

Adaptive Strategies in HR Performance Management in Multinational Companies: Integration, Modernization, and Knowledge Sharing

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Abstract

Human resource performance management in multinational enterprises (MNEs) faces complex challenges due to cultural differences, organizational structures, and global dynamics. This article examines the Integrated Performance Management (IPM) system in an international context, highlighting the importance of knowledge sharing and modernization of management structures. Through a qualitative approach, this study explores strategies for designing and implementing an effective performance system to support MNEs' strategic goals. The key findings indicate that flexibility and local adaptation are crucial factors in ensuring the success of a global performance management system while maintaining alignment with the organization's vision. The study's implications suggest that MNEs must develop more dynamic, data-driven, and context-responsive performance management policies. Furthermore, the synergy between digital technology and knowledge-sharing practices can accelerate system adaptation, enhance employee engagement, and strengthen corporate competitiveness on a global scale.

Keywords: Performance management, multinational enterprises, organizational culture, knowledge sharing, local adaptation.

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Introduction

Multinational enterprises face significant challenges in managing employee performance across different countries with diverse cultures. Performance Management (PM) systems serve as strategic tools to align organizational goals with individual contributions. However, the implementation

of these systems often encounters a dilemma between global standardization and local adaptation. Factors such as cultural differences, market characteristics, and local regulations influence the effectiveness of PM systems in MNEs. Therefore, this study aims to identify strategies that can be applied in

international performance management to enhance organizational efficiency.

Literature Review

Challenges and Strategies in Employee Performance Management in Multinational Companies

According to Tarique, Briscoe, and Schuler (Tarique, Briscoe, & Schuler, 2022), high-performing organizations, such as multinational enterprises (MNEs), place significant emphasis on employee, team, project, business unit, and overall organizational performance. They strive to align job expectations with the organization's strategic goals and rely on highly competent and engaged employees and teams to achieve their objectives. Measuring individual and team performance is a crucial tool for ensuring organizational success and identifying potential gaps that need to be addressed. Therefore, establishing an employee performance management (PM) system is an integral component of managing MNE talent.

Additionally, employee performance management is closely linked to other HR activities, such as job analysis, total rewards, learning and development, and talent placement. The design and management of employee PM systems are widely practiced across MNEs worldwide.

This discussion focuses on critical issues in employee performance evaluation and performance management implemented in multinational companies and their employees—whether they are local, global, or mobility-based international assignees—as well as their managers.

The discussion on performance highlights the numerous challenges MNEs face in implementing an effective international

performance management (IPM) system, including how to accommodate the evaluation process for factors derived from local cultural environment characteristics. It is evident that merely applying a performance management process designed at the home-country level for domestic use to an international setting is insufficient.

The Importance of Human Capital and Knowledge Sharing in Enhancing Organizational Performance in the Era of Competition

According to Sharma and Kumar (Sharma & Kumar, 2021), in today's competitive era, despite financial stability and technological advancements, human capital is considered the most crucial competency an organization can possess. Employees within an organization have specific educational backgrounds in their respective fields and, over time, develop expertise in those areas. There are instances where work can be made easier, and complex situations or problems can be addressed in ways not documented in any book but learned only through personal and shared experiences. Competent employees actively seek, acquire, share, and utilize their knowledge to help the organization grow. This knowledge base is no less than a valuable asset mine that employees can explore and transfer to others to facilitate their work as well.

Knowledge can be defined as an individual's understanding of a particular field of interest, acquired through experience and study. Knowledge is a crucial intellectual aspect of an organization's assets that supports its competitive advantage amid increasing market competition and is regarded as a vital strategic resource possessed by the organization.

Knowledge sharing can be defined as a process in which reciprocal knowledge exchange occurs among individuals, teams, departments, and organizations, resulting in new knowledge. It can also be described as “a process that involves the exchange of knowledge between individuals and groups. It may also be understood as the provision of job-related information and the necessary knowledge to assist others, as well as collaborating with them to solve problems, develop new ideas, or implement policies and procedures.”

The Importance of Modernizing Management and Performance to Enhance the Legitimacy of International Organizations

According to Amici and Cepiku (Amici & Cepiku, *Performance Management in International Organizations*, 2020), while debates on the legitimacy of international organizations are highly complex—sparking endless discussions among legal scholars, sociologists, and political scientists about the application of national legitimacy mechanisms to international organizations—less attention has been given to the concept of output legitimacy. This perspective focuses on the positive outcomes generated by a state or administrative entity. From this viewpoint, the legitimacy of a political system depends on its ability to achieve citizens’ goals and resolve their problems effectively and efficiently. As a result, the actions taken by international organizations are deemed legitimate based on their outcomes. In other words, “if an institution exhibits a striking mismatch between its actual performance and the main procedures or self-proclaimed objectives, its legitimacy will be seriously questioned.” According to this approach, legitimacy is always tied to performance, and improving performance leads to greater organizational legitimacy. If this holds true,

performance becomes a crucial aspect, particularly for more intrusive international organizations.

From a management perspective, performance depends on how inputs are processed to produce outputs and how these outputs impact the organizational environment, generating outcomes. Therefore, improving performance is closely linked to modernizing management structures that handle inputs, outputs, and outcomes. According to Pollitt, a significant number of public management reforms have emerged across various national administrations, accompanied by comparative studies and analyses highlighting common reform paths and models. In contrast, reforms in the management of international organizations have received minimal attention and have rarely been the subject of comprehensive investigation.

Until recently, international organizations were often seen as platforms or tools in the hands of member state governments, serving only for transnational decision-making. They were not perceived as administrative bodies, and research primarily focused on their political structures. In such a context, linking their management reforms to improved performance and organizational legitimacy has been “consistently overlooked in the framework of global governance analysis and the alleged democratic deficit.” Nevertheless, reforming international organizations must now be a top priority, given their recent spectacular growth in number, size, and competencies, as well as their chronic management issues, which risk becoming pathological unless properly addressed. However, evidence suggests that many international organizations have recently begun modernizing their internal

management structures in an effort to become more effective and efficient.

Differences and Classification Criteria of Intergovernmental Organizations (IGOs) and International Non-Governmental Organizations (INGOs)

According to Amici and Cepiku (Amici & Cepiku, 2020), the most relevant distinction in organizational types is between intergovernmental organizations (IGOs) and international non-governmental organizations (INGOs). The first attempt to categorize IGOs was implicitly made by the United Nations Economic and Social Council through Resolution 288 (X) on February 27, 1950. This resolution stated that "any international organization not established by an intergovernmental agreement should be considered a non-governmental organization for the purpose of this arrangement." However, this definition does not explicitly clarify what constitutes an international organization or what qualifies as an intergovernmental agreement. Further complications arise as an increasing number of international agreements involve constituent states of federal systems or even IGOs themselves—acting as one of the parties alongside governments. Additionally, such agreements may be signed on behalf of governments or by their agencies for purely technical matters. As a result, some entities that do not fully involve governments may fall under the category of non-governmental organizations.

According to the Union of International Associations (UIA), an organization can be classified as intergovernmental if it is established through an agreement that creates binding obligations between governments. Additional conditions include that IGOs must primarily consist of sovereign states, although they may also include other

intergovernmental organizations, and they must have a permanent secretariat responsible for ongoing tasks. Karns et al. (2010: 5) provide a similar definition, describing an IGO as "an organization whose members include at least three countries, operate in multiple countries, and are united by a formal intergovernmental agreement."

Defining an international non-governmental organization (INGO) is even more challenging. A non-governmental organization (NGO) is defined as a "private voluntary organization whose members are individuals or associations that come together to achieve a common goal." Consequently, an INGO is an NGO with an international dimension. However, according to the editors of the Yearbook of International Organizations, defining the international dimension of an organization is complex. In practice, there are seven aspects of an organization that serve as indicators of its eligibility as an INGO: purpose, membership, structure, leadership, financing, relationships with other organizations, and activities. Based on these criteria, the UIA classifies INGOs as NGOs with an international scope, active in at least three countries, having a constitution that allows for periodic elections of governing bodies, and operating without distributing profits among members.

Another distinguishing factor between IGOs and INGOs is their legal status. IGOs enjoy recognized legal status under constitutions, international conventions, and host agreements, while INGOs are established under national laws. Finally, INGOs can take various forms based on their focus and membership typology, including transnational NGOs (TRANGOs), business and industry NGOs (BINGOs), donor-organized NGOs (DONGOs), and others.

Innovative Solutions for Enhancing Human Performance in Dynamic Tasks through Simulation-Based Education and Training

According to Quadrat-Ullah (Quadrat-Ullah, 2020), improving human performance in complex and dynamic tasks has always been a major concern in organizational decision-making research and practice. Simulation-based education and training have now grown into a multi-billion-dollar industry. This book aims to equip readers with knowledge on the design, development, validation, and implementation of innovative interactive learning environments based on system dynamics, including systematic debriefing.

Specifically, laboratory experiment reports highlight how participants manage dynamic tasks by acting as fleet managers in a fishing operation. A comprehensive model with five evaluation criteria—(i) task performance, (ii) decision strategy, (iii) decision-making time, (iv) structural knowledge, and (v) heuristic knowledge—was developed and applied. Key empirical findings indicate that (i) process-oriented debriefing improves subject performance more effectively than outcome-oriented debriefing, and (ii) unlike the cost-benefit approach in decision-making, a more systematic effort is required for better performance in dynamic tasks.

In the search for innovative solutions for education and training in dynamic tasks, several challenges must be addressed. Specifically, as we shift away from the traditional belief that people perform poorly in dynamic tasks—rooted in dominant literature on dynamic decision-making—toward a perspective where plural logic of systematic debriefing-based training with SDILEs (System Dynamics Interactive Learning Environments) coexists under conditions of uncertainty and ambiguity, the need for

systematic and integrated solutions to enhance human performance in dynamic tasks becomes increasingly evident.

Our goal here is to focus on the virtuous cycle of decision-making expertise development → learning → decision-making. We hope this book will stimulate new ways of thinking, marking the beginning of a new era with resource constraints and a fresh focus on integrative solutions for education and training in dynamic tasks.

The Importance of Testing in Software Development to Ensure Compliance with User Needs and Maintain Application Value

According to Marquez-Soto (Marquez-Soto, 2022), developing software applications is a never-ending task. Even in non-iterative software development methodologies like Waterfall, the software development lifecycle concludes with a maintenance phase that lasts indefinitely. There will always be more work to do and more code to write.

As backend developers, our responsibility is to build code that meets user needs and expectations. At a high level, this is a challenging task because user requirements constantly evolve over time. If we want to keep meeting these needs, our applications must be adaptable without breaking existing features.

A significant obstacle to this adaptability is defects. Defects are errors in our applications that can arise from various factors: flawed processes, unavailable services, misunderstood requirements, inexperienced developers, software regressions, and more. These defects prevent our software from meeting user needs, ultimately reducing the value of our applications.

Since defects can easily be introduced, we must establish processes and mechanisms to prevent these issues from occurring and detect them when they do. One of the most crucial processes is testing.

In this review we will cover everything you need to know about testing: why it is important, who is responsible for it, and how to build an effective testing strategy for our applications. We will also discuss common testing tools such as mocking.

Testing is such a vast and complex topic that entire roles are dedicated to it, including performance testing, security testing, and compliance testing. However, this chapter will focus specifically on the essential testing knowledge that backend developers need to master their roles.

The Importance of Performance in Software Development: Understanding Its Significance in Ensuring User Satisfaction and Application Efficiency

According to Gabrijelčič (Gabrijelčič, 2023), to understand what it truly means for a program to perform well, we need to look at a user story. The book introduces a fictional character, Mr. Smith, head of the Antarctic Forestry Department, stationed at McMurdo Base. With little real work to do—having already mapped all the forests around the station and dealing with six months of darkness—he spends most of his time on a computer. Because of this, poor software performance frustrates him greatly.

On some days, Mr. Smith writes lengthy reports analyzing the state of Antarctic forests. When doing so, he wants his document editor to perform efficiently. This means the software should be fast enough that he does not experience lag when typing, inserting graphics, or formatting tables. In this case, performance simply means

responsiveness—if the editor's speed were doubled or even increased tenfold, it would make little difference to his experience, as long as the application already feels fast.

However, the situation changes entirely when Mr. Smith queries a massive database containing information on forests worldwide. He dislikes waiting and wants his database searches to return results as quickly as possible. In this scenario, performance directly translates to speed. Any reduction in query time—by a factor of ten, five, or even two—would make a noticeable impact. Every speed improvement enhances his experience, making him more satisfied with the software.

Key Takeaways on Software Performance

1. Performance must be evaluated in context – What matters is how the user perceives speed and responsiveness in their specific use case.
2. Not all performance improvements yield noticeable benefits – Optimizing software beyond what users can perceive may be unnecessary.
3. Speed matters most when dealing with large-scale data processing – Users value performance improvements when waiting times significantly impact their workflow.

By understanding these principles, developers can focus on optimizing the right areas of an application, ensuring a balance between efficiency, usability, and user satisfaction.

Performance Management in the Context of Multinational Organizations

According to Tarique, Briscoe, and Schuler (Tarique, Briscoe, & Schuler, 2022), the

Integrated Performance Management (IPM) System is a logical framework designed to explain the systematic relationship between the objectives to be achieved, the policies established, the activities or process stages carried out, and the relative contribution of performance derived from the use of critical success factors (CSFs) toward the overall performance of an entity or program.

High-performing organizations, such as multinational enterprises (MNEs), place significant emphasis on the performance of employees, teams, projects, business units, and other elements related to their overall operations.

International performance management systems come with certain complexities. First, culture plays a major role in management practices related to performance management objectives, employee acceptance of the performance evaluation process, and cultural values that influence performance appraisals (PA).

Second, when designing a performance management system in MNEs, there is a significant dilemma in deciding whether performance management standards should be uniform across the organization or whether different systems should be adapted to local cultural and management practices.

Third, in managing performance for international assignments (IA), managers and employees face unique challenges.

Research Methodology

This study employs a qualitative method with a literature review approach. Data is collected from various references, including performance management theories, multinational company case studies, and knowledge-sharing concepts. The literature review aims to understand the factors

influencing organizational performance at the global level, particularly in the context of cultural adaptation and managerial innovation.

Discussion

Performance Management in the Context of Multinational Organizations: Challenges and Adaptation Strategies

Performance management in multinational enterprises (MNEs) is not merely a tool for measuring employee productivity but a strategic approach designed to enhance organizational effectiveness on a global scale. According to Cappelli & Tavis (2023), this system must consider efficiency and effectiveness at various levels, from individuals to teams and business units. However, implementing such a system faces significant challenges, particularly in adapting diverse cultural values, balancing global standards with local practices, and ensuring strategic continuity across international assignments. To overcome these challenges, a flexible and adaptive approach is required to ensure that performance management systems function effectively without compromising diversity and strategic integration.

The Importance of Effective Leadership and Engagement in Integrated Performance Management

In a global context, leadership plays a key role in creating an integrated performance management system. Frisina & Frisina (2022) emphasize that the success of performance management relies heavily on the combination of technical and behavioral capabilities. Effective leadership fosters employee engagement, a crucial element in creating a productive and adaptive work environment. Additionally, understanding individual behavior within an organization

enables companies to optimize performance processes through a more holistic approach. Neglecting behavioral factors can hinder sustainable performance improvements, especially in multinational work environments that require synergy between strategic leadership and cross-cultural team engagement.

The Role of Teams and Organizational Structure in Enhancing Performance

According to Agarwal et al. (2023), teams within multinational organizations play a crucial role in achieving corporate strategic objectives. Project-based organizational structures are increasingly adopted due to their flexibility in managing global projects with higher efficiency. However, managing cross-cultural teams within this structure requires a specialized approach, particularly in ensuring effective coordination and minimizing conflicts arising from differences in values, ethics, and work motivation. Project managers, acting as both leaders and facilitators, must be able to manage diversity and create an environment that supports collective productivity, ultimately enhancing the organization's global competitiveness.

Global Integration vs. Localization in Performance Management

In multinational companies, the dilemma between global standardization and local adaptation remains a major challenge. Agarwal et al. (2023) highlight that performance management systems must be designed with flexibility to be applicable across various cultural and economic contexts. Meanwhile, Li et al. (2023) emphasize the importance of data-driven performance evaluation to ensure that implemented systems enhance the company's overall competitiveness. A highly

standardized approach risks becoming irrelevant to local needs, while excessive adaptation may disrupt strategic alignment. Therefore, the optimal system is one that integrates global best practices while still considering local factors in its implementation.

Data Exploration for Improving Performance Management Efficiency

Technological advancements enable companies to leverage data mining to enhance the effectiveness of performance management systems. Özsürünç (2023) explains that data exploration can help identify hidden patterns contributing to efficiency improvements in various sectors, including human resource management. By utilizing data analytics, companies can develop predictive models to identify performance trends, optimize resource allocation, and improve the accuracy of strategic decision-making.

Case Study: Performance Management System at Nokia

As a multinational corporation, Nokia faces challenges in balancing standardized performance management policies with specific needs in different countries. With over 92,000 employees across 130 countries, Nokia implements a globally standardized performance management system while allowing flexibility for employees on international assignments. This approach reflects the importance of local adaptation strategies within a global performance system, ensuring effectiveness across diverse business environments.

Conclusion

Performance management in multinational companies faces complex challenges due to cultural diversity, regulatory differences, and

local market dynamics. Systems that rely excessively on global standards often fail to address the specific needs of various countries, necessitating a flexible approach that balances standardization with adaptation. Integrating performance criteria through dialogue between headquarters and subsidiaries is an effective strategy for maintaining organizational consistency while considering local contexts.

Additionally, knowledge-sharing within the organization plays a crucial role in supporting innovation and efficiency, enabling employees to contribute to more adaptive solutions for operational challenges. Modernizing management structures is also essential for enhancing legitimacy and operational efficiency. This includes project-

based organizational restructuring, strengthening leadership roles that foster employee engagement, and implementing data-driven evaluation systems.

Aligning performance management systems with local cultures and regulations is a fundamental aspect, including training for managers and the use of performance indicators tailored to each operational region. By combining global standardization, local adaptation, knowledge-sharing, and management structure modernization, multinational companies can improve operational efficiency, strengthen organizational legitimacy, and maintain global competitiveness in an increasingly dynamic and competitive business environment.

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