

Impact of Globalization on Human Resource Practices in a Manufacturing Firm in Nigeria

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ABSTRACT

Globalization challenges firms to become more streamlined and efficient while simultaneously extending the geographical reach of their operations. It has brought about dramatic changes to business practice around the world. This study examined the impact of globalization on human resource practice in Nigerian manufacturing firms. Enterprises driven by market pressures need to include in their goals improved quality and productivity, greater flexibility, continuous innovation, and the ability to respond rapidly to market needs and demands. Effective human resource practice is vital for the attainment of these objectives. The objectives of this study were to examine whether there would be a significant relationship between global market opportunities and human resource practice and also whether global market opportunities, global market uncertainty and global competitive threat were predictors of human resource practice. The study was also carried out to determine whether there would be a significant difference between global competitive threat and human resource practice. A survey design was adopted and data was collected from one hundred and fifty subjects from Bond Chemicals, Oyo. The findings of the study revealed that there was a significant relationship between global market opportunities and human resource practice. The result indicated that global market opportunities, global market uncertainty and global competitive threat were predictors of human resource practice. The result also revealed that there was a significant difference between global competitive threat and human resource practice. Based on the results obtained from the study, it was recommended among others that manufacturing firms and indeed all organizations should take cognizance of global market opportunities, global market uncertainty and global competitive threat most especially as they affect human resource practice.

Keywords: globalization, global market opportunities, global market uncertainty, global competitive threat, and human resource practice

Introduction

Globalization refers to an increasing level of interdependence among the countries by a number of ways like free flow goods and services, free movement of labor, different sectoral and political openness, military alliances, etc. (Fazlul, Mohammad and Faud, 2010). It is a buzzword in today's world, yet the degree to which different countries around the world should become integrated remains a matter of controversy. With the advent of Globalization, the developing countries have taken a number of structural adjustments and different measures to achieve competitiveness, efficiency in resource allocation and development of human resources. Human resources are the catalyst of development for a country and the government of a country should lay high emphasis for the development of its human resources.

Globalization, as it has emerged in the 21st century, poses distinctive HRM challenges to businesses especially those operating across national boundaries as multinational or global enterprises. Global business is characterized by the free flow of human and financial resources especially in the developed economies of European Union (EU), the North American Free Trade Agreement (NAFTA), other regional groupings such as the Association of South East Asian Nations (ASEAN), the Economic Community of West African States (ECOWAS), the Southern African Development Community, etc. These developments are opening up new markets in a way that was never witnessed before. This accentuates the need to manage human resource practice effectively to gain competitive advantage in the

global market place. To achieve this, organizations require an understanding of the factors that can determine the efficacy of various human resource practices and approaches.

In the global competition within the flat and connected new world, decision making in organizations has become increasingly intricate and convoluted. The new global world has widened the talent pool for excellent and marginal workers, and for permanent and fluid workers. An organization's talent can be a source for a sustained competitive advantage and can affect important organizational outcomes such as survival, profitability, customer satisfaction level, and employee performance (Pfeffer, 1994; Prahalad, 1983). Human resources need to take advantage of technology and data analytics to build a global human resource information system that collects and stores data from various sources. The system will help to analyze the data to provide business insights, predict future needs and develop strategies to fill those needs. Companies with the ability to foresee and sustainably manage their workforce needs – especially for high skills – will gain the decisive competitive advantage (World Economic Forum, 2010a).

Now, more than ever, organizations need to place greater emphasis on attracting human capital rather than financial capital. Because capital is broadly available from investors and lenders, and innovations can be duplicated relatively easily and quickly, effective human resource management is the best way to differentiate one company from another. Global staffing and global leadership development are the two components of global human resources with the greatest potential for powerful leverage for global firms (Pucik, 1996). Globalization is increasingly adding one more thing to low-cost labor and high-power technology: unfettered imagination—that is, high innovative and creative capabilities (Friedman, 2005). The role of human resource is to implement the necessary organizational strategies with sensitivity to specific cultural influences (Pucik, 1996). Being at the center of globalization, multinational organizations and manufacturing firms need to learn to integrate diverse value systems and espouse shared global work values to create an environment, where workers are able to communicate and coordinate their activities to reach common goals (Rosenblatt, 2011). Human resources must play new roles and responsibilities in leading the organization in uncharted waters of globalization. The overall purpose of human resource practice is to ensure that the organization is able to achieve success through people (Armstrong, 2000).

Modern day organizations are in quest of gaining competitive advantage over their competitors and the belief is emerging that human resources are those strategic assets that can launch an organization into added value over their competitors.

The objective of this paper therefore is to critically examine the influence of globalization as measured by global market opportunities, global market uncertainty, and global competitive threat on human resource practice in the Nigerian manufacturing firms.

Hypotheses

Three hypotheses were tested in this study.

- 1.) There will be a significant relationship between global market opportunities and human resource practice.
- 2.) Global market opportunities, global market uncertainty and global competitive threat will jointly and independently predict human resource practice.
- 3.) There will be a significant difference between global competitive threat and human resource practice.

Literature Review and Theoretical Framework

Globalization 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, 2005) Globalization 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 globalization. (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). Globalization is considered to exist 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 organizations, and on how they should be managed. (Sparrow et al 2004). With globalization, the whole world has become a nearby arena for all players to showcase their prowess in product packaging and service delivery. Nations are continually testing their strengths in the harnessing of resources; companies are flexing their productivity muscles across borders while

households and individuals are enthralled by the myriad of options and opportunities that the market offers to them as consumers, producers and investors. Globalization is crucial to understanding international political economy for its direct attention to fundamental changes. The manifestations of globalizations include the spatial reorganization of production, the interpenetration of industries across borders, the spread of financial markets, the diffusion of identical consumer goods to distant countries, massive transfer of population within continent regions as well as from one continent to another, resultant conflicts between immigrant and established communities in formerly tight-knit neighborhoods and an emerging worldwide preference for democracy.

The forces of globalization, 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 (Faugoo,2009). Globalization 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). In order to meet some of the challenges posed by intense competition, organizations have been downsized, delayed, decentralized and are less hierarchical in nature. These changes have subsequently lead to many developments in human resource practice, as employers have to cope with the challenges posed by a competitive global economic environment.(Redman et al 2001). Firms 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).Organizations and institutions are increasingly realizing the importance of human competitiveness as essential to organizational survival and economic progress.

There is also a growing belief that if organizations have to survive and thrive in a global 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 resource based view (RBV) perspective of Strategic Human Resource Management (SHRM), which states that employee knowledge, skills, talents and know-how are the central source of organizational 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 organizational 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 organization'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 organizational 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 organization, which will enable an organization 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 organizational capability. In the same vein, organizations are increasingly relying on 'HRC' Human Resource Capabilities' to cope with the challenges posed by globalization and rapid change. H.R. capabilities are the routines embedded in the tacit and implicit knowledge of the members of an organization 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 organization'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 organizational 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. The *resource-based theory of the firm* blends concepts from Organizational Economics and Strategic Management. This theory holds that a firm's resources are key determinants of its competitive

advantage, which can only be built by creating a distinctive value that is inimitable for competitors. Traditional sources of competitive advantage such as financial and natural resources, technology, and economies of scale can be used to create value. However, present argument is that they are increasingly accessible and imitable to remain merely less significant in comparison to a complex social structure such as an employment system. In contrast, HR policies and practices alone may be an especially important source of sustained competitive advantage. Specifically, four empirically identified potential indicators for a firm's resources to generate competitive advantage are: value, rareness, immutability, and substitutability. In other words, to gain competitive advantage, the resources available to competing firms must be variable among competitors and they must be rare (not easily obtained). Three types of resources associated with organizations are (a) *physical* (plant, technology, equipment, and geographic location), (b) *human* (employees' experience and knowledge), and (c) *organizational* (structure, systems for planning, monitoring, and controlling activities; social relations within the organization and those between organization and external constituencies). To the extent they greatly influence an organization's human and organizational resources, HR practices can be used to gain competitive advantages.

Methodology

Research Design

The design for this study is a survey design with globalization as independent variable which was measured by global market opportunities, global market uncertainty and global competitive threat and human resource practice as dependent variable.

Subjects

The respondents of this study were one hundred and fifty employees of Bond Chemicals, Oyo who were selected using stratified random sampling technique.

Instruments

This study adopted questionnaire as an instrument for collecting data. Globalization which was a twenty-three item scale adopted from a scale developed by Thourunroje(2004) which has three sub-scales (global market opportunities, global market uncertainty and global competitive threat). A seven point Likert-type scale was used as the response format with assigned values ranging from 1 being "Strongly disagree" to 7 being "Strongly agree". The three sub scales of globalization had reliability coefficients of 0.92, 0.81 and 0.92 respectively. The scale on human resource practice was also a twenty-three item questionnaire adopted from a scale developed by Mansour (2011). A five point Likert-type scale was used as the response format with assigned values ranging from 1 being "Strongly disagree" to 5 being "Strongly agree". The scale had a reliability coefficient of 0.84. The scales were revalidated and the reliability values indicated 0.94, 0.83, 0.91 and 0.87 for global market opportunities, global competitive threat, global market uncertainty and human resource practice respectively.

Data Analysis

The biodata information was analysed using frequency counts and simple percentage. Hypothesis 1 was tested using Pearson's Correlation, hypothesis 2 was analysed using multiple regression while hypothesis 3 was analysed using t-test.

Results and Discussion

Demographical Variables

Table 1: Distribution of the respondents by Sex

Sex	Frequency	Percentage
Female	60	40.0
Male	90	60.0
Total	150	100.0

Field Survey, 2011

Table 1 shows that there are 90(60.0%) male respondents while their female counterparts are 60(40.0%).

Table 2: Distribution of the respondents by Marital Status

Marital Status	Frequency	Percentage
Married	81	54.0
Single	69	46.0
Total	150	100.0

Field Survey, 2011

81(54.0%) of the respondents are married and 69(46.0%) are single.

Table 3: Distribution of the respondents by Age

Age	Frequency	Percentage
<= 30 years	35	23.3
31-40 years	77	51.3
41+ years	38	25.4
Total	150	100.0

Field Survey, 2011

35(23.3%) of the respondents are about 30 years old, 77(51.3%) are of age range 31-40 years and 38(25.4%) is 41 years and above old respectively.

Table 4: Distribution of the respondents by Cadre

Sex	Frequency	Percentage
Management Staff	35	23.4
Senior Staff	75	50.0
Junior Staff	40	26.6
Total	150	100.0

Field Survey, 2011

Table 4 shows that there are 35(23.4%) management staff, 75(50%) senior staff and 40(26.6%) respondents are in the junior staff category.

Hypotheses Testing

H1: There will be a significant relationship between Global Market Opportunities and Human Resource Practice.

Table 5: Summary of Pearson Correlation showing the relationship between Global Market Opportunities and Human Resource Practice

Variable	Mean	Std. Dev.	N	R	P	Remark
Human Resource Practice	87.7533	15.7557	150	.008	.025	Sig.
Global Market Opportunities	66.3667	20.9417				

It is shown in the above table that there was a significant relationship between Global Market Opportunities and human resource practice ($r = .008$, $N = 150$, $P < .05$). The hypothesis is accepted.

H2: There will be a significant independent and *joint* effect of Global Market Opportunities, Global Competitive Threat and Global Market Uncertainty on Human Resource Practice.

Table 6: Summary of regression analysis showing Global Market Opportunities, Global Competitive Threat and Global Market Uncertainty on Human Resource Practice.

Variables	F-Ratio	Sig. of P	R	R ²	Adj. R ²	β	t	P
Global Market Opportunities	4.130	.008	.280	.078	.059	-.359	-2.693	.008
Global Competitive Threat						.312	3.054	.003
Global Market Uncertainty						.264	2.383	.018

The table above showed that the *linear combination* effect of Global Market Opportunities, Global Competitive Threat and Global Market Uncertainty on Human Resource Practice was significant ($F(3,146) = 4.130$; $R = .280$, $R^2 = .078$, $Adj. R^2 = .059$; $P < .05$). The independent variables jointly accounted for a variation of about 9%. The following shows the various *relative contributions* and levels of significance of the independent variables: Global Market Opportunities ($\beta = -.359$, $P < .05$), Global Competitive Threat ($\beta = .312$, $P < .05$) and Global Market Uncertainty ($\beta = .264$, $P < .05$).

H3: There will be a significant difference between Global Competitive Threat and Human Resource Practice

Table 7: Summary of t-test analysis showing significant difference between Global Competitive Threat and Human Resource Practice

Variable	N	Mean	Std. Dev.	Crit-t	Cal-t.	DF	P
Global Competitive Threat	150	23.4067	7.44113	1.96	48.497	149	.000
Human Resource Practice	150	87.7533	15.75566				

The above table showed that there was a significant difference between Global Competitive Threat and Human Resource Practice ($Crit-t = 1.96$, $Cal.t = 48.497$, $df = 149$, $P < .05$ level of significance). The hypothesis is therefore accepted.

Concluding Remarks

Globalization is an important strategic factor that influences organizations that compete for customers with high expectations for performance, quality, and low cost (Morrison,2005). Globalization drives people to change their ways of living, prompts firms to change their ways of conducting business, and, spurs nations to establish new national policies. In an increasingly borderless and globalised world, organization must be able to adapt and react proactively as well as rapidly to the demands and requirements of the changing environment in order to survive. In the case of the manufacturing firms, their main role will be to facilitate competition in an environment in which productivity and quality are important. At the macro level, the ability of the government to develop, utilize and allocate human resources effectively and efficiently is critical to enhance nation's competitiveness. At the organization level, the skill sets of the workforce, potential of the workers to be trained and retrained and their ability to adapt to new technologies and work procedures will help to shape the organization's competitive edge in this era of knowledge economy. The findings of the study revealed that there was a significant relationship between global market opportunities and human resource practice. The result indicated that global market opportunities, global market uncertainty and global competitive threat were predictors of human resource practice. The result also revealed that there was a significant difference between global competitive threat and human resource practice. Based on the results obtained from the study, it was recommended among others that manufacturing firms and indeed all organizations should take cognizance of global market opportunities, global market uncertainty and global competitive threat most especially as they affect human resource practice.

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