

## International Human Resource Management Strategy: Facing Global Challenges

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### Abstract

*International Human Resource Management (IHRM) is becoming increasingly important in the context of growing globalization, where companies operate in multiple countries with diverse business environments. This article discusses the basic concepts of IHRM, the differences between domestic and international HRM, and the challenges and strategies that can be applied in managing a global workforce. IHRM not only focuses on employee management, but also considers cultural differences, diverse regulations, and local needs that are unique to each country. The differences between domestic and international HRM lie in the complexity of the operational environment, recruitment processes, and development skills. Challenges include cultural differences, regulatory compliance, and skills availability. To overcome these challenges, companies need to implement strategies such as cross-cultural competency development, technology utilization, and flexible policies. With an adaptive and strategic approach, companies can improve the effectiveness of global HR management and achieve competitive advantage.*

**Keywords:** International Human Resource Management, IHRM, Domestic HRM, Global Challenges, Workforce Management Strategies, Cultural Diversity.

### INTRODUCTION

In the era of globalization, multinational companies increasingly face challenges in managing workforces spread across countries. International Human Resource Management (IHRM) plays a role in ensuring the effectiveness of human resource management in a complex and dynamic business environment (Dowling et al., 2017). In

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this context, IHRM not only focuses on managing employees locally but also how companies manage workforces spread across the world. IHRM covers various aspects such as recruitment, training, compensation, and adaptation to cultural differences and employment regulations in various countries.

IHRM is different from domestic HRM because it involves managing employees from various countries with different cultural, legal, and social backgrounds (Brewster et al., 2016). Therefore, multinational companies must understand how these factors affect their HRM policies and practices. For example, a compensation policy that is effective in the company's home country may not be directly applicable in another country without appropriate adjustments (Tung, 2016).

The main challenges in IHRM include the complexity of employment regulations, differences in cultural values and norms, and the management of expatriate workers. Cultural differences can lead to misunderstandings, conflicts, and difficulties in work coordination. Therefore, companies must have a deep understanding of the cultural values that apply in the various countries where they operate. In addition, legal and regulatory factors also play an important role in IHRM. Each country has different employment regulations, ranging from minimum wages, labor rights, to regulations on work visas for foreign workers (Tung, 2016). Therefore, multinational companies must have a strong compliance strategy to avoid legal risks and create a work environment that is in accordance with local regulations. Recruitment and selection strategies in IHRM are also important issues. Companies need to determine whether to recruit local workers or send expatriates from the head office to manage operations abroad. Each option has its own advantages and challenges. For example, expatriates can help spread the company culture but often face challenges in adjusting to the new work environment (Harzing & Pinnington, 2015). In addition, managing compensation and benefits for international employees is also a challenge. Differences in exchange rates, living standards, and tax policies across countries require companies to design fair and competitive compensation systems in order to attract and retain the best talent (Schuler & Tarique, 2007).

Technology and digitalization have also played a role in changing IHRM. Advances in information technology enable more efficient coordination between headquarters and international branches. Digital-based human resource management systems enable real-time monitoring of employee performance and improve operational efficiency (Stahl et al., 2012). With the increasing challenges in IHRM, a strategic approach is needed that not only considers internal company factors but also the ever-evolving external dynamics.



Therefore, research on IHRM is very relevant in supporting multinational companies in managing their workforce effectively. Through writing this article, it is hoped that it can contribute to the development of human resource management science, especially in understanding international human resource management. With a better understanding of IHRM, companies can design more adaptive and innovative policies in facing global market dynamics.

## **LITERATURE REVIEW**

International Human Resource Management (IHRM) has become a major focus in management research, especially with increasing globalization and the emergence of multinational corporations. IHRM encompasses the management, development, and retention of workforces across countries, taking into account differences in local cultures, laws, and business practices. International Human Resource Management (IHRM) is defined as the management of workforce in an international environment, where companies must consider the cultural, legal, and labor policy aspects of different countries (Brewster et al., 2016). IHRM encompasses not only the management of domestic employees but also expatriate and foreign workers in various branches of global companies. IHRM has a broader scope compared to domestic HRM as it involves global aspects such as labor mobility, cultural adaptation, and compliance with international regulations (Brewster et al., 2016). The major challenges faced in IHRM include, Cultural Differences, Employment Laws, Skill Availability. Technological developments have had a significant impact on IHRM practices. According to Marler and Parry (2016), information technology enables companies to manage HR more efficiently, including in terms of recruitment, training, and development. Technologies such as HR management systems and online learning platforms help companies collect data and analyze employee performance across multiple locations. Employee engagement is a key factor in the success of an IHRM strategy. Saks (2006) suggests that high employee engagement can increase productivity and loyalty. An inclusive and diversity-valuing organizational culture is also critical in a global context. Chatman & Cha (2003) emphasize that building a strong organizational culture can help companies adapt to rapid market changes and demands. IHRM encompasses a variety of complex and interrelated aspects. The challenges faced by multinational companies in managing HR across multiple countries require an adaptive strategic approach. Through a deep understanding of the local context, the use of technology, and a focus on employee engagement, companies can formulate effective IHRM strategies to address global challenges. Further research is needed to explore how

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companies can integrate best practices from IHRM into their business strategies to achieve long-term success.

## **RESEARCH METHOD**

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## RESULT & DISCUSSION

### Basic Concepts of International Human Resource Management

International Human Resource Management (IHRM) is defined as the management of the workforce in an international environment, where companies must consider cultural, legal, and labor policy aspects in various countries (Brewster et al., 2016). IHRM not only includes the management of domestic employees but also expatriate and foreign workers in various branches of global companies. IHRM has a broader scope compared to domestic HRM because it involves global aspects such as labor mobility, cultural adaptation, and compliance with international regulations (Brewster et al., 2016). Multinational companies must consider three main approaches in IHRM to manage their workforce in various countries, namely:

#### Ethnocentric Approach

The ethnocentric approach is a strategy in which a company maintains central control from its headquarters in managing HR across international subsidiaries. In this approach, HR policies in place at headquarters are implemented across global business units without much adjustment to local cultures or regulations (Dowling et al., 2017). The advantages of this approach are consistency in company policies and practices and ease of coordination across business units. However, this approach also has disadvantages, such as lack of flexibility to local cultural and legal differences, and potential conflicts with local workers who feel undervalued (Harzing & Pinnington, 2015).

- Polycentric Approach. The polycentric approach recognizes that each country has its own unique culture, regulations, and business systems. Therefore, companies tailor their HR policies based on the needs and practices prevailing in that country (Tung, 2016). In this approach, local workforces are more involved in decision-making, and companies try to adapt to the local environment. The main advantages of this approach are increased acceptance by local employees and better compliance with local regulations. However, the disadvantages of this approach are the difficulty in achieving global consistency in HR policies and the challenges in coordination with headquarters (Schuler et al., 2017).
- Geocentric Approach. The geocentric approach is a strategy that seeks to balance global standards and local needs. In this approach, companies adopt flexible HR policies, which allow for adjustments to the local context, but still maintain established global standards (Björkman & Stahl, 2017). The main advantage of this approach is that companies can attract and retain the best talent from various countries, create a

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more inclusive work environment, and improve global operational efficiency. However, the challenges of this approach are the high complexity in HR management and the higher costs in implementing flexible policies (Black & Gregersen, 2017).

IHRM is a field that focuses on workforce management in a global context, encompassing the various policies and practices implemented by multinational companies to manage their employees in various countries (Brewster et al., 2016). The basic concept of IHRM includes several main elements, namely:

- ✓ International Recruitment and Selection. Multinational companies face challenges in recruiting and selecting employees who not only have the appropriate skills but are also able to work in a multicultural environment (Dowling et al., 2017). Recruitment can be done locally or through the transfer of expatriates from the company's headquarters.
- ✓ Training and Development. Training in IHRM should include cultural adaptation, understanding local employment regulations, and cross-cultural skills development (Black & Gregersen, 2017). This training aims to increase work effectiveness and reduce the risk of expatriate failure.
- ✓ Global Performance Management. Assessing employee performance in different countries requires flexible standards that can be adjusted to local conditions. The approach used can vary between companies, but it is important to take into account local cultural aspects and employment laws (Björkman & Stahl, 2017).
- ✓ International Compensation and Benefits. The compensation system in IHRM includes base salary, benefits, and incentives that must be adjusted to the economic conditions and standard of living in each country (Schuler et al., 2017). Compensation packages for expatriates often include living expenses, housing, children's education, and health insurance.
- ✓ International Labor Relations. Multinational companies must understand and comply with the various labor regulations that apply in the countries where they operate (Harzing & Pinnington, 2015). Relations with labor unions and compliance with labor laws are important aspects of IHRM.
- ✓ Diversity and Inclusion. Cultural diversity in the global workforce can be both a challenge and an opportunity for multinational companies. Developing effective diversity and inclusion policies can increase productivity and create a harmonious work environment (Hofstede, 2011).



By understanding these basic concepts, multinational companies can manage their workforce more effectively and increase their competitiveness in the global marketplace.

### **Differences between Domestic HRM and International HRM**

Domestic HRM and international HRM have some key differences that cover various aspects of workforce management. The key differences between IHRM and domestic HRM include:

#### **Scope of Operation**

The scope of operation between domestic HRM and international HRM has significant differences in various aspects, ranging from recruitment policies, training, compensation, to performance management. Here are some of the main differences in the scope of operation of these two fields:

- a. Recruitment and Selection. In domestic HRM, the recruitment and selection process is carried out in a smaller scope and is usually limited to the employment laws and cultural norms of a country. Meanwhile, in international HRM, companies must consider various factors, such as different labor laws in each country, visa and work permit requirements, and cultural diversity in the selection process (Dowling et al., 2017).
- b. Training and Development. Domestic HRM focuses more on improving employee skills and knowledge in a stable business environment. In contrast, international HRM must develop training programs that cover cross-cultural aspects, languages, and different business regulations in each country where the company operates (Brewster et al., 2016). Training programs in international HRM often include preparing expatriates to work in a new environment (Black & Gregersen, 2017).
- c. Compensation and Benefits Management. Domestic HRM sets compensation and benefits according to the standards applicable in one country. In international HRM, compensation structures must take into account currency exchange rates, living standards in different countries, and tax policies in each region (Schuler et al., 2017). Multinational companies must also provide additional benefits for expatriates, such as housing assistance, educational benefits, and living expenses (Tung, 2016).
- d. Performance Management. In domestic HRM, employee performance evaluations are generally based on uniform standards and indicators. On the other hand, international HRM faces challenges in adapting performance evaluation systems to

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differences in work culture, employee expectations, and appraisal systems in different countries (Björkman & Stahl, 2017). For example, communication styles in providing feedback differ between individualistic and collectivist cultures.

- e. Industrial Relations and Regulatory Compliance. Domestic HRM only focuses on compliance with national labor laws, while international HRM must comply with various labor regulations from the various countries in which the company operates (Harzing & Pinnington, 2015). This includes employment contract terms, labor regulations, and policies regarding termination of employment, which can vary significantly from country to country.

### **Regulatory Complexity**

One of the main differences between domestic HRM and international HRM is the regulatory complexity that organizations must deal with. Companies operating in one country only need to comply with applicable local regulations, while multinational companies must adjust to a variety of different regulations in each country where they operate. Regulatory complexity in HRM can be categorized into several main aspects, namely employment regulations, tax and compensation laws, and regulations related to international labor mobility.

- a. Employment Regulation. In domestic HRM, companies only need to follow national employment laws, such as labor laws, regulations on working hours, minimum wages, and protection of workers' rights (Tung, 2016). For example, in the United States, employment regulations are regulated by the Fair Labor Standards Act (FLSA), while in Indonesia there is the Employment Law No. 13 of 2003. This regulation provides guidelines for companies in managing employment relationships with their employees. However, in IHRM, companies must face diverse regulations from various countries, which often have significant differences. For example, some countries in Europe have longer leave policies and stronger labor protection systems compared to countries in Asia or America. International employment regulations also cover aspects such as employment contracts, freedom of association, and termination rules that vary from country to country (Harzing & Pinnington, 2015).
- b. Tax Law and Compensation. Taxation systems and compensation policies are also challenges in IHRM. In domestic HRM, companies only need to comply with the tax system and compensation policies that apply in one country. For example, in Indonesia, companies are required to comply with Income Tax (PPh) Article 21 regarding employee salaries and benefits. In international HRM, companies must

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deal with different tax systems in each country where they operate. For example, an expatriate working in another country may be subject to double taxation, both from his home country and from the country where he works. Therefore, multinational companies often have to develop special policies to address double taxation issues and provide tax incentives for their international employees (Schuler et al., 2017). In addition, compensation policies in international HRM are also more complex because they must consider differences in the cost of living, inflation, and currency exchange rates in various countries.

- c. **International Labor Mobility.** International HRM also faces challenges related to global labor mobility. In domestic HRM, labor migration is relatively simpler because it only occurs in one legal jurisdiction. However, in IHRM, companies must deal with various legal aspects related to work visas, residence permits, and immigration requirements (Björkman & Stahl, 2017). For example, companies that want to send employees from the United States to Germany must comply with the European Union's work visa policy, while companies that want to hire foreign workers in Japan must understand the work visa requirements applicable in that country. Strict immigration regulations in some countries often become obstacles for companies in managing their global workforce (Black & Gregersen, 2017).

### **Employee Mobility Management**

Employee mobility management is concerned with managing a workforce that moves between countries and requires specific policies regarding visas, taxes, and expatriate benefits (Schuler et al., 2017).

- a. **Global Mobility Management in Domestic HRM.** Domestic HRM focuses on managing the workforce within a country. Therefore, workforce mobility in domestic HRM is limited to employee movement within a region or between company branches within the country. The main factors considered in domestic workforce mobility include: (1) Domestic relocation with management of workforce movement from one city to another within a country. (2) Compliance with local regulations by means of domestic HRM must comply with national employment laws that are more homogeneous compared to IHRM (Brewster et al., 2016). Furthermore, (3) Work-life balance: Social factors such as children's education and access to health care are easier to accommodate because they are in a system that is already familiar to employees. However, in domestic HRM, challenges remain, such as regional wage differences,



relocation costs, and adaptation to a new work environment within a country (Harzing & Pinnington, 2015).

b. Global Mobility Management in IHRM. In the context of IHRM, workforce mobility management is more complex because it involves employee movement between countries. Some of the key aspects of global mobility management include:

- ✓ Expatriation and Repatriation: Expatriates are employees assigned to work abroad for a certain period of time. Meanwhile, repatriation is the process of returning expatriates to their home country after completing their assignment abroad (Black & Gregersen, 2017). The main challenges are cultural adjustment, different living costs, and compliance with international tax regulations.
- ✓ Visas and Work Permits: Companies must ensure that employees working abroad have visas and work permits that comply with the regulations of the destination country (Dowling et al., 2017). This licensing process is often time-consuming and expensive.
- ✓ Compensation and Benefits: Expatriate compensation packages are often higher than domestic workers to offset the cost of living, family allowances, and risks of working abroad (Schuler et al., 2017). Compensation components include housing allowances, children's education costs, health insurance, and income taxes.
- ✓ Cultural Management and Adaptation: Employees working in other countries must be able to adapt to differences in culture, language, and social norms (Hofstede, 2011). Cross-cultural training becomes important to ensure work effectiveness and reduce the possibility of expatriate failure.
- ✓ Global Workforce Performance Management: Expatriate performance evaluation is often more complex than domestic workers due to different work environment factors and expectations that are not always aligned with the standards of the home company (Björkman & Stahl, 2017).

Overall, global mobility management in IHRM is much more challenging compared to domestic HRM. Therefore, multinational companies must have a well-thought-out strategy to manage their workforce mobility effectively.

### Cultural Diversity

Cultural diversity is an important factor in HRM, both in domestic and international contexts. In domestic HRM, cultural diversity is more controlled but still requires attention to inclusivity. Meanwhile, in international HRM, cultural complexity becomes higher

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because it involves various countries with different norms, values, and regulations. With the right management strategy, companies can utilize cultural diversity to create an innovative and harmonious work environment.

- ✓ Cultural Diversity in Domestic HRM. Domestic HRM operates within the boundaries of a single country and manages a workforce that generally shares similarities in cultural norms, legal systems, and business practices. In this context, cultural diversity still exists, but tends to be more homogeneous compared to international HRM (Hofstede, 2011). Cultural diversity in domestic HRM can be seen from the following aspects:
  - Ethnic and Demographic Diversity: Countries with multiethnic populations, such as the United States and Indonesia, have a workforce with various ethnic, religious, and linguistic backgrounds (Harzing & Pinnington, 2015).
  - Variation in Leadership and Communication Styles: Companies in a particular country may have different leadership styles, for example a hierarchical approach in Japan compared to a participative leadership style in Scandinavian countries (Trompenaars & Hampden-Turner, 2012).
  - Social Norms and Values: National culture influences how organizations operate, for example a strong teamwork approach in Asian countries compared to individualism in Western countries (Hofstede, 2011).
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- Social Norms and Values: National culture influences how organizations operate, such as a strong teamwork approach in Asian countries compared to individualism in Western countries (Hofstede, 2011).

Although domestic HRM is more homogeneous, managing diversity remains a challenge, especially in ensuring that HR policies are inclusive of all social groups within a country.

- ✓ Cultural Diversity in International HRM . International HRM faces more complex cultural diversity because it operates in different countries with different social, legal, and business systems. Here are some of the main challenges in cultural diversity in international HRM:
  - Differences in Cultural Values and Norms: Concepts of work, discipline, and business ethics can vary greatly from one country to another. For example, the work culture in Japan that emphasizes loyalty and hard work is different from the culture in Europe that emphasizes work-life balance (Brewster et al., 2016).
  - Intercultural Communication: Employees from different countries have different ways of communicating. For example, high-context cultures such as China and Saudi Arabia tend to rely on implicit communication, while low-context cultures such as Germany and the US are more direct in speaking (Hall, 1990).
  - Different Management and Leadership Systems: Leadership approaches can vary across countries. In countries with collectivist cultures such as South Korea, decision-making is more hierarchical, while in countries with individualist cultures such as the US, employees are more encouraged to take personal initiative (Schuler et al., 2017).
  - Compliance with Global and Local Regulations: Each country has different employment laws, including minimum wage standards, leave policies, and labor rights (Tung, 2016). Multinational companies must adapt their HR policies to the laws of each country in which they operate.
- 5. Multicultural Team Management: Multinational companies often have teams that consist of members from different countries. Management must ensure that this diversity is a strength that enhances creativity and innovation, rather than a barrier to teamwork (Björkman & Stahl, 2017).
- ✓ Challenges and Strategies in Managing a Global Workforce. Managing a global workforce brings a number of challenges that multinational companies must face. Some of the key challenges include:



- Differences in Employment Laws and Regulations. Each country has different employment regulations, covering aspects such as employment contracts, minimum wages, working hours, and employee benefits and rights (Harzing & Pinnington, 2015). Multinational companies must understand and comply with these laws in order to operate smoothly and avoid legal sanctions. This challenge is further complicated when companies must adjust their internal policies to comply with local laws without compromising the company's core values (Dowling et al., 2017).
- Cultural Diversity and Cross-Cultural Adaptation. Cultural diversity in the workplace is a major challenge in IHRM. Each country has different values, norms, and ways of working, which can affect communication, decision-making, and performance management (Hofstede, 2011). Companies must be able to understand these differences and develop strategies to manage a workforce from various cultural backgrounds. This includes cross-cultural training, inclusion programs, and effective communication strategies (Tung, 2016).
- Management of Workforce Mobility and Expatriation. International workforce mobility is an important element in IHRM, especially for companies that send employees abroad as expatriates. Challenges that often arise include visa and immigration issues, differences in tax systems, and difficulties in social and professional adaptation in a new country (Black & Gregersen, 2017). In addition, companies must also ensure that compensation, benefits, and support programs for expatriates are adequate to help them adapt to the new work environment (Björkman & Stahl, 2017).
- Performance Management in an International Context. Managing the performance of a global workforce becomes more complex due to differences in work standards, cultural expectations, and leadership styles in various countries (Schuler et al., 2017). Companies must adjust their performance evaluation systems so that they can be applied fairly and effectively across international branches. One solution used is a competency-based approach that can be adapted to local needs without losing established global standards (Harzing & Pinnington, 2015).
- Compensation and Benefits in a Global Context. The compensation and benefits structure for a global workforce is a major challenge for multinational companies. Companies must consider factors such as differences in the cost of living, taxes,



and salary standards in the countries where they operate (Tung, 2016). Determining a fair and competitive compensation package for local and expatriate workers is key to maintaining employee motivation and retention (Schuler et al., 2017).

- Use of Technology in IHRM. Technological advances have changed the way companies manage their global workforce. The use of cloud-based HR systems, artificial intelligence (AI), and data analytics are becoming increasingly common in supporting operational efficiency and effectiveness (Brewster et al., 2016). However, the main challenges in implementing these technologies are data security, integration with local systems, and training employees to adapt to rapid technological changes (Dowling et al., 2017).

Managing a global workforce requires a well-thought-out strategy so that companies can adapt to the dynamics of different business environments. Some of the main strategies that can be implemented are as follows:

- ✓ Global Recruitment and Selection. Multinational companies need to develop effective recruitment strategies in order to obtain the best talent from various countries (Brewster et al., 2016). Strategies that can be used include:
  - Local Resources vs. Expatriates: Determining whether to recruit local workers or send expatriates from the home country.
  - Use of Technology: Utilizing technology such as AI in the global employee selection process.
  - Adaptation to Local Culture: Adjusting recruitment methods to the work culture that applies in each country.
- ✓ Global Performance Management. Global employee performance evaluations must consider cultural differences and work expectations in each country (Schuler et al., 2017). Some strategies in global performance management include:
  - Flexible Evaluation System: Developing performance indicators that can be adjusted to local contexts.
  - Managerial Training: Training managers to provide feedback that is appropriate to the culture of each country.
  - Utilization of Analytical Data: Using data analytical technology to measure workforce performance across locations.



- ✓ Global Employee Development and Training. Effective training programs can help improve employee skills in facing global challenges (Black & Gregersen, 2017). Strategies that can be implemented include:
  - Cross-Cultural Training: Providing an understanding of cultural differences so that the workforce can adapt well.
  - Mentoring and Coaching: Implementing a mentoring program for employees working in an international environment.
  - Digital Competency Enhancement: Developing digital skills so that the workforce is better prepared to face global technological changes by using cloud-based HRM technology to facilitate global workforce management.
- ✓ Global Compensation and Benefit. Companies must adjust their compensation and benefits systems to suit the economic standards and regulations of different countries (Harzing & Pinnington, 2015). Some approaches that can be used are:
  - Location-Based Salary Structure: Adjusting salaries to the cost of living in each country.
  - Expatriate Incentives: Providing benefits for workers who are placed abroad.
  - Insurance and Social Security: Providing health and social security facilities that comply with local regulations.
- ✓ Diversity and Inclusion in Global Organizations. Increasing workforce diversity can bring benefits to global companies (Hofstede, 2011). Strategies that can be implemented include:
  - Gender Equality and Inclusion Programs: Develop policies that support gender equality and cultural diversity.
  - Flexible Work Facilities: Provide flexible work policies that support workforce diversity.
  - Cultural Education and Awareness: Provide training related to diversity and cultural sensitivity in the work environment

## CONCLUSION

International Human Resource Management (IHRM) plays a critical role in supporting the success of multinational companies. With globalization, companies must be able to manage a workforce spread across countries with different cultural backgrounds, regulations, and employment policies. Some of the key strategies in IHRM include global recruitment and selection, performance management, employee



development, compensation and benefits, and diversity and inclusion in global organizations. Companies that can adapt their strategies to the dynamic global environment will be better able to compete effectively in the international marketplace.

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