Human Resources Management (HRM) to gain more importance in the global arena and “international HRM” field. Over the past few decades, international HRM has gained considerable attention from both academicians and practitioners. The increasing globalization of business has required organizations to manage their workforces effectively. Managing a foreign workforce can differ drastically from managing a domestic one. HRM in the international context requires managing diverse workforces originating from different nationalities with various cultures. Therefore, workforce diversity has become increasingly important for organizations that plan to expand into global markets and target different consumer groups. Organizations can adopt different approaches for managing their workforces and every function of HRM systems should be designed consistent to the workforce diversity of the organization. The purpose of this chapter is to investigate the concept of international HRM and diverse workforce in global organizations. Additionally, the importance of managing diverse workforces effectively in global organizations in the context of HRM functions and the role of HRM in this process will be discussed briefly.

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INTRODUCTION

The advent of contemporary globalization has compelled even small firms to realize their long-term success depends on marketing and managing effectively abroad. However, this requires establishing management systems to control overseas activities. These systems include managerial controls, planning systems, and human resource management systems for recruiting, selecting, training, appraising and compensating workers abroad (Dessler, 2012). As the term implies, International Human Resources Management (IHRM) covers the worldwide management of human resources. The purpose of IHRM is to enable the Multinational Enterprise (MNE) to be successful globally. This entails being competitive throughout the world—to be efficient, locally responsive, flexible, and adaptable within the shortest time periods and capable of transferring knowledge and learning across their globally dispersed units (Schuler, Budhwar, & Florkowski, 2002). Broadly defined, the field of IHRM is the study and application of all human resource management activities as they impact the process of managing human resources in enterprises in the global environment (Briscoe, Schuler, & Claus, 2009). Over the past few decades, businesses have witnessed from an international context the development of strategic IHRM which is defined as HRM issues, functions, policies, and practices which result from the strategic activities of MNEs and that impact the international concerns and goals of those enterprises (Sparrow & Braun, 2007).

The increased internationalization of business in recent years has made the understanding of IHRM problems more critical for executives in multinational companies (Linehan & Scullion, 2002). Differences in cultures, economic and legal systems influence employer HR practices from country to country (Dessler, 2012). The global HR challenge consists of how to effectively attract, engage, and retain the thousands of MNE employees in many different countries to achieve strategic objectives. This goal not only includes

engaging employees in different countries of the MNE, but also the role and importance of globally mobile employees such as expatriates and short-term international assignees. Additionally, aligning core HR processes and activities with the new requirements of competing globally while simultaneously responding to local issues and requirements is another challenge for IHRM (Briscoe, Schuler, & Claus, 2009). One of the key issues facing IHRM today is managing the diversified workforce in the global context consistent with the strategy and mission of the organization. The concept of Diversity Management (DM) is increasingly promoted as a strategic people management technique which will enhance organizational competitiveness (Cooke & Saini, 2010). Today, workforce diversity is a global workplace and marketplace topic. Any successful business must have a borderless view and an unyielding commitment to ensure that workforce diversity is part of its day-to-day business conduct (Childs, 2005).

The impact of cultural diversity varies with the type of environment and firm's overall strategy. As more firms move from domestic, multi-domestic, multinational strategies to operate as a truly global firm, the significance and impact of cultural diversity increases markedly. Diversity includes all groups of people at all levels in a company and requires an organizational culture in which each employee can pursue his or her career aspirations without being inhibited by gender, nationality, race, religion, or other factors which are irrelevant to performance (Kautish, 2012). Diversity not only involves how people perceive themselves, but also how they perceive others. Those perceptions affect their interactions. Successful organizations recognize the need for immediate action and are ready and willing to spend resources on managing diversity in the workplace now (Uma, 2011). In this chapter, the concept of international HRM and workforce diversity will be explained, and then diversity management and the role of HRM on managing diversity will be investigated in the context of HRM functions in global organizations.

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