Impact Of Globalisation on Formal, Motivational And Strategic HRM Practices: AN Empirical Evidence From India

Akbar Ali Khan, MohdAsif Khan

Abstract: New economic development, which is a result of globalisation and internationalisation, has exerted tremendous pressure on the Indian human resource functions how to evolve itself and add the value to the outcome of the firm. The present paper precisely discusses the globalisation and its impact on the HRM practices of Indian firm in the light of new economic reforms. This study aims to examine the far-reaching changes in the pattern of HR practices owing to ever-increasing globalisation in India. The data were collected through the self-developed questionnaire from 282 senior HR managers of Indian firms. The principal component analysis with varimax rotation generated three components from fifteen HR practices, namely Formal, Motivational and Strategic HR practices. Structural Equation Modelling (SEM) technique has been applied to understand the relationship between globalisation and three bundles of HR practices by using the SPSS Amos 22 software. The study findings suggest that the role of globalisation cannot be neglected. Indeed, The HR policies and practices of Indian firms are strongly influenced by the pace of globalisation of the Indian economy.

Key Words: Globalisation, HRM practices, Indian Firms, SEM

I. INTRODUCTION

With the increasing pace of globalisation, consequently, hyper-competition puts heavy pressure on the Indian firms to exploit their resources optimally to succeed and survive. After Economic Reforms in July-1991, a large number of MNCs capitalised on liberalisation policies to enter Indian economy. As a result, India gradually turned into a battleground of more than 15000 MNCs [1, 2] and became a fascinated destination for FDI. These MNCs brought sophisticated management practices on Indian soil and created hyper-competition for domestic firms. This dynamic and volatile business environment exerted considerable pressure on Indian firms to move from traditional and conventional mode to modern and advance mode in order to compete with foreign MNCs in effectiveness and efficiency [3, 4]. Sattar et al. rightly observed that strategically organising HRM functions are very crucial for the survival and growth of organisations[5]. Subsequently, the organisations are giving more emphasis on the alignment of all functional activities

(e.g., human resource management marketing, finance, operations, and so on) in order to accomplish strategic goals. Now, the HR manager is playing an active role of a strategic partner instead of merely an administrative role [6]. Scholars accentuate that HRM requires a special intention in Indian firms for improving performance [7]. There are various remarkable researches to understand the transformations in HRM functions and attitude towards the HR department in response to the new reality of economic activities. This happening is one of the most important cause to recognise the contribution of HRM worldwide.

II. LITERATURE REVIEW

This study is aimed to develop a theoretical framework, which can investigate how the impact of globalisation exerting pressure on Indian firms to tailor their HRM practices. The evidence espouses the notion that globalisation is one of the important factors to determine HRM practices [8, 9, 10, 11]. Since the 1990s, there are so many changes occurred gradually in the Indian HRM system, which are systematic in nature and significant [12, 1, 13]. Because of increasing the recognition of human capital contribution in the survival and growth of an organisation, HRM has become a fascinating field for practitioners and researchers around the world and particularly in India [14].

a. Globalisation

‘Globalisation’ is not a problematic concept only [15], but it is a complex phenomenonalso [16]. There is much controversy surrounding its definition and main components and characteristics [17]. Although, there are so many ways to define ‘globalisation’ from narrow technical definitions that concomitant with the international trade to very broad definitions [18] which encircle several facets of the economic, social and cultural spheres [16]. Broadly globalisation can be described as a “process of rapid economic, cultural, and institutional integration among countries” [19, p. 1]. From an economic perspective, globalisation may be labelled as a “process of increasing market integration” across countries. [20, p. 346]. The policies of economic liberalisation which in turn the movement of MNCs and flow of FDI across the countries, technological advancement which make communication and transportation fast and easy, formation of international organisations(e.g., UNO, IMF, ILO, WTO, World Bank etc.), and migration are the main driving forces to accelerate the pace of globalisation [21].

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b. Globalisation and HRM

Since the 1990s, there is continuous debate and discussion in the literature about the impact of globalisation on HRM architecture and practices [18]. However, there is no consensus among scholars on the real impact of globalisation [22]. Globalisation is a non-stop economic process [23] and influences organisations and countries which compete for each other to competitive advantage [24]. Vladimir Pucik claimed that no firms, irrespective of size, industry and country, remain untouched from the influence of globalisation[25]. Indeed, globalisation poses distinctive HRM challenges to organisations[26, 23] for survival and success.

Moreover, increasing competition due to globalisation is a substantial factor for deciding firms’ choice of HRM practices [20]. Vance & Paik [27] argued that the impact of globalisation on HRM is becoming a critical factor in the success of a business. Albeit, rigorous empirical evidence about the effect of globalisation on HR practices is hard to discern [15]. Bawa and Ali point out that firms must be focused on the development and redeployment of their human resources in order to be competitive in the era of globalisation[28].

To determine human resource challenges associated with globalisation, Appelbaum, Roy, & Gilliland reviewed the published works (1998-2009) on MNCs and HR practices[29]. Owing to hyper-competition, firms embraced the numerical flexibility (e.g., downsizing the workforce, delayering hierarchical structure, decentralising authority, and so on). These developments lead the alteration in HRM practices [30]. Thus, traditional HR practices are being replaced with new tailored practices to maximise the productivity of employees [31]. Globalisation has a significant impact on the management of HR practices. The management practices have been influenced to a great extent by globalisation in developing countries [32], including India. Akambi & Itiola’s study finds out a strong significant association between HR practices and global market opportunities[33].

Table 1: Research Constructs

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Refer to</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Globalisation</strong> (G)</td>
<td>Integration of world economy; influence of external factors e.g., international institutions (I.O.)</td>
<td>Pucik[25]; Bae &amp; Rowley [41]; Frenkel &amp; Kuruvilla[35]; Khandwalla[42]; Rowley &amp; Bae[43]; Bamber et al. [18]; Ali [19]; Paik et al. [22]; Jeong[44]; Kaufman [20]; Koster &amp; Wittek[45]</td>
</tr>
<tr>
<td><strong>Formal HR Practices</strong> (FHR)</td>
<td>Well established &amp; Routine HR practices and functions</td>
<td>Budlwar[46]; Kote &amp; Slade [47]</td>
</tr>
<tr>
<td><strong>Motivational HR Practices</strong> (MHR)</td>
<td>HR practices which are just &amp; fair in nature and promote a perception of Equity in employees</td>
<td>Adam[48]; Vroom [49]; Huselid[50]; Kase et al. [51]; Gardner et al. [52]</td>
</tr>
<tr>
<td><strong>Strategic HR Practices</strong> (SHR)</td>
<td>HR practices which are aligned and integrated with overall business strategies of firms</td>
<td>Huselid[50]; Delery &amp; Doty [53]; Singh[54]; Kandela-Baum &amp; Endriass[55]; Azmi[56]</td>
</tr>
</tbody>
</table>

A large number of HRM scholars have the opinion that globalisation leads a convergence in HRM practices [34, 35, 36, 37, 38, 39]. Indian organisations have been impacted and inspired by High-performance work practices from western counterparts, and they are very keen to imitate these ‘best HR’ practices for accomplishing high performance [40].

III. RESEARCH GAP

Despite gaining the importance among Indian scholars, there is a dearth of studies on HRM from the Indian perspective in the liberalised milieu [56]. In the Indian context, few empirical studies have been found on HRM practices and HRM-performance link [57] but now this trend is increasing with the accelerated rate. EdwinePio also has the same opinion[14]. In fact, there is a great need for empirical pieces of evidence pertaining to what affect HR practices and what not[58]. Hytönen [59] has rightly pointed out that HRM researchers should carry out more explanatory, descriptive, diagnostic and empirical studies to understand the nature of HRM practices. The upshot is that more HRM researches with several facets are needed to document HRM development in India by using all possible methodologies.

Thus, there are the following points to highlight the gap:-

1. The paucity of the HRM researches in India is asked more research work in this field.
2. Generally, studies focus on HRM-organisational performance link.

This study primarily focuses on economic globalisation which is responsible for moulding the pattern of HR practices in India in the post LPG era. The two main drivers of globalisation are the presence of MNCs and inflow of FDI in India. Therefore, this study contributes to filling an existing gap.

IV. CONCEPTUAL MODEL OF RESEARCH

A research model generally might have both exogenous and endogenous constructs. Criterion variables of research model have hypothetical propositions which are specified within the model, while the causes of prediction variables are outside the model and not of interest [60].

\[ \{FHR \ MHR \ SHR\} = f (G) \]

Based on exhaustive literature review, identifying research gap and theoretical model the following hypotheses have been framed:-

**H1:** Globalisation has a significant impact on formal HR practices.

**Fig. 1: Conceptual Model of Globalisation and HRM Practice**

**H2:** Globalisation has a significant impact on motivational HR practices.

**H3:** Globalisation has a significant impact on strategic HR practices.
V. RESEARCH METHODOLOGY

In order to gauge the globalisation measure from an Indian HRM perspective and to evaluate its impact on HRM practices, a scale has been developed. The inflow of FDI and the role of foreign MNCs have been considered as the two most crucial factors to denote the pace of globalisation. The scale of globalisation comprises five items while the scale of HRM practices contains total 15 items. Exploratory Factor Analysis (EFA) with principal component varimax rotation method generated the three components for the total fifteen HRM practices. These three components are named as formal HR practices (6 items), motivational HR practices (5 items) and strategic HR practices (4 items). The content and face validity of scale was also ensured from first to the last phase of the development process of research instruments.

The respondents for data collection were senior HR managers who have at least five years’ experience of the HRM functions in Indian firms in India. The targeted firms should have functioned for atleast ten years and have a minimum of 100 employees. The data were collected from the sample organisations primarily with the help of mailing technique, especially through LinkedIn during the January to May 2019. Finally, 326 responses have been received in which 282 responses are useable after applying the criteria as mentioned above.

The structural model was examined to test the hypothesised conceptual relationships. Research constructs viz.

1. Globalisation (G) as independent variables -5 item Scale
2. HR practices as dependent variables viz.
   a. Formal HR practices (FHR) 6 item scale
   b. Motivational HR practices (MHR) 5 item scale
   c. Strategic HR practices (SHR) 4 item scale

The descriptive data of the participants of sampling organisations are provided in Table: 2. The four organisational characteristics like ownership, sector, Trade Union presence and size have been considering for just to represent the heterogeneity of data. To ensure the authenticity of data and data collection tool, CMB (Common Method Bias) and response & non-response bias have been estimated. After that, Exploratory Factor Analysis (EFA) performed on sample data to test whether items were loading on their respective theoretical construct significantly or not. For estimating the measurement model, Confirmatory Factor Analysis (CFA) was employed by using Amos 22 software. The scale was assessed for unidimensionality, reliability and validity. Structural Equation Modeling (SEM) was deployed for testing hypotheses.

VI. DATA ANALYSIS AND INTERPRETATION

A. Estimation of response & non-response bias and CMB

The questionnaire survey-based study is, generally, suffered by two types of biases, namely response biases and non-response biases [61]. Response biases are occurred owing to the cognitive process of respondents and their feedback based on ‘self-reporting’ at replying time [62, 63]. Through adopting some qualitative procedural approaches like wording and structure of the questionnaire, to ensure the privacy of respondents, it can be minimised [64].

Table 2: Total Variance Explained [Harman one-factor test]

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Initial Eigenvalue</td>
<td>% of Variance</td>
</tr>
<tr>
<td>1</td>
<td>7.32</td>
<td>36.642</td>
</tr>
<tr>
<td>2</td>
<td>2.07</td>
<td>10.387</td>
</tr>
<tr>
<td>3</td>
<td>1.37</td>
<td>6.895</td>
</tr>
<tr>
<td>4</td>
<td>1.09</td>
<td>5.492</td>
</tr>
</tbody>
</table>

The common method bias is associated with the data collection instrument [67]. When data have been collected from the same source and in the same context for all variables of the study, there is a very high probability of common method bias [68]. It may be reduced by procedural as well as a statistical method [69, 70]. In this study, two statistical tests were used to discern the common method variance.

First, Harman one-factor test through EFA and its finding shows that four principal components are generated with Eigen-values higher than one and accounted for 59.4% of the total variance (See Table 3: Total Variance Extracted). Second, common latent factor
(CLF) method through CFA that is recommended by Podsakoff et al. [62]. The unstandardized estimate of beta coefficient is 0.38 for each item in CLF method. Thus, the variance is 14.4%, a square value of the unstandardized estimate (0.38), which is far below threshold of 50% limit [70]. In both cases, variance bias is not reported.

B. Measurement Model

Measurement model shows the hypothesised relationship among the observed variables/indicators with its latent construct [71]. These indicators should be backed by existing literature and theories [72, 73]. Hence, the measurement model was used to establish scale unidimensionality, reliability and validity [74, 75]. The unidimensionality was tested by both EFA and CFA procedures. First, the EFA was run to confirm the unidimensionality of each hypothetical construct. On the recommendations of many scholars [76, 77], the value of KMO and Bartlett’s tests indicate the suitability of data for factor analysis (Table 4). EFA presents the results of KMO and Bartlett Test of Sphericity for all four constructs as well as whole-scale. The result of EFA shows that all indicators loadings with their respective latent variables/constructs are under the prescribed limit of 0.5 [78, 79] with only one exception (MHR5= 0.44) (See Table 5). Hence, the unidimensionality of latent constructs is confirmed.

After that, the scale’s reliability and validity are measured by adopting various statistical techniques. The reliability of the scale is assessed by Cronbach’s alpha (α), calculating the CR (Composite Reliability) and AVE (Average Variance Extracted). The Cronbach's alpha coefficient (α) is widely used and recommended method to test the reliability while many scholars consider CR and AVE are more appropriate and rigorous methods for testing the reliability. Table 6, represents the value of α, CR and AVE[74, 78, 81].

### Table 4: KMO and Bartlett’s test of sphericity

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Kaiser–Meyer–Okin measure of sampling adequacy (KMO)</th>
<th>Bartlett’s Test of Sphericity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Approx. X²</td>
<td>df</td>
</tr>
<tr>
<td>G</td>
<td>0.756</td>
<td>343.15</td>
</tr>
<tr>
<td>FHR</td>
<td>0.818</td>
<td>579.62</td>
</tr>
<tr>
<td>MHR</td>
<td>0.769</td>
<td>348.11</td>
</tr>
<tr>
<td>SHR</td>
<td>0.803</td>
<td>676.78</td>
</tr>
<tr>
<td>Whole-Scale</td>
<td>0.892</td>
<td>2622.31</td>
</tr>
</tbody>
</table>

Second, CFA procedure was employed to test unidimensionality. The single-factor specific measurement model was constructed with specific item loadings for assessing the unidimensionality of all four latent constructs. Table 7 reveals the fit indices, which are indicators of no issue of lacking unidimensionality in the scale [80].

### Table 5: Items Loadings

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>EFA Factor loading</th>
<th>CFA Factor loading</th>
<th>Mean (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>G</td>
<td>G1</td>
<td>0.62</td>
<td>0.48</td>
<td>4.1 (0.9)</td>
</tr>
<tr>
<td></td>
<td>G2</td>
<td>0.65</td>
<td>0.53</td>
<td>3.8 (1.1)</td>
</tr>
<tr>
<td></td>
<td>G3</td>
<td>0.73</td>
<td>0.69</td>
<td>3.9 (0.9)</td>
</tr>
<tr>
<td></td>
<td>G4</td>
<td>0.77</td>
<td>0.77</td>
<td>3.7 (1.0)</td>
</tr>
<tr>
<td></td>
<td>G5</td>
<td>0.71</td>
<td>0.63</td>
<td>3.9 (0.8)</td>
</tr>
<tr>
<td>FHR</td>
<td>FHR1</td>
<td>0.75</td>
<td>0.56</td>
<td>4.0 (1.1)</td>
</tr>
<tr>
<td></td>
<td>FHR2</td>
<td>0.72</td>
<td>0.57</td>
<td>4.1 (1.0)</td>
</tr>
</tbody>
</table>

After establishing unidimensionality and reliability of the scale, different types of validity like convergent and discriminant validity of scale should be tested [82, 83]. Convergent validity used to know the correlation among the items of a particular construct. The positive and significant-high correlation among the items with their respective construct indicates the strong internal-consistency [84]. In contrast, when the items of specific construct have a weak association with the items of other constructs in the scale, it is an indicator of divergence [78]. Thus, discriminant validity means the extent to which one construct is dissimilar from the other constructs [85].

The item loadings are higher than or close to 0.5 in the current study. Therefore, there is no lacking of convergent validity [79]. Moreover, CFA fit indices such as NFI, TLI/NNFI and GFI is also indicative of high convergent validity, when this value is greater than 0.90. For divergent validity, the result of Harman one-factor test (See Table 3: Total Variance Extracted) reveals that neither all items are loaded on one single latent factor nor one general factor explain the more than 50% variance in the study[62, 86]. The convergent and discriminant validity is also measured by the goodness of fit index (GFI > 0.90). Thus, the scale has high Convergent and discriminant validity.

### Table 6: Scale Reliability

<table>
<thead>
<tr>
<th>Constructs</th>
<th>CR</th>
<th>AVE</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>G</td>
<td>0.76</td>
<td>0.83</td>
<td>0.76</td>
</tr>
<tr>
<td>FHR</td>
<td>0.81</td>
<td>0.83</td>
<td>0.76</td>
</tr>
<tr>
<td>MHR</td>
<td>0.75</td>
<td>0.83</td>
<td>0.76</td>
</tr>
<tr>
<td>SHR</td>
<td>0.88</td>
<td>0.83</td>
<td>0.76</td>
</tr>
</tbody>
</table>

DOI: 10.35940/ijrte.D8052.118419

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Table 7: CFA Fit Indices

<table>
<thead>
<tr>
<th>Construct</th>
<th>X²/df</th>
<th>RMSEA</th>
<th>CFI</th>
<th>NFI</th>
<th>TLI</th>
<th>GFI</th>
<th>AGFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>G</td>
<td>4.54</td>
<td>0.11</td>
<td>0.96</td>
<td>0.95</td>
<td>0.9</td>
<td>0.98</td>
<td>0.91</td>
</tr>
<tr>
<td>FHR</td>
<td>3.143</td>
<td>0.09</td>
<td>0.97</td>
<td>0.96</td>
<td>0.95</td>
<td>0.97</td>
<td>0.92</td>
</tr>
<tr>
<td>MHR</td>
<td>0.919</td>
<td>0</td>
<td>1</td>
<td>0.99</td>
<td>1</td>
<td>0.99</td>
<td>0.98</td>
</tr>
<tr>
<td>SHR</td>
<td>1.724</td>
<td>0.05</td>
<td>1</td>
<td>0.99</td>
<td>0.99</td>
<td>0.99</td>
<td>0.97</td>
</tr>
<tr>
<td>Whole Scale</td>
<td>2.119</td>
<td>0.06</td>
<td>0.93</td>
<td>0.88</td>
<td>0.92</td>
<td>0.89</td>
<td>0.86</td>
</tr>
</tbody>
</table>

C. Structural Model Fit

The structural equation modelling (SEM) is an ideal technique for testing the hypothetical research model [71]. The impact of the predictor variable (G) on criterion variables (FHR, MHR, SHR) is evaluated by using SEM in SPSS Amos version 22. For hypotheses testing, there is an essential condition that fit indices should be underlying the requisite limits. Then, standardized path coefficients of the structural model reflect the magnitude of the impact of exogenous variable on endogenous variables and direction of relationships.

![Fig. 2: Structural Model](image)

Table 8: Fit Indices for Structural Model

<table>
<thead>
<tr>
<th></th>
<th>X²/df</th>
<th>RMSEA</th>
<th>CFI</th>
<th>NFI</th>
<th>TLI</th>
<th>GFI</th>
<th>AGFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHR</td>
<td>3.143</td>
<td>0.09</td>
<td>0.97</td>
<td>0.96</td>
<td>0.95</td>
<td>0.97</td>
<td>0.92</td>
</tr>
<tr>
<td>MHR</td>
<td>0.919</td>
<td>0</td>
<td>1</td>
<td>0.99</td>
<td>1</td>
<td>0.99</td>
<td>0.98</td>
</tr>
<tr>
<td>SHR</td>
<td>1.724</td>
<td>0.05</td>
<td>1</td>
<td>0.99</td>
<td>0.99</td>
<td>0.99</td>
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</tr>
<tr>
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<td>0.06</td>
<td>0.93</td>
<td>0.88</td>
<td>0.92</td>
<td>0.89</td>
<td>0.86</td>
</tr>
</tbody>
</table>

In the model, all the hypotheses are accepted because the p-value is less than 0.05 and the critical ratio (CR) is much higher than the required value 1.96. Thus, the researchers can infer that the globalisation has a very strong impact on all kinds of HR practices. The standardized path coefficient (β) is 0.96, 0.94 and 0.80 for formal (FHR), motivational (MHR), and strategic (SHR) HR practices respectively.

Table 9: Hypotheses Testing

<table>
<thead>
<tr>
<th>Code</th>
<th>Statement</th>
<th>β</th>
<th>CR</th>
<th>p-value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H</td>
<td>Globalisation has a significant impact on formal HR practices (FHR).</td>
<td>0.96</td>
<td>5.357</td>
<td>0.000</td>
<td>Sig</td>
</tr>
<tr>
<td>H</td>
<td>Globalisation has a significant impact on motivational HR practices (MHR).</td>
<td>0.94</td>
<td>5.376</td>
<td>0.000</td>
<td>Sig</td>
</tr>
<tr>
<td>H</td>
<td>Globalisation has a significant impact on strategic HR practices (SHR).</td>
<td>0.80</td>
<td>5.222</td>
<td>0.000</td>
<td>Sig</td>
</tr>
</tbody>
</table>

VII. RESULTS DISCUSSION AND CONCLUSION

All the accepted research hypothesis implies that globalisation has asstrong impact on formal, motivational, and strategic HR practices. As it is very well documented that globalisation not only change structural boundaries, but it has also influenced the content of HR management. This study confirms the narrative in favour of globalisation, and it is concluded that measures of globalisation strongly affects motivational and formal HR practices, whereas the relationship with SHR is relatively somewhat weak. Increasing the pace of globalisation by one standard deviation enhances the variation of 96% in FHR, 94% in MHR and 80% in SHR practices. It may be inferred that several Indian firms are undergoing tremendous changes in order to be competitive in the market. Along with, HR departments of Indian firms are going through the transitional phases. That’s why the nature of HR functions and roles are gradually shifting from reactive to proactive mode; administrative to strategic; and control to commitment system in India.

The study results reflect that recruitment & selection practices and procedures in Indian firms are highly formal and standardised. Same is for training & development and appraisal practices and procedures in sampling firms. However, strategic nature is lacking somewhat behind in HR practices owing to old labour laws still directs many HR policies and practices [87].

This study is in line with most of the previous researches which support the assumption that globalisation pushed HR policies and practices towards more creative, innovative and proactive in order to accomplish organisational as well as individual goals in the hyper-competitive Indian business environment [88, 89, 8, 40, 35, 2].

Note: This work has been extracted from on-going PhD work of the first author.

REFERENCE


[10.35940/ijrte.D8052.118419]


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