

PERFORMANCE MANAGEMENT CHALLENGES IN MULTINATIONAL ORGANIZATIONS: GLOBAL AND LOCAL POLICY PERSPECTIVES

Prihatina Jati^{1*}, Indri Astuti², Budi Safari³, Nurwulan Kusuma Devi⁴

STIMA IMMI Jakarta, Indonesia^{1,2,3,4}

jatitina15@gmail.com¹, indriast015@gmail.com², budisafari77@gmail.com³,

nurwulankusumadevi026@gmail.com⁴

ABSTRACT

Globalization of management is a fact of life. Global management is the performance of management activities that cross national boundaries. Global management helps to solve problems that cannot be solved alone in international cooperation. The growth and development of multinational companies requires quality management. The complexity in handling companies across countries spurs the resources in it to continue to be creative and innovative. The method used in this study is descriptive analytics, by conducting a literature search related to performance management challenges in the context of multinational companies, with a conceptual approach and a historical approach. The results of this study show that management challenges always exist in building a multinational organization, performance management is needed in building a change mentality. To face performance challenges in multinational organizations there are several steps or strategies that can anticipate them, including: Creating the availability of skilled personnel, Improving the company's ability to adopt and use progress, Building a more effective, efficient, and highly motivated team, which is able to improve the company's competitive position, Ensuring adequate human resources for expansion into new programs. Training, Increased productivity. Reduce employee turnover. Increased efficiency.

Keywords: *Management; Performance; Multinational; Global; Local*

INTRODUCTION

Performance management can be defined as an effort to improve the ability and encourage employees through various ways to work vigorously, effectively, efficiently and productively, in accordance with the right work process in order to achieve optimal work results (Govender & Bussin, 2020). Performance management should be viewed as a system that operates broadly in order for the results of performance management to be maximized (Ferreira & Otley, 2009).

The implementation of performance management includes the objectives to be achieved, the allocation of decision rights, and the measurement and evaluation of organizational performance (Walker et al., 2011). This performance management practice can improve the performance of public sector organizations (Taufiqurokhan, 2016). Performance management as a system and factors affecting the performance management system. Performance management as a system includes: (1) the definition of performance management as a system, (2) the limitations (challenges) of the performance management system, and (3) the reason for the need for a new system for managing the performance of the new organization. Factors affecting a performance management system include (1) the influence of the environment on performance management, and (2) issues related to the performance management system (Dharma, 2020).

However, in practice performance management challenges many especially in multinational organizations. Therefore, the application of global/international performance management is absolutely necessary in providing the best service in which the company will operate. Global human resource management requires more complex handling when compared to domestic human resource management.

The emergence of globalization in many fields, changes that occur simultaneously outside the company, rapid changes in new technologies, new innovations in terms of how to produce, changes brought from the internet and so on, all of these things have contributed to determining the conditions of company management (Safri, 2019).

Companies are also required to provide the best quality, both in the products and services produced but do not forget the environmental impact that occurs from all company activities. Operations managers today must have a global outlook and operations strategy, the rapid development in world trade that seems like a world without borders, resulting in many organizations expanding their organizations not only domestically but also abroad (Ambarwati & Supardi, 2020). This helps companies gain and maintain a competitive advantage in the global marketplace (Hetharie & Rieuwpassa, 2022). A multinational corporation as a private business organization consists of several legal entities connected by the parent company and distinguished by their size and multinational spread (Syukri & Kusniati, 2021). Multinational companies are most talked about because they are business associations in the framework of world globalization and economy (Chandrawulan, 2014).

In this context, it has two objectives; (1) to analyze the performance management challenges of an organization both globally and locally in relation to multinational companies (2) to verify mechanisms and strategies in dealing with challenges that are considered more important and used more widely by multinational companies both globally and locally.

RESEARCH METHOD

The method used in this study is descriptive analytics, by conducting a literature search related to performance management challenges in the context of multinational companies, with a conceptual approach and a historical approach. This research is literature study research which is any effort to collect relevant information with the topic or problem that will be or is being researched. Data collection is obtained and processed by accessing information, data and literature studies using document reviews, books, the internet, scientific articles, and other data relevant to this research.

RESULT AND DISCUSSION

Concepts and Challenges in Management Implementation in Multinational Companies

Facing global business competition, what distinguishes one company from another company is the application of corporate values or culture in running its business (Ali et al., 2019). Good management will be able to face changes and bring optimal results. The current concept of globalization brings various consequences in the business field. When a company (organization) plans to enter the global market, country boundaries are unable to limit the company from the pressure of foreign competition, so the success of the company is largely determined by the ability of the leader to adapt to his environment including opportunities and challenges.

The international business management and human resource development community will benefit by continuing to explore empirically as well as investigate leadership skills essential to global leaders (Nazwirman, 2020). Hamel and Prahalad said that competition in the future can not only be done by redefining strategy but also need to redefine the role of upper management in creating strategies therefore the role of business people in identifying future business, analyzing, planning, determining / formulating and implementing the right strategy is essential and decisive for example through organizational transformation (Safri, 2019).

The function of global performance management is to assess, monitor, and manage employee performance in the global business environment, development and implementation of an effective and measurable performance management system to ensure that international employees work productively in order to achieve expected business goals (Seto et al., 2023). World economic growth leading to the current era of globalization has an impact on the increasing level of business competition between organizations operating at the domestic, regional, and international levels. International markets become without borders (Mahanani, 2020).

Globalization has led to the development of international business activities. The most traditional forms of international business are investment and international trade. International trade refers to the exchange of products and services that cross national borders. This trade

involves products and services. Exchange in international trade in the form of exports and imports.

Combining the global scale efficiency benefits of global companies, with local advantages and advantages in response to multidomestic companies (Mahanani, 2020). Without unique competencies, a foreign company will have difficulty competing with local companies that are considered to know the local market better. Thus, as many employees as possible should have contact with regulators, suppliers, local communities, watchdog groups and, most importantly, customers. Companies built to change worry about being caught off guard, so they put everyone close to customers and the environment. That way, when the time comes to change the direction of the organization, everyone moves together based on a common understanding and feels the need for change (Tampubolon, 2020).

In general, multinational companies are categorized as legal persons who have the same position as citizens (natural person) where the multinational company is established or domiciled in business. Thus, it can be said that currently the state is the only entity that has the authority to regulate and control the activities of multinational companies.

Today, managing human capital efficiently and effectively leads to the progress and development of an organization, but without proper human resource planning, the progress of an organization is indeed difficult to achieve (Putranto et al., 2022). Quality management in the public sector has garnered great attention in many countries around the world (Harsch & Festing, 2020). Human resource development activities designed to strengthen strengths, overcome limitations, provide relevant, new competencies, and broaden views. Such development activities are usually related to formal programs, action execution, job rotation, and delegation.

The challenges of globalization require leaders in multinational companies to have a global mindset and be able to act with local wisdom. The success of Japanese multinationals in the host country can be seen from how much they accept and adapt Japanese management methods into an organizational culture (Ashta et al., 2018). The role of multinational companies is a major player in the global economy, in the perspective of knowledge and networking it can be seen that the ability to transfer knowledge is a competitive advantage. Excellence in relations between countries in the long run can create new knowledge and experience that is tacit that will be difficult to replicate.

The challenge of being able to adapt to change is a problem that must be accepted by leaders of multinational companies. Literature studies explain the role of leaders for successful change is very important because organizational change is not always successful, according to research results 70% of organizational changes are unsuccessful (Hughes, 2011). This poor success rate indicates that the underlying framework for implementing and managing change in an organization is not yet valid.

Change as an important element that measures capabilities and culture aimed at organizational alignment. Because the pace of organizational change is not greater than the changes in the business environment that occur, the basic mentality, organizational behavior, business ethics, work ethics, knowledge and skills including leadership are formed in accordance with the demands of the organization.

Changes in multinational companies can be in the management process through global integration and local differentiation (Pešalj, 2011). The type of company forms a network in facilitating knowledge between the units combined. The characteristics of the company as an active entity in increasing the capacity and ability of new knowledge can be called a characteristic of competitive advantage. Obstacles to organizational transformation are due to low quality work. Influential factors in organizational change are education, low foreign language skills, less communication intensity, limited time for information dissemination (Bojesson & Fundin, 2020).

Multinational companies with expatriate leaders need to adapt their leadership style to local managers and employees, because foreign leaders certainly have a different leadership style from local and local employees, because foreign leaders certainly have a different leadership style from local and local employees (Artina et al., 2020). Leadership is the ability

possessed by individuals in motivating, leading and influencing others to play a role in achieving organizational goals. The success of the organization is determined one of them from the role of the leader (Javidan & Teagarden, 2011).

According to Javidan & Teagarden (2011), The definition of a global mindset is the availability of knowledge, cognitive, and psychological attributes that enable global leaders to influence individuals, groups, and organizations (there are no global organizational boundaries) representing diverse cultures or political or institutional systems to contribute to the achievement of global organizational goals

The success of global leaders is influenced by a global mindset that is theoretically built from 3 components:

1. Intellectual Capital, shows the intellectual level of the leader and the cognitive capacity of several indicators of global industry knowledge, understanding the value of networks and organizations and having an absorption of culture.
2. Social Capital, showing good relationships inside and outside the company, seen from international networks, interpersonal skills in building new relationships, and skills as leaders who are able to move employees to the global level.
3. Psychological Capital, denotes a positive psychological profile, cosmopolitanism and a desire for cross-cultural encounters of several attributes: respect for different cultures.
4. The dominance of top expatriate management plays a role in responding to changes aimed at order for the organization to thrive and survive in business (Manning et al., 2012). The importance of organizational change, the managerial skills of the leader are needed. The ability of reliable leaders can be improved, one of which is by rotation in the organizational structure, creating a culture of learning at the leader level.

The complexity of organizational structures and management processes of multinational companies, efforts to increase competitive advantage can be done through global integration and local differentiation (Pešalj, 2011). The innovation process does not focus on the parent company but is disseminated to the host country through the system. Competitive advantage leads to the characteristics of the company as an active entity in increasing the capacity and capability of new knowledge.

Strategy to Face Multinational Organization Challenges Through Global and Local Policies with Performance Management

For decades, research on multinational corporate strategy has been anchored in the theory of internalization. It is based on the economics of transaction costs, not explaining how multinational companies can build and maintain competitive advantage (Dabic et al., 2014). Thus, it differs from the traditional annual performance appraisal in two important aspects. First, there is a clear alignment with the strategic objectives of the organization. Second, performance management is a continuous, continuous process, not a static snapshot that occurs only once a year (Aguinis & Burgi-Tian, 2023). The global movement from performance appraisal to performance management began in the early 2010s.

For example, in 2012, Donna Morris, Adobe's senior vice president of human resources, was interviewed by the Economics Times of India during a business trip. He stated that he would "abolish the performance review format." Morris' spontaneous announcement was met with great enthusiasm in the industry (Aguinis & Burgi-Tian, 2023). In addition, soft law provisions are contained in The United Nations Global Compact which is a strategic policy initiative for companies that are committed to aligning their business policies and strategic operations with 10 (ten) universal principles in the fields of human rights, labor, environment and anti-corruption (Syukri & Kusniati, 2021).

Therefore, to face performance challenges in military organizations, there are several steps or strategies that can anticipate it, including: (Alliger et al., 2015)

1. Creating the availability of adequate skilled personnel so that they can fill vacancies. Job vacancies often occur in companies. This happens due to employees entering retirement,

employees resigning, employee rotation, the formation of new divisions and other things. Through training and development, human resources will be available that can fill the vacancies.

2. Improve the company's ability to adopt and use technological advancements due to its sufficiently skilled and knowledgeable staff. It is undeniable that today's technology is developing rapidly. Companies that are unable to adopt the technology will have difficulty meeting market demand. Every company must be able to adjust to technology needs balanced with the availability of employees who are able to master technology. The inability to adopt existing technology will result in serious setbacks for the company. The absence of employees who are able to master the technology adopted will also result in the company not running optimally.
3. Building a more effective, efficient, and highly motivated team, which is able to improve the company's competitive position and increase employee morale. An effective, efficient and highly motivated team will be formed from employees who fully understand the company's vision and mission and prioritize teamwork when compared to individual work. Forming a solid team is very difficult and takes a long time because it is related to company culture and other components in the company.
4. Ensure adequate human resources for expansion into new programs. One of the benefits of training and development is that the company will better ensure the availability of adequate human resources for the benefit of expanding into new programs. New programs are generally carried out due to company expansion or business unit development. Training and development will make it easier for companies to map human resource needs in company expansion.
5. Studies have shown that those who receive training have specific benefits from training, including employment development.
6. Increased productivity. Empirically, training and development has been shown to increase employee productivity. Through training and development, employee productivity can be clearly measured because the company will know the changes before the training is carried out with after the training.
7. Reduce employee turnover. Training and development can reduce employee turnover because training and development specifically aims to increase employee knowledge in one particular field according to the needs of their field of expertise.
8. Increased efficiency leads to financial gains. Financially training and development can reduce recruitment costs, onboarding costs, education and training costs for new employees.
9. Decreased need for supervision. Training and development have also been empirically shown to reduce the level of supervision. This happens because employees work more confidently with their abilities after receiving training, work quickly without hesitation, and are able to correct all existing mistakes.

Training and development have provided benefits such as: [\(Bashir & Jehanzeb, 2013\)](#)

- 1) Increased job satisfaction and morale among employees. Job satisfaction and employee morale are unique dimensions and change rapidly. Through training and development, it is hoped that there will always be an increase in job satisfaction and employee morale, because job satisfaction and employee morale are more easily formed with this dimension.
- 2) There is an increase in employee motivation. Empirical training and development have also been shown to increase employee motivation. The motivation in question is positive motivation, namely the motivation to promote and increase company profits.

- 3) Increased efficiency in work processes, thereby providing financial benefits.
- 4) Training and development are also useful for improving the efficiency of work processes. Trained employees will provide the best quality production results and efficient production time so as to increase financial profits for the Company.
- 5) Increased capacity to adopt new methods and technologies. Through training and development will allow companies to increase production capacity and employee ability to adopt new technologies so that companies will produce more goods or services they produce.
- 6) Increased innovation in strategy and products. Training and development will specifically provide encouragement for employees to innovate in strategy and products. Some employees in many cases after being given training are able to create the latest superior strategies and products as a result of product differentiation.
- 7) Able to reduce employee turnover. High turnover often occurs due to the inability of employees to work. Training and development can lower the frequency of employee replacements.
- 8) Improve the company's image. Training and development can indirectly improve the company's image. The company's image can be formed through qualified employees. Meanwhile, qualified employees can be printed through training and development programs.
- 9) Able to increase the ability of training diversity in risk management. Risks in the business world cannot be avoided but risks can be minimized by improving the ability of each employee. The diversity of training provided provides diverse employee knowledge so that they can anticipate and reduce risks that will occur through their expertise

These are steps or strategies to anticipate performance management challenges in multinational organizations, both global and local, and the benefits they get. So that this makes the company organization competitive because it has good resources.

CONCLUSION

Based on the problems and discussions above, regarding the challenges of performance management in multinational organizations with global or local policies, it can be concluded as follows:

Management challenges always exist in building a multinational organization, performance management is needed in building a change mentality, clear delivery of vision and mission, efforts to open communication with performance management can support the success of change. The factors that contribute to the success of change are communication within the organizational unit, involvement of all components including top management roles that perform repetitive messages to communicate change. The function of global performance management is to assess, monitor, and manage employee performance in the global business environment, development and implementation of an effective and measurable performance management system to ensure that international employees work productively in order to achieve expected business goals.

To face performance challenges in multinational organizations there are several steps or strategies that can anticipate them, including: Creating the availability of skilled personnel, Improving the company's ability to adopt and use progress, building a more effective, efficient, and highly motivated team, which is able to improve the company's competitive position, Ensuring adequate human resources for expansion into new programs. Training, Increased productivity. Reduce employee turnover. Increased efficiency, Decreased need for supervision.

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