**Human Capital Management - Challenges in a Globalized Economy**

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**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 not only focus on traditional functions such as recruitment and selection, training and development, and compensation, but also an increasing interaction of national eco-nomic systems all over the world through the growth in international trade, investment, and capital flows. This interaction is a worldwide drive towards globalization and a globalized economic system. Globalization, an inevitable and irreversible force is a new reality in which HR practitioners, enterprises and government are always on the lookout for 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.

**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 profitability. The more investment that is made in employees in the context of training, empowerment and growth opportunities, 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.

**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. Implementing management techniques that optimize the productivity of their existing workers. Human capital is most certainly an intangible asset. Like any other asset, human capital has the ability to 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 refuses 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.

**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. Handling the virtual workforce is quite a big task to accomplish. There is a big difference between physical office spaces and virtual office spaces. Teams have to put extra efforts to maintain a professional relation virtual and make sure the communication is 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. Due to globalization, the workforce has become more diverse. Human resource leaders face a challenge when dealing with a heterogeneous team. Having a diverse workforce will have multi fold implications for management. 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 understand the differences between work from local office and remote resources. HR department should implement practices that unite the workforce to enhance creativity, productivity, and efficiency. 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 biggest problem or challenge is to attract the right candidate to join the company, develop, and retain employees that have the required skillsets to execute 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 need to acquaint themselves with immigration laws to hire resources from other countries. HR software solutions reduce the gap between the talent and the talent system.
4. **Conflicts of Interest:** When companies have a global presence, integration of different markets will be a challenge. The local market also changes and differs from state to state. When it comes to the world market, resources belonging to different nations will have their interest that impacts the business goals.

**Challenges for HR Department**

1. **Adapting to Change:** 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. During all of this hustle and bustle, it is a challenge to concentrate on setting up a high work culture and sustain a positive work environment.
3. **Formulating Right Ethics and Values:** Ethics and Values plays a pivotal role in any business’s success. A diverse workforce ensures in bringing people from different backgrounds together. It is a challenge to align employees from different backgrounds, cultures under one umbrella which has to be aligned with the Company’s vision, mission and goals. The best way to achieve is to set the best practices thus achieving the company’s purpose & objectives.
4. **Maintaining Low Attrition:** Every organization strives to sustain/keep the attrition rate low. Company’s invests a lot of time and money to hire and train the right people 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 individua 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 vying with their competitors for the same market. share, products, clients. It also has increased 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 accordingly and restructure the workforce effectively. It is a thus essential for 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 can choose managers from different departments for the mentor program to train and give feedback to employees from different backgrounds.
9. **Strategic Deployment of Talent:** More and more organizations are entering the global market. 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 deployment of diverse talents to analyze and succeed 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 to 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. It 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 critical key 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. can motivate employees like nothing else. Companies should reward the best performers and also announce it to the entire company which boosts 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.

**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. Although reasons for the shortage vary between geographies, many cite the changing expectations of would-be employees following the pandemic, along with country-specific policy changes.  In the UK for example, resourcing teams are feeling the effects of Brexit as far fewer overseas workers are willing or able to travel to Britain due to the new immigration rules.  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. Recruiters have to constantly struggle to find candidates 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.  Companies who have businesses across counties, it is very important for them to strategize and find new ways to both attract new talent with the requisite skills and to retrain and upskill current employees in order to futureproof 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. It also comes with significant risk as expatriate failure rates remain high, with expats sent to emerging economies experiencing higher rates of failure than those relocating to developed countries. As common reasons for failure include culture shock, not comfortable in new location, food habits, isolation, language barrier and domestic issues (e.g., children or spouses struggling to settle in the host country), international HR managers must devise a comprehensive expatriate strategy that mitigates these problems.   So, there should be solutions to include candidate selection process that prioritizes those with a global mindset, organizing relevant cross-cultural and local market training, and implementing a support system for employees while they’re abroad, as well as paying attention to the repatriation process – a neglected yet invaluable aspect of the expatriation experience.
3. **Localization vs. standardization of HR practices:** One of the biggest issues facing multinational corporations is the tension between standardization versus localization. And for HR professionals, this means trying to strike a balance between promoting global values while recognizing the need to adapt certain HR practices and policies to local markets, cultures, and institutions.  Let’s take employee benefits as an example. While policies like shared parental leave might be viewed favorably in some cultures, in others where men are unlikely to take it, it wouldn’t make sense to offer this as a ‘perk’. International HR teams might therefore wish to tailor benefits packages per country in line with local market norms.   With globalization on the rise across industries, HR professionals should develop a 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:** Linked to the localization versus standardization dilemma, establishing and maintaining one overarching ethical code across various jurisdictions remains one of the key challenges of International HRM.   We know organizations with strong ethical track records are viewed as desirable places to work (and increasingly so by millennial and Gen-Z generations). Promoting a global code of conduct and set of values is therefore an important strategy to attract and retain talent. However, there can often be conflicts between the ethics of the parent company in one country and the laws and practices of the host countries. For example, while western companies have stringent laws against the use of child labour, they might also have factories in countries overseas where this is permitted.  International HR managers must therefore work with senior leaders to define an organization’s ethical code and consider how to promote consistent behavioral standards across international offices irrespective of varying laws.
5. **The evolution of digital HRM:** Digital HR, including digital platforms, tools, and cloud-based technologies, is increasingly used to automate daily processes and acquire data to create predictive models for better strategic decision-making.  While there are numerous benefits to the rise of digital HR, including increased productivity and efficiency, it can also pose several challenges to HR line managers who must engage with these systems, as well as the workers. Perhaps most obviously, increased automation raises the eventual likelihood of job losses for those in administrative roles. HR departments must therefore consider the role of technology in shaping the future of work and aim to upskill or retrain employees to avoid redundancies. In addition, the skills shortage we’ve touched on affects HR as well, with businesses increasingly struggling to find people with the relevant expertise needed to interpret and make strategic use of the data gathered.

Finally, international HR professionals must find a way to accurately measure HR metrics across different countries. After all, what may be understood as employee engagement in one culture could be entirely different in another. An ability to scrutinize and interpret data through varying cultural lenses is therefore highly important for those reporting through digital platforms.

Globalization has also significantly impacted the field of HRM. One of the major ways in which globalization has impacted HRM is through the increasing diversity of the workforce.

As companies expand their operations globally and tap into diverse talent pools, HR professionals must be prepared to manage and support a workforce that is culturally and linguistically diverse. This requires HR professionals to have a deep understanding of cultural differences and the ability to adapt HR practices to meet the needs of a diverse workforce.

The role of HR professionals has also changed with globalization. As companies expand into new markets and face new challenges, HR professionals must be strategic thinkers who can help organizations navigate the complexities of a global business environment. A critical thinking writing service helps professionals develop strategic thinking. This will allow staff enter new markets more easily. This includes developing and implementing HR policies and practices that are consistent with the company's global operations, as well as managing cross-cultural communication and conflict resolution.

In addition to increasing diversity and changing the role of HRM, globalization has also led to the standardization of HR practices. As companies expand globally, they often adopt HR practices that are consistent with their operations in other countries. This can include standardizing compensation and benefits packages, as well as implementing global performance management and training and development systems.

Overall, globalization has had a significant impact on HRM, requiring HR professionals to adapt & adopt to a diverse and rapidly changing business environment. HR professionals must be proactive and strategic in their approach to managing a global workforce and ensuring that HR practices are consistent with the company's global operations.

**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. With the use of online job boards and social media platforms, HR professionals are able to recruit candidates from around the world. This allows companies to tap into a diverse talent pool and find the best candidates for open positions, regardless of their location.

Usage of advanced technology has improved efficiency and effectiveness. HR professionals are automating many of their routine transactional tasks and responsibilities by using human resource information systems (HRIS) and other HR technology tools, thereby freeing up time and resources to focus on more strategic HR initiatives.

Digitization of various employee details is another added advantage; Large amounts of employee data are now stored using cloud computing in centralized locations. Accessing, tracking and using required data of employees as required if far easier. HR professionals who effectively utilize these developments will be successful in a changing business environment.

**Challenges of Technology and Globalization in Human Resources**

Technology and globalization have brought many benefits to HRM, but they have also presented challenges that HR professionals must address. These challenges include the potential for cultural misunderstandings and conflicts, as well as the risk of job loss or reduced job opportunities for HR professionals in developed countries due to the adoption of HR technology tools and outsourcing of HR tasks to countries with lower labor costs. To succeed in an increasingly complex and rapidly changing business environment, HR professionals must be able to effectively manage cultural differences and adapt to and adopt technological and global developments.

**Conclusion**

In conclusion, technology has streamlined and automated many HR processes, changing the nature of HR resources. 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 impacted HRM, increasing workforce diversity and changing HR professionals' roles.

These technological and global developments have brought many advantages to HRM, but they have also presented several challenges for HR professionals. Therefore, it is important for HR professionals to adapt to these changes and develop new skills in order to take on more strategic roles within their organizations.

Thus, there is also a constant need to keeping abreast with knowledge and learn the various technologies, tools that come into the market. Also, to learn and have a deep understanding of cultural differences and intercultural communication. By doing so, 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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