



Competitiveness of the CEE Region in the Global Economy

Budapest, October 9-11, 2014

HR Management at Subsidiaries of Multinational Companies in Central-Eastern Europe in Light of Empirical Researches between 2008-2013

József Poór

Szent István University, Gödöllő, Hungary

Allen Engle

Eastern Kentucky University, KY, United States

Ildikó Éva Kovács

Szent István University, Gödöllő, Hungary

Katalin Szabó

Szent István University, Gödöllő, Hungary

Agnes Slavic

University of Novi Sad, Faculty of Economics Subotica, Serbia

Marzena Stor

Wroclaw University of Economics, Poland

Kinga Kerekes

Babeş-Bolyai University, Cluj-Napoca, Romania

Geoffrey Wood

Warwick Business School, Warwick, United Kingdom

Zsuzsa Karoliny

University Pécs, Pécs, Hungary

Ruth Alas

Estonian Business School, Tallin, Estonia

**HR MANAGEMENT AT SUBSIDIARIES OF MULTINATIONAL COMPANIES IN
CENTRAL-EASTERN EUROPE IN LIGHT OF EMPIRICAL RESEARCHES BETWEEN
2008-2013**

József Poór*

J. Selye University, Komárno, Slovakia,
Szent István Egyetem, Gödöllő, Hungary
poor.jozsef@gtk.szie.hu

Allen Engle

Eastern Kentucky University, KY-US
allen.engle@eku.edu

Ildikó Éva Kovács

Szent István University, Gödöllő, Hungary
Kovacs.Ildiko.Eva@gtk.szie.hu

Katalin Szabó

Szent István University, Gödöllő, Hungary
szabo.katalin@gtk.szie.hu

Agnes Slavic

University of Novi Sad, Faculty of Economics Subotica, Serbia,
slavica@ef.uns.ac.rs

Marzena Stor

Wroclaw University of Economics, Poland,
marzena.stor@wp.pl

Kinga Kerekes

Babeş-Bolyai University, Cluj-Napoca, Romania,
kinga.kerekes5@gmail.com

Geoffrey Wood

Warwick Business School, Warwick, U.K.
Geoffrey.Wood@wbs.ac.uk

Zsuzsa Karoliny

University Pécs, Pécs, Hungary
karoliny@ktk.pte.hu

Ruth Alas

Estonian Business School, Tallin, Estonia,
ruth.alas@ebs.ee

HR MANAGEMENT AT SUBSIDIARIES OF MULTINATIONAL COMPANIES IN CENTRAL-EASTERN EUROPE IN LIGHT OF EMPIRICAL RESEARCHES BETWEEN 2008-2013

ABSTRACT

There is only limited literature on HRM (Human Resource Management) in Multinational Companies (hereafter MNC) involvement and its impact on the HR/HRM activities of these firms in Central and Eastern Europe. The current research is part of long-term research cooperation – the Central and Eastern European International Research Team (CEEIRT) – that is composed of researchers from universities across the Central and Eastern European (CEE) region and aimed to describe the relationships within the companies involved - between the influencing factors and the HR solutions applied - in a statistically valid way on basis of two surveys (2008-2009 and 2012-2013).

Key words: HR practices, multinational companies, Central-Eastern Europe,

INTRODUCTION

According to UNCTAD's 2014 Report, the volume of FDI has fallen globally since the 1990s. A record value of US\$ 1,492 bn was recorded in 2000, whilst the total global FDI volume reached only US\$ 735 only two years later. The report identifies the declining number of cross-border acquisitions among the most important factors behind this shrinking level of FDI. According UNCTAD 2014 Report, the volume of FDI increased again between 2004 and 2008. Another record value of US\$ 1.401 bn was reached in 2006, but as the result of the global financial crisis of 2008 this volume has been drastically reduced.

This decline shows inverse trends to other macroeconomic indicators such as GDP, foreign trade balance or employment rates, which started to rise globally (UNCTAD, 2014). According to the UNCTAD forecast, FDI in 2014 will remain at close to the 2012 level. Issues such as the structural weaknesses of the financial system, political instability or unfavorable macroeconomic environment could result further decline in investor confidence and as a consequence, further decline in FDI.

Whilst previously the most developed countries had a large share of the FDI, recently the trend has changed and the emerging and developing economies have 50% share of the total FDI (UNCTAD 2010). FDI inflow into the CEE region between 1990 and 2012 amounts 1.040 bn. \$ (830 bn. €)

(UNCTAD 2014). In this region, it will be seen that for most of the 2000s, FDI increased, but fell back after the 20080 crisis. (Figure 1)

("Figure 1 goes about here")

Researcher on the region has suggested that the inflow of FDI could lead to increasing differences in employment and wages (Golejewska, 2002; Jenkins, 2009 and Falusné, 2000), and this could cause social and economic polarization. Antalóczy and Sass (2005) found significant correlation between employment, average wages and the size of the foreign capital, but that this also was associated with significant levels of inequality.

THE RESEARCH MODEL

The project, which had established a basis for a longer term and its most recent part of the project (2011-2013) is a combination of descriptive and deep analytical study based on the following research model. (Figure 2)

("Figure 2 goes about here")

This model combines several influencing and contextual factors evolved from a variety of disciplines (e.g. international management, international human resource management and HRM):

- *Objectives of the firms:* MNCs enter to foreign markets for traditional reasons (market acquisition, securing resources, and diversification), but lately they are also seeking better economies of scale and a more rational allocation of expenditures, via shifting processes and activities to lower cost nations (Dowling, Festing and Engle, 2013). These realignment activities necessitate coordinating and refining HR practices, such as altering methods for expatriate compensation, reviewing training policies, and realigning the transfer of managers across borders (Fisher et al., 1993, Francesco and Gold, 1997; Venaik et al., 2005 and Brewster, 2006). What we know is that formal labour regulation does not have a significant relationship to FDI (see Wood et al. 2014). This means that although firms may enter countries because of cheaper labour, they feel either that they can circumnavigate rules or that they can compensate for variations in regulation through HR policies.
- *Phases of company development:* Major stages of company development and HR implications in Central and Eastern Europe during 1988-2013 can be classified into the following seven categories:
 - *Stage One and Two – Privatization/ firm establishment:* This period is characterized by the transition from centralized state control and state socialism to private ownership of the means of production in a wide range of industries.
 - *Stage Three and Four – Restructuring and development:* Later the new owners shift interest more toward economic rationalization and the divestiture of unprofitable units

and functions. The key role of HR was to contribute to institutional changes and transformation.

- *Stage Five – Consolidation and renewal:* The majority of companies in the competitive sector of CEE economies has finished the structure changing after privatization.
- *Stage Six and Seven - Crisis and Recovery:* This period encompasses the global economic crisis that erupted in 2008 and the slow recovery since, particularly the impact of this stage on HR practices and expectations for the future.
- *Mandate:* During the analysis, as per Delany (1998) and White-Poynter (1984), we classified the participants into five groups based on how much of the value chain is covered by the range of activities of the local subsidiary.
 - 1) "Mandate 1": This is a business which markets products manufactured centrally into the local trading area. The business is a small-scale replica of the parent.
 - 2) "Mandate 2": This is a business producing a designated set of component parts for a multi-country or the global market. Operational activities are limited to packaging, bulk breaking, some final processing and warehousing, distributing.
 - 3) "Mandate 3": This is a business that does not have control over the entire value chain of a business unit but has activities in a number of stages of the value chain. This might be the preparation of manufacturing activities or a regional logistics brief (responsibility).
 - 4) "Mandate 4": This is a business that develops and markets a certain product chain for global markets. Products, markets and basic technologies are similar to the parent company, but the exchange of information between the subsidiary and the parent are rare.
 - 5) "Mandate 5": This is a business that has the freedom and resources to develop lines of business for either local, multi-country or the global market. The subsidiary is allowed unconstrained access to global markets and freedom to pursue new business opportunities.
- *Nature and time of market entry:* Data suitable for international comparison show that the majority of international companies chose to solve the problem of gaining majority control by way of acquisitions or by implementing a green-field development in the region (UNCTAD 2012). The great migration of MNCs into Hungary took place in the 1990s – in contrast with for example the neighboring Slovakia where this occurred between 2002 and 2007. Many of the large multinational companies present in Hungary have been operating here continuously for nearly two decades. However, the actors of some industries (e.g. automotive suppliers) move operations in and out of nations within the CEE region and outside of the region very quickly. If the situation is not favorable, these companies walk away promptly. However, the

decision that these companies stay or leave also depends largely on whether their main buyers stay here or leave. In support of the role of “cheap manufacturing and service provider” Hungarian subsidiaries with shorter delivery times increased during the crisis.

- *Origin:* The origin here means that the institutional arrangements and purposes of a MNE are influenced by associations and beliefs related to the firm’s country of origin (Kotler-Kelle:2006:893). According to Yan (2003), one of the researchers - this includes Hofstede, 1991; Rosenzweig Nohira, 1994 and Jackson and Artola, 1997 - according to them management practices and structures are heavily influenced by national cultures. In contrast, others (Pauly and Reich, 1997) believe that technology development is blurred by these national differences. Companies of different origins choose various paths to internationalization, and it should also be stressed that companies of American, Japanese or European origin have built up their present organization structure and hierarchy in a variety of ways (Dowling et al 2013).

RESEARCH PARTICIPANTS - SAMPLES

The data collection was made through both face-to-face interviews and online completion of the same questionnaire, which was based on the model shown on Figure 2. The number of valid responses by participating country is shown in Table 2. Participants were solicited from MNE firms known to the national researchers based on previous contacts, ongoing consulting activities and area or national listings. (Table 1)

("Table 1 goes about here")

- *Employed people:* The first survey (2008-2009) covered seven countries and included results from 279 subsidiaries. These firms employed almost 300.000 people. We can state that the companies in this survey are split equally between large (51.9%) and small enterprises (48.1%) based on the number of their employees. In our second survey (2012-2013), we analyzed the data of five countries. A total of 254 foreign owned subsidiaries took part in the research, employing total 245 thousand people. Some 48% of the respondents had more than 250 employees.
- *Mandate:* We also asked how wide a portion of the value chain the local subsidiary has control of, in other words, what is the „mandate” of the organization (Delany 1998 and White-Poynter (1984). Some 60% participating subsidiaries have a typical subsidiary role, such as purchasing, production/operation and sales/distribution in 2008-2009 survey. This figure is a little bit higher in the 2012-2013 survey.
- *MNE Origin:* The subsidiaries participating in the survey (2008-2009) in the total sample came from 33 different countries. More than 74% of them came from four countries: Germany and Austria (47.8%), and the USA and Canada (27%). The remaining subsidiaries came from

Western and Southern European EU countries (11.3%) as well as from outside of Europe (13.9%). The origin of the 254 subsidiaries in the survey 2012-2013 was in 34 countries, 67% of them have their mother company in Germany (23.8%), USA (18.9%), France (9.4%), Austria (6.7%) or Switzerland 4.3%). Among the respondents 6.3% is headquartered in emerging or transitional countries. In both surveys MNC companies originates mainly from Europe, especially from the European Union (EU).

- *Time of market entry:* The foreign owners of more than half (52.7%) of the subsidiaries examined in survey 2008-2009 were established before 1995 in Hungary. Almost one quarter of the companies settled in Hungary between 1996 and 2000 (24.3%) and the remaining ones (23.0%) in the new millennium. In the other samples most of the respondents established subsidiaries after 2000, especially in Romania and in Serbia where 75.0% and 81.8%, respectively, of respondents established organizations after 2000. In the total sample of survey 2012-2013 nearly a third of the subsidiaries were established before 1990 (31.7%) and almost a quarter, 22.7%, between 1990 and 2000. While close to half (45.7%) of subsidiaries were established after 2000.
- *Nature of market entry:* About 44% of the foreign owners of the companies participating in the survey 2008-2009 came to Hungary realizing greenfield investments and around 56% of them obtained majority control in Hungarian companies during the privatization and the following acquisitions. In the Croatian and Serbian samples (81.8% and 75% respectively) the primary mode of entry was through acquisition and to a lesser extent in Estonia (63.6%). While in the Polish, Romanian and Slovakian samples more companies established subsidiaries via greenfield investments. In survey 2012-2013, 51% of the respondents were established via a green-field project and 49% through acquisition. 45.7% carries out traditional production, 16.5% are in trading and 35.4% provides services.
- *Strategy orientation:* A plurality of the respondents (39.7%) in the total sample of 2008-2009 indicated that they were seeking growth development during the period examined. Over 35% of the companies surveyed characterized their strategy as stability. The fact that 23.2% - nearly a quarter - of the respondents chose the redundancies option indicates a slow recovery from the crisis. The main strategic orientation is growth / market expansion for the majority of the respondents in survey 2012-2013 (59.1%), while the priority for 36.9% is to maintain stability. Only 3.2% of the respondents indicated reduction of capacities, which is an improvement compared to the 2008-2009 survey, when 23.2% considered reduction in force and rationalization of capacity. *In comparison with survey in 2008-2009, a few of MNC subsidiaries were struggling with issues of cut-back or downsizing in 2012 and 2013.*

KEY INDICATORS OF HR ACTIVITY

In this section we give an overview of the following HR characteristics: (1) number and workload of the HR staff, and (2) the main indicators representing the importance, results, and efficiency characteristics of the HR activity (labor cost – total cost ratio, a relative weight of the training budget).

- *HR effectiveness ratio:* In the total sample of 2008-2009 the average number of employees per HR professional was under 100 employees for 73.6% of the organizations and the average number of employees per HR professional of 200 or less was 96.6% of organizations. The average headcount serviced by 1 HR employee is 69 across the responding 254 companies in 2012-2013. We have experienced earlier that the average headcount/HR staff ratio is declining. Some sources explain this with the increasing importance of the HR function (Balázs–Veress, 2009 and Pudlowski 2009). *The average number of employees served by an HR professional is far below the traditional firm ratio.* It is well known from management theory and practical experience that it is not reasonable to maintain a separate HR apparatus under a certain number of employees (e.g. 80-100 persons) within an organization. However, the actual ratio also depends on the industry and the composition of the workforce. (Table 2)

("Table 2 goes about here")

- *The average size of the HR department:* The average number of HR professionals was between one and five position holders in the total sample 2008-2009. In the Hungarian and Polish samples the average number of HR professionals ranged between one and ten incumbents. Respondents in five out of the seven countries indicated no HR staff; ranging from some 5% in Hungary up and some to 10% (in Croatia) of the subsidiaries. However this includes 45.1% of respondents having only 1-4 people in HR, 18.9% has 5-10 HR staff, and 14.4% has 10-20 HR people, while 14.3 % operates an HR department larger than 20 people. In some cases there is no dedicated HR leader in the organization. In these cases the management or HR issues are performed by the head of the organization or the CFO. *The average number of HR professionals was between one and five HR position holder in each sample.* This figure is in line with Cranet global HR survey (Cranet, 2011).
- *Training and Development spending:* Literature considers the relative weight of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity. It is also a sign of the relative commitment of a firm to its people (although, of course, it is possible that a high expenditure in basic hiring training may simply be a product of high staff turnover rates). The average annual training and development spending - as a percentage of the annual labor costs - is less than 1% for 26.0% of the respondents, between 1 and 3% for 42.4% of respondents and 31.6% of respondents spend more than 3% of the labor costs on training and development programs in the 2012-2013 survey. The global average of this indicator calculated using the formerly mentioned Cranet (2006 and 2011) international comparative HR database was 3.36%, the Eastern European index was 3.15% and the Hungarian 3.54%. (Table 3)

("Table 3 goes about here")

- *Relationship of the local and central HR organization:* There are several models to describe how the corporate center and local HR units share accountabilities. Taylor et al. (1966) describe the relationship between the subsidiaries and the parent company with the following three basic systems of relations: In the *exportive* system of relations, HR systems developed in the parent company are adopted without changes.
 - In the *adaptive* system of relations, local subsidiaries adapt the HR systems adopted from the parent company according to their local needs.
 - In the *integrative* system of relations, all good and applicable solutions are attempted to be spread and implemented in all units of the company regardless of the origin of the HR system.
 - Lawler (2006) concluded from his research conducted among American subsidiaries operating in Asia and Europe that the most dominant deciding factor in the adoption and adaptation of HR systems is the size of local companies. The question is reasonable: which solution should be applied in a certain case? The mentioned authors say that the system to be implemented depends on the sum of the impacts of internal and external factors that form and influence the organization. In certain cases the national culture of the host country and the legal, regulatory environment are considered influencing factors.

We found several different function sharing practices among the companies examined in survey 2008-2009:

- However, the typical solution that was implemented by nearly half of the respondents in the total sample was that the HR department of the company's headquarters lays down general guidelines and provides a standard framework for the work of HR departments of the subsidiaries and requires information and reporting from them. While 20% of the companies' headquarters performed the auditor's role.
- In addition, in the case of almost 36% of the companies the headquarters was responsible for providing resources and advice when requested.
- Around 15% of the respondents marked that the headquarters provided the detailed HR model, policies, procedures, and rules.
- On the other hand, about 15% of the HR departments of the responding subsidiaries reported getting hands-offs treatment, almost complete freedom from the headquarters and decentralized HR activity. While in almost 6% of companies the headquarters provided central control.

Majority of the respondents in survey 2012-2013 (47.5%) indicated that the central HR function issues general guidelines and frameworks and subsidiary HR staff implement their

practices within these. 32.6% of the respondents have detailed HR model and policies issued by the center, and 19.8% told that the center gives them full authority and performs some audit and expects regular reports. This survey underpins the findings in other researches regarding the share of HR accountabilities locally between line management and HR. According to Cranet, 2006, 2011 some HR decisions are typically line management accountability, and other (HRIS and labor management) are more influenced by the local HR staff.

- *International assignees:* After Perlmutter (1969), multinational companies following the four personnel strategies have different priorities in their selection and recruitment policies. The company can follow an ethnocentric, polycentric, regiocentric or geocentric selection mechanism. In the ethnocentric orientation, key positions of the local company are held by professionals from the parent company. In polycentric companies, local key positions are held by locals but their promotion to higher positions is very limited. In companies following the regiocentric selection mechanism, locals can hold key positions not only in the subsidiary but also in the center coordinating the management of the region. In companies following the geocentric selection mechanism, locals can obtain position even in the top management of the company.
 - Usually two types of long-term emissaries are distinguished – the ones arriving from abroad from the parent company or from a third country who are also called expatriates and the ones from the local CEE regional subsidiary appointed for a long-term deputation abroad at the parent company or subsidiaries operating in other countries. In the majority of the samples 2008-2009 most foreign expats are managers. The exceptions being in the Estonian sample where foreign expatriates are more likely to be non-managers (58.6%). In the Romanian and Slovakian samples the split between foreign expats in manager and non-manager roles is almost split equally. It is important to indicate that companies appear to be sending an increasing number of employees abroad for a short term “international assignments” (Dowling, Festing and Engle, 2008), for a variety of limited projects, and therefore did not meet the traditional definition of a long term assignment associated with the definition of an expatriate
 - Among the total 247 000 employees at the 254 respondents, 1000 expatriates are employed, merely 0.4% of the survey of 2012-2013. They are typically in management positions. At 60% of the respondents no expatriates at all were reported at the time of the research. The number of local employees on international assignment is 800, and they were spread across 27% of the responding subsidiaries. Only 33% of these assignees worked in a managerial position.
- *Knowledge Management in HR:* In terms of developing personal competencies of the HR staff, the most important channels are the local training and development, and learning at the

mother company's headquarter in both samples. The extent of knowledge transfer is similar inside the subsidiary HR department, between local HR and other local business units, and between the subsidiary and the headquarter HR.

ANALYSIS AND CONCLUSIONS

With the help of correlation analyses and cross-tab analyses, this paper presents the factors which have a statistically significant role in influencing the characteristics of the HR variables presented above and the nature of the relationships in cases found to be significant.

The correlations between seven elements of the firm and contextual elements in our model (mandate, size, origin, strategic orientation, nature, time of entry into the market and firm characteristics) and five HR characteristics (number of HR staff in the subsidiary, number of expatriates, the role of the HR department of the parent, the use of external HR service providers and knowledge transfer in the field of HR) were tested with the 'Chi-squared' test. The strength of the correlation was described by means of the Cramer V index. (If the strength of the correlation established between two variables under investigation is around 0, we can speak of 'independence'; the relationship is 'weak' if below 0.3, 'medium' between 0.3 and 0.69, and 'close' at/over 0.7).

Our hypotheses (H1-H7) and our review of the findings has already given us the opportunity to examine the connection between certain HR variables and the factors thought to influence their application. (Table 4)

("Table 4 goes about here")

("Table 5 goes about here")

What is interesting is that although regulation has reduced since 2009, more firms see the strategic orientation of the firm as impacting on HRM practice. This could be because there is more room for firms to experiment with new types of HRM, or simply owing to a more difficult operating environment firms are taking HRM more seriously. Subsidiary size also appears to be having an increasing impact on HRM practice. This could reflect the extent to which subsidiaries are gaining an increasing degree of autonomy. An interesting question would be the relative lifespan of the subsidiary versus autonomy of HR managers.

The hard times of 2008-2009 appear – at least for the time being – to be over; whilst there is not a return to the pre-2008 days when over three fourths of MNC subsidiaries describe themselves as growing, most respondents reported they were expanding. But, HR departments still remain smaller than their counterparts in the West – HRM is still evolving in the region.

SUMMARY

We carried out our empirical survey the second time within the Central and Eastern European region. In this study we presented the frequencies of the answers from the most important aspects of the survey. The results suggest that the companies adopt their HR model according to the external environment and internal business performance. The HR function is required to become more business oriented, and at the same time line management is taking on more operational HR activities. The presence of HR business partners and outsourcing the non-strategic HR specialist tasks has increasingly become a prevailing operating model at the subsidiaries of MNCs in the Central-Eastern European region.

The analyzed HR practices of MNC's in CEE region shows more contra than pro indicators on the original two (efficiency, effectiveness) assumptions. While the MNCs have contributed to considerable changes in HRM practices of the CEE region, yet a significant degree of diversity characterizes the region even when accounting for MNE similarities in size, strategy and subsidiary mandate. Seeking out patterns of HR resource allocation across this dynamic region continues to be a topic in need of further study.

LIMITATIONS AND FUTURE PLANS

The authors intend to develop the research in three different directions:

- We intend to examine similarities and differences in HR practice at organizations operating in other types of capitalism (e.g. Mediterranean Market Economies, Coordinated Market Economies (CMEs), Liberal Market Economies (LMEs)). An interesting question is the extent to which MNC country of origin is impacting on HR practice in the region. We would think CME MNCs will differ from LME MNCs.

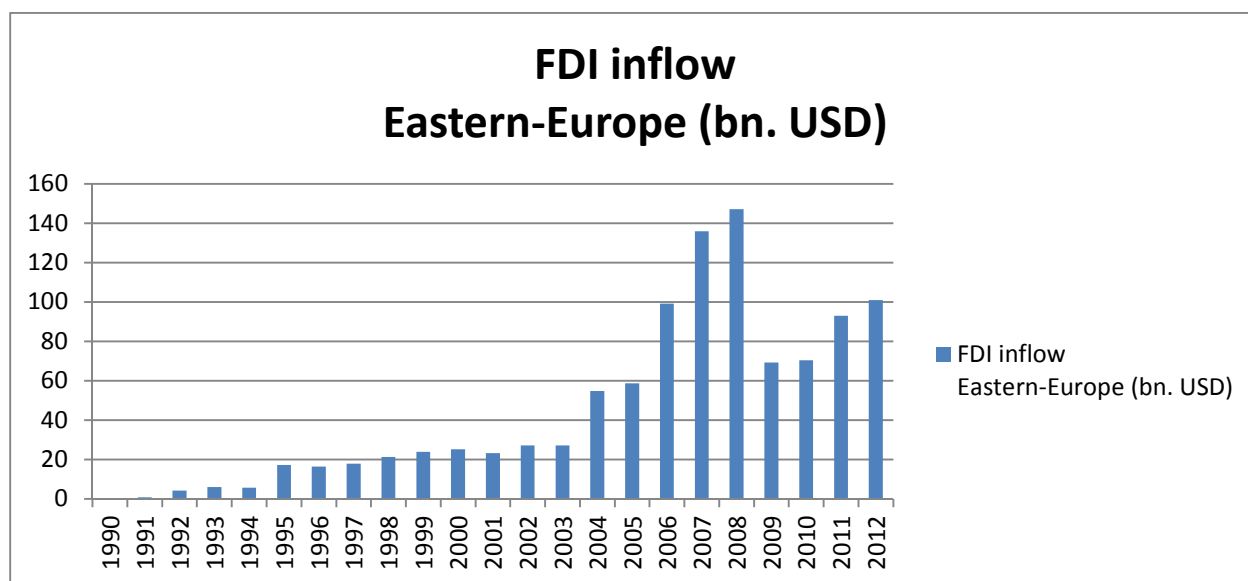
- Hence, in the following stage of our research, we will try to identify any patterns in type of industry, size of firm or national origin of the firm here

REFERENCES

- Antalóczy, K. and Sass, M. (2005). Foreign Investments and Regional Location and Economic Effects (In Hungarian).. *Közgazdasági Szemle (Hungarian Economic Review)*, Vol. 52, (5): pp. 494–520.
- Balázs, Gy and Veress, R. (2009). *HR Challenges and Solutions in Crisis Time*. (In Hungarian). Budapest: Hewitt Co..
- Brewster, C. (2006). Comparing HRM Policies and Practices across Geographical Borders. In: Stahl, G. - Bjorkman, I. (eds.) *Handbook of Research in International Human Resource Management*. Cheltenham: Edward Elgar Publication.
- Cranet (2006). *International Executive Report 2005, Cranet Survey on Comparative Human Resource Management*. Cranfield: Cranet-Cranfield University.
- Cranet (2011). *International Executive Report 2005, Cranet Survey on Comparative Human Resource Management*. Cranfield: Cranet-Cranfield University
- Delany, E. (1998). Strategic Development of Multinational Subsidiaries in Ireland. In: Birkinshaw, J.-Hood, N. (eds.) *Multinational corporate evolution and subsidiary development*. New-York:St Martin's Press.
- Dowling, P.J., Festing, M. and Engle, A. (2013). *International Human Resource Management*. London: Thomson-Cengage..
- Falusné Szikra, K. (2000). Foreign Direct Investments – Inland Jobs. *Közgazdasági Szemle (Hungarian Economic Review)*, Vol. 47, (6): pp. 446–458.
- Fisher, C. D. , Schoenfeld, L. F. and Shaw, J. B. (1993). *Human Resource management*. Boston: Houghton-Mifflin.
- Francesco, A.M. and Gold, B.A. (1997). *International Organizational Behavior*. Upper Saddle River. Prentice Hall,
- Golejewska, A. (2002). *Foreign Direct Investment and its Employment Effects. Polish Manufacturing during Transition*. Sopot: University Gdansk.
- Hofstede, G. (1991). *Cultures and Organizations. Software of the Mind*. New York: McGraw-Hill.
- Jackson, S.H. and Artola, M. (1997). Ethical Beliefs and Management Behaviour: B Cross-cultural Comparison. *Journal of Business Ethics*, Vol. 16, (11): pp. 1163-73.
- Kotler, P. and Keller, K.L. (2006). *Marketing Management*. Upper Saddle River, N.J.: Pearson Prentice Hall.
- Puhl, J. (2009). Der Kater nach der Party. *Der Spiegel*. (13):. pp. 94-98.
- Jenkins, R. (2006). Globalization, FDI and Employment in Viet-Nam. *Transnational Corporations* Vol.15,(1): pp. 116–142.
- KSH (2010). Foreign Owned Subsidiaries (1995–2008) statistical table. (In Hungarian) http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/i_qpk002b.html, accessed on 10 April 2013.
- Kuti, M. (2007). Interaction of Foreign Debt and Foreign Direct Investments (In Hungarian) *Pénzügyi Szemle (Financial Review)*, Vol.52, (1): pp. 50–64.
- Lawler, J. J. (2006). *Cultural and Institutional Determinants of HR Systems in International Affiliates of American Multinational Corporations*. Institute of Labor and Industrial Relations, Illinois: University of Illinois.
- Pauly, L.W. and Reich, S. (1997). National Structures and Multinational Corporate Behavior: Enduring Differences in the Age of Globalization. *International Organization*, Vol.51, (1): pp. 1-30.
- Perlmutter, H.V. (1969): The Tortuous Evolution of the Multinational Corporation. *Columbia Journal of World Business*, Vol. 4, (1): pp.9-18.

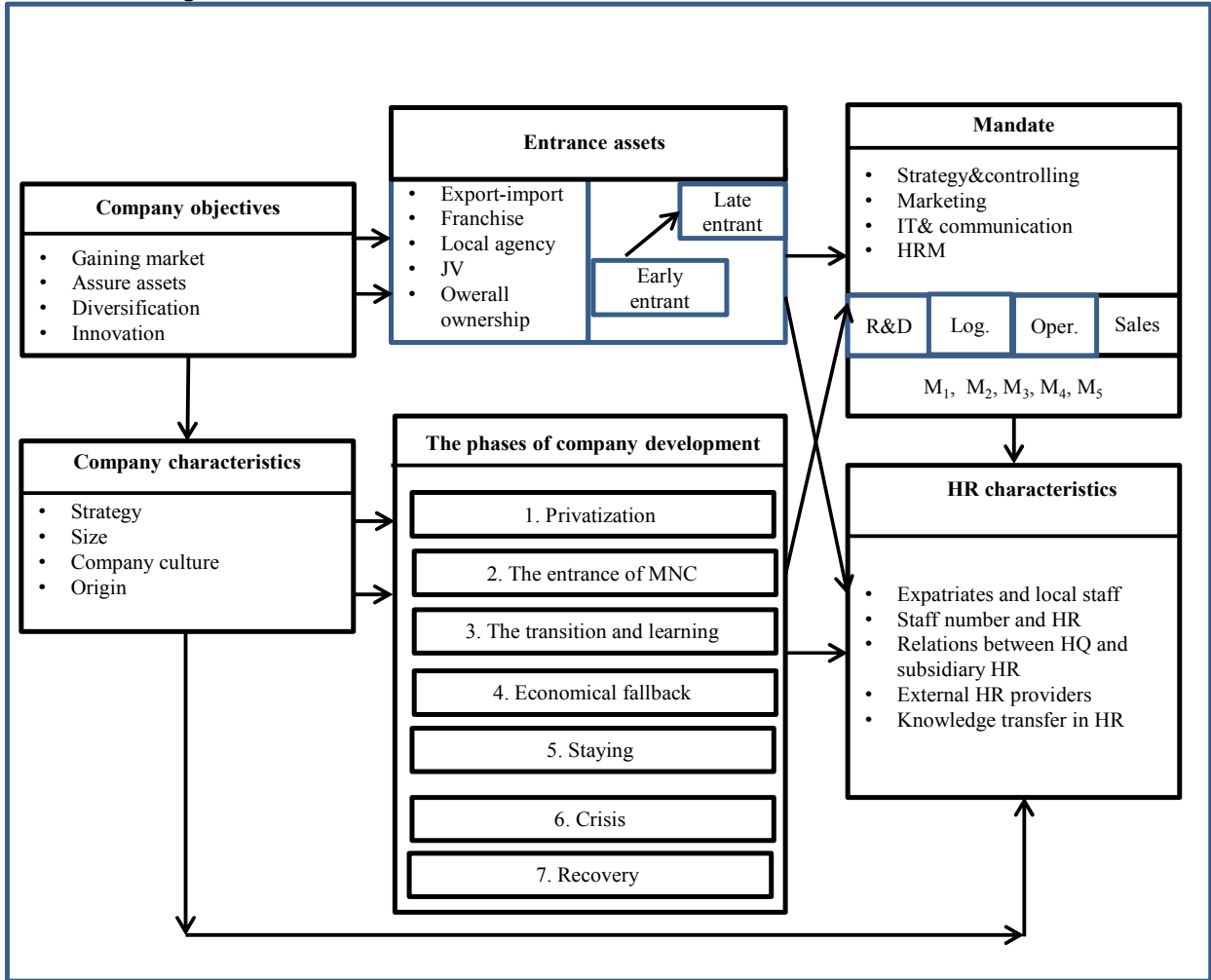
- Rosenzweig, P.M. and Nohira, N. (1994). Influence on human resource management in multinational corporations, *Journal of International Business Studies*, Vol.25, (2): pp. 229-251.
- Taylor, S., Beechler, S. and Napier, N. (1996). Toward an integrative model of strategic international human resource management. *Academy of Management Review*, Vol.21, (4):pp. 959-985.
- UNCTAD (2010). *World Investment Report, 2009*. United Nations, Geneva.
- UNCTAD (2014). *World Investment Report, 2013*. United Nations, Geneva.
- Venaik, S., Midgley, D. and Devinney, T. (2005). Dual paths to performance: The impact of global pressures on MNC subsidiary conduct and performance. *Journal of International Business Studies*, Vol. 36, (6): pp. 655 - 675.
- White, R. and Poynter, T. (1984). Strategies for foreign-owned subsidiaries in Canada. *Business Quarterly*, Vol 49, (2): pp. 59-69.
- Wood, G., Cheah, J., Mazouz, K, Yin, S. 2014. "Foreign Direct Investment from Emerging Markets to Africa - the HRM Context", *Human Resource Management (US/Wiley)*, 53 (1): 179-201.
- Yan, Y. (2003). A comparative study of human resource management practices in international joint ventures: the impact of national origin. *International Journal of Human Resource Management*, Vol. 14, (4): pp. 487-510.

Figure 1: FDI inflow Eastern-Europe (1990-2012)



Source: UNCTAD (2014): World Investment Report, 2013. United Nations, Geneva.

Figure 2: Research Model: HR and its Context in Multinational Subsidiaries



Source: Primary research by the authors.

Table 1: Number of valid responses by participating countries in the two CEEIRT research phases (2008-2009 and 2011-2013)

Country	Number of valid responses	
	2008-2009	2011-2013
Estonia	45	0
Croatia	11	0
Poland	88	53
Hungary	75	118
Romania	17	34
Serbia	20	19
Slovakia	23	30
Total	279	254

Source: Primary research by the authors.

Table 2: Number and workload of HR staff (HR effectiveness ratio)

Years	Total staff	HR staff	Staff/HR staff
2009-2010	292 697	4 605	64
2012-2013	247.000	3.550	69

Source: Primary research by the authors.

Table 3: Training cost ratio %

	2009-2010	2012-2013	Cranet global	Cranet CEE
% of average training budget	3,1	3,4	3,54	3,15

Source: Primary research by the authors and Cranet (2006 and 2011). International Executive Report 2005, Cranet Survey on Comparative Human Resource Management. Cranfield:Cranet-Cranfield University.

Table 4: Hypotheses analysis (2008-2013)

Hypothesis	Explanations	2008-2009 (Yes/ No)			2012-2013 (Yes/ No)		
		True	Partially true	Not true	True	Partially true	Not true
H1	The mandate of the subsidiaries has an impact on HR variables	Yes				X	
H2	The company's origin has an impact on HR variables			No		X	
H3	The time of market entry of the MNC has an impact on HR activities.			No	Yes		
H4	The nature of the subsidiary's market entry has impact on HR variables.			No		X	
H5	The strategic orientation of companies has an impact on the projected characteristics of HR activities.			No	Yes		
H6	The size of the subsidiaries in terms of employee numbers has an impact on the various features of HR variables.		X		Yes		
H7	The size of the employee numbers, expat numbers and revenue is has an impact HR department.		X			X	

Source: Primary research by the authors

Table 5: Detailed analysis of hypothesis explanations of two consecutive researches

Factors influencing HRM	(2008-2009)	(2012-2013)
H1: mandate	<p>The mandate affects the number of HR staff, the number of foreign delegates (expat), partly the relationship between the local and central HR, partly the use of external HR service providers, the knowledge flow from the parent company to the subsidiary, and the role of local HR training and development.</p> <p>Overall, we accept the hypothesis.</p>	<p>The mandate affects (according to chi-square test) the number of HR staff (production, sales), but does not affect the number of foreign delegates (expat) nor the relationship between the local and central HR department. The chi-square test shows significant relationship between the external service providers and the mandate only in a few cases. Based on the analysis of cross table analysis firms focusing on development employ the largest proportion of external service providers. There is no evidence of a significant relationship between the knowledge flow from the parent company to the subsidiary and the mandate. In one case (production/service) there is a significant relationship between the local training and development (based on chi-square test and ANOVA).</p> <p>Partly we accept the hypothesis</p>
H2: origin of the firm	<p>The effect of the origin to selected variables cannot be examined statistically. There is evidence for the relationship between the local and the central HR and for the knowledge transfer.</p> <p>Overall, we reject the hypothesis.</p>	<p>The effect of the origin cannot be examined statistically, as the chi-square test conditions are not met. Based on the cross table analyzes companies from Eastern European show a significantly different view in the case of most of the examined variables, compared to the companies from other management cultures. There is a significant relationship</p>

		<p>between the origin and HR knowledge transfer variables (based on ANOVA).</p> <p>Partly we accept the hypothesis.</p>
H3: year of establishment	<p>The date of establishment affects the number of HR staff, but does not affect the number of foreign delegates (expat), nor the relationship between the local HR and central HR. The use of external HR service employment can only be partly examined, and partly there is no evidence. There is no recognizable relationship between the knowledge flow from the parent company to the subsidiary.</p> <p>Overall, we reject the hypothesis.</p>	<p>❑ The chi-square test criteria are not met in the most cases – perhaps just collapse dates into three categories (pre 1990, 1990-2008, 2008 and after). Based on the cross table analyzes in the case of the most variables the companies established before 2010 show a very similar picture, while the new (post-2010) founded companies are different in many aspects. They employ less HR staff, there are no foreign delegates (expat), the relationship between the local HR and the HQ is centralized and the most of them do not use an external provider (However, note that only 7 companies responded!) The ANOVA did not show a significant relationship between HR knowledge transfer, and local HR training, however, the knowledge transfer is more typical for the subsidiaries established after 2010 (based on averages).</p> <p>Overall, we accept the hypothesis.</p>
H4: form of establishment	<p>The form of establishment affects the number of HR staff, but it does not affect the number of expat staff. The relationship between the local and central HR, cannot be examined. There is no relation concerning the use of external service providers, and also there is no connection between the knowledge flow from the parent company to the subsidiary.</p>	<p>The form of establishment affects the number of HR staff (the chi-square test is low), but it does not affect significantly the number of expat staff, the relationship of local and central HR. There is no evidence on the relation between the form of establishment and the use of external service providers, nor to the knowledge flows from the parent company to the subsidiary.</p>

	<p>Overall, we reject the hypothesis.</p>	<p>However, based on the cross-table analysis it can be observed that in case of newly established companies -with the exception of health and safety – the use external service providers it is more typical and is increasing. (In contrast to the companies established by acquisition.)</p> <p>Irrespectively of the form of establishment, nearly half of companies are characterized by significant knowledge flow from the parent company to the subsidiary.</p> <p>Overall, we accept the hypothesis.</p>
H5: strategy	<p>The strategy does not affect the number of HR staff, the number of expat staff, and the relationship of local and central HR. There is a partly relationship between the strategy and the use of external service providers, and it does not affects the knowledge flow from the parent company to the subsidiary either.</p> <p>Overall, we reject the hypothesis.</p>	<p>It can be concluded that the subsidiaries following downsizing and regression strategy have HR staff, and they have a much greater proportion of expats. The companies applying growth strategy employ in almost every area larger proportion of external firms. The strategy does not affect the knowledge flow from the parent company to the subsidiary and the role of local training and development.</p> <p>Partly we accept the hypothesis.</p>
H6: size (number of employees)	<p>The company size (number of employees) affect the number of HR staff, the number of expat staff and the knowledge flow from the parent company to the subsidiary, its influence to the relationship between the local and central HR is less typical, and even less according to the employment of external service, and there is no connection to local training and development.</p> <p>Partly we accept the hypothesis.</p>	<p>The company size (based on number of employees) has a significant effect on the HR staff (the strongest relationship), on the number of expat staff and on knowledge flow from the parent company to the subsidiary (Chi-square test). There is a significant relationship between the size of the company and the use of external providers in the case of recruitment, staff development and HRIS. Typically the larger companies use them.</p> <p>Overall, we accept the hypothesis.</p>

<p>H7: the firm characteristics influencing the size of HR departments</p>	<p>The size of the HR department is in relation with the total number of employees, the number of expat staff and the revenue. The relationship between the national delegates (inpatriate), the annual fluctuation and the share of personnel costs cannot be examined. There is no connection in case of the training budget.</p> <p>Partly we accept the hypothesis.</p>	<p>As we have seen in the previous point, the size of the HR department is related to the total number of employees, the chi-square test shows a significant (medium) relationship. In the cases of the other variables, it is not applicable. The cross table analysis shows a clearly visible trend:</p> <p>In the case of higher HR staff number there is a larger number of expats and national delegates (inpatriate), as well.</p> <p>The companies having more than twenty HR specialists spend more on training, and their labor cost is below 10%. (compared to others)</p> <p>Partly we accept the hypothesis</p>

Source: Primary research by the authors.