

## CHALLENGES OF HUMAN RESOURCES MANAGEMENT AT GLOBAL LEVEL

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**Abstract:** *In this paper we present the significance of human resources, as well as the challenges that managers face in respect of human resources management at the global level. We present the specific conditions of doing business at the global level and according to that we present the application of the adequate strategic decisions with the goal of adapting to those conditions. We also consider the significance of educational approach in respect of human resources at the global level and the application of modern technological achievement, with the goal of education and doing business in general at the level of an organization and wider.*

**Keywords:** *human resources, globalization, management.*

### 1. INTRODUCTION

Human resources represent a significant factor in competition of organizations at the global market. The potential of employees can be seen in their qualifications and competence, abilities of team work, communication skills, creativity and loyalty to organization. Globalization is inevitable considering the economic parameters which present the condition for success. Decisions of organizations to open new organizational units in other countries, even on other continents, represent the rational decision in respect of decreasing of basic business expenses. Companies that build the production facilities in low-cost countries have competitive advantage in relation to the companies that have production facilities in countries where the expenses are higher. The greatest competitive advantage belongs to the companies that do business in countries with low incomes such as China, India, Pakistan, Cambodia, Vietnam, Mexico, Brazil, Guatemala, Philippines and a few African states<sup>1</sup>.

Considering that the competitiveness is based upon quality, price, diversity, organizations have the imperative of having the best experts who will fulfill these conditions. Today the business systems are faced with exponential growth of knowledge, progressive worsening

<sup>1</sup> Thompson A. Arthur et all. Strategic management (Zagreb: Mate, 2008), 176

of the existing knowledge and fast innovation cycles, caused by the competition. In this way the managers and employees are forced to continually upgrade their knowledge and skills. Knowledge is the essential resource in turbulent circumstances of today and it also has a strategic role in efficient management of modern business systems<sup>2</sup>.

Human resources managers are faced with the challenge in respect of defining the real need for the staff, their hiring, implementation into work environment, care of their needs and rights etc. The greatest challenge of all mentioned is hiring the adequate experts, who will enable for the organization to be recognizable and successful in its field. The possibility of finding the employees for the business units at local and state level is not such a big problem, but it is a problem when an organization needs to find the employees for their units in other countries and continents. There are many obstacles in such circumstances: cultural, linguistic, political, social, ethical etc. Overcoming of these potential obstacles represents a true test of skills for human resources managers.

## 2. THEORETICAL FRAMEWORK

### Human resources

Human resources management has suffered significant changes during time. By the change in business circumstances, the methods applied in human resources management have also changed. In the conditions of global business, human resources management has a completely different approach to solving the current issues that organizations face. In such circumstances it is necessary to give a fast reply to the constant changes that are present at global level. Organizations that have appropriate staff capable to see and analyze specific changes at global level and suggest an adequate adaptation of organization's business, are considered to be successful organizations.

The most significant novelty in modern environment the human resources managers are faced with is concerned with the appropriate relation with the growing competition. The greatest challenge is the balance between the need for lowering the prices on one hand, which provoke the reduction in production expenses and keeping the optimal number of employees, in such circumstances, on the other hand<sup>3</sup>.

Human resources managers are faced with challenges set up by different markets where the organization is present. Every state has its own cultural, legal, political and business code different from others. Certain procedures and actions can be done in defined matrix, in the same structural respect, in all the countries in which that organization does business. However there are certain procedures that have to be adapted to specific conditions of some countries in which they are done. This is where the managers should show their creativity and adaptability, in respect of defining the specific plans as well as conducting those specific procedures. The strategies that organizations apply while competing at foreign markets have to be adjusted to the situation.

For human resources management in global companies the best solution is the standardization of procedures, which facilitates the mobility of employees from one country to another, as well as completely using the best experiences and best practice in that segment. Problems that can appear in the respect of standardization of procedures refer to various

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<sup>2</sup> Drašković Milan et al. "Intellectual capital – a competitive advantage of modern business systems" *International journal of economics and law*, Vol. 2, No. 4 (2012): 27

<sup>3</sup> Torrington Derek et al., *Human resources management*, (Belgrade: Data status, 2004), 19

tax rates between countries, different trainings and qualification system. Besides this the laws on employment are also different, which provokes the need to adjust, and in certain situations to completely change certain procedures within HRM. In some states the collective contracts are binding, while in other states they are a matter of conscience of an organization and their managers<sup>4</sup>.

Expanding of the activities of an organization outside the domestic borders represents the possibility for expanding the knowledge as well as professional capacities. The transfer of expertise, skills and means from one country to another contributes to expansion and deepening of expertise and skills, which has a consequence of long-term gain in respect of human resources. The examples of successful transfer of expertise and knowledge at the global level are organizations such as Whirlpool and Wal-Mart. World manufacturer of home appliances Whirlpool, with 14 production facilities and sales network that comprises 170 countries, uses Internet to create global platform of information technologies which enables the company to transfer key innovation from one region to another in a fast and efficient way. The example of successful transfer can be seen in Wal-Mart company, which slowly but strongly expands its operations by using the strategy which is based upon transfer of significant domestic professional knowledge from distribution and discount retail into its other divisions in other countries<sup>5</sup>.

Organizations have to set a balance between global and local human resources management. Often, in the area of human resources management, international strategy is applied with small applications of global philosophy of human resources. However, the application at the local level has to be different<sup>6</sup>.

European Union has certain standardization; however the differences in certain countries are obvious. Minimum number of non-work days which are obligatory by law goes from zero in Great Britain to five weeks a year in Luxemburg. In Italy there is no obligation for employees to have their representatives on the Management Board, while in Denmark it is obligatory for companies that have more than 30 employees; they have to have their representative in the Management Board<sup>7</sup>.

In the research conducted in eight large companies, researchers asked higher managers for international HRM, which are the key global challenges in human resources management that they face, that is, which their company will face in the future. They got three answers that explain main challenges:

Allocation – The ability to use the right skills without any problems, where they are necessary, regardless of geographical location.

Expanding of knowledge and innovation – Expanding of top knowledge and practice through entire organization, regardless of the origin.

Discovering and developing the talent at the global scale – Discovering the staff that can successfully work in an organization and developing their skills<sup>8</sup>.

One of the significant goals of human resources managers is education and informing the employees, in order for employees to use the accessible information to upgrade their performance. Regardless weather the performance is in respect of the higher performance

<sup>4</sup> Torrington Derek et all., Human resources management, 17

<sup>5</sup> Thompson A. Arthur et all. Strategic management (Zagreb: Mate, 2008), 187

<sup>6</sup> Marković Aca, Marković Ljiljana "New trends in human resources management" *International journal of economics and law*, Vol. 1, No. 1 (2011): 71

<sup>7</sup> Dessler Gary, Basics of human resources management, (Belgrade: Data status, 2007), 347

<sup>8</sup> Dessler Gary, Basics of human resources management, (Belgrade: Data status, 2007), 346-347

(quantitatively) or in respect of quality of the work done (qualitative performance), being informed would contribute to positive effect.

Managers of global organization faced the problem of informing and training their employees in various countries and at different continents. Development of information technologies enabled the free flow of realization of their ideas and programs, and also the higher performance of employees. One of the successful examples of facing the challenges of the global human resources management is the example of international group National Australia Bank Limited (NAB), which thanks to Brett Ellison, manager of global e-business of NAB, managed to connect 18000 employees in its divisions worldwide. Because of Ellison's suggestion NAB invested \$11 million in a portal, which supported various activities of human resources management by various applications<sup>9</sup>.

Organizations, which have potential in respect of innovation and knowledge expansion, represent leaders who are taking over the strategy of researches. They direct their energy towards finding and choosing creative experts, who can realize their talent at the highest possible level. Organizations give a significant financial support needed to gather the most modern tools, which will help the creative individuals to invent a product/service based upon which the organization will stand out in the market "game".

This strategy is applied by the organizations that keep introducing innovations in their area of business. They realize this because of capable staff to recognize the specificity of certain situations and trends which the organization is currently in, and based on those assessments apply the adequate strategy. Competitiveness can be seen in the ability of the researcher to keep innovating, developing and testing new products. Organization, which is able to develop new products, which are sought for and for which the consumers are ready to pay, has success guaranteed. The examples of the companies that conduct the strategy of researchers are Fox Broadcasting Network and MTV<sup>10</sup>.

### 3. CONCLUSION

Human resource management at the global level represents a difficult situation but also a challenge. The significance of overcoming that challenge is obvious if we take into consideration the fact that competitiveness, and the success of an organization, depend on the staff's quality on a large scale. This fact imposes the significance of the procedure of gathering the staff itself and taking care of their needs in everyday business. Investing in staff represents investing in competitiveness. Only the quality staff, that possesses an adequate interdisciplinary knowledge, can bring an advantage to the organization in a highly demanding global market. Other developing countries can give a significant contribution in respect of educated quality employees. Based upon the long-term investments the states could make certain cooperation with the economic entities which have the intention to do long-term business in those states. They could sync the market need for specific staff with the quotas for enrollment at education institutions. This could be of benefit to the country as well as the society and international organizations (companies) whose business units are in that country. The country would partly solve the problem of extra staff in certain professions and organizations would get quality staff motivated to get educated considering the potential of employees in the future.

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<sup>9</sup> Robbins P. Stephen, Coulter Mary, Management, (Belgrade: Želnid, 2000), 281

<sup>10</sup> Coulter Mary, Strategic management at work, (Belgrade: Data status, 2010): 207

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