

## THE INTERNATIONAL HUMAN CAPITAL AND THE GLOBAL COMPETITIVENESS

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**Abstract:** *The globalization of human capital is one of the most noteworthy dimensions of the current wave of globalization. Globalization, technological evolution, and the ambition to become a knowledge-based economy has encouraged many countries to pursue new ways to maintain a competitive advantage which in turn has given focus on the need to develop its human capital (HC). At the organisational level, Globalisation has changed the way in which organisations (private or public) operate. HC is of vital importance for any success, and increases through education and experience of its employees. It is therefore at this point that the human capital and international human resource management (IHRM) intersect. IHRM's link with HC makes it probably one of the most critical functions of any organization because it deals with people related issues, particularly when the organization is operating within a highly competitive global environment. Therefore, the purpose of this paper is to examine particularities in regards to Human Capital within a globalisation framework.*

**Keywords:** *human resources, human capital, globalization, expats profile, new economy*

### Introduction

Globalization, technological evolution, and the ambition to become a knowledge-based economy has encouraged many countries and organizations to pursue new ways to maintain a competitive advantage which in turn has given focus on the need to develop its human capital (HC). HC could be considered as a pool of resources comprising of all the knowledge, skills, experience, talents, and abilities possessed individually and jointly by people in a country. These resources represent the entire capability of a society which is a form of national wealth that could be channelled to enable the achievement of a country's goals.

Having a highly skilled labour force can play a pivotal role in the national development of any country, enabling a country's global competitiveness and participation. Individuals contribute to the global labour market by bringing distinctive sets of knowledge, skills, and abilities recognised as human capital. People have now become one of the most valued assets recognized within a framework of human capital, and the dominant logic is that individuals with advanced levels competence could contribute to the development of a nation.

### International Human Capital Theories

According to the International Monetary Fund (IMF), the globalisation framework comprises of four basic aspects: *notably capital and investment movement, trade and transactions, migration and movement of people, and the dissemination of knowledge.* This paper focuses on the dissemination of knowledge, and

the migration and movement of people aspects which are directly related to Human Capital.

The selection process should attribute varying levels of importance to the factors that contribute to success or failure on the job. Therefore, approaches for selection should be contingent on the nature of the job, the personality characteristics of the expatriate candidate, and the culture of the host country.

Tung's study (1987) revealed that inability of managers to adjust to a new environment, family related issues, personality or emotional immaturity, and inability to cope with responsibilities associated with the new job as the main reasons for expatriate failure. The author also stresses that many organisations overemphasize the technical competence whiles disregarding of other significant employee characteristics such as relational abilities.

Yavas and Bodur (1999) also identified being a culturally sensitive, empathy for others, willingness to accept intercultural challenges, and being culturally prepared for the job as the personal characteristics ideal for an expatriate to succeed overseas. Hung-Wen (2007) also indicated that the ability of the expatriate's family to adjust successfully was a key determinant of expatriate success.

Several researchers (Mendenhall and Oddou, 1987; Tung 1981) advocate such a contingency approach to selection, arguing that including key determinants in the selection process would result in more effective expatriate managers. Additionally, careful consideration should be given to the country of assignment. The larger the

separation of the host and home countries on the integrated country cluster mode previously presented, the more emphasis must be placed on finding or developing an expatriate whose personality characteristics fit the national culture of the host country.

Several scholars have attempted to profile expatriates, categorise them or describe the skills necessary for expatriation and cross-cultural success (Benson, 1978; David, 1972; Dinges & Baldwin, 1996; Muller and Turner, 2009). These attempts have aided in compiling essential skills proposed for successful expatriate job performance (Leibra- O’Sullivan, 1999). Richardson, and McKenna (2002) classified expatriate academics using eight metaphors relating to “motivation to go” and “experiencing expatriation”.

Mendenhall and Oddou (1985) proposed a multifaceted approach to the selection of expatriate employees, an approach that links behavioural tendencies to the expected overseas performance. According to Oh et al (2014, p.2) people *“are more likely to be attracted to, selected by, perform better in, and remain in organizations that are compatible with their personal characteristics”*.

In conclusion to the literature review, developing a profile for a working expat will serve as an essential element in the designing and implementation of selection, training and development, and performance management programmes. Employers want to select people who will meet the demands of the job, adapt to changes in the demands of the job, and stay loyal to the organization. On the other hand, potential employees would like to work for an organization that would make use of their abilities and meet their particular needs. Accomplishing these goals necessitates the development of a taxonomy that combines the characteristics of a potential working expatriate and the organizational environment and its requirements.

### **Major Human Capital Perspectives in the New Economy**

Globalisation experienced a series of evolutions and paradigm shifts. These shifts have occurred in two distinct phases; the “Old, global industrial economy”, and the “New Global Economy”.

#### **The “Old industrial economy” and its Workforce**

The “old” industrial economy was predominantly based on manufacturing and was relatively restricted by national boundaries. During this period, longevity of companies/organisation was comparatively longer, and even though change occurred, it took place at a relatively slower pace. The financial capital was the key resource that

moved, and countries competed for investments not as vigorously as seen today. Within the Adam Smith philosophy, people were considered as mere factors of production, and minimal investment was placed on them. The level job security was relatively higher as employees took jobs for a “lifetime” – people rarely changed jobs. Organisations only sought for employees who could work within the local environment framework.

#### **The “New economy” and its Workforce**

There has been a paradigm shift in regards to the purpose of the “new” economy. Globalization and technological evolution had pressured countries and organisations to seek for new ways to maintain their competitive advantage. Consequently, countries have implemented policies towards achieving knowledge/innovation-based economy status. This shift has given focus on the need to develop its human capital (HC). HC could be considered as a pool of resources comprising of all the knowledge, skills, experience, talents, and abilities possessed individually and jointly by people in a country. These resources represent the entire capability of a society which is a form of national wealth that could be channelled to enable the achievement of a country’s goals.

Today, having a highly skilled labour force has been given higher importance because plays a vital role in the national economy development of any country by soaring the country’s global competitiveness and involvement in global value chain. Individuals as a national resource contribute actively to the national, regional and global labour market by bringing a valuable set of knowledge, skills, and abilities recognised as human capital.

Thus, people become nowadays one of the most important resources, recognized within the human capital framework. As it is recognized from practice in developed countries, the individuals with advanced levels of competence could contribute to the development of a nation. Human capital within the “new economy/globalisation” framework sees people as the main source of creating value which is in contrast with the basic philosophy of the “old economy”. Within the new era, the speedy creation, annihilation, and restructuring of organisations is heavily dependent on the quality of its Human Capital.

The focus within human capital in the new economy/globalisation has been on lifelong employability rather than lifetime employment. Countries and companies not only compete for investments but also for talent.

The human capital has become the key mobile resource. The development of the global economy

has given rise to cumulative levels of expatriation (Richardson, and McKenna, 2002, Selmer, 1999) which is forecasted to increase well into the third millennium (Forster, 1997). New cross-cultural work environments have been created as result of the forces of globalization (Yadav, 2014). It is therefore within this context that the issue of managing an intercultural workforce has become a more complex and multifaceted affair, and hence requires to be managed more strategically and efficiently.

Countries and organisations tend to focus more on people who can work within a global environment framework such that the competition for best talent has been the most vigorous in the history of globalisation. Dalia and Theiry (2012) have described the current global workforce environment as "a war for talent." This "war" has been partly due to the developments in communications technologies that have enabled firms to find talents without geographical limitation, an economic phenomenon known as global labour arbitrage (Arp, Hutchings, Kate, Smith, 2013). The "new" economy has led to the development of organisations that are globally aligned through infrastructure, systems and processes.

At the organisational level, HC is of vital importance for any success, and increases through education and experience of its employees. It is therefore at this point that the human capital and international human resource management (IHRM) intersect. IHRM's link with

HC makes it probably one of the most critical functions of any organization because it deals with people related issues, particularly when the organization is operating within a highly competitive global and uncertain environment. IHRM places prominence on developing and executing policies and strategies in order to get the desired output by placing the right person at the right place to achieve maximum out of an employee.

Therefore creating a proper expatriate profile might prove to be a turning point for an organization. It not only will it enable the right job-candidate fit but also enhance the success of management practices, which in turn, lays the foundation for a strong organization. Identifying the various dimensions of an expatriate profile will result in an appropriate regulation of incoming and outgoing of the talent or human resource.

As the competition for talents intensifies, countries and organisations are confronted with the main challenge of how to be perceived as an attractive place to work, compared to its competitors. The knowledge-intensive requirements of rapidly changing global environment will result in the development of new human resource management and development policies and the emergence of new and innovative business models. Skills will become obsolete more rapidly. The fast pace of change will bring about a faster turnover of jobs.

## CONCLUSION

To sustain global human capital competitiveness, countries and organisation needs to push itself up the value chain. It should be noted that a country's future economic survival will be largely dependent on its ability to create activities that are capable of driving innovation and knowledge transfer.

Therefore the successful integration of a country into the globalisation framework will partially depend on the fullest extent to which its human capital could be developed to its and its potential realised. Each country should identify its engines of growth and the corresponding industry-specific skills required to cement its growth. These skill sets should also include globalisation skills sets.

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