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**Title:** Trends And Challenges Of IHRM For MNCs

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<b>Major</b>	Economic
<b>Degree</b>	Bachelor
<b>Course Title</b>	HRM-Advanced Studies In Industrial Relations
<b>Type of Document</b>	Assignment
<b>Year</b>	2018

HRM – International Human Resource Management

Assessment 3 – Trends/Challenges of IHRM for MNCs

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Word count: 2586

Date of Submission: 05/Oct/2018

## Executive Summary

The changing business environment has huge effect on the different business function. One of the most severe impacts could be seen on the human resource management. This report highlights the challenges and trends that are confronting the management of human resource in the multinational organisation. Technology is bringing the change in the work process hence are affecting the employee's performance. Diversity management is a big problem in the MNC and hence has been elaborated in the report. The way compensation and benefits are challenging the operations of the International Human Resource Management in any company at international level has been elaborated. In the later section of the report, recommendation has also been given about the way in which the problems related to these three challenges can be reduced.

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## **Introduction**

Business environment has become very much volatile. This has brought changes in the way operations are performed within the organisation. It is crucial for the organisation to identify

and understand the challenges that is brought due to several factors. One of the most severe effects of these changes will be on the Human resource department especially the companies that operate at International level (Briscoe, Tarique & Schuler, 2012). They have employees from different parts of the world. It is essential that a company has long term plan for managing their human resource so as to confront these challenge. This will help them in reducing their impact on the business operations. This report highlights the three challenges faced by International Human resource management in the modern day business. It also showcases the impact of these challenges on the business operations. In the last section of the report recommendations regarding the ways in which companies can confront their business have been provided.

## **Body**

### **Three challenges/trends faced by the IHRM in MNC**

Multinational Corporation has huge employees strength performing operating in different parts of the world. This raises different kinds of challenges for the organisation which needs to be identified and proper solution to it needs to found out (Brewster, Houldsworth, Sparrow & Vernon, 2016). It is the role of the managers to underlines the challenges. Since these companies operate in all the type of countries i.e. developed, developing and under-developed nations. Three major challenges faced by the organisation are as follows:

### **Diversity management**

In a multinational organisation, there are people those who are working are from different regions of the world. These employees come from different kind of cultural backgrounds and it is essential that companies have their own plans for managing these cultural variances (Schuler, Jackson & Tarique, 2011). The role of the managers in these MNC is to manage the diversity. The rules regarding the employment have changed and companies need to comply with all these rules so as to avoid legal consequences. Most of the government have become very strict on the policies related to management of the diversity inside the organisation. With the development of women in the society, firms are forcing the companies to ensure diversity is also in terms of providing equal opportunities to women also. Discriminatory practices at the workplace may result in negative environment for the organisation. It is crucial for the company to ensure that they have an healthy diversity management plan that is capable of not only supporting each and every individual's culture but also promotes the people from different

culture up in the organisational structure (Stahl, Björkman, Farndale, Morris, Paauwe, Stiles, ... & Wright, 2012).

The cultural conflicts are the real challenge for the organisation. The diversity management team within any MNC should make the list of practices and procedures that needs to induce within the organisation that can improve the diversity at every level. The HR team also needs to comprise of people from different background so that they can easily understand the demands and requirements of each and every person. The festivals and the customs that is followed by the culture of any particular person needs to be respected by the company (Al Ariss, Cascio & Paauwe, 2014). The situations become worse at the workplace when any discriminatory or derogatory comments are shared among the colleagues. This needs to be given special attention when the in the case of employees at different levels of the organisation. The employees at higher levels of organisation need to communicate with the lower levels through the formal code of conduct so that environment at the workplace is maintained in a positive manner.

### Technology

Technology has changed the ways in which business operations have been conducted within the organisation. This has also affected the working of the organisation as well as it has also influenced the resources that are present in the organisation. Since technology has replaced the human within the organisation hence it has a greater impact on the business operations. In MNC there are people from different educational backgrounds (Bititci, Garengo, Dörfler & Nudurupati, 2012). Now companies are searching for the employees that are technologically skilled and are comfortable on working with the advanced technologies. The problem with the technology is that it is advancing at much faster speed and companies needs to be upgraded with the latest of technology so as to remain in the competitive business. It has brought efficiency in the work process at the same time it has made the work process easier for the IHRM. For example the HR department can easily recruit people from worldwide without actually going to that place. This can be done with the help of online interviews. The data management regarding each and every employee's which has been a serious challenge for the management can be easily done with the help of technologies such as data management software.

Technology has also influenced the concerns of the IHRM regarding the training as with technology up gradation as companies have to ensure that each and every employee must have

the knowledge about the way in which technology will be used. At the time of implementation of technology, the concerns related to technology have to be addressed. Technology has also influenced the communication at the workplace and IHRM has to ensure that proper mediums for communication have been used within the organisation (Bloom & Van Reenen, 2011). In the era of business where information has become so critical, implementing effective technologies at the workplace becomes highly crucial. With the use of technology IHRM within any company can easily interact with any employee and can know the issues that he or she might be facing at the workplace.

### **Compensation and benefits**

The workload on the employees has increased in the organisation and at the same time companies expecting that employees work as per the international standards. In the modern day business environment quality has become highly crucial and the quality of products and services depends on the efficiency of the employees (Banfield & Kay, 2012). They add value to the products and services. In order to achieve high performance from the employees, motivation plays a very essential role. For motivating employees companies take use of various methods. In these methods, compensation and benefits are very effective. With the increasing workload, employees are demanding for the higher compensation and benefits. Since all the employees have different kinds of demand hence a thorough research needs to be done on all the aspects of the business. In many parts of the world, it has been seen that employees have conducted strikes and lockouts due to uneven or improper distribution of compensation and benefits.

Monetary benefits uplift the employee motivation for a longer period of time. It is not that by only giving compensation and benefits employee motivation can be raised but actually giving it as per the employee's demand is necessary. With employees searching for the higher compensation and benefits, companies are reluctant to provide them so. This is because they have to manage their financial resources as well (Evetts, 2011). Higher incentive schemes could increase the cost of operations which is further a challenge to the company in the long term.

The only criteria for distributing compensations should be the performance of the employees. It is a challenge for the IHRM to review the performance of each and every employee in various parts of the world. The implementation of the monitoring system as well as the metrics that is to be used for the evaluation of performance should be selected wisely (Thompson, 2011). Strategic management of resources is required by the organisation so as to make the plans for

reviewing the performance of the employees. Company should also look at the way in which compensations has to be distributed. The system for performance evaluation needs to be maintained from time to time. Companies should follow the nation's culture in terms of distributing compensation and benefits. In case of any accidents, it is essential that compensations needs to be given as per the requirement of the employees.

In order to make cost cuts, companies are using different kind of options in HRM such as offshoring and outsourcing. Outsourcing reduces the company's challenges in terms of training and employee management. This is because small contractors provide compensation and benefits in lower amount while the larger MNC's has to give it in larger amount. Apart from this, society is ageing and hence companies should also focus on the compensations such as pension for old people (Tooksoon, 2011). In case of any sudden death of the employees, companies must give compensations to his or her family members.

### **Impact of these challenges**

Among the different challenges faced by the organisation, the above mentioned challenges have long term impact on the business process. It is crucial that company used effective strategies so as to reduce the impact of these challenges (Jiang, Lepak, Hu & Baer, 2012). But first it is essential that company understands the impact of these factors so that exact methods can be applied to reduce their impact.

### **Diversity management**

Diversity management has been a challenge to the firm and hence its impact can also need to be analysed. If the diversity is not managed in a proper manner, then the chances of business disruption could arise (Westford, 2016). There are people that are from different social backgrounds and opportunities must be given to all the people equally. Since diversity brings the bunch of new ideas to the organisation hence need to be managed in a proper manner. Diversity is having effect on the decision making. This is because each and every decision made at the workplace needs to be checking the impact it will have on the employee's performance (Guest, 2011). The understanding of the people differs from person to person and it is highly influenced by the culture they belong to. Diversity management has a close link with the organisational structure hence while designing of the organisational structure, selection of the people should be done more wisely. Diversity management evaluation needs to be done from time to time so that issues and challenges that are faced by the employees at



the ground level can be known. Improper diversity management also raises problems for the image of the organisation.

### Technology

It is having severe impact on the business operations like HRM. This is going to affect over the overall operations of the firm. It is essential that company understands the negative and positive side of the technology. Technology makes the processes faster at the same time it also ensures that IHRM processes can be conducted with limited errors. It is crucial that company provides essential training to the employees without which it might lead to business failure (Christie, 2009). For example, employees must be trained as to how the data management technology is used so that they do not give unnecessary lead to the hackers who might steal the crucial information of the firm. Along with this if technology is not used properly, it might bring the challenges for the organisation. If the technological skills are not developed in an appropriate manner, then it could also reduce the productivity of the employees.

Technology has replaced people. With the development of technology, especially in the fields like automation, there will be more job cuts in the future (Daley, 2012). These job cuts have often led to huge negativity in the business environment. In the long run, it is dangerous for the development of the individuals. At the same time this is going to affect the employee relations at the workplace. Technology has also transformed the mechanism using which employees are hired in the organisation. For example the sorting of the details and finding out the best candidate for any vacancy was a tedious process in the manual method and with the help of technology, it can be done easily (Purce, 2014). Technology also has effect on sustainable development of the organisation hence employee development also needs to be done based on the future requirement of the organisation.

### Compensation and Benefits

Compensation and Benefits have close link with the motivation of the employees. If not distributed in an appropriate manner, it might lead to situations like lock-outs and dissatisfaction. For any employee, compensation has to be given from time to time. A proper care must be taken while distributing the compensations as any fault in it might lead to employee turnover. It is seen that companies which are not giving higher benefits faces higher turnover (Choi & Ruona, 2011). The workers who have lower salaries often require higher compensation and benefits. Compensation and benefits have direct impact on the employee retention. For achieving specific targets many managers use compensation and benefits as a

tool for motivating staffs so that they could easily achieve those targets. There are many people that are coming to the organisation seeking different kinds of benefits from the employers. If individual aspirations are not fulfilled, then company might achieve lower productivity from them. The basis for achieving compensation and benefits should also be achievable so that they maximum numbers of employees can avail it.

### **Recommendations**

In the present business environment, where employee retention and their development has become a serious challenge for the company, it has become essential that proper strategies for human resource development are used. According to the challenges some of the recommendations are as follows:

The training regarding the proper use of technology can be very helpful. The implementation of technology and the skill development of the employees need to be done side by side. Since the understanding of each and every person in an organisation is different hence company needs to understand the training requirement of every individual and then design their training module (Kehoe & Wright, 2013).

In order to maintain the diversity at the workplace company needs to design the policies and procedures effectively within the organisation so that people from different cultural backgrounds can be hired within the organisation. Along with this model code of conduct needs to be designed by diversity management team so that any discriminatory practices can be abolished. Providing leaves such as maternity leaves and preferences in the shift timing could further attract more women towards the job (Gruman & Saks, 2011).

It is also essential that companies maintain the standards that need to be fulfilled by any staffs so as to achieve the compensation and benefits. The criteria for achieving the benefits have to be genuine. The performance management system has to be installed within the organisation so as to ensure that compensation and benefits distribution is proper. Financial planning is necessary for management of resource planning.

### **Conclusion**

On concluding this report, it can be stated that the ways of doing business has changed and these changes have affected the HRM especially the HRM of Multinational firms. Technology, Diversity management and compensation & benefits are the three major challenges that are

faced by the Multinational companies. All these three factors have huge impact on the operation of human resource department within any organisation. It is crucial that company identifies all these challenges and at the same time they need to ensure that it does not affect the business of the organisation. With the diversity management plan and training company can easily manage their workforce and the challenges that they are facing. Higher compensations need to be provided to the workers so as to ensure higher employee retention and higher motivation of employees.

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