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**THE CORPORATE DIMENSION OF HUMAN
RESOURCES IN A GLOBALIZED ECONOMY.**

The challenge for management

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I. INTRODUCTION

During the eighties there was a serious breakdown in the traditional structures of industrial organisations as a result of the impact of globalization. The nineties produced, in a very dynamic way, a process of change with no historical precedent. This process of

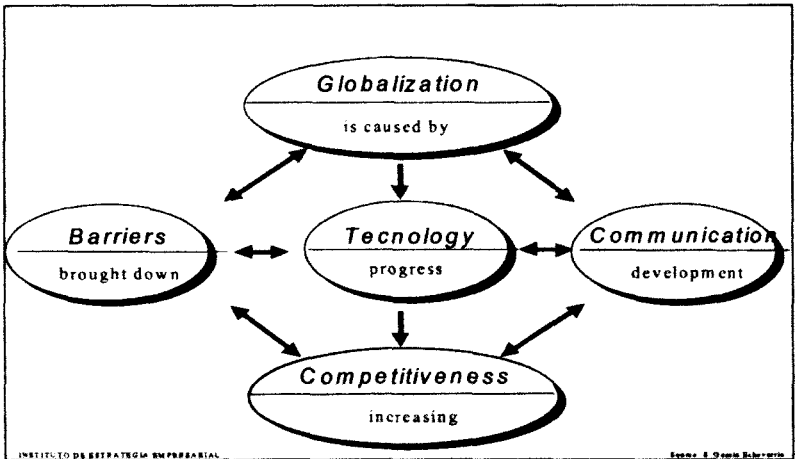


Figure 1: Globalization and competitiveness

change, a result of globalization, finds itself between the reality of what has been achieved over recent years and a certain scepticism

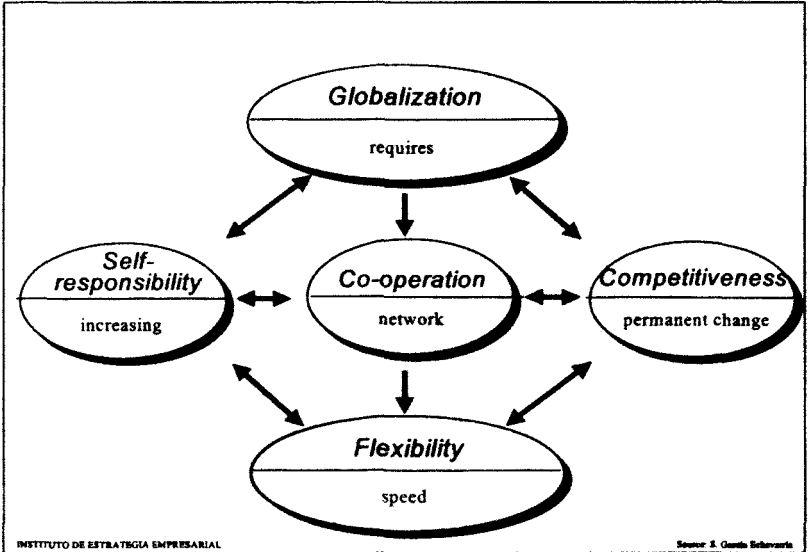
stemming from widespread ignorance and a critical assessment of the globalization process.

In only a few years barriers of all kinds have been brought down, so accelerating the processes of change - change viewed both from the political and technological standpoint and also from the economic and social one. What is currently taking place is a process of change in the way in which our civilisation seeks solutions to problems through the internationalisation of an open organisation of society. In the economy new organisational forms emerge, new ways of understanding co-operation arise and there are new responses to the needs of our society. In our civilisation a new era is opening, one in which the individual is attaining growing significance in the context of corporate, economic and social designs.

II. THE IMPACT OF GLOBALIZATION ON THE CONFIGURATION OF THE DEVELOPMENT OF HUMAN RESOURCES

Within the globalization process it is the area of human resources which is slowest in accepting the break with the past and the transformation, both in concepts and in its institutional structures. The accepted norm which has regulated the actions of the individual in economic activity and particularly in business has always lent great weight to one of the existential values of the human being - that is,

“security”, traditionally understood as being “a contractual guarantee”. It is this which has been, and continues to be, a significant obstacle to change. As a result, there has been relatively poor development of those key values in our civilisation: *self-*



responsibility, co-operation and competition.

Figure 2. Globalization and flexibility.

The problem facing the economic-social reality of our institutions, particularly business institutions, lies in the fact that globalization generates increasing competition - that is, the integrating competition of institutions and people, not destructive competition. Both people and institutions possess “competences” in certain areas; in other areas they are less competent. With globalization these

positive competences must be encouraged to flourish; they must be co-ordinated by mutual agreement in such a way that the contributions of all participants, both businesses and individuals, ensure the full realisation of the whole potential available.

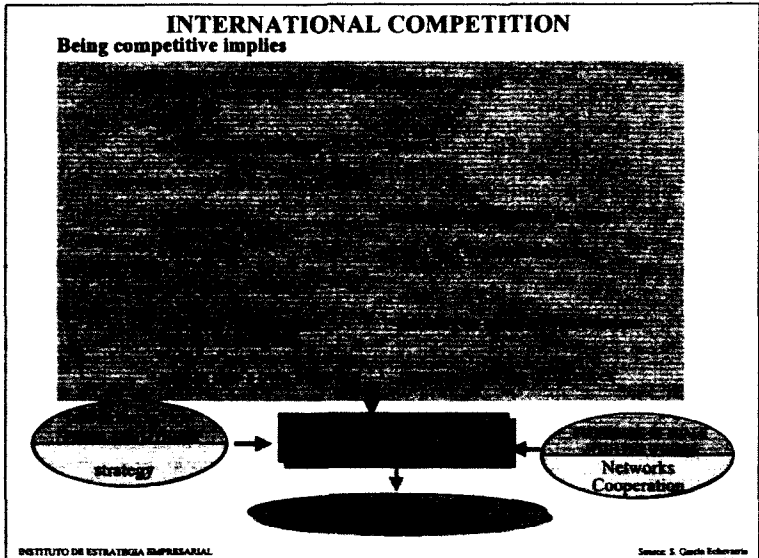


Figure 3. Integrative competition

Competition, in its socio-economic aspect, does not rest merely on an interpretation of the economy as being a “zero-sum game”. On the contrary, all participants must win. The competitiveness of an economy, such as that of a business, cannot be interpreted as a situation in which one wins and all the others lose. In an open system, be it economic or educational, the economy can only function if all win. It is this which is the key to the new dimension of

“competitiveness” - a competitiveness based on *competences* possessed by every individual and every institution and contributed to a specific community or institution.

At the present time significant discrepancies exist between the development of human resources and those other areas of business, such as the financial, the economic and technology itself, which have already been globalized. One should also take account of the fact that it is not only businesses, particularly within Europe, that are entering the competitive arena. All businesses exist within an environment that is constantly changing and has ever greater influence on business actions; and businesses themselves help to configure this environment. Currently there is, therefore, a growing interaction between businesses and their environment. In consequence, it is the various systems which must enter the field of competition: fiscal systems, educational systems, social systems, labour market systems - in effect, all those systems which affect the management capacities of businesses.

There currently exist two focal points on which the great debate in Europe during the coming months will concentrate. There is awareness that the differences between the systems in Europe and those world-wide are very significant. For this reason businesses cannot compete unless the systems making up the whole business enterprise also compete. The first way forward that has been proposed is to *harmonise* the co-ordination of the systems. Such a proposal is

currently supported by various countries and political and social groups. The consequence of such *harmonisation* would be an adaptation towards the weakest in the system in order to protect existing interests. Such a move would not produce those *structural changes* required by globalization. It would, in fact, result in reduced competitiveness, the consequences of which would be economic inefficiencies that have the precise effect of preventing the creation of competitive job positions.

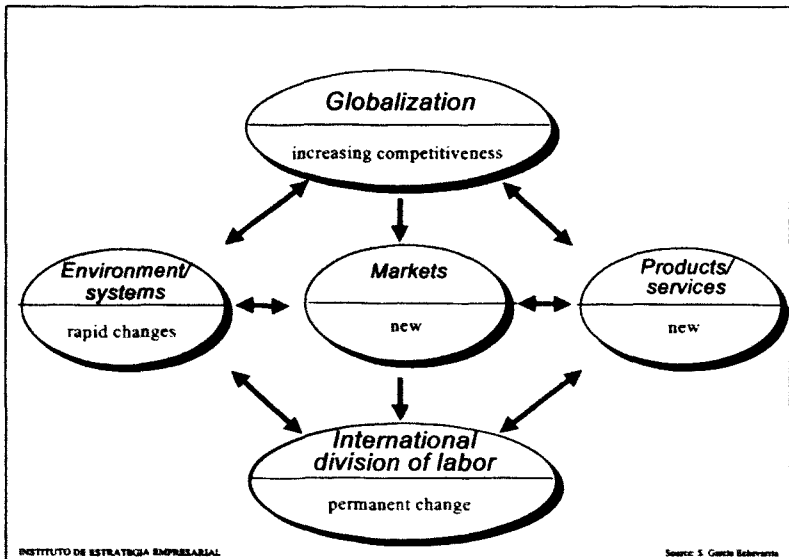


Figure 4. Globalization and changes in the international division of labour

The alternative way is for the systems making up and defining the business environment to enter into competition. The end result of this is that all systems, through a consensus on basic principles,

contribute with their different competences to collaborating within the network – a collaboration achieved both between the different business institutions involved and between them and their environment. The core of this process of transformation is human resources together with the necessary *management capability*.

III. GLOBALIZATION AS A PROCESS OF CHANGE

Globalization is not merely an economic event. However, it is true that in the past few years the economy has become one of the principal driving forces in the acceleration of the speed of change. Globalization represents a new evolutionary stage in our civilisation, a stage characterised by the opening up of our societies and by the increasing prevalence of intercultural dimensions. Globalization is not, consequently, a mere economic fashion but rather an event rooted in the evolution of civilisation itself, from which there is no turning back (Lübbe). Such globalization is, of course, being shaped by the characteristics and parameters typical of our civilisation: technology, the economy and the own dynamic of the processes of change in our systems of values. These, in turn, are derived from new technological capabilities in the areas of communications and information.

Globalization involves the shortening of spatial distances and also the shortening of temporal distances (Lübbe); and this produces an economic impact of great significance in the understanding of *economic rationality*. Distances, which have been the natural barriers

of most significance, disappear as a consequence of the elimination of political, sociological, technological and economic barriers. Distances in time disappear as a result of the speeding up of communication through technological advances. Economically, this produces greater efficiency through the reduction of dead time and products being transported, so bringing with it a very important

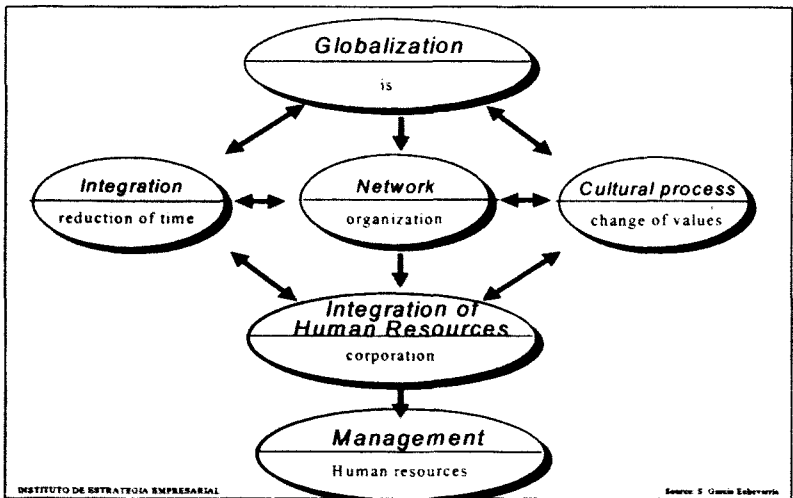


Figure 5. Globalization and the integration of human resources

saving in the way in which the international division of labour is organised.

Furthermore, *globalization* involves the bringing together of people through a new and growing intercultural dimension, so allowing for the development of the following series of values:

- *Competitiveness*, according to the rules of the game at a world-wide level, demands a new type of economic organisation in which the *competences* of different countries, regions and individuals are encouraged to flourish. And this is manifested in the dynamic of change in the behaviour, attitudes and knowledge of individuals and organisations.
- *Co-operation* between businesses, institutions, processes and individuals is the key to the development of competence.
- *Self-responsibility*, in both individual institutions and individuals, ensures a contribution to the process, to the institution and to society.
- *Identification* of individuals with institutions stimulates the process that generates *trust capital*.

To sum up, it can be said that globalization is an irreversible process which involves a new division of international labour. It brings with it greater co-operation in a way that allows for the development of competence in institutions and individuals based upon

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To sum up, it can be said that globalization is an irreversible process which involves a new division of international labour. It brings with it greater co-operation in a way that allows for the development of competence in institutions and individuals based upon the shared contribution of the potential that each one finds and develops.

IV. REQUIREMENTS FOR NEW ORGANISATIONAL DESIGNS AND THE NEW ROLE OF MANAGEMENT

Globalization contains within it the organisational requirements for the *creation of networks*. There is a break with traditional organisational systems, with hierarchical and command structures, in technical and sociological divisions, and a move to organisation in the form of a *network*. Such a network fundamentally requires *co-ordination* and *co-operation* based upon the competencies which all those forming part of the network continue to develop. In consequence, it is *networks* which form the organisational design resulting from globalization, so allowing for the achievement at the same time of five fundamental requirements:

- Secondly, the individual or particular institution has to be permanently in a *process of change* in order to allow for the development and flourishing of new competencies. Such competencies ensure its relevance to the network for all the members of the network profit from their contribution.

- Thirdly, a fundamental aspect of the network is the *ever increasing speed in the processes of change* within the network; for barriers and risks inherent in isolated units are in a network replaced by divisions of labour that are much more flexible. That is to say, in a network there are processes rather than institutions in the traditional sense.

- Fourthly, the orientation of the network towards processes brings with it a requirement for *flexibility* and a *greater speed of change* - characteristics that could never exist in the rigid structures of a conventional kind, hierarchies, in which all activities are integrated.

- Fifthly, the organisational forms within a network have the advantage of allowing for the possibilities of *outsourcing* and, particularly, the capacity to create new activities and, therefore, new employment opportunities.

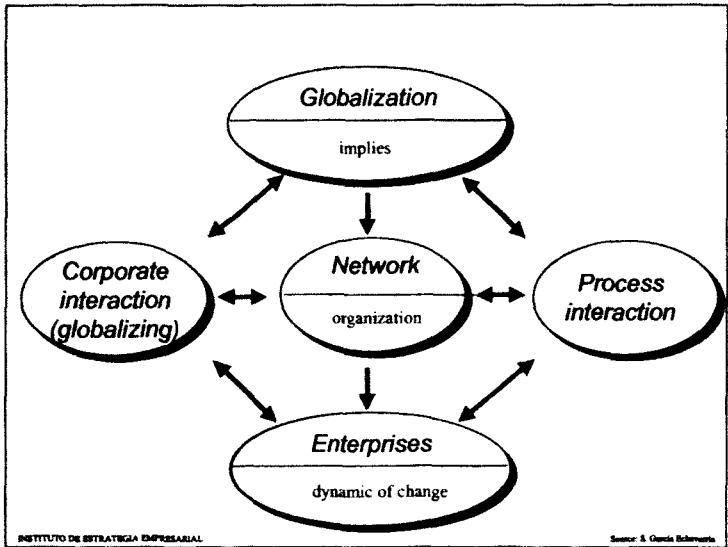


Figure 6. Globalization and networks.

The organisation of networks rests upon two key elements:

- There exists in every network a *corporate* or *institutional dimension*. The purpose of this is to maintain the *doctrinal unity* of a network in which various clearly heterogeneous elements frequently participate. These units or individuals decide upon their particular way of taking action in accordance with their cultural roots, their tradition, their potential. However, any such action must be orientated towards the *principles and systems of the network as a whole*.

This *corporate* or *institutional dimension* is what gives coherence to the organisational design of the network; it contributes what one might call “*the efficiency of the value systems of the network*”. Such efficiency in the value system responds, on the one hand, to the work of co-ordination in network system - that is, the *management of the network*. In consequence, it contributes to the efficiency of the system and so to the efficiency of each individual member of the network. The management and its corporate organisation or institutional dimension, within both businesses and any other type of institution, requires “*corporate management capabilities*” management tools completely different from those in hierarchical-functional organisations.

- The *second dimension* of management of the network corresponds to the *operative* or “*line dimension*” - that is, to each of the individual units. These must respond to the specific needs of their particular environments, to their society, their products, and their particular technology - in one word, to their customers. Such *customer orientation* - dealing effectively with customer needs - is for an individual unit a guarantee of its survival and, at the same time, ensures its existence within the network thanks to the success of its contribution. It is this customer orientation which gives the stamp of legitimacy to every one of the particular institutions or individuals which rely, on the one hand, on institutional or

corporate efficiency and, on the other, on their own individual efficiency.

These *operative units, on line* within an organisation in a network, are responsible for “*local efficiency*”. They are truly responsible for ensuring the efficient use of the restricted resources made available to them through the “*network*” system. Within each of these individual units efficiency rests upon two components:

- On the one hand, the *efficiency of a particular individual unit* or of an individual within their own environment and within potential of this environment and also in relation to the individual potential of other members of the network (*co-operation-competition*).
- The other hand, such efficiency also depends upon contribution made by a particular unit or individual to the whole network (*value creation or corporate efficiency*).

In such an organisational design management capability is converted into a *paradigm* of the business economy.

This evolution of globalization and its impact on the organisational design of business networks, as well as its impact on the individual, makes necessary a new scheme of management.

The “*corporate management*” level is represented by all those managers who manage the “*identification of the network*” under a single *business philosophy*, a value system, with a strategic vision of the network as a doctrinal unity allowing for the orientation of each one of the members of the network. The co-ordination, management, at this corporate level requires an *institutional vision* and, at the same time, an *identification of all members of the network* with the network and thus a new *institutional capability*. The “*management capability*” must correspond to this new corporate dimension.

There are basically two means with which to develop this level of “corporate management”:

- Firstly, the development of a “*corporate or management capability*”. This manages a network and, in classical terms, can take many forms - e.g. holdings or whatever other type of organisation requiring other criteria for management and co-ordination and which, at the same time, is the key to the success or failure of the institution.
- Secondly, a process of quantifying and qualifying the individual units making up the network - that is, their differentiation and contribution through the development of a new “*strategic controlling*”.

With this comes a requirement for how to measure the “results”. Taking into account the fact that the success of each individual unit, of each person or team of people, is not just the success of them alone but also results from the contribution made by other individual units within the network, one may consider two ways of measuring “results”:

- That which corresponds to the *own rationality* and the results achieved through the utilisation of the “*potential immediately available from the environment of a unit*” and from its own capacities. This will be a “*limited rationality*” restricted to its own area of influence.
- The contribution made by the other units of the network through their own efficiency, *that of the network*, through the interdependence of the different competencies of each one.
- The contribution made by each of the individual units as their “contribution to the network”; so consolidating the network and its development.

It follows that the ways of measuring “results” (efficiency) correspond to the individual unit and its management, to the capability of individuals, to that which is received from the other units within the network. For the latter, compensation must be given in order that the

It follows that the ways of measuring “results” (efficiency) correspond to the individual unit and its management, to the capability of individuals, to that which is received from the other units within the network. For the latter, compensation must be given in order that the other members of the network also benefit and contribute to the development and strengthening of the network.

V. REQUIREMENTS MADE BY THE NEW CORPORATE AND ORGANISATIONAL DIMENSION ON HUMAN RESOURCES AND MANAGEMENT PROCESSES

As a consequence of the process of globalization and of its organisational requirements in the form of networks, there have emerged for the first time those sharp discrepancies, previously mentioned, between the area of human resources and the evolution of other areas of business.

The areas of finance, economy, production, technology and administration have undergone a profound process of globalization. In many cases organisational forms of an outsourcing type, among others, have been developed and these have resulted in a reduction of unit costs and the growth of the previously mentioned values.

corresponding to the fields of production and finance and those which affect the area of human resources.

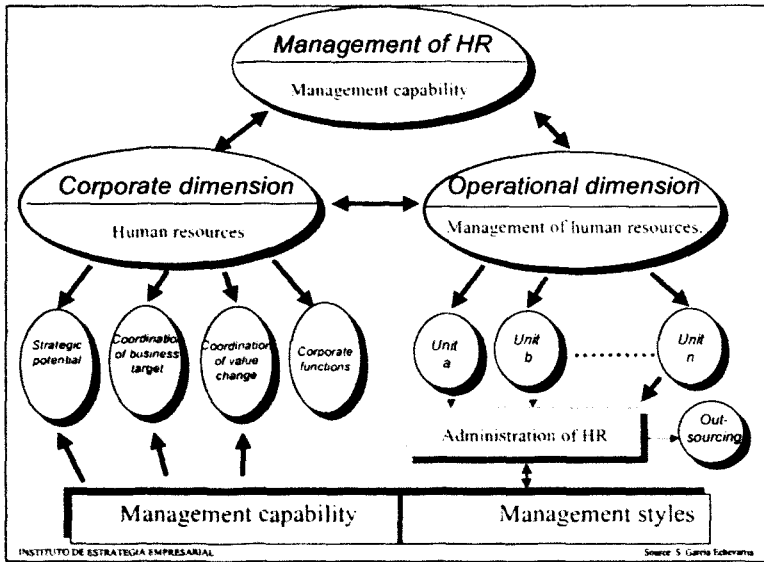


Figure 7: Management capability.

The breaking down of barriers has been easier in those hard dimensions, those most affected by systems, than within the area of human resources. The latter is affected not only by the characteristics of each one of the national systems, by its tradition and culture, but also affects the human behaviour of individuals, managers and the institutions themselves. As a consequence of globalization and its new organisational forms, this will be the great change in the coming years. It is, therefore, for the European Union today a problem of the first priority.

New designs within the area of human resources, as with the previously mentioned organisation into networks, are directed towards two areas:

- The development of a “*management capability*” within the network, a “*corporate management capability*”. It is this which has to *manage the network*, to co-ordinate it, and which is the new key to the management process within a business. In this sense it is the development of a “*corporate management capability*” which today represents the basic element of co-ordination between the different units that constitute the network. Such units are not only the internal units within a business organisation; ever increasingly they contribute to the enrichment of the network through relationships with suppliers, customers and with the business environment. Such processes must be managed by the “*corporate capability of its managers*”.

For this reason “management capability at corporate level” means:

- A new form of implementing management and co-ordination in a way that permits the identification of the network through a shared value system, so achieving a cultural identification within the diversity brought by each one of its units. That is to say, *doctrinal unity* is achieved in the orientation of the activities of the network and *economic unity* in the distribution of the restricted resources, in particular those which affect both external and internal potential.

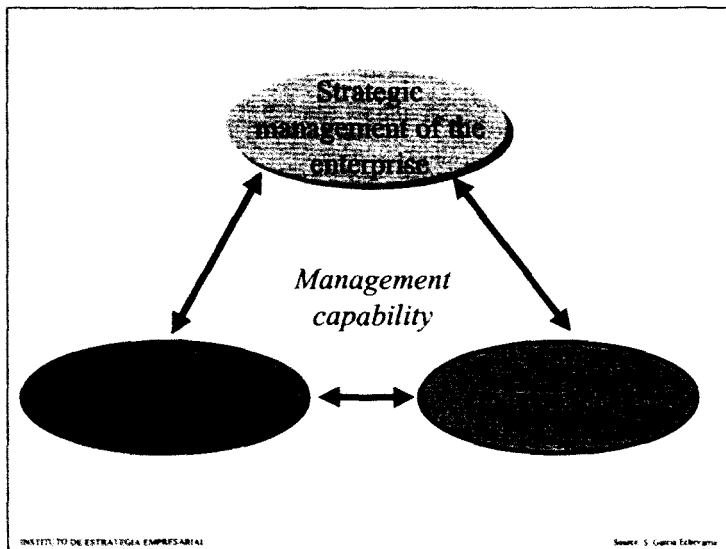


Figure 8: Strategic management and management capability

- One must, therefore, emphasise that management capability at the corporate level clearly represents the “*new paradigm*”, encapsulating the response of business to globalization and to the form in which the organisation is defined as a network.

- In the area of the *operative line* it is decentralisation which provides the answer to globalization, so bringing business activity closer to its environment, to its markets, customers and suppliers. Such a radical decentralisation of operational and executive activity therefore requires highly developed management capability in the area of human resources.

New organisational designs for human resources must be directed towards two basic considerations:

1. Operative responsibility within the *line* must embrace not only that which affects the scarce material resources but also the process of managing the human resources involved in the organising unit. For the first time *management styles* and the *capacity to manage people* must constitute the basic point of reference in the *management of human resources*. Human resources no longer exist within a solely *legal-contractual dimension*; they become fundamentally the development of the “*capability to manage people*”. It is this which encourages the external potential of customers, of suppliers, of the network and its interrelationships to flourish and, at the same time, it has an

impact upon the motivation and integration of individuals within the network through decentralised organisation,

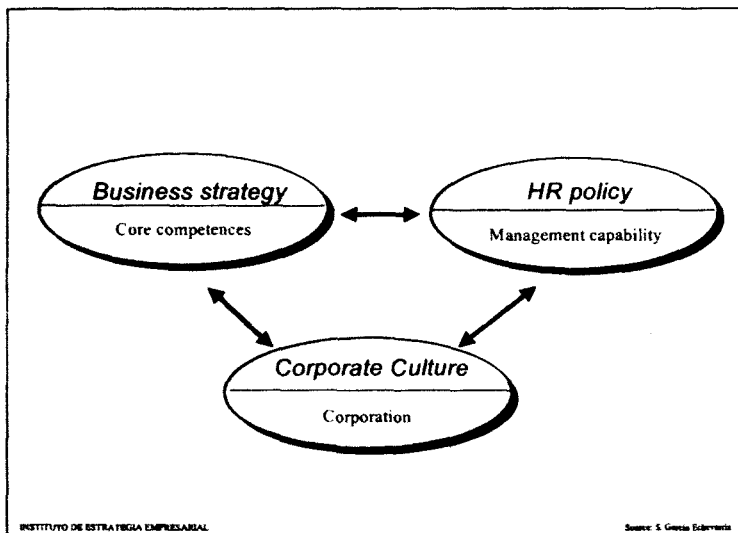


Figure 9. Business strategy and human resources policy

2. In the “*corporate dimension*” a significant capability to *develop the management of human resources* is essential. This allows for identification within the network through its *value system* and *doctrinal unity*. It is this management capability within the corporation that must drive forward the process of management and co-ordination of each of the organisational units.

The department of human resources in the future will constitute an integral part of business strategies by taking control of the process of strategic aims and contributing, through human resources potential, to the success of the network.

This new configuration of the area of human resources requires from its participants the development of new management tools in the co-ordination of networks within a strongly decentralised context.

Decentralisation imposes two basic conditions:

1. That the business, its organisational structure conceived in the form of a network, is wholly identified both in its *principles and value systems* and in the recognition by its managers that the whole network is identified with the corporation, on the onehand, and, on the other, with a *specific strategic vision* of taking on responsibilities within each one of its areas of activity.
2. Within the decentralisation of human resources each one of the decentralised units must be managed in accordance with both the *corporate and doctrinal identity* in the economic field by implementing the local efficiency previously referred to.

VI. CONCLUSIONS

In the coming years there will be increasingly radical change in the way in which human resources are expected to react to the demands of globalization and to its organisational form in networks. Human resources must break with the traditional patterns of a “*legal-contractual*” orientation and move into a position as the *basic strategic element of a company*.

The *differentiating* characteristic within the area of human resources will be the achievement of greater efficiency in the potential of human resources. It will be founded on the “*capacity to manage people*”, so ensuring flexibility and efficient adaptation to the processes of change in so far as they affect both the network and each one of its individual units.

To sum up, globalization brings with it, for the first time in history, a strong *intercultural dimension* in which the individual is the key to success. For this is needed “*management capability at the corporate level*” and at the “*line level*” - management capacity directed towards *managing people*. Such can be the only response to the speed of change, to the flexibility and to the achievement of the

motivation and satisfaction of the individual, who must respond with processes of creation and innovation when faced with the bureaucratic tendencies of our society.

The *capability to manage people* is the answer. For this it is essential that many people know how to manage not things but people. This is a key requirement for managers in addition to the knowledge needed by every person within the area in which he works. *The division of labour is constantly changing; what does not change is the essential requirement of learning to manage people.* Throughout the life of an individual or a company what changes are technical and functional competencies; what remains constantly at the foundation is the capacity to manage. Both determine the contribution to the success of the individual and the company.

