Mini Review

The challenges of international human resource management in multinational corporations

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Abstract

International human resource management (IHRM) is a crucial element for multinational corporations (MNCs) to achieve success in the global marketplace. The challenges faced by MNCs in managing their human resources internationally are numerous and complex. This article identifies some of the significant challenges of IHRM in MNCs, including cultural differences, language barriers, compensation and benefits, and employee retention. Additionally, this article proposes strategies that MNCs can use to overcome these challenges.

Keywords: Human resource management, Multinational corporations, Challenges

INTRODUCTION

As the global economy continues to evolve and expand, multinational corporations (MNCs) are increasingly becoming the norm. However, as MNCs expand their operations across national borders, they are faced with numerous challenges, including those related to international human resource management (IHRM). Managing human resources internationally requires a more comprehensive understanding of cultural differences, language barriers, legal and regulatory frameworks, and compensation and benefits structures. Failure to address these challenges adequately can lead to decreased employee satisfaction, higher turnover rates, and decreased productivity, ultimately affecting the success of the MNC. This article aims to identify and analyze the challenges faced by MNCs in managing their human resources internationally and propose solutions to overcome them (Cicellin et al., 2019).

Challenges of IHRM in MNCs

Cultural differences: One of the most significant challenges of IHRM in MNCs is managing cultural differences. Cultural differences can lead to communication barriers, misunderstanding, and ineffective cross-cultural communication. MNCs must recognize and respect the cultural differences of their employees, customers, and stakeholders in various countries. Inappropriate communication, behavior, or attitudes can lead to lost business opportunities, decreased employee satisfaction, and legal disputes.

Language barriers: Language barriers can also be a challenge in IHRM in MNCs. MNCs operating in multiple countries need to ensure effective communication with their employees, customers, and stakeholders. Inability to communicate effectively in the local language can lead to misunderstandings, decreased employee engagement, and difficulties in implementing organizational strategies (Damodharan & Ravichandran, 2019).

Compensation and benefits: MNCs often face challenges in developing and implementing compensation and benefits structures that are appropriate and fair across different countries. Differences in labor laws, tax regulations, and cultural norms can lead to discrepancies in pay and benefits between employees working in different countries. This can lead to employee dissatisfaction and turnover, and decreased employee morale and motivation. Employee retention: Employee retention is another significant challenge of IHRM in MNCs. High turnover rates can be

costly for MNCs in terms of recruitment, training, and loss of intellectual capital. MNCs must provide employees with opportunities for career development, training, and education, and establish clear paths for career advancement.

Strategies to overcome challenges

Cultural training: MNCs can overcome cultural differences by providing cultural training to their employees working in different countries. Cultural training should include an understanding of the local culture, customs, and communication styles. Language training: MNCs can provide language training to their employees to overcome language barriers. This can include language courses or language translation services (McDonald et al., 2011).

Global compensation and benefits structure: MNCs can develop a global compensation and benefits structure that takes into account local labor laws, tax regulations, and cultural norms. This can help ensure that compensation and benefits are fair and appropriate across different countries. Employee engagement: MNCs can improve employee retention rates by providing opportunities for career development, training, and education. MNCs can also establish clear paths for career advancement and provide regular feedback and recognition to employees (Zarrabi et al., 2017).

Challenges faced by SMEs in Internationalization

Entering a foreign market can be challenging for SMEs due to various factors such as cultural differences, regulatory barriers, and market competition. Some of the common challenges faced by SMEs in internationalization are Lack of resources: SMEs often have limited resources, making it challenging to invest in internationalization activities such as market research, legal compliance, and product customization.

Cultural differences: Entering a foreign market requires SMEs to adapt to the local culture, language, and business practices. Failure to understand and respect local customs can result in negative customer experiences and reputational damage (Pronk et al., 2017).

CONCLUSION

IHRM is a critical element for the success of MNCs operating in multiple countries. Managing human resources internationally requires a more comprehensive understanding of cultural differences, language barriers, legal and regulatory frameworks, and compensation and benefits structures. The challenges faced by creators pronounce that they have no known contending monetary interests or individual connections that might have seemed to impact the work revealed in this paper.

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