


# Human Resource Management Challenges In Indonesian Business: An Empirical Investigation

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Article Info	ABSTRACT
<b>Keywords:</b> human resources, challenges, business	This research aims to navigate Indonesia's dynamic business environment, seeking to identify key challenges in human resource management (HRM) through data-backed insights. A quantitative approach was used in the research with survey and interview methods to participants who are human resources (HR) working in various companies in Indonesia. The scope of the challenge focused on the role of HR management in planning, organizing, directing, and controlling. By applying quantitative analysis, this study seeks to provide recommendations based on empirical evidence to overcome HR management challenges. The results showed that the company faced significant challenges in HR management, especially related to inter-field coordination and miscoordination that hindered task execution. Regular evaluation through surveys, interviews, and document analysis is needed to identify program weaknesses and strengths, and to ensure that HR development programs are effective and adaptive to change. HR management must adopt a holistic and adaptive approach to deal with the increasingly complex diversity of employee characters. The implementation of continuous evaluation through surveys, interviews, and document analysis, as well as improving employee quality, satisfaction, and commitment, are key strategies in supporting the achievement of long-term strategic goals.
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## INTRODUCTION

Human resource management (HRM) in the business world faces various challenges that are influenced by both internal and external factors. HR management phenomena that need to be addressed by organizations in the Indonesian business environment include organizational restructuring, managing workforce diversity, outsourcing, the demand for a highly skilled workforce, and maintaining a balance between HR functions and organizational financial performance (Pandiangan & Ernah, 2019; Savitri et al., 2020). These challenges require HR professionals to adopt a more strategic role, align HR practices with business objectives, and develop innovative strategies to attract, develop, and retain the best talent (Brahmana, 2016; Purwanti et al., 2022).

External labor market challenges in Indonesia are increasingly complex and require adaptation and transformation of HR strategies to effectively meet these demands (Pusriadi

et al., 2022; Suganda & Rohman, 2023). Technological advancements, demographic changes, globalization and environmental sustainability are key global trends that significantly affect Indonesia's business environment, bringing new and unexpected challenges to HR. The changing nature and diversity of the contemporary workforce in Indonesia also brings unique challenges for HR, including managing a diverse workforce with different educational backgrounds, addressing employee expectations regarding work-life balance, career development, and working conditions, and promoting gender diversity and female entrepreneurial attitudes. In addition, digital transformation also introduces new challenges for HR in Indonesia.

Human resource management is an important aspect of managing businesses in Indonesia. In recent years, Indonesian businesses have faced many HR challenges such as organizational restructuring, workforce diversity, and the need for a highly skilled workforce (Li, 2021; Purwanti et al., 2022). These challenges force businesses to evaluate their human capital management strategies to improve competitiveness and performance. The Indonesian government, particularly the Ministry of Tourism, has recognized the importance of human capital management in improving the country's competitiveness in the Industry 4 era. The business environment in Indonesia is evolving rapidly, and with it comes a number of unique challenges for human capital management. Organizational restructuring, workforce diversity, and the need for a highly skilled workforce are just some of the pressing issues facing HR professionals in the country (Sihite et al., 2023). Along with the growing demand for skilled labor, businesses are increasingly focusing on managing their human capital to improve competitiveness and overall performance. This trend is particularly important for Micro, Small and Medium Enterprises (MSMEs), such as Batik in Pilang village, where traditional, non-formal, industry-based HR management practices still dominate. However, the fundamental weakness in Indonesia's human resource management lies in the failure to radically transform the system into a performance-based, professionally managed, results-oriented, and innovative approach that encourages optimal utilization of organizational capabilities (Susanti & Syahlani, 2022).

This has hampered the ability of businesses to effectively address new challenges and gain competitive advantage. These challenges are further complicated by globalization, technological change, and the political and economic environment (Karim, 2019). Therefore, businesses in Indonesia must adopt comprehensive HR practices to transform their human capital into a sustainable competitive advantage. In addition, the HR challenges faced in Indonesian businesses are not limited to internal factors. External factors such as demographic changes, technological developments, and changing expectations of employees regarding work-life balance and career development also play an important role in shaping HR strategies in Indonesian businesses (Susanti & Syahlani, 2022).

Research in HR management has highlighted the importance of managing challenges such as organizational restructuring, workforce diversity, and the need for a highly skilled workforce. In response to these challenges, businesses in Indonesia need to consider implementing policies and strategies to efficiently manage their human capital and improve competitiveness. In addition, the Ministry of Tourism and Creative Economy's

(Kemenparekraf) emphasis on human resource development with the tagline "Wonderful Human Resources 4.0" confirms the significance of HR in improving the competitiveness of the country's industrial sector (Isdarmanto et al., 2020).

To effectively address HR challenges in Indonesia, businesses need to be aware of the global environment and the dynamic nature of the industry. Research has emphasized the importance of HR practices in overcoming challenges and gaining competitive advantage. For MSMEs like Batik in Pilang village, this means focusing on managing human capital to improve competitiveness and overall performance. In particular, Indonesian businesses need to address challenges such as organizational restructuring, workforce diversity, and the need for a highly skilled workforce.

Organizations in Indonesia can gain maximum benefit by understanding and implementing effective HR management practices to address the challenges. The emphasis on sustainable competitive advantage by Laila et al. (2022) and Sihite et al. (2023) is an important foothold in guiding Indonesian businesses. Some other research findings in HR management, such as those presented by Szelągowska-Rudzka (2018), state that effective HR practices must be strategically designed and integrated with the vision, mission, and goals of the organization. This approach ensures that employees are not only actors, but also significant contributors to the achievement of organizational goals.

The dynamic and competitive global environment demands constant adaptation from organizations in Indonesia to the challenges of globalization, competition, innovation and technological advancement. It is important for Indonesian businesses to recognize the complexity of this global environment and understand that constant innovation and adaptation are key to success. The "Wonderful Human Resources 4.0" initiative highlights the significance of human resource development in boosting the industrial sector at a national level. By adopting the practices and strategies outlined in these resources, Indonesian organizations can successfully address their challenges and gain a competitive advantage.

Understanding that HR practices have a positive impact on skills, knowledge, creativity, synergy, commitment and organizational outcomes is imperative for organizations looking to thrive in this dynamic Indonesian market. Understanding the significant contribution of HR management to organizational goals, as emphasized by Szelągowska-Rudzka (2018), drives the need for thorough integration of HR practices with the overall strategy of the organization. By aligning HR practices with the organization's vision, mission, goals and objectives, employees will remain consistently motivated to contribute to achievement.

The challenges of a diverse workforce, demographic changes, and the changing nature of the contemporary workforce require HR strategies that embrace diversity, empower employees, and accommodate their expectations regarding work-life balance, career development, and working conditions. Organizations in Indonesia must also consider the impact of environmental factors, leadership styles, gender diversity, digital transformation, and corporate social responsibility initiatives on HR management.

Understanding that these challenges stem from internal and external factors, including demographic changes, technological developments, and changing employee expectations, is crucial. In addition, Indonesian businesses must also consider environmental factors, such as leadership styles, gender diversity, digital transformation, and corporate social responsibility initiatives, when formulating HR strategies. Based on the explanation of various HR management phenomena in the business world in Indonesia, this research aims to analyze various HR management challenges in the business world in Indonesia through empirical analysis in the field.

### METODE

This research uses a quantitative approach with a survey method through a web-based questionnaire technique and direct interviews with participants (Creswell & Creswell, 2018; Gay et al., 2012). The research participants were human resources (HR) who work in various companies in Indonesia. The purposive sampling technique was used in determining participants with the criteria of 1) serving as HR in the company, 2) having worked for at least 1 year, and 3) understanding the conditions of the company. Data on research participants can be seen in.

**Tabel 1.** Research Participants

No	Partisipan	Jenis Kelamin	Lokasi Perusahaan
1	YW	Laki-laki	Tangerang, Banten
2	HN	Laki-laki	Cilegon, Banten
3	WA	Laki-Laki	Tangerang, Banten
4	DH	Perempuan	Bogor, Jawa Barat
5	TL	Perempuan	Jakarta Selatan, DK Jakarta
6	WN	Laki-laki	Cianjur, Jawa Barat
7	TQ	Perempuan	Cilegon, Banten
8	AC	Laki-laki	Depok, Jawa Barat
9	SN	Perempuan	Bandung, Jawa Barat
10	AP	Perempuan	Jakarta Barat, DK Jakarta
11	DB	Laki-laki	Bandung, Jawa Barat
12	FN	Perempuan	Tangerang, Banten
13	NF	Perempuan	Serang, Banten
14	RD	Laki-laki	Bandung, Jawa Barat
15	DS	Laki-laki	Tangerang, Banten

Data collection is carried out through several stages including 1) designing research instruments; 2) determining research participants; 3) distributing instruments to participants via google form; and 4) collecting data through checking the completed instruments. The results of the research survey were analyzed through descriptive statistics to reveal an overview of HR management challenges in the business world. The research results were supplemented with content analysis which aims to make replicable and valid inferences from text (or other important material) to its context of use (Krippendorff, 2022). Some of

the procedures carried out in conducting content analysis are: 1) following a predetermined procedure, 2) conducting the study systematically, 3) the study process is directed at generalization, 4) the study should be based on the manifested content of the document, and 5) the study is conducted quantitatively or qualitatively (Bengtsson, 2016; Erlingsson & Brysiewicz, 2017).

## RESULTS AND DISCUSSION

### Human Resource Management Challenges in the Business World

The research analyzed the challenges of Human Resource Management (HRM) based on planning, organizing, directing, and controlling management programs in companies (Flippo, 2013). The results showed that various companies already have human resource development program plans that are determined annually through certain procedures. The plan has an impact on the quality of human resources by continuing to pay attention to its implementation. YW, an HR of a beverage company in Banten said that planning plays an important role in the implementation of HR development programs in the company. This was also agreed by HN who revealed planning as the beginning of successful HR management.

Another function that HR performs in the company is organizing employees according to their field of work. This is useful to facilitate coordination in staffing so that there is no overlap in the implementation of tasks. However, in reality, the atmosphere of coordination between fields in the company is not always smooth. WA and TL revealed that there is often miscoordination between fields which has an impact on employee misunderstanding, causing task implementation to experience obstacles. This makes HR need to work with various parties in the company to overcome these problems.

Controlling the implementation of HRM programs is done through various efforts. One of the approaches used is the weekly evaluation and work program (proker) of each field. This evaluation is conducted regularly through various methods such as surveys and questionnaires, interviews and discussions, as well as document analysis to get a comprehensive picture of program performance.

Surveys and questionnaires are effective tools in collecting quantitative and qualitative data from employees. According to Dillman et al. (2014), these methods can provide valuable insights into employee perceptions of existing programs and identify areas that require improvement. In addition, interviews and discussions allow for a more in-depth evaluation, allowing employees to provide direct and detailed feedback, which often cannot be achieved through written surveys.

The next step is to identify program weaknesses and strengths. This process involves an in-depth analysis of the data collected to understand which aspects are working well and which require improvement. As Patton (2008) explains in his book on evaluation methods, this analysis is critical to directing targeted program improvements.

Document analysis is also an integral part of this evaluation. According to Bowen (2009) document analysis helps evaluate the accuracy and consistency of programs through the examination of written records related to program implementation and outcomes. Each

program is reviewed periodically, generally every quarter. This periodic review allows the company to periodically assess the progress and success of the program, and make any necessary adjustments. This quarterly evaluation is in line with the recommendations of Kirkpatrick (2006) who emphasizes the importance of continuous evaluation in HRD programs.

By integrating these various evaluation methods, companies can ensure that HR management programs not only match employee needs but are also able to adapt to changing organizational and market dynamics, thereby supporting the achievement of long-term strategic goals. However, the main challenge facing companies in HR development in the future involves the increasingly complex diversity of employee characters. Over time, companies must accommodate various types of characters, especially with the emergence of new generations such as Gen Z who show different mentality characteristics compared to previous generations.

Twenge & Campbell's (2009) research shows that Gen Z is predicted to have weaker mental strength and a tendency to move quickly, which can add complexity to the analysis of employee development needs. The study shows that changes in parenting, education, and technological developments have shaped the character of this generation in unique ways, demanding a more adaptive and flexible approach in HR development strategies..

This diversity makes it difficult for companies to thoroughly analyze development needs and develop effective programs for all employees. Each employee group may require a different approach to optimally develop their skills. For example, Gen Z employees may require a more dynamic and technology-driven development program, while previous generations may prefer a more traditional and stable approach.

In addition, the balance between skills development and the benefits provided to employees is also crucial. According to Blau's (1964) social exchange theory, the balance between employees' contributions and the rewards they receive is an important factor in maintaining motivation and job satisfaction. Thus, companies need to ensure that skills development programs are accompanied by commensurate benefits, both in the form of financial and non-financial compensation, such as career opportunities and recognition.

In facing this challenge, companies must adopt a holistic and integrated approach. Research by Rothwell & Waters (2023) suggests that companies should implement an HR development strategy that includes an in-depth needs analysis, customized training programs, and ongoing evaluation mechanisms to ensure its effectiveness. By doing so, companies can ensure long-term sustainability and growth through HR development that is more adaptive and responsive to future changes in employee characteristics.

### **Human Resource Management Improvement Opportunities**

Human resource management (HRM) is a very strategic function in the context of a business entity. HRM has a central role in managing and improving the capabilities of human resources in the organization, with the aim of achieving optimal effectiveness and efficiency (Chilunjika, 2022; Lasmaya, 2016). In the midst of increasingly fierce business competition, HRM can be optimized to improve organizational performance.

Various opportunities can be explored to improve HRM in the business realm. First, improving the quality of HR, which can be carried out through various initiatives, such as training and coaching, investing in education and certification, and a more careful recruitment and selection process (Zainal, 2018). According to Zainal (2018), improving the quality of HR is expected to stimulate productivity and organizational performance. Through training and coaching, employees can continuously update and improve their skills, making them better equipped to face dynamic business challenges. Investing in education and certification is also important to ensure employees have the latest credentials and knowledge relevant to their industry.

Second, employee job satisfaction is a crucial element that affects organizational performance (Manilaneti, 2011; William et al., 2020). Measures to increase job satisfaction, such as improving rewards and benefits, facilitating career development, and creating a supportive work environment, can be taken. William et al. (2020) emphasized that high job satisfaction not only increases employee productivity but also reduces turnover and improves talent retention. Providing fair and competitive rewards, as well as clear and structured career development opportunities, can increase employee motivation and engagement.

The third opportunity is employee commitment, which plays a significant role in influencing loyalty to the organization (Afriyani et al., 2022). Various strategies can be implemented to increase employee commitment, including rewards and recognition, effective communication, and building a positive work culture. Afriyani et al. (2022) emphasized the importance of rewards and recognition in increasing employee commitment, as employees who feel valued tend to be more loyal and passionate about their work. Effective communication is also essential in ensuring that employees feel informed and involved in decisions that affect their work.

Fourth, HRM plays an important role in improving organizational effectiveness through efforts such as organizational planning and development, change management, and careful handling of conflict (Agrawal, 2003; Zainal, 2018). Good organizational planning and development ensures that the company has the right structure and strategy to achieve its goals. Effective change management is key in facing and managing transitions in organizations, which often create resistance and stress among employees. Zainal (2018) also states that careful handling of conflict can prevent escalation of problems and maintain team harmony and productivity.

In addition, the use of technology and information systems in HRM is also an opportunity that can be optimized. Technology can increase efficiency in the recruitment process, employee data management, and training. According to Gupta (2021), the use of big data and analytics in HRM allows companies to make more data-driven decisions, improving accuracy in performance appraisal and employee development.

In this digital era, the role of HRM also extends to managing a remote and flexible workforce. Flexibility in work time and place has become an important factor in attracting and retaining talent, especially among millennials and Gen Z who prioritize work-life balance. This is in line with the findings of a study by Parker (2020) which showed that

work flexibility can improve job satisfaction and employee productivity. In this overall context, HRM serves not only as an administrative support but also as a strategic partner in achieving business goals. By taking advantage of these opportunities, companies can improve their HR capabilities and, ultimately, the performance and competitiveness of the organization in an increasingly competitive global market.

Thus, HRM becomes key in achieving organizational goals and sustainability. This strategic role requires a holistic and innovative approach, which is continuously adapted to evolving business needs and market dynamics. The integration of various HR development initiatives, improved job satisfaction, employee commitment, and organizational effectiveness are key pillars in achieving long-term sustainable success.

## CONCLUSION

Research on human resource management challenges shows that planned development programs and their implementation have a positive impact on the quality of human resources. Nonetheless, companies often face coordination challenges between areas that affect task execution. Regular evaluation through surveys, interviews and document analysis is needed to identify program weaknesses and strengths. Future challenges involve a diversity of employee characters that demand a more adaptive and flexible approach in HR development strategies. Integration of continuous evaluation ensures HR management programs can support long-term strategic goals.

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