Business Risks, Business Strategies, HRM and De-Globalization

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Abstract
Globalization is regarded as an overwhelming tendency which can bring about great benefits and freedom to nowadays market. However, de-globalization was addressed by many writers since the world is full of uncertainty and unpredictable changes. HR, as a strategic tool for multinational firms, should play an active role in the preparation for the possible coming de-globalization. HR should be active to improve its strategy, policies, and practices to guarantee the competency of company in this changeable environment.

Keywords: De-globalization, Human resource management, Uncertainty, Workforce shortage

1. Current tendency of de-globalization in the world
Globalization, which can be a tendency of increasing deep interrelationship among countries, companies and individuals, has largely been due to worldwide economic development and the opening of domestic markets to foreign firms (Eisenhardt, 2002). Multinational firms, on the one hand, were appeared with this cross-border relationship (Eisenhardt, 2002). Furthermore, globalization was featured as liberalisation, internationalism, open, boundless, international cooperation and tariff-free (McVeigh, 1999; Demirdjian, 2005), so, many multinational companies construct their strategies base on the assumption that the future will bring more opening of national markets, more cross-border capital flows, and more international cooperation (Allen & Raynor, 2004). However, recent happenings evoke the reality that the world is becoming more and more uncertain and unpredictable by the emergence of international conflicts (Thompson, 2002), protectionism (Peters, 2001; Mcveigh, 1999)) and nationalism (Annan, 1999), which can be regarded as de-globalisation and can made multinational organization to devise its strategy from different aspects (Allen & Raynor, 2004).

So, this paper aims to discuss the HR implication in responding to the organizational strategic change facing the possible coming de-globalization, since HR policies and practices which are consistent with the firm’s strategy (strategic human resource management) are more effective (Michie & Sheehan, 2005). This paper mainly introduces the two risks would bring about by de-globalization, they are uncertain business environment and the workforce shortage. In addressing the strategic adjustment by de-globalization, both risks are examined individually. So, the following part demonstrates that organizational agility is the vital to deal with the business environmental uncertainty, which demands strategic flexibility and organizational learning ability. HR should help organization to achieve those objects by selecting flexible leader, forming competitive human capital and team work, and building flexible organizational structure and culture, so, effective hiring, training, compensation and other practices should be implemented in the organization now. Risk two is workforce shortage which demands organization strategy to address the staffing issue and the adoption of flexible work patterns. HR can do great contribution to this achievement by using flexible work contracts and using contingent mature workforce, thus core-periphery employment model can be used, knowledge workers should be attracted, motivated and retained by appropriate HR practices, and utilization of mature workforce can lessen the pressure from workforce shortage. Finally, this paper concludes the main arguments and offers the future research direction.

2. The introduction of the two business risks de-globalisation pose
At the time when de-globalization comes, nationalism, protectionism and international conflicts would become quite common (Allen & Raynor, 2004), international economic flows, which include goods and services flow, such as export
and import; labor or people flow, such as inward or outward direct investment, and technology flow, such as the transfer of developed knowledge from country to country, would become difficult to achieve (Wikipedia, 2007). The freedom of international trade would be curtailed by proliferating tariff, duties, exchange controls, foreign ownership limits, and other restrictions, and key industries of some countries would be dominated by national enterprise (Allen & Raynor, 2004). The conflicts among countries would make it more difficult for foreign investment, and cross border cooperation (Allen & Raynor, 2004). Although de-globalization is just a possible outcome, those unstable, unpredictable and unreliable conditions can lead to the uncertain business environment (Allen & Raynor, 2004), which is the risk most companies need to face in the future. Furthermore, with the disclosure of de-globalization, the rough business restriction and regulation would make it more difficult to move workforce from one country to another, especially for the key people who hold the competitive skills and knowledge which are vital for the organizational performance (Allen & Raynor, 2004). So, the second risk this paper discusses is the workforce shortage, especially for the knowledge workers. Although de-globalization is only a possibility, organizations, especially the multinational corporations, should forecast those risks, and adjust their business strategies to better cope with those challenges and adapt to the changeable environment.

3. The match between business strategy and HR strategy

“Best fit” strategic HRM approach argues that to be effective, HR policies must be consistent with other aspects of the firm, and the most significant contingency factors is business strategy (Boxall & Purcell, 2003; Michie & Sheehan, 2005). Human resource policies and practices must be consistent with the strategy being implemented and business performance will be improved when there is fit between business strategy and HR policies (Michie & Sheehan, 2005).

Business success depends significant on the formulation and implementation of viable strategies (Pun et al., 2000). Strategy formulation is concerned with the definition of company mission and objectives, the assessment of internal and external environments and the determination of strategic choices (Singh, Garg & Deshmukh, 2005). If de-globalization become a reality, trade and investment barriers would be raised for the international enterprises, it is emergent for companies to adjust business strategies to better deal with those changes (Allen & Raynor, 2004). HR, as a significant part either for strategic planning or implementation, should play a major role in strategic management and achievement (Boxall & Purcell, 2003). Well-organized HRM practices are a prerequisite for a successful business strategy (Boxall & Purcell, 2003; Michie & Sheehan, 2005). HRM plays a pivotal role in redefining new strategies so that they can suit the changing environment (Som, 2006) and HR professionals must become key players in the design, development, and delivery of a company’s strategy (Ulrich, 1998).

4. Risk one: uncertain business environment

The first risk which could be brought about by de-globalization is uncertainty business environment (Allen & Raynor, 2004), which was detailed by Singh, Garg and Deshmukh (2005) as customer uncertainty, supplier uncertainty, technological uncertainty, product uncertainty and competition uncertainty. The nature of uncertain business environment requires a continuous rethinking of current strategic actions, organization structure, communication systems, corporate culture, asset deployment, investment strategies, in short every aspect of a firm’s operation and long-term health (Hitt, Keats, & DeMaiie, 1998). Organizational decision makers should be equipped with the knowledge of the probabilities associated with a set of possible outcomes, even though they do not know exactly which outcome will occur (Forbes, 2007), as well as the task of creating a balance between the stability which is necessary to allow development of strategic planning and decision processes and instability that allows continuous change and adaptation to a dynamic environment (Hitt, Keats, & DeMaiie, 1998).

4.1 Strategic implication ----- Organizational Agility (strategic flexibility and learning ability)

Strategic management should help a company stay learning and flexible to face uncertain and unpredictable changes, which demand the formation of organizational agility. Generally, agility is the ability of a firm to face and adapt proficiently in a continuously changing and unpredictable business environment (Kassim & Zain, 2004). Companies with agility should become a learning organization with business strategic flexibility (Boxall & Purcell, 2003).

Strategic flexibility is the capability of the firm to proactive react or quickly respond to changing competitive conditions and thereby develop and/or maintain competitive advantage (Hitt, Keats, & DeMaiie, 1998). In such a dynamic environment, organizations that are able to continually build new strategic assets faster, simpler, cheaper and more flexible than those of their competitors will create long-term competitive advantage (Eisenhardt, 2002).

Learning ability means companies are able to innovate and assimilate new knowledge, and take different approaches about operation business, which can make them obtain more competitive advantages in uncertain environment (Susana Pérez López, Peón & Ordás, 2006), While in the learning process, individuals play a vital role in transforming, generating and applying knowledge (Soliman & Spooner, 2000). Organizational strategy, from this perspective, should view people as their most important resource for business performance.
4.2 Implications for HR planning

There are a number of implications for HR to help firms achieve strategic flexibility and learning ability. First, developing strategic leaders who are flexible, able to respond quickly to change and with strong learning ability, since leadership has direct effects on a firm’s strategic choice and competitive advantage (Hitt, Keats, & DeMaiie, 1998); secondly, developing dynamic core competences (Tidd, 1997), which should focus on building human capital which can effectively use knowledge and skills (Chaston & Mangles, 1997); Thirdly, forming team or group work to encourage risk taking and get more knowledge transformation and flow; Finally, building new organization structures and culture which are welcome flexibility and changes (Sushil, 2000).

4.3 Suggestion to HR practices

There are a number of HR activities that are particularly relevant to the promotion of organizational strategic flexibility and learning ability.

4.3.1 Selective Hiring

Effective hiring activity should be put on organizational leaders who are equipped with the knowledge about the business environment, the skill to analyse the may coming changes and the ability to responding quickly to those changes (Forbes, 2007). Organizations need to recruit and select professionals who can comprehend a complex organization structure and the requirements of a company in a dynamic business environment (Bartlett & Ghoshal, 2002). Also, they need to attract new employees who will contribute to the learning of the company through their abilities and values (Armstrong, 1995). Where organizations have identified a particular need or a gap in expertise, recruitment schemes can target new employees to fit such requirements (Susana Pérez López, Peón & Ordás, 2006).

4.3.2 Training

Organization should cultivate employees with the leadership potential for better prepare of the strategic flexibility demands and environment uncertainty. Also, training should develop people who are capable of absorbing internal and external information and turning it into useful organizational knowledge (Susana Pérez López et al., 2006). So, training programmes should not be conceived solely in terms of skill construction that implies immediate improvements in the carrying out of tasks, but should rather be analysed from a wider viewpoint (Gomez et al., 2004). Training also should be orientated towards developing a culture of flexibility and learning, and show employees and managers how their daily job, management framework and knowledge are linked to the company’s strategy.

4.3.3 Compensation

In order to achieve strategic flexibility, reward and incentives should reinforce a risk-taking attitude in order to promote creativity in daily problem solving (Ulrich, 1998; Yahya & Goh, 2002). They should also stimulate knowledge exchange and sharing among organization (Yahya & Goh, 2002). Since the number of team-based activities is increasing, Group-based incentives, rather than individual rewards, should be implemented to reinforce cooperation between members, improving the dissemination, transfer and integration of knowledge (Susana Pérez et al., 2006).

4.3.4 Other practices

Some other HR policies and practices all should be involved, such as the flexible work design, which can attract and retain valuable workforce, so HR department should offer employees fluid job assignments rather than fixed jobs or positions (Dyer & Shafer, 1999). Furthermore, effective communication channels should be built to guarantee employees’ voice and performance feedback (Dyer & Shafer, 1999). Also, employees’ career development and work-life balance all should be considered by HRM.

5. Risk two----- workforce shortage

De-globalization, accompanied with the difficulties for organizational outsourcing (Allen & Raynor, 2004), will pose workforce shortage on some countries which are significant rely on migrants to take knowledgeable and skilled work, such as Australia (Patrickson & Hartmann, 2001), American (Konrad & Deckop, 2001) or Canada (Belout, Dolan & Saba, 2001), especially put barriers on the employment of IT workers and nurses (Patrickson & Hartmann, 2001). For example, forty percent of Australians are either themselves migrants or else children of migrants and almost one sixth speak a language other than English at home (Patrickson & Hartmann, 2001). So, how organizations in those countries deal with the possible workforce shortage?

5.1 Implication for business strategy ----- staffing and flexible employment

These challenges might lead organizational decision makers recognize staffing as a key strategic opportunity for enhancing competitive advantage (Ployhart, 2007). Because talent is rare, valuable, difficult to imitate, and hard to substitute, organizations that better attract, select, and retain this talent should outperform those that do not (Barney & Wright, 1998). Staffing is broadly defined as the process of attracting, selecting, and retaining competent individuals to achieve organizational goals (Ployhart, 2007). Furthermore, in order to attract the potential workers in facing the fierce
workforce competition, fostering favourable employer brand image should be addressed by organizational strategy since it can influence both applicant and organizational-level recruiting outcome (Collins & Stevens, 2002). Employer brand image offers a way for organizations to differentiate themselves among applicants, even when they cannot compete in terms of location or wages (Collins & Stevens, 2002; Ployhart, 2007). Finally, organizational strategy should develop the flexible employment patterns to get more workforce utilization from the domestic labour market.

5.2 Implication for HR

HR managers in those countries should respond to labour shortages by stepping up effective HR policies in attracting and retaining valuable workforce as well as establishing excellent employer brand. As for the adoption of flexible employment patterns, HR professionals can utilize workforce by using variations in employment contract, in work content, in working hours, in working location, in work structures or in the working environment (Hartmann & Patrickson, 2000). Furthermore, one potential solution is to the incorporate contingent older workers into an integrated strategic human resource planning by new career management design (Shultz, 2001).

5.3 Suggestion to HR practices

Flexible work patterns are regarded as the key to efficient and effective utilisation of the available human resources (Holland & Deery, 2005) since labour can be matched ever more closely to the work requirement (Brewster, Mayne, Valverde & Kabst, 1997).

5.3.1 The adoption of flexible employment pattern

HR can help organization to meet the challenge of workforce shortage by using core-periphery workforce. According to Core-periphery employment model (see figure 1), the core workforce is characterised by permanent, highly skilled employees with internal career path, while peripheral workforce is associated with the organizational sectors that is undertaking day-to-day activities (Atkinson, 1984, cited in Holland & Deery, 2005), furthermore, the core or peripheral workforce needs supplementing the secondary peripheral workforce accommodate this through part-time, temporary work or subcontracting with minimal organizational commitment or disruption (Atkinson, 1984, cited in Holland & Deery, 2005). This model is to closely match organizational (Labour) resources with work demands, increasing the efficiency of the organization and dampening the effects of market volatility and uncertainty, thus increasing organizational effectiveness (Boxall & Purcell, 2003).

Those flexible employment patterns demands HR’s considerate planning to ensure these work moulds are used and maintained to their full potential, to balance the changing requirements quickly with minimal disruption (Holland & Deery, 2005). Where an organization is seeking to develop internal flexibility, significant and long-term investment in ongoing training and development should be implemented in order to create and maintain the required skills, knowledge and expertise (Holland & Deery, 2005). For the core workforce, since they hold competitive skills and knowledge for organizational strength, HR should put emphasis on their retention and motivation. Also, with the tendency of the adoption of flexible work pattern, HR need to find new ways of involving and motivating the increasing number of part-timers, freelancers, contract workers and temporary staff who work on their premises (Bowers & Akhlaghi, 1999).

From this perspective, HR should offer certain amount of training and development opportunities for peripheral workers, especially those who have the potential to be a skill or knowledge holders. Furthermore, HR needs to develop a pool of subcontractors or part-time employees who are available as and when required to maximise utilisation and organizational resources.

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Figure 1. the flexible work pattern
HR is needed to determine the types of knowledge and skills needed in the workforce to carry out the firm's strategy, identify hiring and training needs, and align the performance management system with strategic goals (Konrad & Deckop, 2001). If the external outsourcing can not work, HR can still get the solution from domestic market. Such as internal talent development by special assignments; job rotation and action learning; hiring talent from other agents such as consultants and freelance contract workers; and contractually binding the most desired and talented employees to the organisation (Ulrich, 1998).

5.3.2 Attract, motivate and retain competitive workers

In order to attract valuable workforce, a compensation package that may include a sign-on bonus and funded further studies could be offered by organization (Horwitz, Heng & Quazi, 2003). As for the recruitment, HR can use head hunters, targeted advertisements and on-campus recruitment, focusing on those who has the potential for development and are seen to fit into the organizational culture easily (Horwitz, Heng & Quazi, 2003). HR managers should guarantee the recruitment practices provide details about the job and organization; selects and trains recruiters, treats applicants with fairness and respect, uses job-related procedures and explains the purpose of the selection process (Ployhart, 2007). Furthermore, using Web sites which are aesthetically pleasing and easy to use can get benefits from Internet recruitment (Ployhart, 2007).

As for the motivation and retention of those workers, the most effective strategies are offering them the satisfying compensation, a challenging work environment, the opportunities to develop in specialist, the freedom to plan work, and the encouragement from top management (Horwitz, Heng & Quazi, 2003; Thompson & Heron, 2002). So, HR needs to appropriate design the job to offer them more autonomy and freedom. The good communication between HR and top management also need to be established, by which HR can suggest top management give more support to those workers. The challenge work assignment should be offered to fulfil their demands for individual and career development. Other practices include willingness to share gains, effective communications, and individual consideration by respecting the dignity of the individual, providing enabling resources and enabling employees to acquire skills to increase their employability in both internal and external labour markets (Ulrich, 1998).

5.3.3 The utilization of mature workforce

HR can solve the workforce shortage by utilization the mature workforce. Many mature workers who have organizational demanded work experiences, skills and knowledge, are continuing to exit the labour market earlier and earlier (Shultz, 2001). HR could implement new career management policies for mature workers to utilize their knowledge, skills and experiences, as well as get the meet the challenge of workforce shortage.

Hence, the flexible management and programs that would help ease mature workers into retirement are needed. For example, the use of phased or partial retirements would likely ease the transition to retirement. In addition, retirees could be on a call back management or serve as consultants to their previous organization (Shultz, 2001). Other possibilities include flexitime or seasonal work when the employers demand the highest (Shultz, 2001). Part-time and job sharing options world also be desirable to many workers nearing or at retirement age. Mentor program can be designed by mature workers share one job with younger employees, by which to guarantee the knowledge and skill transfer from old employees to new employees.

6. Conclusion and future trends

Although de-globalization is only a possibility, companies, especially those with substantial business dealings around the world, should prepare themselves for the risks would bring about by de-globalization (Allen & Raynor, 2004). Constrained by words limitation, this paper only discussed two risks: uncertain business environment and workforce shortage. Business strategy should be adopted to meet those challenges and to satisfy the outside demands. HRM policies and practices, as a vital factor for strategic success, should be consistent with the business strategy in the planning and implementation process. So, in order to meet the challenge of uncertain business environment which requires the strategic flexibility and organizational learning ability, HR practices, including selection, training, compensation, and others, needs to satisfy those demands, to cultivate leadership which welcome flexibility, to form team work, and to build the flexible organizational structure and culture. For the workforce shortage, business strategy needs to address the staff and flexible employment issues, HR can assist those strategic achievements by the appropriate flexible work design, the effective practices to attract, motivate and retain valuable workforce, and the utilization of mature workers. In all, the successful adoption of business strategy requires HRM’s just in time changes, cooperation and assistances, and HRM can made companies better adapt to the possible challenges of de-globalization.

7. Future research trends

There are pool of literatures examine the globalization and its effects on companies, while only dearth of papers observe the relationship between organizational strategy and de-globalization. So, the future research could put emphasis on the strategic adaptation in responding to the unpredictable and uncontrollable environment, and the organizational agility and resiliency building, by which to make more contribution to organizational health cultivation and development.
Furthermore, restricted by words limitation, only two risks are examined in this paper. While there are many other risks would bring about by de-globalization, such as international conflicts, terrorism and protectionism which also would make business strategic adoption. So, more researches are needed to discuss those issues and positive organizational reaction to those risks. Finally, this paper choose “best fit” approach to discuss the relationship between business strategy and HRM, the future study can examine the relationship between HRM and organizational performance in the possible context of de-globalization, such as using “best practice” approach.

References


