



International Journal of Understanding New Insights in Value, Enterprise,
Resources, Strategy, and Leadership

Universal Journal

Vol. 1, No. 1, January 2026 pp. 25-32

Journal Page is available at <https://internationaljournal.lppmunsaka.ac.id/index.php/universal>



Strategic Management Practices in Multinational Corporations: A Historical Perspective

Conita Afriani¹, Sugeng Riyadi²

¹Universitas Salakanagara, Indonesia

²Universitas Indraprasta PGRI, Indonesia

Email: conita.afriani@unsaka.ac.id, sugeng.riyadi@unindra.ac.id

Abstract

This literature review traces the evolution of strategic management practices within multinational corporations (MNCs) from ethnocentric to geocentric frameworks, influenced by globalization, cultural complexity, and technological advancements. The study identifies key strategic shifts shaped by international competition, emerging markets, and the rise of non-market pressures such as sustainability and corporate social responsibility (CSR). Additionally, the review highlights the role of global human resource management in aligning organizational goals with stakeholder expectations and adapting to diverse socio-economic contexts. Ultimately, this paper provides a comprehensive understanding of how MNCs adapt strategic practices to thrive in dynamic global environments.

Keywords: *Strategic Management, Multinational Corporations, Globalization, Corporate Social Responsibility, Human Resource Management, Sustainability, International Business Strategy*

INTRODUCTION

The evolution of strategic management practices within multinational corporations represents a complex interplay of historical, economic, and socio-political forces. Multinational corporations, by their very nature, operate across borders, navigating a mosaic of diverse regulatory environments, cultural norms, and competitive landscapes (Cooke, 2009). Over time, the strategic approaches employed by these organizations have undergone significant transformations, driven by factors such as technological advancements, shifts in global power dynamics, and the increasing interconnectedness of markets. Understanding this historical trajectory is crucial for comprehending the current state of strategic management in multinational corporations and for anticipating future trends (Hitt et al., 2015). The efficient operation of a multinational enterprise hinges on the effective deployment of strategic resources, including technology, capital, expertise, and human capital (Tung, 1984). These resources must be strategically allocated and managed across various geographic locations to optimize performance and achieve organizational goals (Jawad, 2020).

The historical analysis of strategic management within multinational corporations reveals a shift from relatively simple, home-country-centric approaches to more complex, globally integrated models (Ellmer et al., 2021). Initially, many multinational corporations adopted an ethnocentric approach, where key decisions were centralized at the headquarters and domestic practices were replicated in foreign subsidiaries (Caligiuri & Stroh, 1995). However, this approach often proved inadequate in addressing the unique challenges and opportunities presented by different host-country environments. As multinational corporations gained experience in international markets, they began to recognize the need for greater adaptation and decentralization (Birkinshaw & Hood, 1998). This recognition led to the development of polycentric and regiocentric approaches, where decision-making was

delegated to local managers and regional headquarters, respectively, allowing for greater responsiveness to local market conditions. The varieties of capitalism, encompassing both liberal market economies and coordinated market economies, have a strong influence on a multinational corporation's home country practices, including human resources ([Ellmer et al., 2021](#)). Considering the varieties of capitalism, some insight into the low share of global mobility-postings in the US- and UK-based multinational corporations can be provided ([Ellmer et al., 2021](#)).

The rise of globalization and advancements in communication and transportation technologies further accelerated the evolution of strategic management practices in multinational corporations. The increasing interconnectedness of markets has created both opportunities and challenges, requiring multinational corporations to develop more sophisticated strategies for managing global operations. The emergence of global supply chains, for example, has necessitated the development of complex logistical and coordination mechanisms. Moreover, the rise of emerging markets has presented multinational corporations with new growth opportunities but also with new competitive threats. In response to these developments, many multinational corporations have adopted geocentric approaches, which emphasize a global perspective and seek to integrate operations across different countries. However, efficient centralization can lack local legitimacy, whereas decentralized strategies can be fragmented.

The history of strategic management in multinational corporations is also marked by the growing importance of non-market factors, such as corporate social responsibility, sustainability, and stakeholder engagement. In an era of increasing scrutiny and activism, multinational corporations are under pressure to demonstrate a commitment to ethical and socially responsible behavior. This has led to the integration of environmental, social, and governance considerations into strategic decision-making processes. Multinational corporations are also increasingly recognizing the importance of building strong relationships with stakeholders, including employees, customers, suppliers, governments, and local communities. Some multinational corporations may strategically play countries off each other in an effort to secure favorable regulatory conditions ([Roach, 2005](#)). In the advent of globalization, it has become essential for multinational corporations to consider the concept of multiculturalism when deciding on their organizational strategy towards corporate social responsibility ([Khanzad & Gooyabadi, 2022](#)). The nexus between corporate social responsibility and strategic management embodies a pivotal determinant of organizational competitiveness within the modern enterprise landscape ([Alshukri et al., 2024](#)).

The strategic management practices of multinational corporations are also influenced by the specific characteristics of the industries in which they operate. Some industries are characterized by strong global competition, while others are more fragmented and localized. In industries with strong global competition, multinational corporations must strive to achieve global scale and efficiency to remain competitive ([Porter, 1986](#)). In more fragmented industries, multinational corporations may need to adopt more localized strategies to cater to the specific needs of different markets. Moreover, the nature of the product or service offered by a multinational corporation can also influence its strategic management practices. For instance, multinational corporations that offer standardized products may be able to centralize production and marketing activities, while those that offer customized products may need to decentralize these activities to better respond to local customer preferences ([Li, 2021](#)).

The complexity of multinational operations means the need for multinational corporations to adapt to different cultures when undertaking corporate social responsibility initiatives ([Khanzad & Gooyabadi, 2022](#)). Organizations must comprehend corporate social responsibility, as sustainable environmental considerations are increasingly integral to their business strategy ([Gazi et al., 2024](#)). To enhance brand equity, many companies invest

substantially in social responsibility initiatives, seeing them as a strategic move to improve overall performance ([Khan et al., 2024](#)). This strategy helps businesses improve their practices, increase wealth, and contribute to society ([Khan et al., 2024](#)). Organizations may enhance their attractiveness by prioritizing safety in the workplace, offering competitive pay, providing flexible work options, supporting environmental causes, and practicing effective management ([Bendaravičienė & Vitkauskas, 2024](#)). Integrating corporate social responsibility can lead to competitive advantages, enhance employee engagement, mitigate risks, build stakeholder trust, and foster innovation in product or service development ([Ardiansyah & Alnoor, 2024](#)).

LITERATURE REVIEW

The academic literature on strategic management in multinational corporations has evolved significantly over time, reflecting the changing nature of the global business environment. Early research focused primarily on the challenges of managing foreign subsidiaries and coordinating activities across different countries. This research often drew on theories of international trade, foreign direct investment, and organizational behavior to explain the strategies and structures adopted by multinational corporations. As the global business environment became more complex, researchers began to explore the role of knowledge management, innovation, and networks in shaping the competitive advantage of multinational corporations. These studies have highlighted the importance of knowledge transfer, cross-border collaboration, and the development of global innovation networks in driving firm performance. Furthermore, it has been shown that strategic and well-designed human resource management practices help cultivate employee dedication and steer organizational accomplishment ([Sharma et al., 2023](#)).

The literature on strategic management in multinational corporations has also addressed the growing importance of non-market factors. This research has examined the impact of corporate social responsibility, sustainability, and stakeholder engagement on firm performance and reputation. Moreover, the literature also delves into the function of human resource management in fostering sustainable organizational growth, with emphasis on social and economic impacts ([Papademetriou et al., 2023](#)). Some studies have focused on the challenges of managing ethical dilemmas in international business, while others have explored the relationship between corporate social responsibility and financial performance. The concept of socially responsible international human resource management has emerged, emphasizing the importance of integrating social responsibility into key human resource management functions ([Shen, 2011](#)).

The rise of emerging markets has also spurred new research on strategic management in multinational corporations ([Feng et al., 2017](#)). This research has examined the strategies adopted by multinational corporations from emerging markets, as well as the challenges of operating in these dynamic and often unpredictable environments. Specifically, research focuses on how firms from emerging markets utilize internationalization and human resource strategies ([Napathorn, 2017](#)). Additionally, other studies highlight the importance of strategic global human resource management capabilities when businesses venture into emerging markets ([Harvey et al., 2004](#)). The investigation of multinational corporations underscores the imperative for additional research aimed at unraveling the intricacies of knowledge transfer through human resource practices ([Sharma et al., 2023](#)).

Navigating cultural diversity constitutes a pivotal element in the effective management of multicultural human behaviors within the workplace, as accentuated in extant literature ([Zakaria et al., 2020](#)). This point of view emphasizes the significance of understanding and managing cultural differences in the workplace, facilitating the cultivation of inclusive work

environments, and ensuring equitable treatment for employees hailing from diverse cultural backgrounds. The research also underscores the necessity for multinational corporations to adopt human resource management strategies that are attuned to the cultural norms and values prevalent in the host countries where they function ([“International Human Resource Management,” 2017](#)). The cultivation of a diverse and inclusive workforce, facilitated through dedicated human resources management practices, has been correlated with enhanced innovation, problem-solving capabilities, and organizational performance ([Omar, 2020](#)). HR assumes a crucial role in aligning organizational strategies with corporate social responsibility objectives, thereby underscoring the transformative influence of ethical conduct ([Phina et al., 2024](#)).

Moreover, the academic literature also acknowledges the increasing significance of agility and adaptability in contemporary strategic management of multinational corporations. This body of work underscores the necessity for multinational corporations to be adaptable, nimble, and able to respond swiftly to alterations in the external environment, along with the capacity to modify their strategies and business models accordingly. The findings emphasize the challenges multinational corporations face when protecting their human resources and highlights the importance of specialist expertise, knowledge, and management ([Gannon & Paraskevas, 2017](#)). Recent studies emphasize the need for multinational corporations to strike a balance between global consistency and local responsiveness in their human resource management practices ([Harvey et al., 2000](#)).

In the current market, organizations encounter obstacles in drawing and retaining proficient workforce ([Sharma et al., 2023](#)). To overcome these challenges, they must adeptly manage multicultural workforces, embrace human rights, and uphold ethical business practices ([Kayode, 2012](#)). Strategic human resources practices that prioritize employee engagement and satisfaction have been identified as vital for cultivating a highly motivated and productive workforce ([Sharma et al., 2023](#)). These practices encompass talent management, compensation and benefits, training and development, and performance management. Multinational corporations should also take into account the cultural and contextual factors that shape employee attitudes and behaviors ([DeNisi et al., 2021](#)). Data suggests that human resource practices varied by global strategy ([Caligiuri & Stroh, 1995](#)).

METHODOLOGY

This research paper is based on a comprehensive review of the academic literature on strategic management in multinational corporations. The sources used include journal articles, books, and conference proceedings. The literature search was conducted using databases such as Scopus and Google Scholar. The review process involved identifying key themes and trends in the literature, as well as critically evaluating the strengths and weaknesses of different research approaches. The study analyzes current trends to meet challenges facing international human resource management ([Hurn, 2014](#)).

RESULTS

The globalization of business has created new challenges and opportunities for multinational corporations. One of the key challenges is the need to manage human resources across different cultures and legal systems ([Gannon & Paraskevas, 2017](#)). The success of multinational corporations depends on their ability to attract, develop, and retain talented employees from diverse backgrounds ([Li et al., 2008](#)). This requires a strategic approach to human resource management that takes into account the specific needs of the organization and its employees ([Santos et al., 2023](#)). The literature shows that practical and successful

human resource management practices can foster increased employee dedication ([Sharma et al., 2023](#)). Environmental sustainability represents a crucial dimension of business ethics, fostering transparent organizational communication and contributing to organizational success ([Santos et al., 2023](#)). The strategic approach of human resource management has been prevalent, attempting to contribute to the organization's economic goals ([Papademetriou et al., 2023](#)). However, sustainability has become more crucial in the business world because it is viewed as being impossible to have a sustainable society without the active engagement of businesses ([Papademetriou et al., 2023](#)).

HRM policies and practices are intended to aid in the development of a corporate sustainability mentality and actions ([Papademetriou et al., 2023](#)). In the second perspective, sustainability ideas are integrated into human resource management practices that are meant to offer employees long-term physical, social, and economic well-being ([Papademetriou et al., 2023](#)). Thus, a sustainable approach to HRM has evolved, seeking to link HRM and sustainability ([Kramar, 2013](#)). This approach considers ecological, economic, and social aspects ([Mohiuddin et al., 2022](#)). The field emphasizes the transition of focus from human control toward resource management, given that people's motivation should be regarded as the core of the workplace in organizations ([Mohiuddin et al., 2022](#)). The emphasis on the triple bottom line may have undesirable outcomes, requiring employees to accept more responsibilities while fulfilling different roles that require incompatible behaviors ([Lu et al., 2022](#)). The incorporation of sustainability into human resource management practices highlights three main dimensions: attracting and retaining talented workers, addressing labor market challenges, and managing employees with the necessary skills ([Genari & Macke, 2022](#)).

DISCUSSION

In today's business landscape, sustainability has emerged as a critical factor for long-term success ([Järlström et al., 2023](#)). Organizations are increasingly recognizing the importance of incorporating environmental, social, and governance considerations into their strategic decision-making processes ([Islam et al., 2019](#)). Moreover, multinational corporations need to ensure proper integration of environmental sustainability into human resource policies ([Saeed et al., 2018](#)). HRM plays a critical role in achieving sustainability goals by developing and implementing practices that promote responsible environmental stewardship and social responsibility ([Papademetriou et al., 2023](#)). Green human resource management has emerged as a modern idea in the literature ([Papademetriou et al., 2023](#)). It is a commitment to environmental concerns and increase an employee's understanding ([Papademetriou et al., 2023](#)). Green human resource management practices help firms gain a competitive edge in evolving markets and reduce employee turnover by increasing employee satisfaction ([Papademetriou et al., 2023](#)).

CONCLUSION

Examining the historical development of strategic management practices in multinational corporations provides valuable insights into the evolution of this critical business function. By understanding the past, multinational corporations can better prepare for the challenges and opportunities of the future. As multinational corporations operate in an increasingly complex and interconnected world, the need for effective strategic management practices will only continue to grow.

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