

# HUMAN RESOURCE MANAGEMENT ISSUES AND CHALLENGES IN FOREIGN OWNED COMPANIES: CENTRAL AND EASTERN EUROPE (2011-2013)

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## Research monograph

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## CONTENTS

<b>1. INTRODUCTION (JÓZSEF POÓR)</b> .....	11
<b>2. ABOUT THE CEEIRT RESEARCH MODEL (KATALIN DOBRAI–ALLEN D. ENGLE–FERENC FARKAS–MÁRTONNÉ KAROLINY–JÓZSEF POÓR)</b> .....	12
2.1. MODEL .....	12
2.2. EMPIRICAL RESEARCH .....	14
2.3. RESPONDING COUNTRIES .....	16
2.4. REPORTING FORMATS .....	16
<b>3. THEORETICAL BACKGROUND (KATALIN DOBRAI–ALLEN D. ENGLE–FERENC FARKAS–MÁRTONNÉ KAROLINY–RUTH ALAS–JÓZSEF POÓR)</b> .....	17
3.1. FDI AND EMPLOYMENT .....	17
3.1.1. <i>Global and regional trends</i> .....	17
3.1.2. <i>FDI and employment</i> .....	20
3.2. STRATEGIC ISSUES OF LOCAL SUBSIDIARIES .....	21
3.2.1. <i>Objectives of the Firm</i> .....	21
3.2.2. <i>Development of subsidiaries</i> .....	21
3.2.3. <i>Origin of the firms</i> .....	22
3.2.4. <i>Mandate</i> .....	22
3.2.5. <i>Relationship between HQ and subsidiary HR</i> .....	22
3.3. HR IN CEE REGION .....	23
3.3.1. <i>Past</i> .....	23
3.3.2. <i>HR in progress</i> .....	23
3.3.3. <i>IHRM</i> .....	26
3.4. SOCIO-ECONOMIC AND CULTURAL CHARACTERISTICS OF COUNTRIES SURVEYED (RENATÁ MACHOVÁ) ..	27
3.4.1. <i>Socio-economic situation</i> .....	27
3.4.2. <i>Cultural characteristics</i> .....	28
<b>4. RESEARCH SUMMARY (ALLEN D. ENGLE–JÓZSEF POÓR–KATALIN ÓHEGYI–KATALIN SZABÓ)</b> .....	31
4.1. RESEARCH PARTICIPANTS .....	31
4.2. KEY INDICATORS OF HR ACTIVITY .....	32
<b>5. HUNGARY (JÓZSEF POÓR–KATALIN SZABÓ–ILDIKÓ ÉVA KOVÁCS)</b> .....	34
5.1. INTRODUCTION .....	34
5.2. FDI AND EMPLOYMENT IN HUNGARY .....	35
5.2.1. <i>Countries of origin</i> .....	35
5.2.2. <i>Sectoral distribution</i> .....	36

5.2.3.	<i>The number of foreign enterprises</i> . . . . .	38
5.2.4.	<i>Employment</i> . . . . .	38
5.3.	CHARACTERISTICS OF THE COMPANIES PARTICIPATING IN THE SURVEY . . . . .	39
5.3.1.	<i>Company size</i> . . . . .	39
5.3.2.	<i>Total number of employees</i> . . . . .	39
5.3.3.	<i>Mandate of the organization</i> . . . . .	40
5.3.4.	<i>Origin of the parent company</i> . . . . .	40
5.3.5.	<i>Year and form of establishment of the subsidiaries</i> . . . . .	41
5.3.6.	<i>Field of operation: sector-industry</i> . . . . .	42
5.4.	MAIN DIRECTIONS OF DEVELOPMENT OF THE COMPANIES IN THE PERIOD EXAMINED . . . . .	43
5.4.1.	<i>Main strategic issues-orientations</i> . . . . .	43
5.4.2.	<i>Main competitive factors in the period examined</i> . . . . .	44
5.5.	CHARACTERISTICS OF THE KEY INDICATORS OF THE HR FUNCTION . . . . .	45
5.5.1.	<i>Number of HR staff</i> . . . . .	45
5.6.	THE MAIN INDICATORS REPRESENTING THE IMPORTANCE AND RESULTS OF THE HR ACTIVITY . . . . .	46
5.6.1.	<i>Labor cost – operating cost ratio</i> . . . . .	46
5.6.2.	<i>Relative size of the training budget</i> . . . . .	47
5.7.	EXPATRIATES . . . . .	47
5.7.1.	<i>Foreign expatriates and their roles</i> . . . . .	47
5.7.2.	<i>Hungarian expatriates</i> . . . . .	48
5.8.	THE OPERATION OF THE HR DEPARTMENT . . . . .	49
5.8.1.	<i>The relationship between headquarters and local HR</i> . . . . .	49
5.8.2.	<i>Changes in the importance of HR functions</i> . . . . .	50
5.8.3.	<i>Typical HR competencies for success</i> . . . . .	51
5.8.4.	<i>Primary responsibility of decision making in the main functions of HR</i> . . . . .	52
5.8.5.	<i>The role of external HR service providers</i> . . . . .	52
5.9.	KNOWLEDGE MANAGEMENT IN HR . . . . .	53
5.9.1.	<i>Personal competency development in HR</i> . . . . .	53
5.9.2.	<i>HR knowledge transfer between the parent company and the subsidiary</i> . . . . .	54
5.10.	THE FUTURE TASKS OF HR . . . . .	55
5.10.1.	<i>The key business issues, trends for HR to face</i> . . . . .	55
5.11.	CHARACTERISTICS OF THE RESPONDING INDIVIDUALS . . . . .	55
5.11.1.	<i>Demographic characteristics and qualification</i> . . . . .	55
<b>6.</b>	<b>POLAND (MARZENA STOR–ADAM SUCHODOLSKI–IMOLA JÓZSA–ÉVA ILDIKÓ KOVÁCS)</b> . . . . .	<b>57</b>
6.1.	INTRODUCTION . . . . .	57
6.2.	FDI AND EMPLOYMENT AT THE MULTINATIONAL COMPANIES IN POLAND . . . . .	58
6.2.1.	<i>The development and sources of FDI inflow to Poland</i> . . . . .	58
6.2.2.	<i>Multinational companies: legal forms, origin of investors, employment</i> . . . . .	60

6.3.	CHARACTERISTICS OF THE COMPANIES PARTICIPATING IN THE SURVEY	62
6.3.1.	<i>Company size</i>	62
6.3.2.	<i>Mandate of the organization</i>	62
6.3.3.	<i>The number of the subsidiaries of the Multinational Companies, participating in the survey (n=53)</i>	63
6.3.4.	<i>Origin of the parent company</i>	63
6.3.5.	<i>Year and form of establishment of the subsidiaries</i>	65
6.3.6.	<i>Field of operation: sector-industry</i>	66
6.4.	MAIN DIRECTIONS OF DEVELOPMENT OF THE COMPANIES IN THE PERIOD EXAMINED	67
6.4.1.	<i>Main strategic issues-orientations</i>	67
6.4.2.	<i>Main competitive factors in the period examined</i>	68
6.4.3.	<i>Key performance evaluation of the subsidiaries</i>	69
6.5.	CHARACTERISTICS OF THE KEY INDICATORS OF THE HR FUNCTION	70
6.5.1.	<i>Number of HR staff</i>	70
6.5.2.	<i>Labor cost – operating cost ratio</i>	71
6.5.3.	<i>Relative size of the training budget</i>	71
6.6.	THE OPERATION OF THE HR DEPARTMENT	72
6.6.1.	<i>The relationship between headquarters and local HR</i>	72
6.6.2.	<i>Primary responsibility of decision making in main functions of HR</i>	73
6.6.3.	<i>Implemented transformation in HR department</i>	74
6.6.4.	<i>The role of external HR Service providers</i>	75
6.6.5.	<i>Lack of HR manager</i>	75
6.7.	CRITICAL HR ISSUES	76
6.7.1.	<i>Changes in importance of main HR issues</i>	76
6.7.2.	<i>Conditions and results of the subsidiaries</i>	77
6.8.	DELEGATES AND ROLES	78
6.9.	EXPATRIATES	78
6.9.1.	<i>Foreign expatriates</i>	78
6.9.2.	<i>Polish expatriates</i>	79
6.9.3.	<i>Typical HR competencies for success</i>	80
6.10.	KNOWLEDGE MANAGEMENT IN HR	81
6.10.1.	<i>Personal competency development in HR</i>	81
6.10.2.	<i>HR knowledge transfer between the parent company and the subsidiary</i>	81
6.11.	THE FUTURE TASKS OF HR	82
6.11.1.	<i>The key business issues, trends for HR to face</i>	82
6.12.	CHARACTERISTICS OF THE RESPONDING INDIVIDUALS	82
<b>7.</b>	<b>ROMANIA (KINGA KEREKES–MONICA ZAHARIA–JÓZSEF POÓR–ILDIKÓ ÉVA KOVÁCS)</b>	<b>84</b>
7.1.	INTRODUCTION	84
7.2.	FDI AND EMPLOYMENT IN ROMANIA	85

7.2.1.	<i>Countries of origin</i> . . . . .	85
7.2.2.	<i>Sectoral distribution</i> . . . . .	86
7.2.3.	<i>The number of foreign owned companies</i> . . . . .	87
7.2.4.	<i>Employment</i> . . . . .	88
7.3.	CHARACTERISTICS OF THE COMPANIES PARTICIPATING IN THE SURVEY . . . . .	89
7.3.1.	<i>Company size</i> . . . . .	89
7.3.2.	<i>Mandate of the organization</i> . . . . .	89
7.3.3.	<i>Origin of the parent company</i> . . . . .	90
7.3.4.	<i>Year and form of establishment of the subsidiaries</i> . . . . .	91
7.3.5.	<i>Field of operation: sector-industry</i> . . . . .	91
7.4.	MAIN DIRECTIONS OF DEVELOPMENT OF THE COMPANIES IN THE PERIOD EXAMINED . . . . .	91
7.4.1.	<i>Main strategic issues-orientations</i> . . . . .	92
7.4.2.	<i>Main competitive factors in the period examined</i> . . . . .	92
7.5.	CHARACTERISTICS OF THE KEY INDICATORS OF THE HR FUNCTION . . . . .	93
7.5.1.	<i>Number of HR staff</i> . . . . .	93
7.6.	THE MAIN INDICATORS REPRESENTING THE IMPORTANCE AND RESULTS OF THE HR ACTIVITY . . . . .	94
7.6.1.	<i>Labor cost – operating cost ratio</i> . . . . .	94
7.6.2.	<i>Relative size of the training budget</i> . . . . .	94
7.7.	EXPATRIATES . . . . .	95
7.7.1.	<i>Foreign expatriates and their roles</i> . . . . .	95
7.7.2.	<i>Romanian expatriates</i> . . . . .	96
7.8.	THE OPERATION OF THE HR DEPARTMENT . . . . .	96
7.8.1.	<i>The relationship between headquarters and local HR</i> . . . . .	96
7.8.2.	<i>Changes in the importance of HR functions</i> . . . . .	97
7.8.3.	<i>Typical HR competencies for success</i> . . . . .	98
7.8.4.	<i>Primary responsibility of decision making in the main functions of HR</i> . . . . .	99
7.8.5.	<i>The role of external HR service providers</i> . . . . .	100
7.9.	KNOWLEDGE MANAGEMENT IN HR . . . . .	101
7.9.1.	<i>Personal competency development in HR</i> . . . . .	101
7.9.2.	<i>HR knowledge transfer between the parent company and the subsidiary</i> . . . . .	102
7.10.	THE FUTURE TASKS OF HR . . . . .	102
7.11.	CHARACTERISTICS OF THE RESPONDING INDIVIDUALS . . . . .	102
7.11.1.	<i>Demographic characteristics and qualification</i> . . . . .	102
<b>8.</b>	<b>SERBIA (ÁGNES SLAVICZ–NEMANJA BERBER–MILAN NIKOLIC)</b> . . . . .	<b>104</b>
8.1.	INTRODUCTION . . . . .	104
8.2.	FDI IN SERBIA . . . . .	105
8.2.1.	<i>Countries of origin</i> . . . . .	106
8.2.2.	<i>Sectoral distribution</i> . . . . .	106

8.3.	CHARACTERISTICS OF THE COMPANIES PARTICIPATING IN THE SURVEY	107
8.3.1.	<i>Company size</i>	107
8.3.2.	<i>Mandate of the organization</i>	108
8.3.3.	<i>Origin of the parent company</i>	109
8.3.4.	<i>Establishment year and form of subsidiary</i>	110
8.3.5.	<i>Field of operation: sector-industry</i>	110
8.4.	MAIN DIRECTIONS OF DEVELOPMENT OF THE COMPANIES IN THE PERIOD EXAMINED	111
8.4.1.	<i>Main strategic issues-orientations</i>	111
8.4.2.	<i>Main competitive factors in the period examined</i>	112
8.4.3.	<i>Key performance evaluation of subsidiary</i>	112
8.5.	CHARACTERISTICS OF THE KEY INDICATORS OF THE HR FUNCTION	113
8.5.1.	<i>Number of HR staff</i>	113
8.5.2.	<i>Labor cost – operating cost ratio</i>	114
8.5.3.	<i>Training budget</i>	114
8.6.	EXPATRIATES	115
8.6.1.	<i>Foreign expatriates</i>	115
8.6.2.	<i>Serbian expatriates</i>	116
8.7.	THE OPERATION OF THE HR DEPARTMENT	117
8.7.1.	<i>The relationship between headquarters and local HR</i>	117
8.7.2.	<i>Changes in the importance of HR functions</i>	118
8.7.3.	<i>Typical HR competencies for success</i>	119
8.7.4.	<i>Primary responsibility of decision making in the main functions of HR</i>	120
8.7.5.	<i>The role of external HR service providers</i>	121
8.8.	KNOWLEDGE MANAGEMENT IN HR	122
8.8.1.	<i>Personal competency development in HR</i>	122
8.8.2.	<i>HR knowledge transfer between the parent company and the subsidiary</i>	123
8.9.	THE FUTURE TASKS OF HR	123
8.9.1.	<i>The key business issues, trends for HR to face</i>	123
8.10.	CHARACTERISTICS OF THE RESPONDING INDIVIDUALS	124
8.10.1.	<i>Demographic characteristics and qualification</i>	124
<b>9.</b>	<b>SLOVAKIA (RENATA MACHOVA–JÓZSEF POÓR–MARTIN VOLOŠIN–IMOLA JÓZSA–ZOLTÁN ŠEBEN)</b>	<b>125</b>
9.1.	INTRODUCTION	125
9.2.	FDI AND EMPLOYMENT OF MULTINATIONAL CORPORATIONS IN SLOVAKIA	126
9.2.1.	<i>FDI Volume, and its distribution according to the sectors and countries</i>	126
9.2.2.	<i>Countries of origin</i>	126
9.2.3.	<i>Sectoral distribution of FDI</i>	128
9.2.4.	<i>The number of foreign enterprises</i>	129
9.2.5.	<i>Employment in foreign-owned firms</i>	130



9.3.	CHARACTERISTICS OF THE COMPANIES PARTICIPATING IN THE SURVEY . . . . .	132
9.3.1.	<i>Company size</i> . . . . .	132
9.3.2.	<i>Total number of employees</i> . . . . .	132
9.3.3.	<i>Mandate of the organization</i> . . . . .	133
9.3.4.	<i>The number of the subsidiaries of the Multinational Companies, participating in the survey (n=28)</i> . . . . .	133
9.3.5.	<i>Origin of the parent company</i> . . . . .	134
9.3.6.	<i>Year and form of establishment of the subsidiaries</i> . . . . .	135
9.3.7.	<i>Field of operation: sector-industry</i> . . . . .	136
9.4.	THE MAIN DIRECTIONS OF DEVELOPMENT OF THE COMPANIES IN THE PERIOD EXAMINED. . . . .	137
9.4.1.	<i>Main Strategic issues-orientations</i> . . . . .	137
9.4.2.	<i>Main competitive factors in the period examined</i> . . . . .	138
9.4.3.	<i>Evaluation of Main competitive drivers of the subsidiaries</i> . . . . .	139
9.5.	CHARACTERISTICS OF THE KEY INDICATORS OF THE HR FUNCTION . . . . .	139
9.5.1.	<i>Number of HR staff</i> . . . . .	139
9.5.2.	<i>Labor cost – operating cost ratio</i> . . . . .	140
9.5.3.	<i>Training budget</i> . . . . .	141
9.6.	THE OPERATION OF THE HR DEPARTMENT . . . . .	141
9.6.1.	<i>The relationship between headquarters and local HR</i> . . . . .	141
9.6.2.	<i>Primary responsibility of decision making in main functions of HR</i> . . . . .	142
9.6.3.	<i>Implemented transformations in the HR department</i> . . . . .	143
9.6.4.	<i>The role of external HR service providers</i> . . . . .	144
9.6.5.	<i>Lack of HR Manager</i> . . . . .	145
9.7.	CRITICAL HR ISSUES . . . . .	145
9.7.1.	<i>Changes in the importance of major HR issues</i> . . . . .	145
9.7.2.	<i>Conditions and results of the subsidiaries</i> . . . . .	146
9.8.	INTERNATIONAL ASSIGNEES AND ROLES . . . . .	146
9.8.1.	<i>Foreign Assignments</i> . . . . .	146
9.8.2.	<i>Slovak delegates</i> . . . . .	147
9.8.3.	<i>Typical HR competences for success</i> . . . . .	148
9.9.	KNOWLEDGE MANAGEMENT IN HR . . . . .	149
9.9.1.	<i>Personal competency development in HR</i> . . . . .	149
9.9.2.	<i>HR knowledge transfer between the parent company and the subsidiary</i> . . . . .	150
9.10.	THE FUTURE TASKS OF HR . . . . .	150
9.10.1.	<i>The key business issues, trends for HR to face</i> . . . . .	150
9.11.	CHARACTERISTICS OF THE RESPONDING INDIVIDUALS . . . . .	151
9.11.1.	<i>Demographic characteristics and qualification</i> . . . . .	151
<b>10.</b>	<b>APPENDICES (JÓZSEF POÓR)</b> . . . . .	<b>153</b>
10.1.	APPENDIX – COMPANIES PARTICIPATING IN SURVEY . . . . .	153

10.1.1. Hungary . . . . .	153
10.1.2. Poland . . . . .	154
10.1.3. Romania . . . . .	154
10.1.4. Serbia . . . . .	155
10.1.5. Slovakia . . . . .	155
<b>11. LITERATURE SOURCES . . . . .</b>	<b>156</b>

## 1. INTRODUCTION (JÓZSEF POÓR)

The majority of companies in the competitive sector of the Central and Eastern European (CEE) region have largely completed those major legal, strategic and structural modifications that followed privatization. They have essentially completed the reorientation of firm functions and set up competitive business models and HR systems to support these various models.

With the intensification of competition continuous renewal is now being emphasized. In this situation, the role of human resources becomes particularly important in both the private and public sector of these countries.

There is a deficit in the HRM (Human Resource Management) literature when it comes to identifying new patterns of Multinational Company (hereafter MNC) involvement and its impact on the HR/HRM activities of these firms. In this ongoing regional research project we examine the HR functions and strategic practices of Multinational Company (MNC) subsidiaries 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 at examining the changing HR practices and roles in MNC subsidiaries. Some 254 foreign owned, legally independent subsidiaries participated in the questionnaire survey from five countries (Hungary, Poland, Romania, Serbia and Slovakia).

Our model is built on three components. First, we relied on the widespread perception of international management, in regards to the external factors influencing the HR activities of a subsidiary, that is factors related to firm size, maturity, country of origin and strategic orientation. Given the context provided by these dimensions we secondarily examined how different HR variables (e.g. presence and size of HR professionals, the importance of HR functions, HR skills and the employment of external service providers), vary systematically across nations in our regional sample. The third component of our study consisted of a comparison of the similarities and differences of the HR practices of foreign owned companies in the countries surveyed.

The book consists of eleven parts and an appendix. The Second section gives a brief overview of the basic features of our research. The Third section describes the theory of the four most important elements of our model (FDI and Employment, Strategic issues of the local subsidiaries, HR in CEE region and Socio-economic and cultural dimensions of Countries Survey).<sup>1</sup>

The Fourth chapter summarizes the main results of our research and provides a series of conclusions. The last five chapters consist of detailed individual country analyses (Hungary, Poland, Romania, Serbia and Slovakia).<sup>2</sup>

The Appendix includes company names of those firms that provided data for our research. The book concludes with a bibliography.

Such a broad and complex research monograph is not to be prepared without the support of a wide variety of hard working professional colleagues. Special thanks go out to all of the members of the CEEIRT (Central and Eastern European International Research Team) Team. The names of the academic contributors to the book may be found on the introductory page. On one level the creation and development of this impressive regional research group may be the most important and long lasting contribution related to this initial report of our collective scholarship. Our growing sense of global and regional solidarity and coordinated scientific curiosity is very appropriate to the type of research we have entered into over the last ten or so years.

It is important to list the names of universities that have, by providing appropriate conditions supportive to our research, thereby contributed to the completion of this work. We should particularly mention János Selye University (Slovakia), University of Pécs (Hungary), St. Stephen's University (Hungary), Cleveland State University (Ohio, U.S.A.) and last, but not least, Eastern Kentucky University (Kentucky, U.S.A.).

<sup>1</sup> Part 2 and 3 of this monograph are reprinted with permission from the research monograph of Farkas, Ferenc, Poór, József and Engle, D. Allen (2011). *Human Resource Management Issues and Challenges in Multinational Companies: Central and Eastern Europe*. Pécs: University of Pécs.

<sup>2</sup> This publication is a revised translation of research-report on "Changes of Human Resource Management of Local Subsidiaries in Eastern and Central Europe (Átalakuló emberi erőforrás menedzsment a multinacionális cégek helyi leányvállalatainál Közép- és Kelet-Európában" by Dr. József Poór and Dr. Ferenc Farkas Eds.), which was published in a book, issued by József Poór and Ferenc Farkas (Eds.) on Human Resource Management at Foreign Owned Subsidiaries in central and Eastern Europe (Emberi erőforrás menedzsment külföldi tulajdonú cégek helyi leányvállalatainál Közép- és Kelet-Európában 2011–2013).

## 2. ABOUT THE CEEIRT RESEARCH MODEL (KATALIN DOBRAI–ALLEN D. ENGLE–FERENC FARKAS–MÁRTONNÉ KAROLINY–JÓZSEF POÓR)<sup>3</sup>

In this research project we examined the HR functions and practical applications of Multinational Company (MNC) subsidiaries in Hungary. The current research is part of a long-term cooperative research consortium – the Central and Eastern European International Research Team (known hereafter as CEEIRT) – that is composed of researchers from different universities from the Central and Eastern European (CEE) Region and aimed at examining the changing Human Resource (HR) practices and roles in MNC subsidiaries. We seek to understand what trends have emerged in the professional practice of HR and the key roles of HRM in our geographic area in response to the socio-economic changes in the region.

### 2.1. MODEL

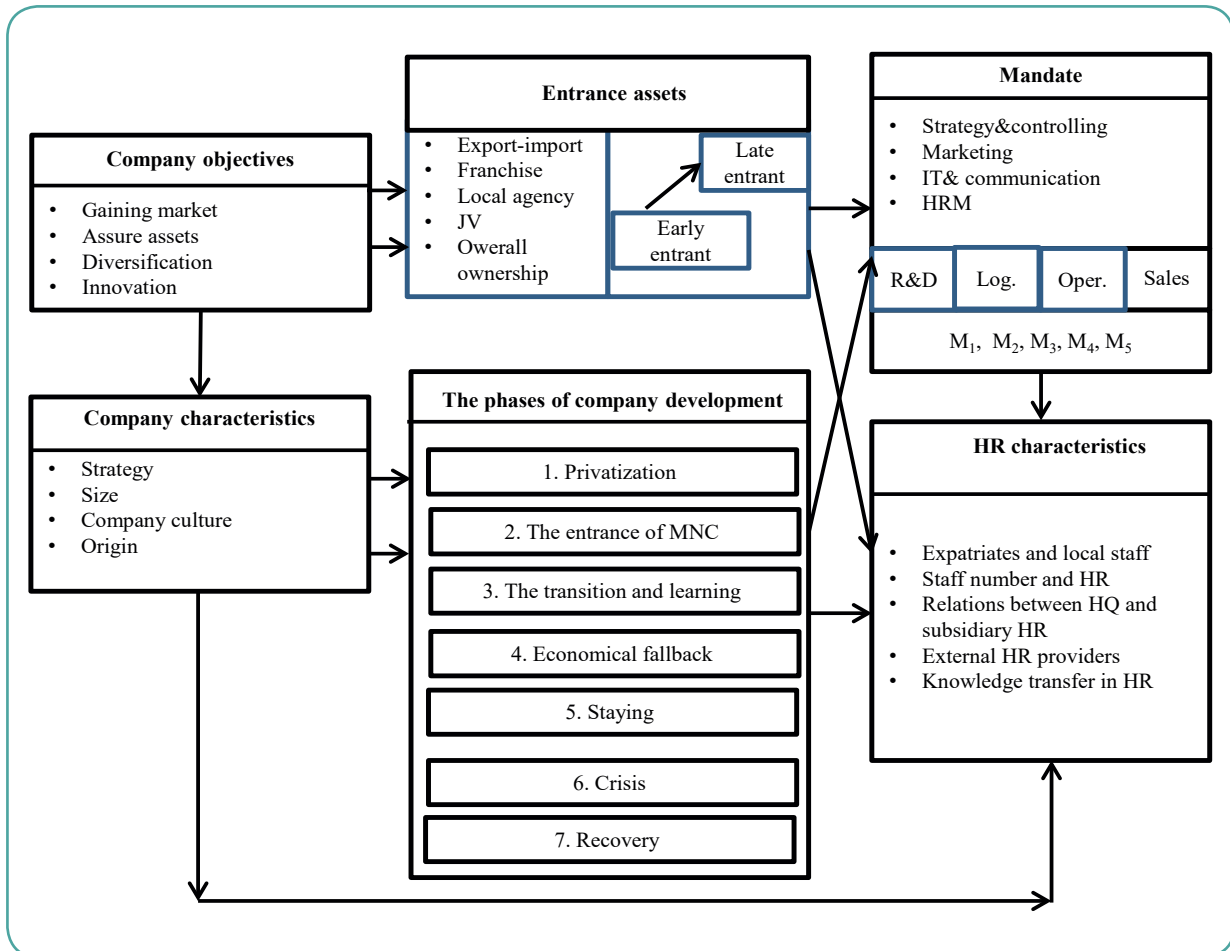
Many authors believe that multinational companies design and implement their management functions – including HRM – better than local companies do (Harzing and Ruysseveldt, 2005). Furthermore, these multinationals apply highly efficient methods in the majority of the HR functions, namely performance management, communication, training of new entrants and career management, whilst local companies tend to focus more on staffing concerns or administrative issues.

In undertaking a study of HR practices in the subsidiaries of MNCs in Central Europe, we begin by adopting a broad framework encompassing the major external and internal factors that affect the operations of such firms (Figure 1) (Poór et al., 2010). While a discussion concerning each element in this model is beyond the scope of this publication, this model provides a context for the discussion, consistent with recent presentations highlighting the criticality of HR variables in the context of situational, historical and institutional variables (Brewster et al., 2006; Venaik et al., 2005).

Although the research items were originally descriptive in nature, an analysis revealed objective results in all cases. In order to facilitate statistical analysis, we used the same questionnaire during the personal interviews at the companies and during the online survey coding and analyzed the coded answers. Our examination was carried out based on the model shown in Figure 1.

<sup>3</sup> Part 2 and 3 of this monograph reprinted with permission from the research monograph by Farkas, Ferenc & Poór, József and Engle, D. Allen (2011): Human Resource Management Issues and Challenges in Multinational Companies: Central and Eastern Europe. Pécs: University of Pécs.

Figure 1: Research model



Source: Primary research by the authors

In developing the research model shown in the figure above we applied international results and information gained from several of our own previous surveys. During the analysis we collated the observed picture with the findings of other research projects conducted by various academic members of CEEIRT and therefore, inter alia, we built on:

- » Models developed in the field of human resource management (Brewster et al, 2004) and international management (Hill, 2002; Wild et al., 2003). Our own analyses carried out in 2004 involving 42 foreign owned Hungarian subsidiaries based on the integration of these models (Poór, 2009).
- » Our domestic and international experience gained during the Cranet<sup>4</sup> HR researches being carried out at our department. (Karoliny-Farkas-Poór, 2009; Karoliny-Poór, 2010).
- » The results of our collected and published recent theoretical and empirical examinations in the field of knowledge management such as Dobrai-Farkas 2010 and 2008, Dobrai 2008, Dobrai-Farkas 2007, Farkas et al. 2005.),
- » Also the research experience we gained over recent years during our analyses in the field of change management (Farkas, 2004), management consulting (Poór, 2010) and organizational and national culture (Jarjabka, 2009).
- » In addition, the most recent HR researches we conducted in relation to the global economic crisis that occurred in 2008 (Fodor-Kiss-Poór, 2010).

<sup>4</sup> CRANET is a non-profit HR research network involving 42 countries and our department is a member since 2004.

## 2.2. EMPIRICAL RESEARCH

In the research we covered the following areas:


- » *Characteristics of the subsidiaries surveyed*: the most important organizational and economic characteristics (origin of the parent company, year of establishment of the subsidiary, main area of operation of the company – sector –, size of the organization – based on revenue and the number of employees – and the evolution of its productivity index, its mandate in the value chain and the main steps, directions of its development).
- » *Key indicators of the HR function*: the number and workload of the staff employed in HR departments, the main indicators representing the importance, results, efficiency characteristics of the HR activity (labor cost – total cost ratio, age distribution of the employees, relative weight of the training budget, level and rate of fluctuation and absenteeism).
- » *Most important HR characteristics of the period examined*: the importance of the HR function, foreign and local expats, distribution of roles between central and local HR, the role of local HR in developing and operating the different HRM subsystems, most important key competencies and fundamental sources of professional development of the person interviewed.
- » *Knowledge management in the field of HR*: main directions, methods and characteristics of knowledge flows.
- » *The future of HR*: most significant changes from a HR point of view occurring in the next 12 to 24 months.
- » *Data of the respondents*: data on the current HR department and its employees.

The statements included in the report were based on the use of descriptive statistical models (frequency, distribution, average). We also present graphically the data obtained from processing the answers given to several important questions. Several case examples collected during the personal interviews – while ensuring anonymity – were also added to our analysis to provide more nuanced information from the national or subsidiary perspectives.

A small part of the web-survey ([www.CEEIRT-hrm.eu](http://www.CEEIRT-hrm.eu)) was supplied via a Web interface and typical initial pages of the form are provided in Figure 2 and Figure 3.

Figure 2: Initial web-page of the CEEIRT research

## Central and Eastern European International Research Team CEEIRT



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### Access into CEEIRT online survey

**CEEIRT MISSION**

The Central and Eastern European International Research Team (hereafter CEEIRT) was established in April 2009 to carry out a three-year region-wide HR research program. It is composed of researchers from different universities and institutions from Central and Eastern European (CEE) Region to investigate the transition of HR practices and roles



in Multinational Company (MNC) subsidiaries, as these challenges occur in this region. We seek to understand how these practices and roles have developed in response to the sweeping economic changes within this region and the expectations of practitioners' for the future.

**Contact:**  
 Dr. Jozsef P. Poor  
 Professor of Management  
 Coordinator of the CEEIRT program  
 e-mail: [info@ceeirt-hrm.eu](mailto:info@ceeirt-hrm.eu)

**Participating countries:**




Figure 3: An extract from the CEEIRT questionnaire

**4. Importance of HR Functions**  
**4.1 What were the critical Human Resource (HR) issues facing your subsidiary during the specific time period?**

*Please rate the most characteristic HR issues during this time period.*  
**Please use numbers. (1= critical .... 5 = not critical at all)**

HR issues 2009	1	2	3	4	5
Human Resource Planning	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recruitment and Selection	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance Evaluation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training and Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Talent Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Compensation and Benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Industrial and Labour Relations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Employee Communication	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HRMS (IT)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other HR related area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you choose 'Other', please explain

Source: Primary research by the authors

### 2.3. RESPONDING COUNTRIES

Originally 12 countries indicated their interest to be involved in this project. Ultimately we received valuable information from all 12 countries. These 12 countries have contributed to the regional data set while to date the results from five countries (Hungary, Poland, Romania, Serbia and Slovakia) has been prepared for this detailed report.

*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
<b>Total</b>	<b>279</b>	<b>254</b>

*Source: Primary research by the authors*

### 2.4. REPORTING FORMATS

The report's findings are based on the results of methods of descriptive statistics (frequency, distribution, average) derived from the data sets. Answers to a number of priority issues by the processing of data are visualized graphically. In several cases the personal interviews that were used to collect case-examples – while ensuring the anonymity – have been added to the analysis.



### 3. THEORETICAL BACKGROUND (KATALIN DOBRAI–ALLEN D. ENGLE–FERENC FARKAS– MÁRTONNÉ KAROLINY–RUTH ALAS–JÓZSEF POÓR)

#### 3.1. FDI AND EMPLOYMENT

##### 3.1.1. GLOBAL AND REGIONAL TRENDS

We have already briefly touched upon the two main categories of foreign investments:

- » Foreign Direct Investment (FDI) means “gaining ownership and control over a company in another country” (Krugman & Obstfeld, 2003: 190). In exchange for ownership, the investor company delivers financial, production and management expertise and other resources to the target country. The direct involvement by management in the ongoing operations of foreign firm is also a significant characteristic of FDI (Peng, 2009). The investor can choose between several alternative forms of investment. For example, he or she can purchase a company, which had been operating for a long time, or he or she might opt for a completely new, so-called “green-field” investment. As previously stated, the essence of foreign direct investment is to acquire and secure control over the assets and operation of a company in another country, but, when we talk of FDI, we should not fail to mention that the characteristics of the product and the size, nature and culture of the local market or other conditions might demand the adaptation of corporate strategy and management practices to fit local circumstances. In car manufacture, for example, there is no such thing as a world car. Toyota is a good illustration of this, since, although it is the number one brand in the United States, it was unable to get into the top three in Japan. The story of Coca-Cola is very similar. Although it is advertised as a global world drink, country-specific advertisements proved to be more successful than would have been the case with the same polar-bear campaign running in every country (e.g. Dubai).
- » In contrast to the from described above, *portfolio investment* means that investors purchase different financial assets and shares, and follows an investment approach characterized by a more indirect influence over the company involved. A relatively strong correlation can be detected between the economic development of a given country or region and foreign direct investment, and it can also be noted that large investor countries are themselves among the recipients of significant inward FDI-flows.

Following WWII the character and forms of international business changed dramatically. This was the dawn of Foreign Direct Investment (FDI), with mainly American and English firms active in every corner of the world. Traditional international trade carried on expanding, but its role and importance waned in comparison with the more direct forms of cross-border economic activity.

According to UNCTAD’s 2003 Report, the volume of FDI has fallen globally since the ‘90s. A record value of US\$ 1,492 bn was recorded in 2000, whilst the total global FDI volume reached only US\$ 735 bn in 2002. The report identifies the declining number of cross-border acquisitions among the most important factors behind this shrinking level of FDI.

According to UNCTAD 2008 Report, the volume of FDI has continuously increased between 2004 and 2008. Another record value of US\$ 1.401 bn was reached in 2006. As the result of the global financial crisis of 2008 this volume has been drastically reduced (Table 2).

Table 2: The volume of global FDI

Years	Actual values											Forecast		
	1990	1996	1999	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>FDI</b>	208	1400	00	1490	735	800	1000	1411	2100	1771	1114	1200	1300-1500	00-2000

Source: UNCTAD (2010). *World Investment Report, 2010*. Geneva: United Nations

Table 3: FDI in CEE countries (2009)

No.	Countries	FDI volume (billion USD)	% to GDP	Population (million people)	FDI per capita (USD)
1.	Bulgaria	50	92.2	7.585	6 592
2.	Cyprus	26.8	83.4	0.797	33 626
3.	Czech Republic	115.8	52.7	10.4	11 042
4.	Estonia	.2	68.8	1.34	12 090
5.	Poland	182.8	30.7	38.151	4 791
6.	Latvia	11.4	33.9	2.254	5 058
7.	Lithuania	13.8	27.2	3.339	4 133
8.	Hungary	85.9	41.4	10.021	8 572
9.	Malta	9.4	108.4	0.413	22 760
10.	Romania	73.9	36.7	21.48	3 440
11.	Slovakia	50.2	48.4	5.418	9 265
12.	Slovenia	15.2	29	2.039	7 455
13.	EU-12 (new members)	651.4	47.1	103.324	6 304
14.	EU-15	5 146.00	34.6	323.679	15 898
15.	EU-27	7 447.00	35.1	500.379	14 883

Source: KSH (2010a). *Foreign Direct Investment. (In Hungarian) Statistical Mirror (Statisztikai Tükör) IV. : 2.* and <http://stats.unctad.org/FDI/tableViewer/tableView.aspx?ReportId=4031>

The Western Balkan countries (Albania, Croatia, Bosnia-Herzegovina, Macedonia and Serbia) have received significantly less FDI than the countries of CEE. The political and economic instabilities in the Balkan countries may be seen to have resulted in less regional attractiveness for international investors: In general, FDI inflow was very low until 2000. An important exception to this pattern was Croatia, with a significant amount of FDI starting from 1997 onwards.

According to Ranieri (2007), the countries of this region face some common key location advantages, namely:

- » Highly competitive overall cost structure (labor, land and utilities)
- » Labor availability, cost and quality (educated and experienced workforce, technical expertise).
- » Strategic location and proximity (Adriatic access and geographic access to both Western and Central Europe).
- » Local availability of raw materials and supply (wood, metals, agricultural products).
- » Fiscal and incentive regimes (regulatory framework, fiscal and tax reforms and investor incentives).

In the period of 1990-1996, FDI in four countries of Western Balkan (Serbia and Montenegro, Bosnia and Herzegovina, Albania, Macedonia), has amounted to 900 million USD what represents only 2.1% of total FDI in 27 transition economies. More than half of the total FDI in the Western Balkans has been directed to Croatia (Uvalic, 2003). The table below shows the FDI inflows in the SEE-5 during the last years:

Table 4: FDI inflow in millions USD in the Western Balkans (2000-2006)

Countries	2000	2001	2002	2003	2004	2005	2006	Total
Albania	143	204	135	178	322	265	300	1547
Bosnia and Herzegovina	150	130	266	382	490	400	570	2388
Croatia	1085	1407	591	2025	899	2000	1200	9207
Macedonia	175	441	78	96	156	97	200	1243
Serbia and Montenegro	25	5	562	1405	1031	2020	2000	7208

Source: EBRD, 2006

The FDI in the SEE-5 region had been significantly lower than in the CEE countries until 2000. Obviously, one of the challenges that SEE-5 countries are facing recently is the creation of a legal and regulatory framework intended to create conditions to increase the FDI inflow (Uvalic, 2003). The increased level of FDI has been attributed to the effects of globalization in that international trade barriers have been eliminated. Almost all countries have liberalized strategies and policies regarding the treatment and developmental role of FDI and offered different forms of investment incentives.

For Western Balkan countries (SEE-5), the FDI is mainly attracted and largely depends on completing the privatization process. Privatization in SEE countries was focused on the service sector, and was less successful in the manufacturing sector (Skuflic and Botrić, 2006). Despite the fact that the SEE-5 economies are far from being ready to adapt to the new economic conditions required for successful implementation of privatization processes, governments are trying to increase the present relatively low level of capital accumulation (Hunya, 2000). This effort requires remodeling and reforming the obsolete institutional framework in terms of taxation and trade policies, as well as corporate governance regulations, the efficiency of public administration, etc.

According to the World Bank (2011), in the year 2000, 30% of FDI in Croatia and more than 60% of the FDI inflow in Albania were generated by sales in the banking and communication sectors. Generally, there is a small share of export-oriented foreign investment in the region.

Although FDI has played an important role in transition countries of CE and SEE, stimulating economic growth, productivity increases, competitiveness and quality, employment and exports, Croatian FDI has not produced such effects. It made significant impact in services sectors (banking, telecommunications and trade), but failed to have similar effects in the various manufacturing sectors.

The main reason for this pattern of development related to the fact that Croatia became attractive to foreign investors relatively late compared to Hungary, the Czech Republic and Poland. On the other hand, the composition of Croatian FDI is much more characterized as favoring privatization funded via FDI as compared to greenfield FDI investments. Investment is more focused on production sectors oriented to export in CE economies.

According to the data, a relatively greater share of FDI went into the financial and telecommunication sectors. The share of new investments in total FDI is less than 30%, but those new investment recorded significant employment growth compared with FDI in service sectors where FDI actions have had a negative impact on employment levels.

Foreign investors report excellent profitability and quality results. The Croatian strength is a relatively stable economy, excellent infrastructure, a demonstrated ability to perform well in high-end technology areas, and good engineering and design skills. The Croatia workforce demonstrates excellent labor relations practices and work habits, including low levels of absenteeism, high levels of motivation and productivity, and consistent punctuality. Croatia has traditionally placed a strong emphasis on education.

Croatia has a disadvantage in unskilled labor cost compared with immediate regional competitors. The labor market also suffers of limited availability of experienced workers. Another disadvantage is the relatively high taxation rate reflecting in the significant difference between net salaries and total employment costs.

Despite a relative labor cost disadvantage compared to immediate neighbors, Croatia can maintain competitiveness in the high-tech production sector.

### 3.1.2. FDI AND EMPLOYMENT

Foreign direct investment was very important for economic development, employment and economic growth of Central European countries on their way to the market economy. Especially Slovakia, which is the smallest economy among the four Visegrad countries (Czech Republic, Hungary, Poland and Slovakia), which recorded in the past years rapid economic growth thanks to its economic reform and relatively high level of FDI inflow. This growth had a positive impact on reducing the rate of unemployment, but it must be admitted that in Slovakia the unemployment rate for certain socially weak groups of the population is still high, investment is not evenly spread in the country and economic recovery after the crisis remains rather slow. From a global point of view, international companies employ more than 80 million people in their subsidiaries all over the world (UNCTAD data 2010). The proportion of people employed at subsidiaries of international companies varies significantly across countries. According to the representative data of the UNCTAD World Investment Report, 50.6 % of the employees in the private sector work for multinational companies in Ireland. The same indicator in Hungary was 22.4 % at the beginning of the millennium, according to the aforementioned report (see Table 5 for a selected review of employment differences).

Table 5: FDI and employment

No.	Countries	Year	Employees		
			Employees in MNCs	Employees in private sector	in % of total
1.	Austria	2004	232,800	3,266,500	7.1%
2.	China	2004	24,000	752,000	3.2%
3.	Czech Republic	2004	620,000	3,890,000	15.9%
4.	Finland	2001	176,000	2,060,000	8.5%
5.	Germany	2004	2,280,000	31,405,000	7.3%
6.	Hungary	2000	606,000	2,703,000	22.4%
7.	Poland	2000	648,000	10,546,000	6.1%
8.	Portugal	2002	150,400	3,756,000	4.0%
9.	Slovenia	2004	64,000	798,000	8.0%
10.	USA	2004	5,1,000	131,367,000	3.9%

Source: UNCTAD (2008): *World Investment Report, 2007: Transnational Corporations and Export Competitiveness*.  
United Nations, Geneva: 10

## 3.2. STRATEGIC ISSUES OF LOCAL SUBSIDIARIES

### 3.2.1. OBJECTIVES OF THE FIRM

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

### 3.2.2. DEVELOPMENT OF SUBSIDIARIES

Major stages of company development and HR implications in Central and Eastern Europe during 1988-2010 can be classified into the following six 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. Legal and institutional infrastructures (formation of private capital markets, etc.) are altered to allow for numerous forms of private ownership and resource allocation. Simultaneously it is occurred the entrance of global multinational corporations (MNC's) into the Central and Eastern European economies via partnerships with state sponsored firms or increasingly through direct purchase from the state, or indirectly through purchase or creation via local or regional venture ownership transactions. After the Cold War, one of the first foreign joint venture was established by Siemens AG (Germany) in CEE region in Hungary in 1973. Overwhelmingly the majority of foreign subsidiaries in our region were established only after these regime changes.
- » *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. Overall economic development in the region combined with the stronger foreign capital inflow it contributed to the strengthening the newly privatized or established enterprises. HR helped to acquire new competencies and capabilities of people. According to Claessens and Djankov (2002,313) „there is [a] large difference in post-privatization performance across ownership-type with the best owner (strategic foreign investor) being associated eight times higher productivity growth the worth owner (diffuse individual owner)“.
- » *Stage Five – Consolidation and renewal:* The majority of companies in the competitive sector of CEE economies has finished the structure changing after privatization. They have left the reconstruction of the different company functions behind themselves for a longer or a shorter period. With the intensification of competition continuous renewal is being emphasized. In this situation the role of human resources becomes particularly important. With the appearance of new economy the knowledge and steady renewal become the motive power of the HR.
- » *Stage Six – Crisis and Recovery:* **The focus of this survey, 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.

*In several previous surveys, we have analyzed the specific HR issues of all six phases. The present paper is dealing only with the main characteristics of phase 6.*

### 3.2.3. ORIGIN OF THE FIRMS

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, Festing and Engle, 2013, Chapter 2.).

Americans went through their development phases rather quickly, Europeans used the international division structure less frequently, whilst Japanese companies also underwent all development phases, even if somewhat slowly. In this last case, however, the special role of salesmen affected their organizational development significantly.

Companies of different origins, national traditions and different local market backgrounds led to different approaches of managing foreign subsidiaries. American companies coming from a large, homogenous market often still find foreign markets less important than their local one. On the other hand domestic consumption is of marginal importance for Nestlé, which comes from Switzerland, a nation of only 6.5 million inhabitants. The culture followed by the parent company's management is also a significant explanatory variable and may also be worth repeating; specifically the ethno-, poly-, region- or geocentric cultural typology (Perlmutter, 1969).

### 3.2.4. 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.

### 3.2.5. RELATIONSHIP BETWEEN HQ AND SUBSIDIARY HR

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? These 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.

### 3.3. HR IN CEE REGION

#### 3.3.1. PAST

Differences may be observed between the levels of development in the HRM practices of different Eastern European countries. These may be attributed to differences in traditions, the level of economic development and the level of centralization in the previous economic and political systems of various countries. In these countries; the characteristics of modern HRM within the framework of their previous systems were largely absent. Typically; approaches similar to the school of scientific management – mentioned earlier – were predominant.

Let us give just a few examples of these.

Generally speaking, HRM activity in most East European countries, prior to the changes that took place at the end of the 1980s, was very tightly controlled by the state. Personnel- (meaning management-) related issues were under the close control of the communist party and the heads of state.

The key positions in companies were closely monitored by the communist party and by state bureaucracy. Management was not considered as a profession and decisions regarding promotion were not based on performance assessment. In several cases; the selection of specialists and personnel-related decisions were greatly influenced by party- and government politics and objectives, and the party instructed company directors to blend together the aspects of individual and collective leadership. The traditional personnel department consisted of two separate sections. One dealt with office staff and management and the other with blue-collar workers. The group dealing with office staff reported to the Personnel Manager; whilst the one dealing with blue-collar staff reported to the Finance Director. Under the previous regime personnel departments were under the direct control of the managing director, and their scope of responsibilities usually included conventional personnel functions such as selection, career management, etc.

#### 3.3.2. HR IN PROGRESS

One of the first big challenges the HR departments of transition countries had to face was to cope with the massive layoffs after *privatization* (Redman-Keithley, 1998). According to research conducted in the Czech Republic and Poland, local managers and HR professionals followed more humane dismissal practices than those coming from the Western world (Koubek-Brewster, 1995, Redman-Keithley, 1998; Mroczkowski et al., 2005). One of the case studies presenting the Hungarian practice reported similar experience (Elbert-Karoliny, 2006).

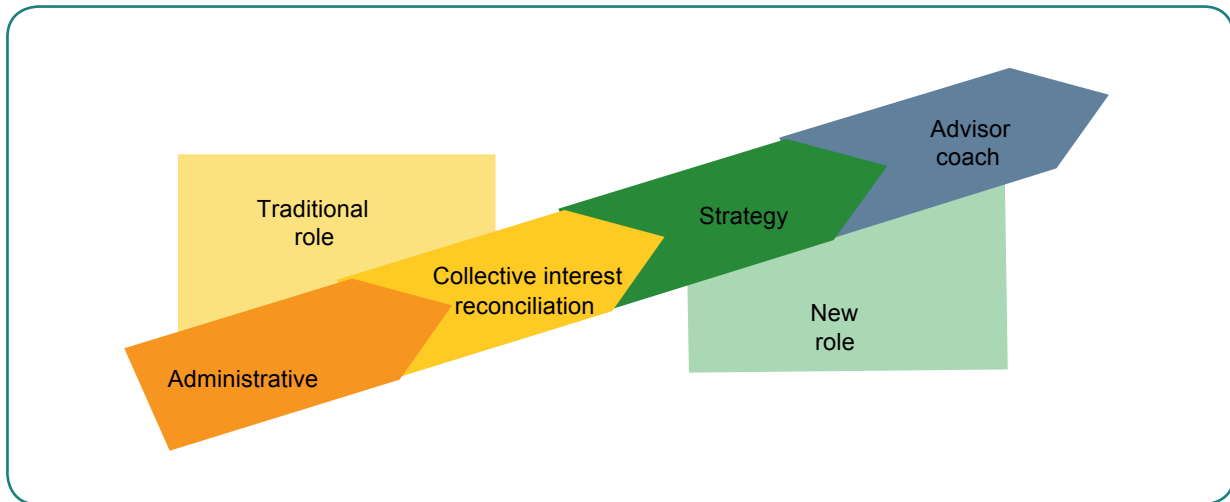
In his book about the role of international companies in Eastern Europe Lewis (2005) states that multinational companies have *redrawn* the labor market map of the former socialist countries in many respects. Among other things, they have finished egalitarianism and introduced a basic salary system based on the importance of the type of job. Excessively high performance was rewarded with excessively high salaries. Besides technical knowledge, the importance of speaking foreign languages was emphasized. However, no progress could be made in a particular question for a long time: “local may manage local, Western may manage local but may local be managed by someone coming from another Eastern European country”? This issue seems to be solved now. Increasingly more Eastern European people obtain positions in other countries of the region where they become subordinates of local people working there. Multinational companies made Hungarian companies non-political. HR has become of key importance. In most cases these companies show better performance results than the local ones. International companies were able to make a use of their so-called resource-based advantage against the relatively weak and unformed or transforming local institutional system. Therefore, in the case of most local subsidiaries that were created through acquisition or Greenfield investment, global convergence has won over national identity (Quintanilla-Ferner, 2003). Researchers have defined significant differences between the HRM practices of privatized – in particular – foreign-owned companies and local state-owned companies (Björkman-Pavlovskaya, 2000). In a number of instances, by sophisticated means international companies could prevent trade unions from being created for their local subsidiaries.

The Cranet research (Karoliny et al., 2003, Bokor et al., 2005) had unequivocally confirmed that the HR function is a lot more than keeping a record of the data of the employees. By now, in most countries of the region HR has become a *top management function* (Karoliny et al, 2008) at large companies, as well as at subsidiaries of international companies and at large local organizations.

Based on the analysis of the Cranet sample it can be stated that the head of the personnel department is a member of the Board of Directors or the top management team at more than half of the respondents from all countries. This ratio is somewhat lower in the Hungarian sample, only 47%. This is mainly due to the fact that in smaller Hungarian companies HR performs only an administrative role.

As we mentioned earlier, there are several names of roles in the literature in connection with the practice of the Hungarian and Eastern European HR.

Figure 4: The specific roles of HR



Source: Primary research by the authors

The Eastern European transition has created a rather special situation in the development of the HR function, while local SMEs or traditionally managed local large companies have substantially neglected (Church, 2003, Poór et al., 2007) this activity vital to development. A gradual change in approach can be observed in the case of the last-mentioned companies. On the contrary, foreign-owned multinational companies consider deliberate personnel activity highly important. It is also important to point out that many managers still do not concur with our opinion as described above (Gurkov, 2002).

At the beginning of the change, the labor markets of the Eastern European countries were not able to satisfy the special needs (e.g. market-oriented management skills, new kind of marketing, financial and controlling knowledge, etc.) expected by international companies coming to different countries of the region. This situation described above had changed a lot by the end of the 90s. Shekshena (1998: 460) wrote that "by this time the *Russian labor market had significantly transformed*, the business knowledge of local people had highly increased their concept of business ethics improved and applicants developed a more practical attitude". At the same time researchers of this field recognized that "Eastern-European – including Russian – tended to underestimate the new challenges and the complexity of tasks arising from the free market environment" (May et al., 1998:450).

The labor markets of Eastern European countries have significantly changed by now. The shortage in the case of managerial, legal, economic and administrative positions has notably decreased. However, there continues to be a severe shortage of technicians, IT engineers, medical doctors and skilled workers.

Large numbers of workers have migrated from many Eastern European countries into some Western EU countries. This has created an interesting situation in Romania: what had once been a very cheap labor force has suddenly become expensive, making life difficult for local employers seeking to fill positions in the labor force as well as HR specialists (Kerekes-Poór, 2010).

After the EU expansion in 2004, a new wave of emigrants set off from East towards the West. It is important to note that no sooner than the significant wave of emigrants reached the Western countries, mainly Ireland, England, Italy and Spain, an opposite trend has started to take shape. As a result of the Irish economic recession, many Polish guest workers are now returning home.

In former socialist countries (excluding Slovenia) the number of organized employees in the public sector has dramatically decreased (Cranet, 2006). Besides changing economic life, governing powers in transition countries sooner or later have



started to transform the public sector (central and local administration). Among the indicated reform initiatives, priority was given to the modernization of human resource management in the public sector/administration (Karoliny-Poór, 2007 and Poór 2008). The PHARE program provided by the EU and the financial and professional support from the World Bank and some foundations well-known also in Hungary played an essential role in this process.

As the new globalization challenges are before us (at the same *time the global, the energy, the food and the environmental crises*) and this will presumably have a significant influence on the concept of traditional competition and efficiency of both the Hungarian and the foreign companies. One of the special local challenges of Hungarian HR is the group of new tasks arising from the *low obtained level of education* of Hungarian employees (especially within the significant Roma population), the oft commented upon masculinity of Hungarian employees and the specific European way of thinking of Hungarian people (Borgulya, 2007 and Jarjabka, 2008). Hungarian HR should also recognize the new requirements that at the same time present new opportunities for professionals working in this field while developing practical solutions.

Due to their complexity, the new globalization and local challenges cannot be delegated into the exclusive competence of a certain field of management. Here is a new opportunity. In connection with it HR can play an integrative role, especially for the reason that, besides applying new technologies, today's challenges require a new set of *competencies* (knowledge, experience, behavior, values, etc.) on the part of employees.

By now, the results of several *valuable research projects* are available in connection with this topic by Vatchkova (2001), Vatchkova et al. (2011); Koubek (1995, 2004); Susnjar, Zimanji (2005); Szlávicz (2006 and 2011); Manolescu (2003), Chisu (2005); Sisca et al. (2006 and 2009), Kerekes-Szlávicz (2009), Kerekes-Poór (2010); Alas-Svetlik (2004) and Svetlik et al. (2011).

### 3.3.3. IHRM

As the result of internationalization and globalization, International Human Resource Management has been established since the 1980s as a separate discipline. According to Brewster the development of HR is discussed related to relevant management cultures (American, Asian, Germanic, Latino, etc.). (Brewster et al., 2004)

As conceptualized by Perlmutter (1969), multinational companies following four personnel strategies are often found to have different priorities in their selection and recruitment policies. A company can follow an ethnocentric, polycentric, region-centric 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 region-centric 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 (Poór, 2009).

Table 6: Typical comparative indices used in the report

No	Item	Explanation
1.	Number of HR staff	It is widely held in management theory and practical experience that it is not reasonable to maintain a separate HR apparatus under a certain number of employees (80-100 persons) within an organization. However, the actual ratio also depends on the industry and the composition of the workforce.
2.	Labor cost ratio	In the case of the respondents participating in the already referred (Farkas-Poór-Karoliny-2007) 2005 Cranet surveys – that involved not only MNCs – the average organizational labor cost ratio was between 19-38% band calculated in the six Central Eastern European countries examined. The country with the highest average ratio (64%) within the entire sample was found in the Netherlands.
3.	Annual training budget in % of the entire annual labor cost	The global average of this indicator calculated using the formerly mentioned Cranet international comparative HR database was 3.36%, the Eastern European index was 3.15% (Karoliny-Poór, 2010).
4.	Turnover	An important characteristic of HR subsystems are the different turnover indices. These indices are calculated by means of dividing the number of people who leave during the year by the average number of staff. According to the conservative approach, the cost of an average employee leaving amounts to 1.5 times their annual wage cost (Boudreau, 2010). However, it is important to see that different people's leaving have different consequences. If a key employee leaves the company, it has a much larger impact compared to a simple employee leaving.

Sources: Boudreau, J.W. (2010). *Retooling HR*. Boston: Harvard Business Press, Farkas F. – Poór J. – Karoliny Zs. (2007): *Human Resource Management in Hungary in Light of Eastern European and Global Comparison. Working Paper Series Volume 1, Issue 1*. Pécs: PTE KTK, Karoliny, M-né., and Poór, J. (2010). *Human resource management. (In Hungarian)* Budapest: Complex Kiadó

### 3.4. SOCIO-ECONOMIC AND CULTURAL CHARACTERISTICS OF COUNTRIES SURVEYED (RENATÁ MACHOVÁ)

#### 3.4.1. SOCIO-ECONOMIC SITUATION

Eastern European countries surveyed have been thought to have profited more than many other nations and regions from globalization. These nations were previously capitalism's rising stars. Their GDP growth was significantly greater than that of Western developed countries around the turn of the last century.

The global economic and financial crisis has drastically impacted all countries in the region. GDP has decreased and high unemployment (with one exception of Poland) became the typical trend in the region.

All the countries surveyed appear to be in various stages of economic recovery, largely due to their various associations with the powerful German economy. Economies of all the ten CEE EU Member Countries have been significantly impacted by the global crisis, on average far more than the "old" market economies. However, the degree to which particular CEE economies have been hit by the crisis turns out to vary within the region. In this section we will present the most important differences in the macro scale on GDP, unemployment, inflation and GDP per capita in Purchasing Power Standards (PPS).

The most evident result of the economic crisis had been a decrease in GDP growth rate followed by absolute decrease in its volume. The Austrian economy has weathered the crisis well due to an export led recovery. Austria, like other export oriented economies, was hit hard by the crisis but the current strong recovery offers an opportunity to strengthen ongoing reform efforts. The most evident result of economic crisis had been a decrease in GDP growth rate, in 2009 compared with 2008, 2.2% dipped to a negative -3.9% and in 2010 it rebounded, increasing by 2.1%. In 2008 all comparison countries besides Estonia still continued to show growth in GDP (ranging significantly between 0.8% and 7.3%). In the next year in all countries rates went down and in eleven of them (Austria, Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Lithuania, Romania, Serbia, Slovakia and Slovenia) became negative, but in Poland showed a positive 1.7% increase. While in Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Poland, Serbia, Slovakia and Slovenia an increase was not as big in 2010, but in Croatia growth remains negative.

In the three-year period preceding the world crisis most of the countries experienced considerable increase in unemployment. The EU-27 unemployment rate was 9.7% in 2010 compared with 7.1% in 2008, before the crisis. Eurostat estimates that 19.156 million men and women in the EU-27, of which 13.486 million were in the euro area, were unemployed in 2009. The unemployment rate was 9.0% in 2008. The unemployment rate increased significantly in Austria during the crisis, by about 3.8% in 2008 but less so than the EU-27 average unemployment rate of 7.1%. In 2009 unemployment increased to 4.8%, but since the end of 2009 the Austrian labor market has recovered relatively quickly. The unemployment rate dropped to 4.4% in 2010, total unemployment now stands above pre-crisis levels in Austria, although a surge in temporary agency workers accounts for a significant part of the rebound and manufacturing employment is still below pre-crisis levels.

The inflation rate in Austria was maintained at a level of 3.2% in 2008, representing just below the average inflation rate 3.7% of EU-27 and a record low of 0.4% in 2009. Inflation rate refers to a general rise in prices measured against a standard level of purchasing power. In 2010 the inflation rate stood at 1.7%, this can be attributed to the resumption of more normal economic activity.

The 2007-2009 global financial and economic crises erased many of the gains attributed to conservative fiscal policies and tax reforms. After 10 years of steady growth, Bulgaria's economy fell into recession in the fourth quarter of 2008, causing an increase in both unemployment and household debt. After years of relatively low inflation, in 2008 12.0% increases in domestic prices, particularly of food and energy, were experienced in 2010. The government was slow implementing some of its planned anti-crisis measures, and resorted to tapping into the fiscal reserve to tackle short-term spending problems. The government also committed itself to strengthening control over EU funds and fighting organized crime and corruption. Inflation decreased to 2.5% in 2009 and was 3.0% in 2010.

Towards 2008, Slovakia lowered its inflation rate and was able to keep its level in line with the average of Euro Area countries. The inflation level was also one of the Maastricht criteria, which Slovakia had to fulfill for its entry to the Euro Area: inflation could not be higher than 1.5% of the average of three lowest inflation member states of the EU and Slovakia also had to have sustainable low inflation outlook. Keeping inflation low is also one of the important tasks of the Euro Area member states. Inflation levels in 2009 decreased to 0.9%, compared to 3.9% in 2008. In 2009 Slovakia had the second lowest

inflation level among Czech Republic, Poland, Hungary, Bulgaria and Romania. The inflation level in the Czech Republic, which had the lowest inflation level, was only slightly lower. The previous year Slovakia had the lowest inflation level. In Serbia, inflation was 10.8% in 2008, in 2009 the situation became better at 3.6% and in 2010 it returned to 8.6%. After becoming members of the European Union in May 2004, the Baltic countries experienced a sharp increase in consumer prices that was caused by a number of mutually overlapping factors: the harmonization of the tax systems, an increase in global oil prices, and to some extent, increasingly widespread inflationary expectations. Additionally, a one-off effect of an increase in customs tariffs against countries outside the European Union added to overall inflation. EU membership increased business and consumer confidence, which fuelled domestic demand and further increased inflationary expectations. GDP per capita in PPS (Purchasing Power Standard) shows countries comparative price levels to the right, with the EU-27 average at 100. Austria is by far the most expensive from the comparison countries and at the same EU Member State, and indeed the most expensive country in Europe. From the comparison countries GDP per capita in PPS is higher in Austria than the EU-27. In 2008 and 2009 it is 24% higher and it remains 25% higher in 2010. Slovenia and Czech Republic have price levels slightly below the EU average. In the case of Slovenia in the years 2008–2010 it ranged between 87% – 98% and in the case of Czech Republic it ranged between 81% – 80%. At the lower end of the table, we find several countries clustered between 44 and 56 percent below the average price level: Serbia, Poland, Romania and the lowest, Bulgaria.

### 3.4.2. CULTURAL CHARACTERISTICS

Before the social, political and economic reforms of 1989 the entire CEE region was perceived by politicians and policy makers in the West as a largely homogeneous region (Svetlik, 2010). By now it is clear that this was a simplistic perception. Table 8 gives an insight into CEE countries and it reveals how culturally diversified this region is. In light of these findings and analysis countries of the CEE region should not be considered as a culturally homogenous region. Much more can be gained from considering it a heterogeneous region, where in some cases cultural convergence, as well as divergent tendencies may be clearly observed (Jarjabka, 2010).

This analysis strengthens the Globe research results of cultural diversity in Central and Eastern Europe.

Table 7: Cultural dimensions of the countries surveyed

No.	Countries	Dimensions				
		PDI	IDV	MAS	UAI	LTO
1.	Austria	11	55	79	70	n.a.
2.	Bulgaria	70	30	40	85	n.a.
3.	Croatia	73	80	40	33	n.a.
4.	Czech Republic	57	58	57		13
5.	Estonia	40	60	30	60	n.a.
6.	Hungary	46	80	88	82	50
7.	Lithuania*	42	60	19	65	30
8.	Poland	93	39	36	95	n.a.
9.	Romania	90	30	42	90	n.a.
10.	Serbia	86	92	43	25	n.a.
11.	Slovakia	104	52	110	51	38
12.	Slovenia	71	88	19	27	n.a.

Sources: [www.geert-hofstede.com](http://www.geert-hofstede.com) and [www.itim.org](http://www.itim.org) and \*Hüttinger, M. 2007. National Cultural Values of the Baltic States, Communication in the Baltic Region: Cultural Challenges, 7. December, Visby, Sweden. [www.v4ce.net](http://www.v4ce.net)

Comments: PDI: Power Distance; IDV: Individualism; MAS: Masculinity; UAI: Uncertainty Avoidance; LTO: Long-term Orientation

These findings provide a good example of Bulgarian-Romanian-Russian cultural similarities. Similarities based on cultural ties of these countries, geographic proximity and Greek Orthodox religious roots.

The Estonian-Finnish cultural similarities and the Estonian-Russian cultural differences indicate a historical relationship to a Scandinavian value system, which reflects the centuries-old assimilation aspirations of the Swedish state.

For instance, the Czech and Slovak cultural differences are very evident and overcome decades of living together in a common state and speaking an almost similar language. Hofstede's data (2001) clearly show that Czech culture is linked more to the Germans or the Austrians as opposed to the Slovaks.

This cultural configuration demonstrates that the constituent nations of Yugoslavia were not an imposed and artificial state, but the result of a relative cultural melting-pot. Nor should it be forgotten that this cultural similarity did not prevent the people of the former Yugoslavia from becoming involved in the bitter regional civil wars in the 1990s.

# RESEARCH SUMMARY AND COUNTRY REPORTS<sup>5</sup>

The following six chapters will provide a regional overview followed by a detailed analysis of results at the national level for, Hungary, Poland, Romania, Serbia and Slovakia. This level of detail will add to our understanding of both the macro contextual factors and individualized micro perceptions of HR executives operating in MNCs in any given nation.

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<sup>5</sup> Country reports based on research carried out between 2008-2011 with the help of J. Selye University (Slovakia), University of Pécs (Hungary) and St. Stephen's University (Hungary). Sections of these reports have been published in Hungarian in the monograph by Poór József-Farkas Ferenc: Átalakuló emberi erőforrás menedzsment a multinacionális cégek helyi leányvállalatainál Közép-és Kelet-Európában. Szent István Egyetem Kiadó, Gödöllő (Hungary).

## 4. RESEARCH SUMMARY

### (ALLEN D. ENGLE–JÓZSEF POÓR–KATALIN ÓHEGYI–KATALIN SZABÓ)

In the broader research project we covered the following areas:

- » *Characteristics of the subsidiaries surveyed:* the most important organizational and economic characteristics (origin of the parent company, year of establishment of the subsidiary, main area of operation of the company – sector –, size of the organization – based on revenue and the number of employees – and the evolution of its productivity index, its mandate in the value chain and the main steps, directions of its development.
- » *Key indicators of the HR function:* the number and workload of the staff employed in HR departments, the main indicators representing the importance, results, efficiency characteristics of the HR activity (labor cost – total cost ratio, age distribution of the employees, relative weight of the training budget, level and rate of fluctuation and absenteeism.)
- » *Most important HR characteristics of the period examined:* the importance of the HR function, foreign and local expats, distribution of roles between central and local HR.
- » *Data of the respondents:* data on the current HR department and its employees.

#### 4.1. RESEARCH PARTICIPANTS

We analyzed the data of 5 countries where 254 foreign owned subsidiaries took part in the research, employing total 245 thousand people. Some 48% of the respondents had more than 250 employees.

Table 8: Number of valid responses by participating countries

Participating countries	2011–2013
Poland	53
Hungary	118
Romania	34
Serbia	19
Slovakia	30
<b>Total</b>	<b>254</b>

We also asked respondents to describe how wide a portion of the value chain they have control of locally, in other words, what is the „mandate“ of the local organization (Delany 1998 and White-Poynter (1984). Some 74.2% of the respondents have a more limited “downstream” subsidiary role, responsible only for purchasing, production/operation and sales/distribution. The 254 subsidiaries originated in 34 countries, 67% of them have their “Parent” 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.

The management culture in the majority of the participating firms is German (44.9%) and Anglo-Saxon (23.2%). In 14.2% of the sample the culture was described as Latin / South European, 7.1% Nordic, 6.3% Central-Eastern European, and 3.9% were described as Asian.

Some 51% of the respondents were established via a green-field project and 49% through acquisition. Fully 45.7% carry out traditional production, 16.5% are in trading and 35.4% provides services. The self-proclaimed strategic orientation is growth

/ market expansion for the majority of the respondents (59.1%), while the priority for 36.9% of respondents 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 (Poór, 2013).

## 4.2. KEY INDICATORS OF HR ACTIVITY

**Size of HR departments:** The average headcount serviced by 1 HR employee averaged 69 employees across the responding 254 companies in 2011. We have empirical results from earlier surveys to suggest 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 size of the HR department** is 15. However, this statistic may be misleading, as 45.1% of respondents having only 1- 4 people working in HR, 18.9% have 5-10 HR staff, and 14.4% have 10-20 HR people, while 14.3% of respondents operate 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.

**Training and Development spending:** The average annual training and development expenditure as the percentage of the annual labor costs is less than 1% at 26.0% of the respondents, between 1 and 3% at 42.4% and 31.6% of respondents spend more than 3% of the labor costs on training and development programs.

**Relationship of the local and central HR organization:** There are several models to describe how roles and accountability are shared between the corporate center and the local HR unit. A majority of the respondents (47.5%) indicated that the central HR function issues general guidelines and frameworks and subsidiary HR staff implement their practices within these frameworks. Some 32.6% of the respondents have detailed HR model and policies issued by the center, and 19.8% of respondents reported that the center gives them full authority and performs some audit and expects regular reports.

This survey reiterates the findings in previously reported research regarding the share of HR accountabilities locally between line management and HR. According to Cranet, 2006, 2011 and Karoliny et al. 2009 and 2010 some HR decisions are typically line management accountability and other are more influenced by the local HR staff. (Table 3)

Table 9: Share of HR accountabilities

HR activity	Local line management	Local line management with local HR consultation	Local HR with local line management consultation	Local HR
HR Planning	29,8%	39,9%	25,4%	4,8%
Recruitment	16,9%	25,7%	35,3%	22,1%
Selection	23,8%	30,6%	34,7%	10,9%
Performance Management	49,6%	27,4%	17,3%	5,6%
Training and Development	27,3%	30,1%	29,7%	12,9%
Talent Management	26,1%	26,6%	34,0%	13,3%
Compensation and incentives	35,9%	33,9%	20,4%	9,8%
Labor relations	25,6%	23,2%	26,0%	25,2%
Internal communication	28,5%	23,2%	29,7%	18,7%
HRIS	21,4%	21,0%	26,5%	31,1%
Health & Safety	23,4%	17,2%	27,9%	31,6%
Other	45,0%	20,0%	15,0%	20,0%

Source: Authors' own compilation



**Changes in the HR operating model:** In this section we analyzed the direction of the most changes in the HR operating model. According to 18.3% of the respondents more HR related tasks are now carried out by line management. With responses at 23.6% the HR business partner role has been introduced and it became stronger at 35%. Outsourcing of the HR activities is most typical in the area of HRIS, training and recruitment, and the least outsourced HR activities are HR planning, labor relations and performance management.

**Changes in the importance of the HR activities:** The most critical HR areas are deemed to be in the areas of labor relations, performance management, internal communication and talent management. HR planning and compensation and benefits are also considered important areas.

**HR issues in the country:** it is considered moderately difficult to find blue collar or technical staff by the respondents in each of the participating countries. One third of the respondents found it difficult to find people with the necessary foreign language skills. Talent management appeared to be particularly critical in Poland. The influence of the unions is perceived as the least of the problem (Cranet, 2006 and 2011).

**International assignees:** Among the total 247 000 employees working for the 254 respondents, 1000 expatriates are employed, comprising 0.4% of the total sample workforce. These individuals are typically in management positions. Interestingly, for some 60% of the respondents there were no expatriates at all at the time of the research inquiries. The number of local employees on international assignment is 800, and they spread across 27% of the responding subsidiaries. Only 33% of them worked in a managerial position.

**Most important HR competencies:** The most important HR competencies are reported to be the following: personal credibility (89.3%), foreign language skills (76.7%), expertise in HR processes, such as recruitment, development, performance management, etc. (73.8%), business knowledge (79.6%). Among the less important competencies we found strategic contribution (69.1%) and usage of HRIS (56.8%).

**Knowledge Management in HR:** In terms of developing the personal and relevant professional competencies of the HR staff, the most important channels or methods of competency development are reported to be local training and development, and learning at the parent company's headquarter. 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.

## 5. HUNGARY (JÓZSEF POÓR–KATALIN SZABÓ–ILDIKÓ ÉVA KOVÁCS)

### 5.1. INTRODUCTION



Population: 9 956 108 people

Territory: 93 030 km<sup>2</sup>



GDP (%)	0,8	-6,7	1,2
Unemployment (%)	7,8	10,0	11,2
Inflation (%)	6,0	4,0	4,7
GDP per capita in PPS EU-27=100%	65,0	65,0	64,0

## 5.2. FDI AND EMPLOYMENT IN HUNGARY

### 5.2.1. COUNTRIES OF ORIGIN

In his work Hunya (2000) draws the attention to the importance of the origin of companies. The typical weighted configuration of national firms operating in Hungary at the beginning of the millennium is as follows:

1. Germany
2. USA
3. The Netherlands
4. Austria
5. UK
6. France
7. Italy
8. Belgium
9. Switzerland
10. Japan
11. Luxembourg

According to data (GMGEF-Ministry for National Economy 2010) published at the beginning of 2010, the volume of FDI that had flowed into Hungary since the beginning of the economic transformation was 64.2 billion EUR (85.9 billion USD) at the end of 2009. Other participating interests and working capital investments in the form of reinvested revenues accounted for 59.9 billion EUR and other capital accounts for 4.3 billion EUR. The volume of FDI was 78.5 billion EUR at the end of 2012 (proportion to the GDP the highest and the second highest per capita in the Central European region). (Ministry for National Economy, 2013)

Regarding the weighted volume of the FDI invested in Hungary, according to data at the end of 2012, the order of the most significant investors has somewhat changed compared to earlier reported research of Hunya (2000). Germany (26.4%) retained its leading position, but Luxembourg (12.8%) stepped forward, Austria somewhat fell behind, and the USA remained the same place (3.2%). The Netherlands (12.3%), Austria (11.5%), France (4.4%) as well have an ongoing presence. Overall it is found that more than 2/3 (78.6%) of FDI stock comes from nations in the European Union. (Table 11)

Table 10: FDI by country of origin (2008)

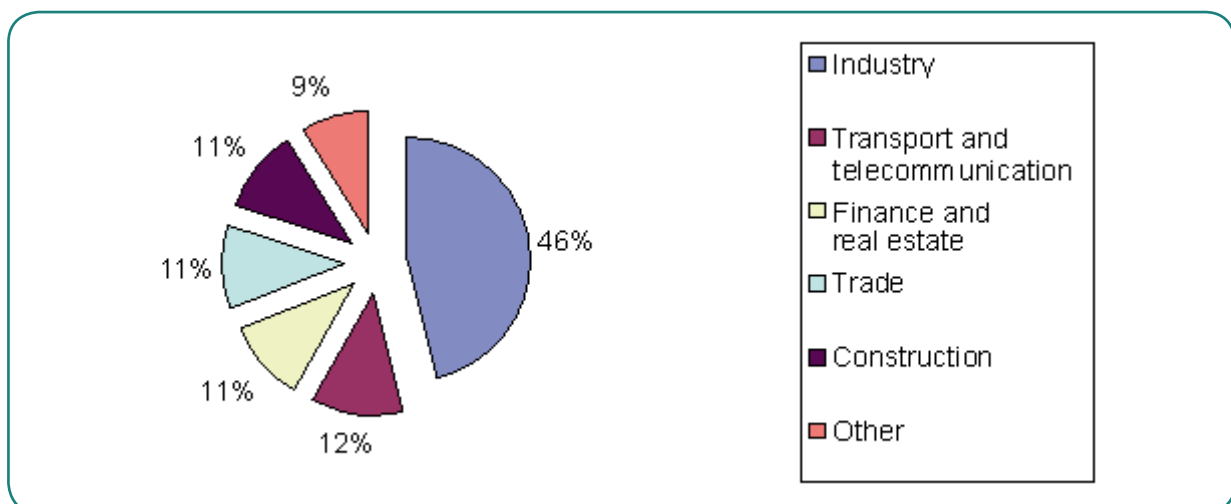
Order	Country	%
1.	Germany	26,4
2.	Luxembourg	12,8
3.	The Netherlands	12,3
4.	Austria	11,5
5.	France	4,4
6.	UK	3,5
7.	USA	3,2
8.	Belgium	2,9
9.	Switzerland	2,6
10.	Cyprus	1,8
11.	South-Korea	1,2
12.	Spain	1,0
13.	Japan	1,0
14.	Others	16,2
<b>Total</b>		<b>100</b>

Source: Ministry for National Economy (2013): An overview of the current FDI inflow processes. (In Hungarian) Hungarian Ministry for National Economy, Department of Economic Policy and Analysis, Budapest, 23 December

### 5.2.2. SECTORAL DISTRIBUTION

At the beginning of the millennium, the majority of FDI was connected to the economic sector labelled industry, included industrial production of goods (Figure 5). These days, this has changed significantly (Table 11).

Figure 5: Typical areas of FDI in Hungary (1989-2002)



Source: Sohinger, J. (2005): Growth and Convergence in European Transition Economies. *Eastern European Economics*, Vol. 43, 2:73-94

At the end of 2010, nearly three fourths of FDI was associated to the service sectors: namely business consulting (EUR 25.3 billion, 32.5%), trade and repair (EUR 8.6 billion, 11%), the real estate sector (EUR 4.9 billion, 6.4%), the banking sector (EUR 4.7 billion, 6.1%), telecommunications (EUR 3.1 billion, 3.9%), other forms of business consulting (EUR 2.8 billion, 3.6%) and transportation/storage (EUR 1.8 billion, 2.3%). Some 26.8% of FDI went to the processing industry (car manufacturing, food industry, chemical and pharmaceutical industry). (Table 11)

Table 11: FDI by sector (2008)

Order	Sectors	%
1.	Business consulting	32.5
2.	Trade and repair	11
3.	Real estate	6.4
4.	Banking sector	6.1
5.	Telecommunications	3.9
6.	Other business consulting	2.8
7.	Transport, storage	2.3
8.	Energy industry	4.1
9.	Food industry	2.4
10.	Chemical and pharmaceutical	2.7
11.	Car manufacturing	3.2
12.	Other sectors	22.6
<b>Total</b>		<b>100</b>

Source: GMGEF (2010). An overview of the current FDI inflow processes. (In Hungarian)  
Hungarian Ministry for National Economy, Department of Economic Policy and Analysis, Budapest., 23 December

Previous research also suggests that the characteristics of inflowing working capital investment have changed recently. In recent years we have observed the rise of low capital intensive, service-type investments in Hungary, which in turn create many workplaces, typically for qualified workforce. This also follows the social changes in Hungary. However, this trend is independent of the economic crisis. Based on the data available, the economic crisis has not resulted in statistically identifiable changes in the sectoral composition for the overall pattern of working capital inflow. (KSH, 2010a)

### 5.2.3. THE NUMBER OF FOREIGN ENTERPRISES

According to a KSH (2010) publication, the number of foreign owned companies has grown from several hundred in 1988 to 28,994 in 2008 (Table 12).

Table 12: The number of foreign owned companies operating in the Hungarian economy (1995-2008)

No.	Sectoral groups	1995	2000	2005	2008
1.	Agriculture, game farming, forestry and fishery	785	885	7	731
2.	Industry (Mining all industries)	4219	4210	3512	3583
3.	Construction industry	1192	1129	965	884
4.	Trade, hotel and transport	13961	13473	11731	11158
5.	Financial services	132	201	236	314
6.	Real estate and economic services	3466	5864	79	11454
7.	Other	857	2	841	0
<b>Total</b>		<b>24612</b>	<b>26634</b>	<b>26019</b>	<b>28994</b>

Source: KSH (2010b). *Foreign Owned Companies in Hungary (1995–2008)*. (In Hungarian), [http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat\\_evesi\\_qp002b.html](http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_evesi_qp002b.html)

(Explanation: Companies with 100% or majority foreign interest and also companies with Hungarian and foreign interest with at least 10% foreign ownership are included in this list.)

### 5.2.4. EMPLOYMENT

Apparently foreign-owned companies play a very important role in global and national employment. According to the previously quoted UNCTAD (2007) report, international companies employ more than 80 million people in their subsidiaries globally and it is worth examining this number more closely in two ways:

What is the proportion of people employed at subsidiaries of international companies? The proportion this value represents of the employed in business varies significantly between countries, According to the representative data of the UNCTAD report, 50.6% of the employees in the private sector work for multinational companies in Ireland. The same value in Hungary was 22.4% at the beginning of the millennium, according to the aforementioned report.

Foreign owned companies employed nearly half a million people in Hungary in 1995, while this number was 580 thousand in 2008 (KSH, 2010c and 2010d). The number in 2008 equals to one fifth of the people employed in the Hungarian national economy and one third of the people employed in the private sector. (KSH, 2010c and 2010d)

Table 13: The number of enterprises with foreign interest by the number of staff, 2011 (based upon statistical number of staff)

Year	Foreign owned firms	
	Count	Number of staff (persons)
2008	28.993	657.540
2009	29.152	642.257
2010	29.688	649.139
2011	29.879	656.187

Source: *Foreign Owned Firms in Hungary*. (In Hungarian) Budapest: KSH <http://statinfo.ksh.hu/Statinfo/haViewer.jsp?query=kshquery>

As a result of the economic crisis Hungary became perceived as a less favorable market environment, which affects the operation of foreign-owned firms. As a result, employment declined slightly in 2009 and in 2010 entered into a growth pattern again. (Table 14)

The territorial distribution of employed by foreign-owned organizations show a strong concentration of the Hungarian Central. Labor market relevance, particularly in economically developed regions: (Central Transdanubia, Central – Hungary, Western Transdanubia). (KSH, 2010, c)

### 5.3. CHARACTERISTICS OF THE COMPANIES PARTICIPATING IN THE SURVEY

A total of 118 foreign owned, legally independent subsidiaries participated in the questionnaire survey.

#### 5.3.1. COMPANY SIZE

The subsidiaries examined employ 23.9% of the people employed in Hungary by foreign owned companies. Based on the following two subsections we can state that the majority of the companies are large enterprises, based on the number of their employees. It is important to highlight that although a minority of the subsidiaries is SMEs based on their size (number of staff); all the Hungarian companies analyzed are parts of larger international companies and thus were regarded as large enterprises from an operational and management point of view.

#### 5.3.2. TOTAL NUMBER OF EMPLOYEES

The majority of the participants are based on large enterprises (Table 14 the number of their employees above 250 persons).

Table 14: Number of staff (n=115)

Total number of employees of the company	Frequency	Percentage distribution (%)
Below 250	46	40.0%
251-1000	30	26.1%
1001-2000	18	15.7%
2001-5000	15	13.0%
Over 5000	6	5.2%
<b>Total</b>	<b>115</b>	<b>100%</b>

Source: Primary research by the authors

### 5.3.3. MANDATE OF THE ORGANIZATION

We also examined how much control these organizations have over the entire value chain.

Almost one quarter (81.4%) of the subsidiaries participating in the survey have typical local subsidiary roles ("Mandate 3"; purchasing, production/operation and sales/delivery). However, the remaining sample firm shares depositaries in Hungary of only a few stages of the entire value chain (Table 15).

Table 15: Mandates of the companies participating in the survey

Roles and mandates of your subsidiary	Frequency	Percentage distribution (%)
Mandate 1	32	27,1%
Mandate 2	35	29,7%
Mandate 3	96	81,4%
Mandate 4	28	23,7%
Mandate 5	55	46,6%

Source: Primary research by the authors. Note-multiple responses allowed

(As a reminder of the five mandates, see Section 3.2.4 earlier.)

### 5.3.4. ORIGIN OF THE PARENT COMPANY

The subsidiaries participating in the survey came to Hungary from 20 different countries (Table 16). More than 70% of them from the following four countries: Germany (33.9%), USA (24.6%), France (6.8%), Austria (6.8%), while another 16 countries account for the remaining 30%.

Table 16: Origin of the parent companies of the participating companies (n=118)

Origin of the parent company	Frequency	% distribution
Germany	40	33.9%
USA	29	24.6%
Austria	8	6.8%
France	8	6.8%
Switzerland	7	5.9%
The Netherlands	4	3.4%
Italy	3	2.5%
Japan	3	2.5%
UK	3	2.5%
Czech Republic	2	1.7%
Finland	2	1.7%
Sweden	2	1.7%
Others	7	5.9
<b>Total</b>	<b>118</b>	<b>100.0</b>

Source: Primary research by the authors



The composition described above substantially corresponds with the ranking of the statistics of the Hungarian Central Statistical Office (2010a, b c), which shows that most foreign direct investment in Hungary was made by German, French and US companies. The Dutch and Luxembourg subsidiaries participating in the survey are for example under presented. If we take a look at the management culture of the companies (Table 17), (Bartlett and Beamish, 2014) the highest proportions of companies in the sample analyzed belong to the so-called Germanic (51.7%) and the Anglo-Saxon (28%) management cultures. It can be found in Hungarian trends that, besides the groups of traditional MNCs (American, Western European and Japanese), companies from the so-called emerging and transitional countries have also appeared.

Table 17: Management cultures of mother companies (n=118)

Management cultures of mother companies	Frequency	% distribution
Nordic	5	4.2%
German	61	51.7%
Southern Europe and Latin	12	10.2%
Anglo-Saxon	33	28.0%
Eastern Europe	2	1.7%
Asian	4	3.4%
Other	1	0.8%
<b>Total</b>	<b>118</b>	<b>100,0%</b>

Source: Primary research by the authors

### 5.3.5. YEAR AND FORM OF ESTABLISHMENT OF THE SUBSIDIARIES

The foreign owners of more than 40% of the subsidiaries examined acquired majority control or carried out their Greenfield investments before 1990. Almost half (43.3%) of the companies settled in Hungary between 1991 and 2000 and the remaining ones (12.2%) appeared in the new millennium (Table 18).<sup>6</sup>

<sup>6</sup> The great migration to 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 about one and a half decades. However, the actors of some industries (e.g. automotive suppliers) move very fast. If the situation is not favorable, these companies exit very quickly. However, the decision that these companies stay or leave also depends largely on whether their main buyers stay in Hungary or exit. The role of "cheap manufacturing and service provider" Hungarian subsidiaries with shorter delivery times increased during the crisis.

About 46.1% of the foreign owners of the companies participating in the survey came to Hungary in the form of Greenfield investments while almost 53.9% of them obtained majority control in Hungarian companies during the privatization period and the following rush for acquisitions.

Table 18: Year and mode of entry of the participants

Year of establishment of the subsidiary	Merger, acquisition	Greenfield investment	Total	% distribution
Before 1990	27	33	50	43.5%
1990-1995	16	13	29	25.2%
1996-2000	9	12	21	18.3%
2001-2005	9	5	14	12.2%
After 2005	1	0	1	0.9%
<b>Total</b>	<b>62</b>	<b>53</b>	<b>115</b>	<b>100.0%</b>
<b>% distribution</b>	<b>53.9%</b>	<b>46.1%</b>	<b>100%</b>	

Source: Primary research by the authors

### 5.3.6. FIELD OF OPERATION: SECTOR-INDUSTRY

The majority (38%) of the organizations examined is engaged in manufacturing while the others (62%) were classified in trade, tangible and intangible services (Table 19):

Table 19: Sectoral distribution of the participants (n=118)

Main sector of the subsidiary's activity	Frequency	% distribution
Industry	45	38.1%
Trade	25	21.2%
Financial service	15	12.7%
Other service	26	22.0%
Business service	3	2.5%
Others	4	3.4%
<b>Total</b>	<b>118</b>	<b>100%</b>

Source: Primary research by the authors

## 5.4. MAIN DIRECTIONS OF DEVELOPMENT OF THE COMPANIES IN THE PERIOD EXAMINED

In relation to the topic indicated in the subtitle, we examined how important the following three strategic orientations were for the respondents:

- » growth, market expansion, portfolio expansion,
- » stability, efficiency improvement, revenue retention, adapting to the market situation,
- » redundancies, rationalization.

### 5.4.1. MAIN STRATEGIC ISSUES-ORIENTATIONS

More than half (55.6%) of the respondents indicated that the growth and portfolio expansion during the period examined. Almost 40.2% of the companies surveyed were characterized by seeking stability. The fact that a much lower proportion (3.4%) of the respondents chose the redundancies and rationalization option suggests a timely Hungarian recovery from the world economic crisis. Other strategic approaches account for 1% of the answers (one observation) (Table 20).

Table 20: Main strategic issues and orientations

Main strategic issues, orientations	Frequency of "yes" answers	% distribution
Growth, market expansion, portfolio expansion	65	55.6%
Stability, efficiency improvement, revenue retention, adapting to the market situation	47	40.2%
Redundancies, rationalization	4	3.4%
Other	1	0.9%
<b>Total</b>	<b>117</b>	<b>100.0%</b>

Source: Primary research by the authors

#### 5.4.2. MAIN COMPETITIVE FACTORS IN THE PERIOD EXAMINED

High quality workforce (68.6%) and optimal organization size (62.7%) were chosen most frequently by the respondents from the provided listing of most important competitive factors for their firm (more than one answer could be marked in this question). In contrast to the results of our other studies involving mainly SMEs (Fodor-Kiss-Poór, 2010), for this sample a large number (29.7%) of the respondents emphasized the criticality of having ample financial resources, reflecting the stronger financial positions of their parent multinational companies being seen as a source of competitive advantage. The respondents also deemed management (39.8%), production technology (39%) and low workforce costs (26.3%) to be very important competitive factors (Table 21).

Table 21: The importance of competitive factors

Competitive factors	Frequency of "yes" answers	% distribution
Optimal plant/organization size	74	62.7%
Workforce	81	68.6%
Financial resources	35	29.7%
Management	47	39.8%
Production technology	46	39.0%
Low workforce costs	31	26.3%
Other	20	16.9%

Source: Primary research by the authors. Note-multiple responses allowed

## 5.5. CHARACTERISTICS OF THE KEY INDICATORS OF THE HR FUNCTION

In this section we give an overview of the following HR characteristics:

- » Number and workload of the HR staff,
- » The main indicators representing the importance, results, and efficiency characteristics of the HR activity (labor cost – total cost ratio, and relative size of the training budget).

### 5.5.1. NUMBER OF HR STAFF

The average number of employees served by one HR professional was 68 persons.

Table 22: Number of employees and HR staff in the participating companies

Year	Number of employees	HR staff	Employees per HR position
2011	157792	2321	68

Source: Primary research by the authors

The HR departments of the companies examined are relatively large as the number of HR staff was higher than five persons in the case of more than 56.9% of the respondents. Only four of the organizations participating in the survey did not have a HR department, moreover these four firms did not employ a single HR professional. (Table 23)

Table 23: Number of HR staff (n=93)

Total number of HR staff	2011	
	Frequency	% distribution
None	4	3.4%
1-4 persons	46	39.7%
5-10 persons	23	19.8%
11-15 persons	16	13.8%
15-20 persons	4	3.4%
Over 20 persons	23	19.8%
<b>Total</b>	<b>93</b>	<b>80,2%</b>

Source: Primary research by the authors

For every HR professional, there are 20 employees on average in organizations examined.

## 5.6. THE MAIN INDICATORS REPRESENTING THE IMPORTANCE AND RESULTS OF THE HR ACTIVITY

### 5.6.1. LABOR COST – OPERATING COST RATIO

The labor cost to operating cost ratio is one of the frequently analyzed indicators of the importance of the HR function in a company (Boudreau, 2010). According to this logic, the effects of HRM have a stronger and more direct influence on the company's performance if this ratio is higher. About one third of the subsidiaries participating in the survey fell into this category (where the labor cost ratio is higher than 30%). But the vast majority (65.2%) of the companies operated with a relatively low (under 30%) labor cost ratio<sup>7</sup> (Table 24).

Table 24: Labor cost in % of the operating cost (n=60)

Labor cost in % of the operating cost	2011	
	Frequency	% distribution
Under 5 %	17	19.8%
5-10 %	10	11.6%
10-20 %	13	15.1%
20-30 %	16	18.6%
30-40 %	15	17.4%
40-50 %	5	5.8%
Over 50 %	10	11.6%
<b>Total</b>	<b>86</b>	<b>100.0%</b>

Source: Primary research by the authors

<sup>7</sup> In the case of the respondents participating in the already referred (Farkas-Póór-Karoliny-2007) 2005 Cranet surveys – that involved not only MNCs – the average organizational labor cost ratio in Hungary was 28% that was right in the middle of the 19-38% band calculated in the six Central Eastern European countries examined. The country with the highest average ratio (64%) within the entire sample was the Netherlands.

## 5.6.2. RELATIVE SIZE OF THE TRAINING BUDGET

Literature considers the relative size of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity. In more than 70% of the companies examined, the relative size of the training budget was under 3% of labor costs and only about 20% of the companies examined spent 3-5% of the annual labor budget on training employees.<sup>8</sup> In 2011 the typical size was between 1% and 3% (Table 25).

Table 25: Annual training budget in % of the entire annual labor cost

Annual training budget in % of the entire annual labor cost	2011	
	Frequency	% distribution
Under 1 %	30	28,0%
1-3 %	45	42,1%
3-5 %	22	20,6%
over 5 %	10	9,3%
<b>Total</b>	<b>107</b>	<b>100%</b>

Source: Primary research by the authors

## 5.7. EXPATRIATES

### 5.7.1. FOREIGN EXPATRIATES AND THEIR ROLES

Usually two types of long-term emissaries are distinguished (Dowling, Festing and Engle, 2013). The ones arriving from abroad (from the parent company or from a third country), which are also called expatriates and the ones from the Hungarian subsidiary appointed for a long-term deputation abroad (at the parent company or subsidiaries operating in other countries) (Table 26).

- » 71.9% of the subsidiaries participating in the survey did not employ foreign expatriates in non-managerial positions. In those few companies that employed foreign expatriates in non-managerial positions permanently, the number of these expatriates was typically only one to two positions. Only five respondents employed more than 10 such expats.
- » The presence of expatriates employed in managerial positions is more significant, around 44.7% of the respondents employed foreign expatriates in such positions in the period examined. Where they were present, their number was typically between one and three expats but a few respondents employed 10 to 15 expatriates or even more than 20 of them.

(Note: It is important to indicate that companies send an increasing number of employees abroad for a short time, for different projects (often called "international assignees" – see Dowling, Festing and Engle, 2013, chapter 5). Our survey did not cover this issue.)

<sup>8</sup> The global average of this indicator calculated using the previously mentioned Cranet international comparative HR database was 3.36%, the Eastern European index was 3.15% and the Hungarian statistic was 3.54% (Karoliny-Poór, 2010).

Table 26: Number of foreign expats (n=114)

Number of expats	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
None	63	55,3%	82	71,9%
1 person	18	15,8%	12	10,5%
2-3 persons	11	9,6%	5	4,4%
4-5 persons	9	7,9%	4	3,5%
6-10 persons	2	1,8%	5	4,4%
11-15 persons	1	0,8%	1	0,9%
16-20 persons	2	1,8%	0	0,0%
Over 20 persons	8	7,0%	5	4,4%
<b>Total</b>	<b>114</b>	<b>100,0%</b>	<b>114</b>	<b>100,0%</b>

Source: Primary research by the authors

### 5.7.2. HUNGARIAN EXPATRIATES

Below we outline how typically and to what positions Hungarian expatriates were sent to foreign companies of MNCs (Table 27).

Table 27: Number and positions of Hungarian expatriates

Number of Hungarian expatriates	In managerial position		In non-managerial position	
	Frequency	distribution %	Frequency	distribution %
None	80	71,4%	74	66,1%
1 person	12	10,7%	10	8,9%
2-3 persons	8	7,1%	6	5,4%
4-5 persons	2	1,8%	3	2,7%
6-10 persons	5	4,5%	8	7,1%
11-15 persons	0	0,0%	1	0,8%
16-20 persons	4	3,6%	3	2,7%
Over 20 persons	1	0,9%	7	6,3%
<b>Total</b>	<b>112</b>	<b>100,0%</b>	<b>112</b>	<b>100,0%</b>

Source: Primary research by the authors

- » Although more respondents sent to rather than received employees from abroad in non-managerial positions, there was no such foreign deputation in more than 66.1% of the respondents. Companies that sent employees abroad sent usually one to three employees.
- » The proportion of companies not sending employees "out" to managerial positions (71.9%) was the same as the proportion of those not sending employees to non-managerial positions. Of the companies that sent out employees who obtained foreign managerial positions, mostly sent between one and three persons.



## 5.8. THE OPERATION OF THE HR DEPARTMENT

### 5.8.1. THE RELATIONSHIP BETWEEN HEADQUARTERS AND LOCAL HR

We found several different role configurations or function-sharing practices among the companies examined (Table 28).

- » However, the typical solution, one implemented by almost three quarters of the respondents, was that the HR department of the company's headquarters, besides carrying out the auditing function, 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.
- » In addition, in the case of 20.7% of the companies the headquarters HR unit was also responsible for developing the detailed HR model and not only personnel guidelines but also the rules, procedures, and HR processes were developed centrally. The operations of these global HR systems were usually supported by modern IT solutions.
- » Some 6% of the respondents characterized their relationship as one of absolute centralization.
- » On the other hand, about one fifth (19.8%) of the HR departments of the responding subsidiaries reported a hands-off approach from HQ, enjoying almost complete freedom from the headquarters, resulting in a locally decentralized HR activity.

Table 28: Typical functions of the HQ HR

Functions	Frequency of "yes" answers	Multiple answers possible, response
Hands-off, provide complete freedom	23	19,8%
Provide general guidelines and framework for actions	62	53,4%
Provide detailed HR model, policies, procedures and rules	24	20,7%
Source of all remotely significant HR decisions	7	6,0%

Source: Primary research by the authors

### 5.8.2. CHANGES IN THE IMPORTANCE OF HR FUNCTIONS

Employee relations was first in the ranking of HR areas considered most critical in the period examined, being a little ahead of that ongoing problem area, the issue of performance evaluation, communication, training and development. The responding subsidiaries deemed compensation and benefits, selection and talent management almost as critical (Table 29). The respondents regarded HR planning as the least critical area of their work.

Table 29: Critical areas of HR (on a 1 ⇒ 5 scale, on average)  
(Explanation: 1 = critical ⇒ 5 = not at all critical)

The ranking of the areas of HRM critical in ...	The average of the answers
HR planning	2,90
Recruitment, selection	2,97
Performance Evaluation	3,32
Training and development	3,21
Talent Management	2,98
Compensation and Benefits	2,91
Employee Relations	3,69
Communication	3,21

Source: Primary research by the authors

### 5.8.3. TYPICAL HR COMPETENCIES FOR SUCCESS

From the list of HRM competency areas (Table 30) identified by one of the best known HR theorists, Dave Ulrich et al. in 2009, the respondents considered the following three to be the most important:

- » personal credibility (effectiveness, efficient connections, communication skills) (87.9%),
- » foreign language skills (79.5%),
- » HR services (70.9%).

Strategic contribution and business knowledge were followed. According to the opinion of the respondents, the use of HR information systems ranked last among very important HR competencies in their companies in the period examined.

Table 30: Ranking of the key competencies of HR managers

Ranking of key competencies	Very important	
	Frequency	distribution %
Business knowledge (value chain, value creation)	77	66.4%
Strategic contribution (managing culture, championing changes, strategic decisions)	80	69.0%
Personal credibility (achieving results, effective relationships, communication skills)	102	87.9%
HR services (recruitment, selection, training and development, performance management, etc.)	83	70.9%
Usage of HRIS	61	52.1%
Foreign languages skills	93	79.5%

Source: Primary research by the authors

#### 5.8.4. PRIMARY RESPONSIBILITY OF DECISION MAKING IN THE MAIN FUNCTIONS OF HR

Our current survey confirms the finding also established in other studies (Cranet, 2006 and Karoliny et al. 2009; 2010) that members of the management hierarchy have larger responsibility or control in some HR decisions and local employees of the HR department have primary responsibility in other areas of HR (Table 31).

Table 31: Responsibility of decision making in key functions of HR

Key functions of HR	Local line management (mgt.)	Primarily local line mgt. but in consultation with the HR department	Primarily local HR department but in consultation with local line mgt.	Local HR department
Human Resource Planning	31,9%	46,6%	19,8%	1,7%
Recruitment	12,9%	22,4%	32,8%	31,9%
Selection	17,2%	35,3%	38,8%	8,6%
Performance Evaluation	38,8%	35,3%	20,7%	5,2%
Training and Development	25,6%	29,9%	36,8%	7,7%
Talent management	26,1%	30,4%	33,9%	9,6%
Compensation and Benefits	30,1%	38,1%	21,2%	10,6%
Industrial-Labor Relations	20,7%	17,2%	25,9%	36,2%
Employee Communication	24,1%	20,7%	31,9%	23,3%
HRMS/IT	24,5%	20,9%	20,9%	33,6%
Health & Safety	25,2%	18,3%	21,7%	34,8%

Source: Primary research by the authors

(\*Comments: Recall that multiple categories of functional HR areas were possible and that these figures do not reflect percentages.)

As the responses in Table 31 reflect, the majority of the respondents regard most of the interventions in the key functions of HR as the result of a joint decision in which the final decision is made by the local line management based usually on consultation with the HR department. Less seldom do we see that the responsibility attached to HR decisions is shared in a way that the final decision maker is the representative of the local HR department. HR remains a secondary source of authority.

#### 5.8.5. THE ROLE OF EXTERNAL HR SERVICE PROVIDERS

Today human resources are managed in many organizations with the involvement of external service providers. Besides traditional HR consultants, an increasing number of service providers appear who enter the market offering new services (e.g. labor leasing, outsourcing, interim managers, etc.) (Poór-Németh, 2010)

External service providers were most often used in the area of training and development, as reported by the respondents. They were also often involved in recruitment and selection and in the area of compensation and benefits. Almost none of the companies used the help of external service providers in human resource planning or in performance evaluation. The

practice of companies in this respect either did not change or where it did, companies reported an increase in the use of external partners. (Table 32).

Table 32: Role and use of external service providers in the different key functions of HR

Key functions of HR	Increased	Decreased	Same	External providers not used
Human Resource Planning	5.2%	4.3%	6.9%	83.6%
Recruitment	16.2%	17.9%	40.2%	25.6%
Selection	11.1%	16.2%	30.8%	41.9%
Performance Evaluation	4.3%	1.7%	15.4%	78.6%
Talent management	17.1%	7.7%	37.6%	37.6%
Training and Development	12.2%	6.1%	23.5%	58.3%
Compensation and Benefits	7.7%	3.4%	24.8%	64.1%
Industrial-Labor Relations	2.6%	2.6%	27.4%	67.5%
Employee Communication	7.7%	2.6%	17.1%	72.6%
HRMS/IT	23.1%	2.6%	34.2%	40.2%
Health & Safety	9.8%	2.7%	58.9%	28.6%

Source: Primary research by the authors

(\*Comments: Recall that multiple categories of functional HR areas were possible and that these figures do not reflect percentages.)

## 5.9. KNOWLEDGE MANAGEMENT IN HR

Knowledge management refers to processes and methods for the management and sharing of the critical firm specific collective knowledge (know-how, skills and intellectual skills) of an organization's employees in an integrated way. In connection with the practice of the indicated topic in the field of HR we examined the following three areas:

- » methods of personal competency development in HR,
- » enablers of HR knowledge flows,
- » directions of HR knowledge flows.

### 5.9.1. PERSONAL COMPETENCY DEVELOPMENT IN HR

The respondents found local training to be the most important method of personal competency development in the field of HR and they thought that informal learning – that is learning at the HR department of subsidiary – as well as informal learning at parent company also plays a very important role.

According to responses, the role of informal learning at the HR department of another subsidiary and HR training and development at other subsidiaries were rated almost a grade worse in importance. (Table 34)

Table 33: The importance of the methods of personal competency development in HR (on a 1 ⇒ 5 scale, on average)  
(Explanation: 1 = unimportant ⇒ 5 = very important)

Methods of gaining competencies	The average of the answers
Informal learning at the HR department of your subsidiary	3.10
Informal learning at the HR department of another subsidiary	1.84
Informal learning at the parent company	2.26
Local HR-training and development	3.03
HR training and development at the parent company	2.21
HR training and development at other subsidiaries	1.73

Source: Primary research by the authors

### 5.9.2. HR KNOWLEDGE TRANSFER BETWEEN THE PARENT COMPANY AND THE SUBSIDIARY

The respondents ranked knowledge flows within their own subsidiaries as being most important. Flows from the parent company were only secondary. Much lower, but still of considerable importance was deemed to be knowledge flows between subsidiaries. Very few respondents indicated that HR experience generated in and proposals coming from subsidiaries find a responsive audience at the parent company (Table 34).

Table 34: HR knowledge flows (on a 1 ⇒ 5 scale, on average)  
(Explanation: 1 = unimportant ⇒ 5 = very important)

Knowledge flows in HR	The average of the answers
Knowledge flows from the parent company to the subsidiary	3,04
Knowledge flows from the subsidiary to the parent company	2,26
Knowledge flows between subsidiaries	2,34
HR related knowledge flows within the HR department at your subsidiary	3,26
HR related knowledge flows at your subsidiary between the HR department and other organizational units	2,98

Source: Primary research by the authors

## 5.10. THE FUTURE TASKS OF HR

### 5.10.1. THE KEY BUSINESS ISSUES, TRENDS FOR HR TO FACE

With regard to the key issues of the next 12 to 24 months, the interviewed HR managers considered improving efficiency the most important task before them. Almost all respondents thought that this business expectation is the most important task HR professionals have to face. In many of the companies this is accompanied by company development or company reorganization (Table 35).

Table 35: Key business challenges in the next 1-2 years

Key business challenges
Attracting and retaining skilled workforce (reducing fluctuation)
Attracting young talent (Generation Y) (to keep young people in Hungary)
Decline of financial resources spending on training
Support of Culture Change
To meet the challenges of the growth of volume and staff
Increase employee engagement
Provide knowledge transfer
Centralization from parent company

Source: Primary research by the authors

## 5.11. CHARACTERISTICS OF THE RESPONDING INDIVIDUALS

From the personal characteristics of the interviewed professionals we examined demographic characteristics, their professional qualifications and the characteristics of their positions held.

### 5.11.1. DEMOGRAPHIC CHARACTERISTICS AND QUALIFICATION

Almost all the interviewees participating in the survey have university, college or equivalent qualifications, some of them also had PhD degrees as well. (Table 36)

Table 36: Level of qualification

Level of qualification	Frequency	distribution %
University PhD	3	2.6%
University (MSc)	56	47.9%
College (BSc)	53	45.3%
Other	5	4.3%
<b>Total</b>	<b>117</b>	<b>100.0%</b>

Source: Primary research by the authors

The majority of the respondents obtained qualifications in social sciences (77.8%) or engineering (15.7%) but we also found professionals with qualifications in natural sciences (Table 37).

Table 37: Field of professional qualification

Field of professional qualification	Frequency	distribution %
Natural sciences	7	6.5%
Engineering	17	15.7%
Social sciences	84	77.8%
Other	0	0.0%
<b>Total</b>	<b>108</b>	<b>100.0%</b>

Source: Primary research by the authors

Nearly 50% of the respondents have worked in their current positions for less than three years. However, the majority have spent longer time, typically 3-10 years in their positions. More than 20% have worked 10 or over 10 years in their positions (Table 38).

Table 38: Time spent in current position

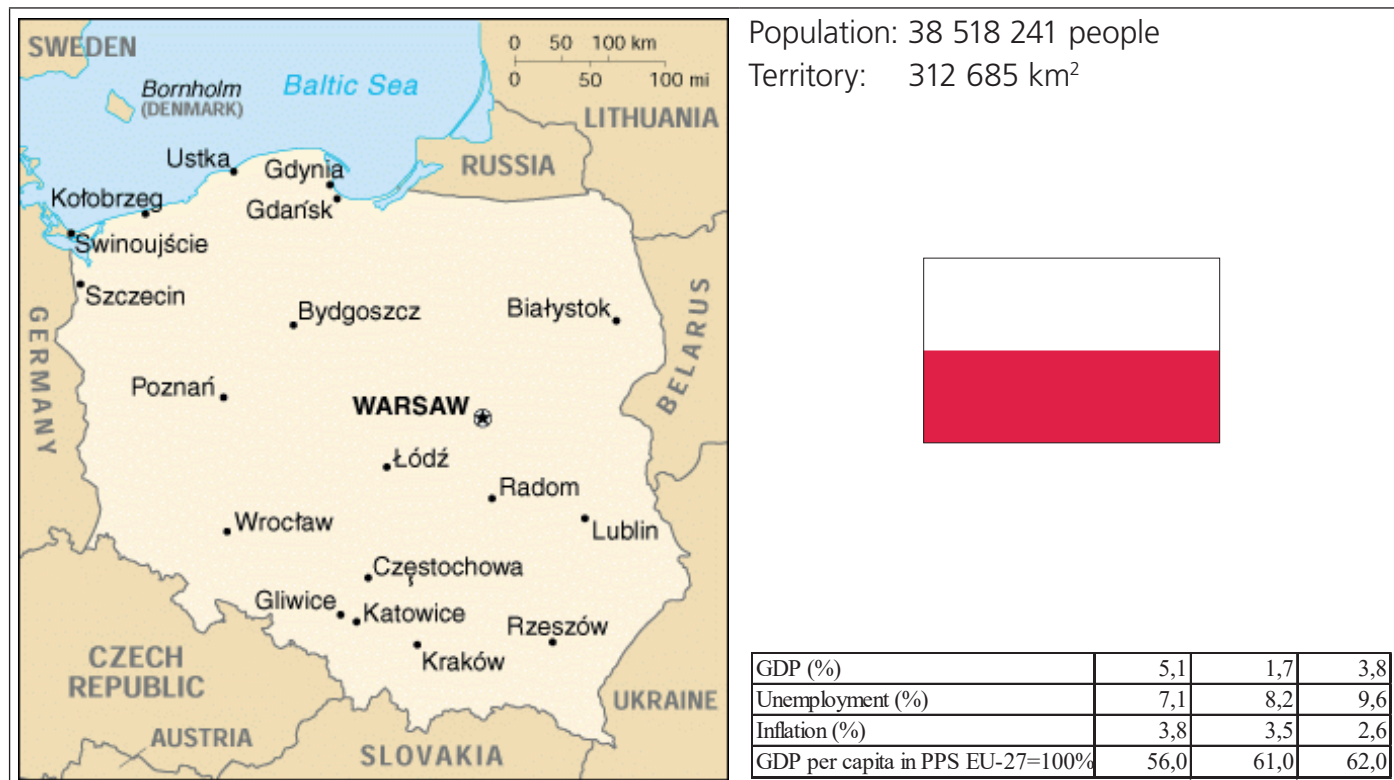
Time spent in current position	Frequency	distribution %
0-3 years	34	32.1%
3-5 years	25	23.6%
5-10 years	25	23.6%
10-15 years	16	15.1%
Over 15 years	6	5.7%
<b>Total</b>	<b>106</b>	<b>100.0%</b>

Source: Primary research by the authors



## 6. POLAND (MARZENA STOR-ADAM SUCHODOLSKI-IMOLA JÓZSA-ÉVA ILDIKÓ KOVÁCS)

### 6.1. INTRODUCTION



## 6.2. FDI AND EMPLOYMENT AT THE MULTINATIONAL COMPANIES IN POLAND

### 6.2.1. THE DEVELOPMENT AND SOURCES OF FDI INFLOW TO POLAND

After the Second World War, Poland was under Soviet influence under agreements determined at the Yalta Conference, along with some other Central and Eastern European countries as well.

Some 45 years later, Poland was one of the first countries, which became free from these fetters and started large-scale reforms in order to create market economy.

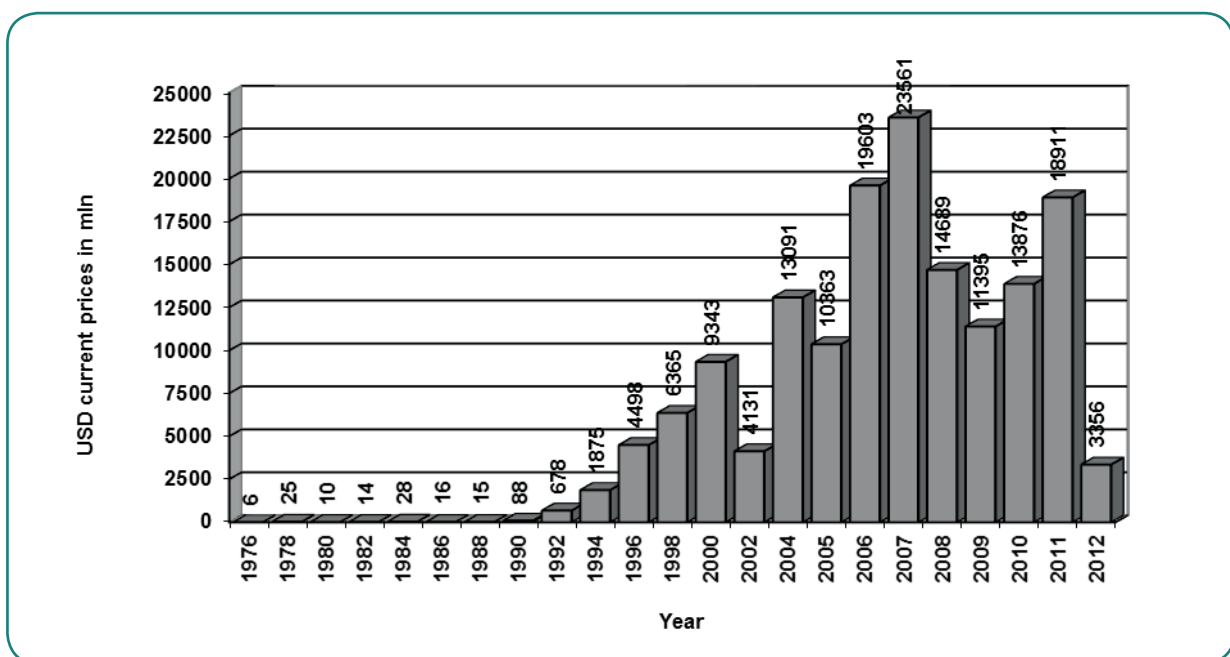
Due to series of radical reforms, which were introduced at the end of 1989 and at the beginning of 1990, which are known in Poland as the “big bang” – significant economic progress has been made in the country since the last two decades.

The level of foreign direct investment has been increased in the country by the revolution of the international trade liberalization. This is the reason that the early nineties are considered to be the beginning of the internationalization of business sector in Poland.

The 2004 EU accession has accelerated towards globalization and internationalization processes in the Polish economy. More FDI inflow has been observed.

The following presentation provides facts about FDI in Poland, and a brief characterization of the capital stock. At the end of 2009 the stock of FDI was \$ 175 billion, which is equivalent to 129 billion EUR. The bulk of FDI came mainly from OECD states (93.5%), and (85.6%) part from the EU Member States (Bezposrednie inwestycje, 2010).

Figure 6: Inward FDI flows to Poland between 1976 and 2012 (in millions USD at current prices and current exchange rates)



Source: World Investment Report (2014): Global value chains: investment and trade for development. Major FDI indicators

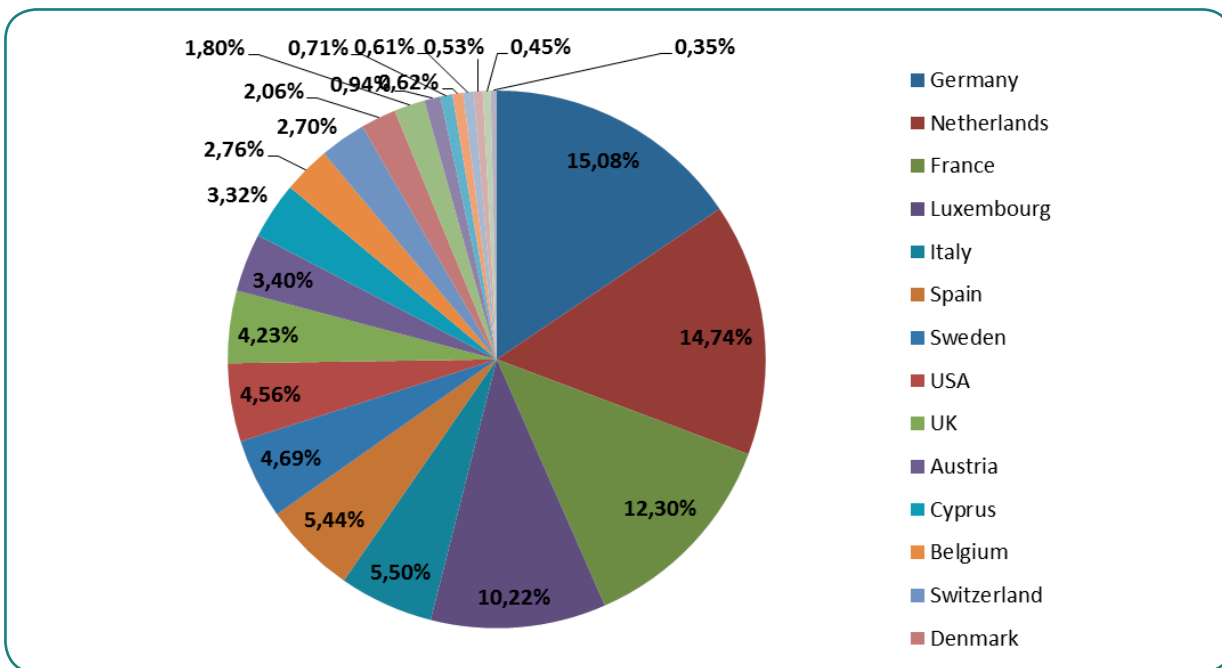
In 2012, FDI flows have drastically dropped and the total value of FDI decreased (by 82%). This was caused by the economic downturn, which was perceived around the world in the previous years as well. (Stor, 2013)

Another factor was the transit / capital flow, which globally has increased sevenfold. *The capital in transit* means transactions when money transfers are made by other countries for the purpose of tax optimization at the request of the parent company. However, at the first quarter of 2013, FDI flows to Poland exceeded the results of 2012.

According to the economic forecasts, during the next two years, Poland is on track to become the 4<sup>th</sup> most attractive country for economic investments in Europe, and the 14<sup>th</sup> nation in the world. (Major FDI Indicators, 2013)

The Figure 7 shows by country, the structure of FDI to Poland at the end of 2012. We can see that the most amount of the capital 15,08% of FDI has been received from Germany. The Netherlands 14,74% is in the second place and France 12,30% is the third one. And last but not least: Luxembourg 10,22%, Italy 5,50% and Spain 5,44%.

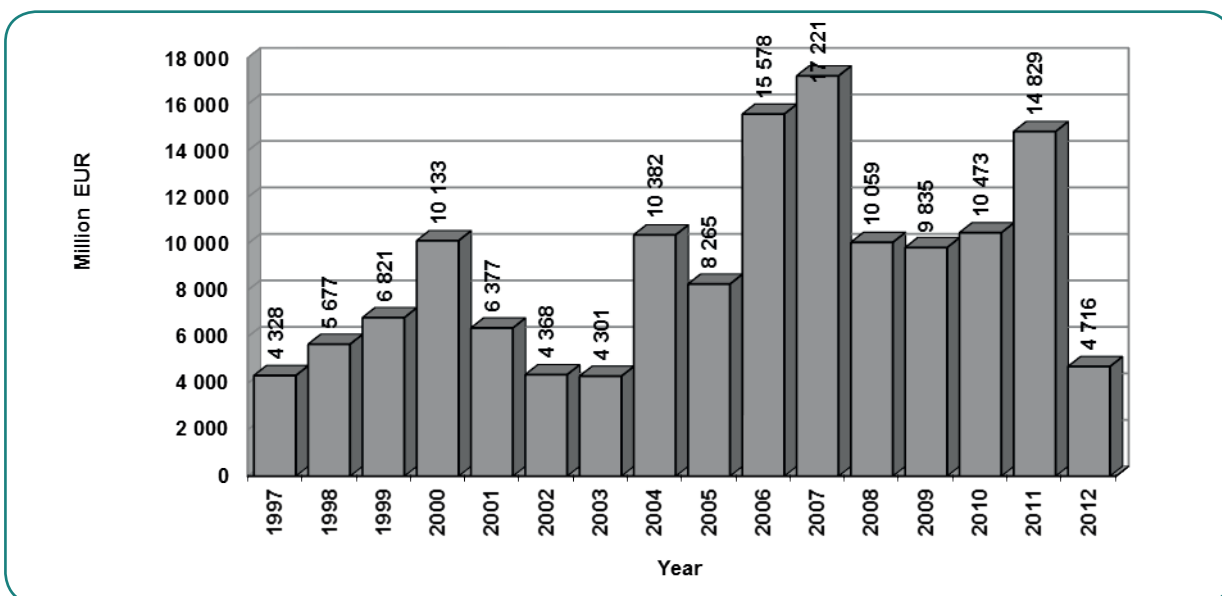
Figure 7: Structure of FDI (%)



Source: Ministerstwo Gospodarki. Departament Strategii i Analiz (2014:26-30): Bezpośrednie inwestycje zagraniczne. Polish Information & Foreign Investment Agency (2013): List of Major Foreign Investors. Warsaw

In 2012 the total FDI inflow to Poland was 4,97 billion EUR, which is 32% lower than it was in 2011. For January 2010 to October, 7,5 billion EUR has been flowed to Poland. However the data available of the year 2013 are more encouraging. In 2012 87,7% FDI flowed to Poland from the member states of EU. The main sources of FDI in Poland: Germany (3 494,1 billion EUR), France (3 132,3 billion EUR), UK (843,4 billion EUR), Austria (648 million EUR), Cyprus (514,3 million EUR), Switzerland (401,9 million EUR), Spain (344,3 million EUR), Belgium (319 million EUR) and Italy (299,6 million EUR). We can see in this Figure 8 the FDI inflow to Poland 1997-2012.

Figure 8: FDI to Poland (1997-2012)



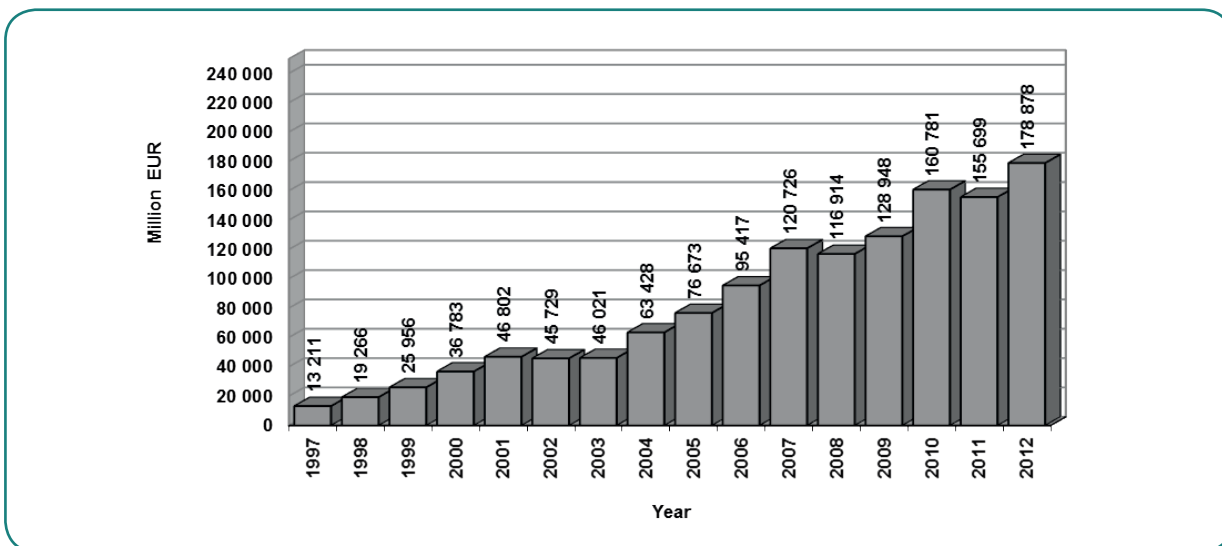
Sources: Narodowy Bank Polski (2013): Zagraniczne inwestycje bezpośrednie. Warsaw

According to the published data of FDI coming to Poland in 2012, the stock was \$ 230.604 million, which equals to 178.878 million EUR. The stock was made up of the following items:

- » Reinvested earnings and equity investments (125.832 million EUR, 70.6%)
- » Inter-company loans (54.426 million EUR, 29.4%)

The largest part of FDI flowed from Europe 93.5%. Only 4.7% came from the USA and 1.5% from Asia.

Figure 9: Stock of FDI to Poland (1997-2012)

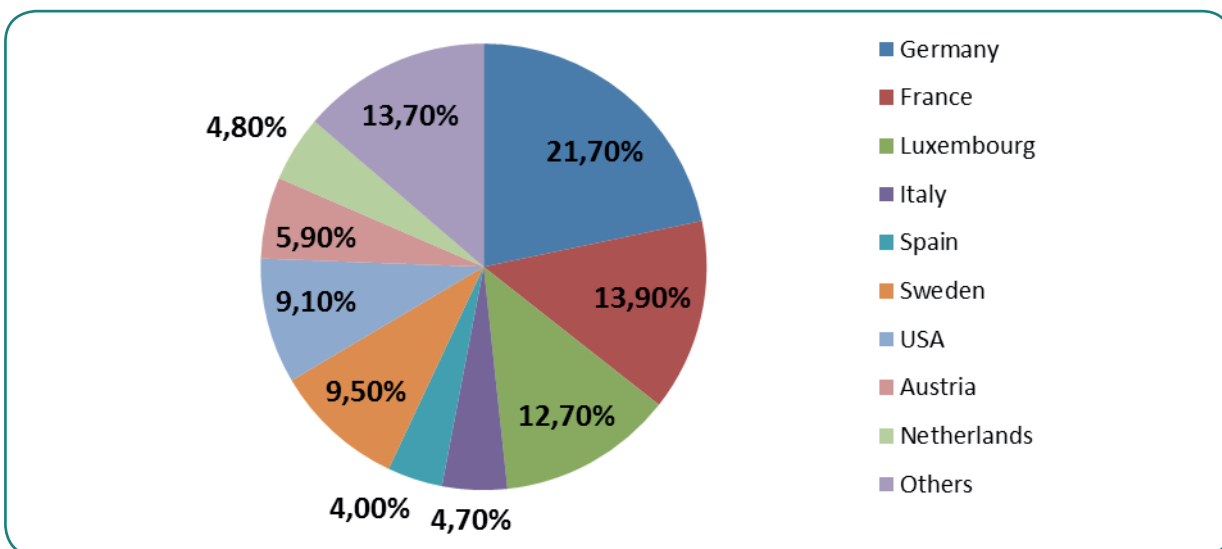


Sources: Narodowy Bank Polski (2013): Zagraniczne inwestycje bezpośrednie. Warsaw

**6.2.2. MULTINATIONAL COMPANIES: LEGAL FORMS, ORIGIN OF INVESTORS, EMPLOYMENT**

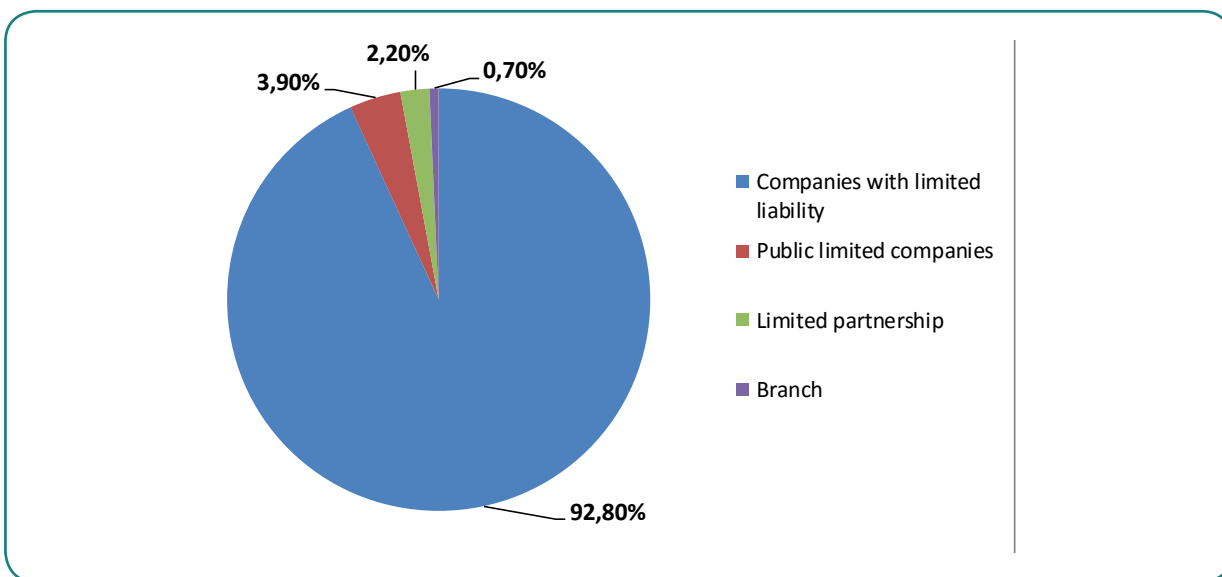
In Poland, the vast majority of new installations on foreign capital were Greenfield site (List of Major Foreign Investors, 2010: 4). It is worth mentioning that at the end of 2009 there were 63 871 foreign capital operating companies in Poland (Poland numbers in 2009). Almost 93% of these multinational companies are LTDs.

Figure 10: The distribution of foreign-owned companies by country (2012)



Source: Research by the authors

Figure 11: The distribution of foreign-owned companies by their legal forms



Source: Statistical Information and Elaborations (2013:14) Economic Activity of Entities with Foreign Capital in 2012. Warsaw

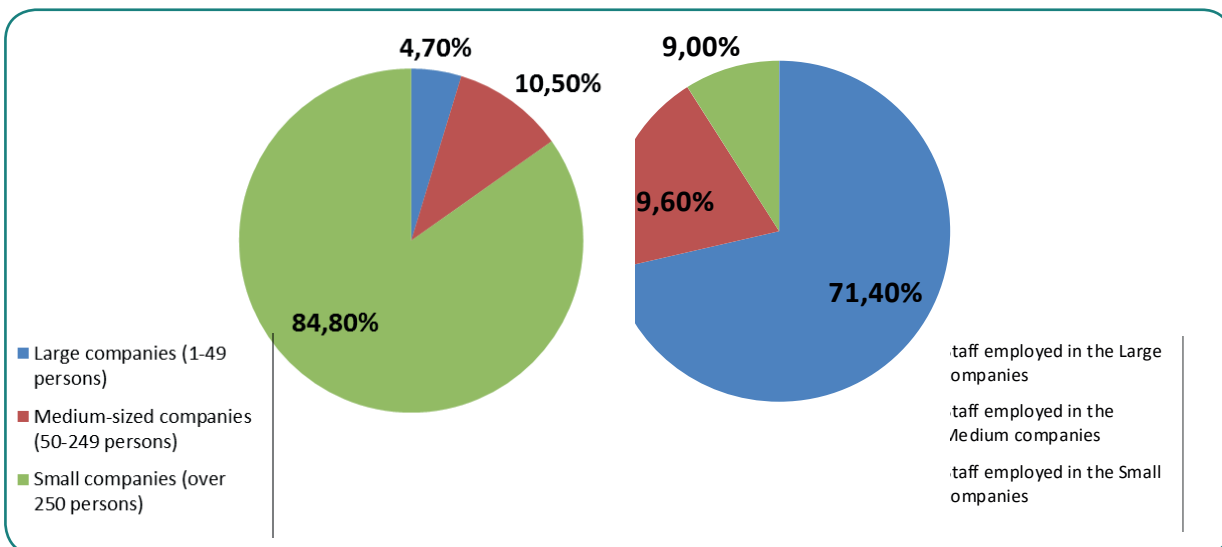
At the end of 2012, 1 571 200 people were employed by the multinational companies operating in Poland. (Economic Activity of Entities, 2013: 29)

There are the multinational companies in some sectors in the Polish economy as well.

In order to make transparency the distribution of structures of economic organizations operating by foreign capital according to countries and the business models, we should use the European industry standard classification system (statistical classification system of economic activities in the European Community), which (in French Nomenclature statistique des activités économiques dans la Communauté Européenne, which is often called "NACE"). We can conclude, if we look at the structure of the enterprises with foreign capital, that large companies play an important role, because 71,4% of employees of the subsidiaries of multinational companies are employed by them in Poland. However, these large multinational companies working by foreign capital are only 4,7% part of the total in Poland. The medium-sized enterprises represents 10,5% and 19,6% of the staff are employed by them. Small-sized multinational companies 84,8% operating by total foreign capital in Poland.

The data can be seen by the Figure 12.

Figure 12: The distribution of the companies involved by FDI in Poland (by size and the number of their staff) (2012)



Sources: Central Statistical Office (2013): Poland in Figures. Statistical Information and Elaborations (2013:14).

Economic Activity of Entities with Foreign Capital in 2012.

Polish Information & Foreign Investment Agency (2013:32): List of Major Foreign Investors. Warsaw

### 6.3. CHARACTERISTICS OF THE COMPANIES PARTICIPATING IN THE SURVEY

53 foreign-owned, legally independent subsidiaries participated in the questionnaire survey.

#### 6.3.1. COMPANY SIZE

According to the data, the subsidiaries participating in the survey employed more than 47 000 persons in 2011. On the Table 39 we can see that the majority of the companies are large and medium-sized enterprises based on their number of employees, because more than 250 persons are employed by 53% of the participants in the survey.

Table 39: Number of staff

Total number of employees of the company	2011	
	Frequency	Percentage distribution (%)
Below 250	24	47
251-1000	15	29,4
1001-2000	6	11,8
2001-5000	5	9,8
Over 5000	1	2
<b>Total</b>	<b>51</b>	<b>100</b>

Source: Primary research by the authors

#### 6.3.2. MANDATE OF THE ORGANIZATION

In our survey, we also investigated, whether these respondents organizations MNEs subsidiaries extent control the entire value chain (value chain).

“Mandate 3” was most often reported, some 56.6% of subsidiaries participating in the survey reporting this subsidiary role, seen as typical local subsidiaries (responsible for the value chain activities of procurement, production/operation and selling/dispatching). The other part 35.8% of the respondents have more significant mandate. The remaining 18.9% of the participants report they have only one element of the entire value chain operating in Poland.

Table 40: Mandates of the companies participating in the survey\*

Roles and mandates of your subsidiary	Frequency	Percentage distribution (%)
Mandate 1	18	34
Mandate 2	10	18,9
Mandate 3	30	56,6
Mandate 4	19	35,8
Mandate 5	19	35,8

Source: Primary research by the authors

\*(As a reminder of the five mandates, see Section earlier)

### 6.3.3. THE NUMBER OF THE SUBSIDIARIES OF THE MULTINATIONAL COMPANIES, PARTICIPATING IN THE SURVEY (N=53)

Some 45.3% of the companies participating in the survey have only one subsidiary in the country. Some 54.7% of the responding firms operate multiple legally independent units in the country as well.

Table 41: The number of the subsidiaries

The number of the subsidiaries	Frequency	distribution %
Only 1 operating subsidiary of respondents to the survey of the country	24	45,3
More than 1 subsidiary of the respondents in that country	29	54,7
<b>Total</b>	<b>53</b>	<b>100</b>

Source: Primary research by the authors

### 6.3.4. ORIGIN OF THE PARENT COMPANY

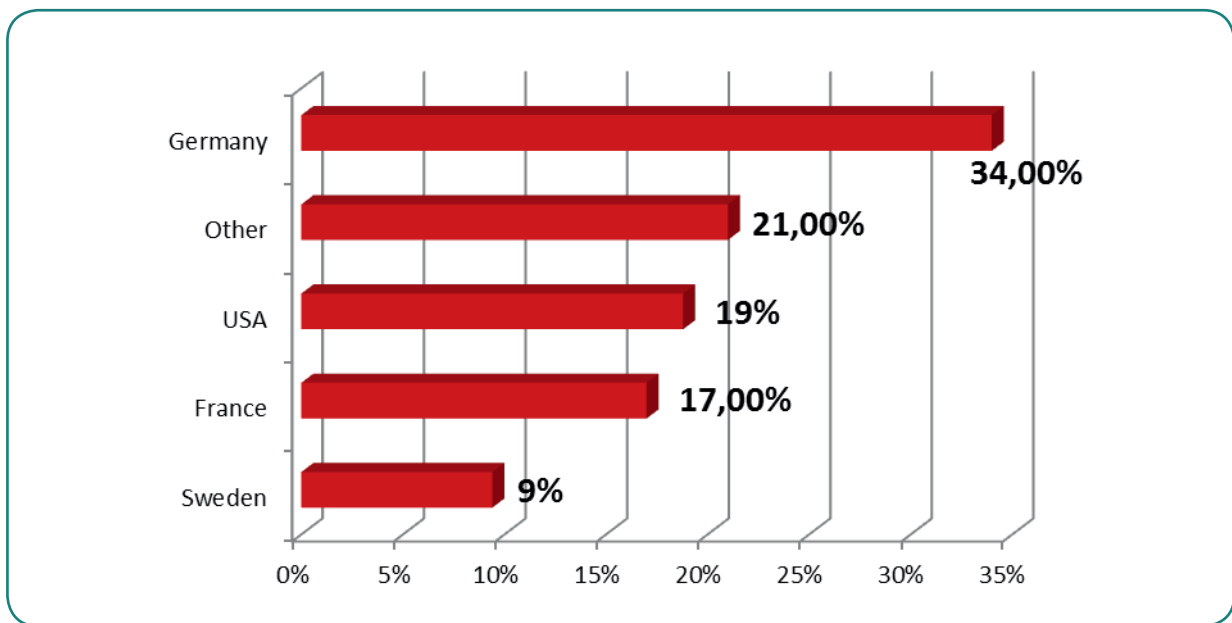
The participating companies entered Poland from 15 different countries. More than 79% of them came from Germany, USA, France and Sweden, while the remaining 21% represent another 11 countries.

Table 42: Origin of the parent companies

Origin of the parent company	Frequency	distribution %
Germany	18	34
USA	10	18,8
France	9	17
Sweden	5	9,4
Other	11	20,8
<b>Total</b>	<b>53</b>	<b>100</b>

Source: Primary research by the authors

Figure 13: Origin of the parent company (% distribution) of the participating companies



Source: Primary research by the authors

This composition, can be seen above, it is quite similar to the sequences have been issued by the Polish Statistic Office. Because the investors from Germany, France and the USA play an important role in the Polish economy and they are main participants in the sample of the survey as well. But, in this survey there are no participants from the Netherlands and Luxembourg at all.

If we have a look at the management cultures of the companies, we can see that the German 41,5% and the Anglo-Saxon 22,6% management cultures of the companies represent the main percentage of the sample. Beside 22,6% of the traditional multinationals (American, Western European and Japanese), 1,9% part of emerging and transitional companies also can be seen in the Polish trends.

Table 43: Management cultures of mother companies

The origin of the parent company by management culture	Frequency	distribution %
Nordic	6	11,3
Germanic	22	41,5
Latin and South-European	12	22,6
Anglo-Saxon	12	22,6
Eastern European	0	0
Asian	1	1,9
Others (Israeli)	0	0
<b>Total</b>	<b>53</b>	<b>24,5</b>

Source: Primary research by the authors



### 6.3.5. YEAR AND FORM OF ESTABLISHMENT OF THE SUBSIDIARIES

Before 1995, more than one fifth 19,2% of the subsidiaries, have been acquired via majority control or by Greenfield investments on the part of the foreign owners. Between 1996 and 2000, 33,3% of them settled in Poland. And 48,1% of them were coming to the country after the years of the Millennium.

Greenfield investments have been realized by 59,6% of the foreign owners of these companies, participating in our survey. Fully 40,4% of the firms obtained majority control in Polish companies during the period of the privatization and acquisitions.

Table 44: Year and mode of entry of the participants

Year of establishment of the subsidiary	Merger, acquisition	Greenfield investment	Total	distribution %
Before 1995	3	7	10	19,2
1995-2000	7	10	17	32,7
2001-2005	7	6	13	25
2006-2010	3	6	9	17,3
After 2010	1	2	3	5,8
<b>Total</b>	<b>21</b>	<b>31</b>	<b>52</b>	<b>100</b>
<b>% distribution</b>	<b>40,4</b>	<b>59,6</b>	<b>100</b>	

Source: Primary research by the authors

### 6.3.6. FIELD OF OPERATION: SECTOR-INDUSTRY

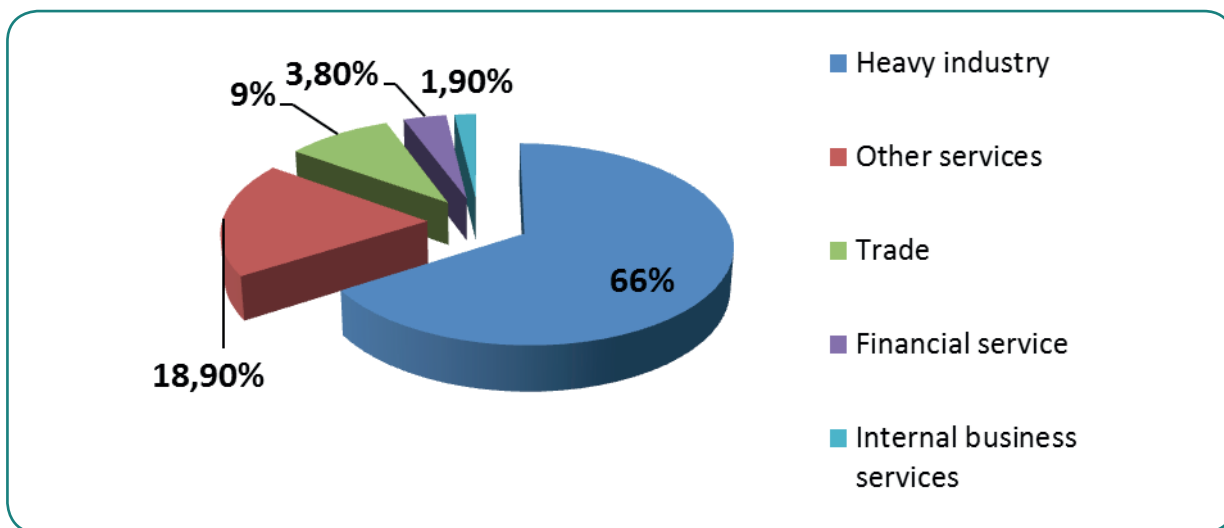
The majority of the organizations 66% are engaged in traditional manufacturing activities, while the other part 9,4% is comprised of trade and financial and non-financial services (24,5%).

Table 45: Sectoral distribution of the participants

Main sector of the subsidiary's activity	Frequency	distribution %
Heavy industry	35	66
Trade	5	9,4
Financial service	2	3,8
Other services	10	18,9
Internal business services	1	1,9
Other	0	0
<b>Total</b>	<b>53</b>	<b>100</b>

Source: Primary research by the authors

Figure 14: The sectoral distribution of the participants



Source: Primary research by the authors

## 6.4. MAIN DIRECTIONS OF DEVELOPMENT OF THE COMPANIES IN THE PERIOD EXAMINED

According to the topic indicated in the subtitle, we examined the importance of three strategic orientations:

- » Growth, market expansion, portfolio expansion
- » Stability, efficiency improvement, revenue retention, adapting to the market situation
- » Redundancies, rationalization

### 6.4.1. MAIN STRATEGIC ISSUES-ORIENTATIONS

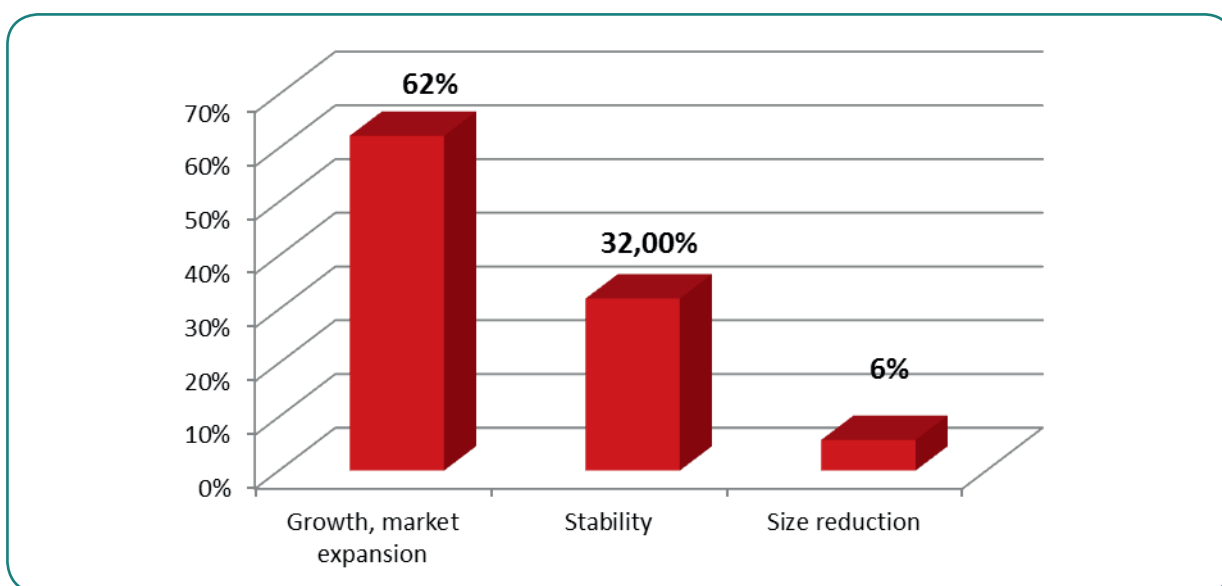
The majority (62,3%) of the Polish respondents indicated that they were seeking growth and portfolio expansion during the survey period. The stability, efficiency improvement, revenue retention, and adapting to the market situation were also important (32,1% of the subsidiaries). 5,7% of the subsidiaries chose the redundancies and rationalization option.

Table 46: Main strategic issues and orientations

Main strategic issues, orientations	Frequency of "yes" answers	distribution %
Growth, market expansion	33	62,3
Stability	17	32,1
Size reduction	3	5,7
Other	0	0
<b>Total</b>	<b>53</b>	<b>100</b>

Source: Primary research by the authors

Figure 15: Main strategic issues and orientations (%)



Source: Primary research by the authors

### 6.4.2. MAIN COMPETITIVE FACTORS IN THE PERIOD EXAMINED

The respondents can mark more than one answer, when we asked them to choose the most important competitive factors of companies:

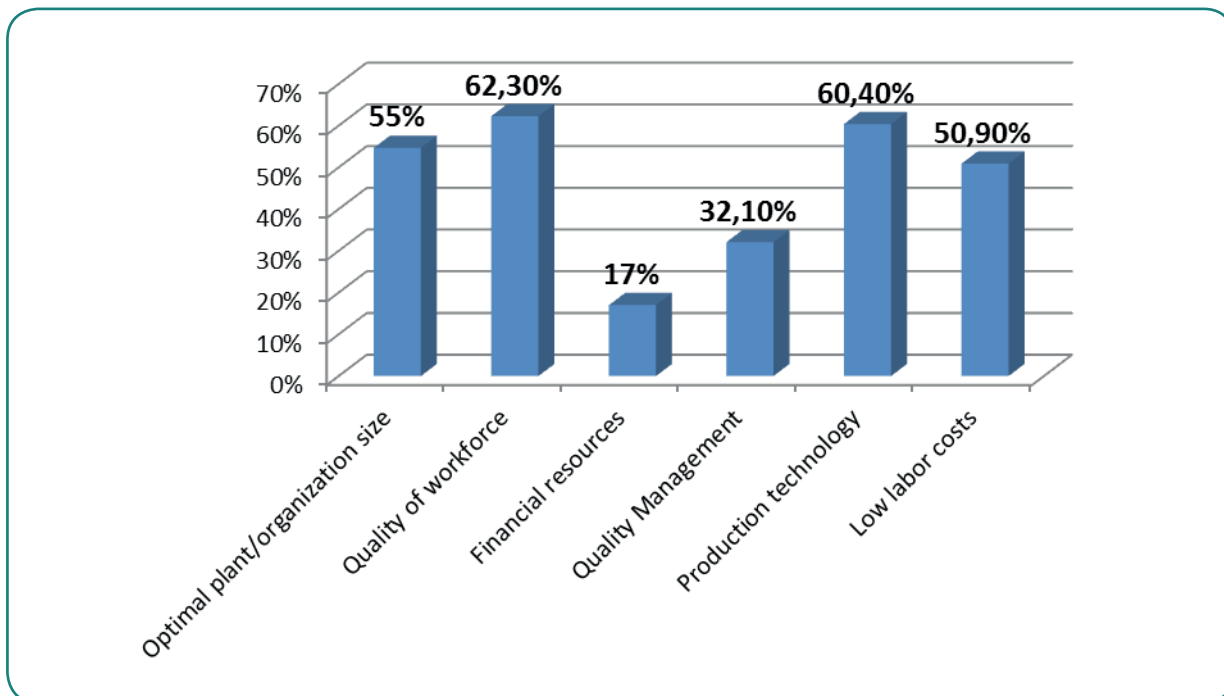
The quality of workforce was chosen by 62,3% of the respondents. The production technology by 60,4%, the optimal plant/organization size by 54,7% and low labor cost by 50,9%, and financial resources were chosen by 17% of the respondents.

Table 47: The importance of competitive factors

Competitive factors	Frequency of "yes" answers	distribution %
Optimal plant/organization size	29	54,7
Quality of workforce	33	62,3
Financial resources	9	17
Quality Management	17	32,1
Production technology	32	60,4
Low labor costs	27	50,9
Others	0	0

Source: Primary research by the authors

Figure 16: The importance of competitive factors for the subsidiaries (%)



Source: Primary research by the authors

### 6.4.3. KEY PERFORMANCE EVALUATION OF THE SUBSIDIARIES

The subsidiaries have been examined by these factors:

- » Profitability,
- » Quality of service,
- » Rate of innovation, and
- » Environmental issues

According to our analysis, we can see that the majority of Polish foreign-owned subsidiaries operate on average or above on average working level. (Table 48)

Table 48: Enterprise performance evaluation

Companies' performances	Weak	Below average	Same as the competitors	Better than average	Out-standing	Total
Profitability	0	6	17	19	11	<b>53</b>
	0%	11,3%	32,1%	<b>35,8%</b>	20,8%	<b>100%</b>
Quality of service	0	0	11	25	17	<b>53</b>
	0%	0%	20,8%	<b>47,2%</b>	32,1%	<b>100%</b>
Innovation rate	1	2	16	20	14	<b>53</b>
	1,9%	3,8%	30,2%	<b>37,7%</b>	26,4%	<b>100%</b>
Environmental cases	1	1	17	14	19	<b>52</b>
	1,9%	1,9%	32,7%	26,9%	<b>36,5%</b>	<b>100%</b>

Source: Primary research by the authors

## 6.5. CHARACTERISTICS OF THE KEY INDICATORS OF THE HR FUNCTION

In this section we give an overview of the following HR characteristics:

- » Number and workload of the HR staff
- » The main indicators representing the importance, results, and efficiency characteristics of the HR activity, and relative size of the training budget

### 6.5.1. NUMBER OF HR STAFF

In 2011, 104 employees were served by one HR professional.

Table 49: Number of employees and HR staff

		HR staff	Employees per HR position
Year	Number of employees	Total number of HR staff	
2011	47 748	460	104

Source: Primary research by the authors

The HR departments of the companies employ nine persons an average. According to our results, in spite of the average value of the respondents, 40% of the respondents have 1-4 people in their HR department, 26% of them employ 5-10 HR persons, and 22% of them employ 10-20 or more persons in the HR department as well.

Table 50: Number of HR staff

Total number of HR staff	2011	
	Frequency	distribution %
None	6	12
1-4 persons	20	40
5-10 persons	13	26
11-15 persons	1	2
15-20 persons	4	8
Over 20 persons	6	12
<b>Total</b>	<b>44</b>	<b>88</b>
<b>Average</b>	<b>9 persons</b>	

Source: Primary research by the authors

The data shown above are consistent with the data of international HR research described in CRANET (2006 and 2011).

### 6.5.2. LABOR COST – OPERATING COST RATIO

The Table below shows the proportion of the total annual payroll costs of production implanted. The results are significantly distorted, because, there were participants of the survey who did not give the value of this indicator.

Table 51: Labor cost in % of the operating cost

Labor cost in % of the operating cost	2011	
	Frequency	% distribution
Under 5 %	5	16,7
5-10 %	4	13,3
11-20 %	5	16,7
21-30 %	6	20
31-40 %	5	16,7
41-50 %	2	6,7
Over 50 %	3	10
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Primary research by the authors

### 6.5.3. RELATIVE SIZE OF THE TRAINING BUDGET

The development of the relative size of the training budget (compared to the total annual labor cost) is considered as an important and modern indicator of effective HR work/activity by the literature.

A level of 1-3% of the training budget has been marked by fully half of the respondents.

Seven companies spend 3-5% of labor costs, and two companies spend more than 5% of their labor costs on training and development of the staff.

Table 52: Annual training budget in % of the entire annual labor cost

Annual training budget in % of the entire annual labor cost	2011	
	Frequency	distribution %
Under 1 %	14	30,4
1-3 %	23	50
3-5 %	7	15,2
5-10 %	2	4,3
<b>Total</b>	<b>46</b>	<b>100</b>

Source: Primary research by the authors

## 6.6. THE OPERATION OF THE HR DEPARTMENT

### 6.6.1. THE RELATIONSHIP BETWEEN HEADQUARTERS AND LOCAL HR

We found several different functional roles and responsibility sharing practices among the companies examined.

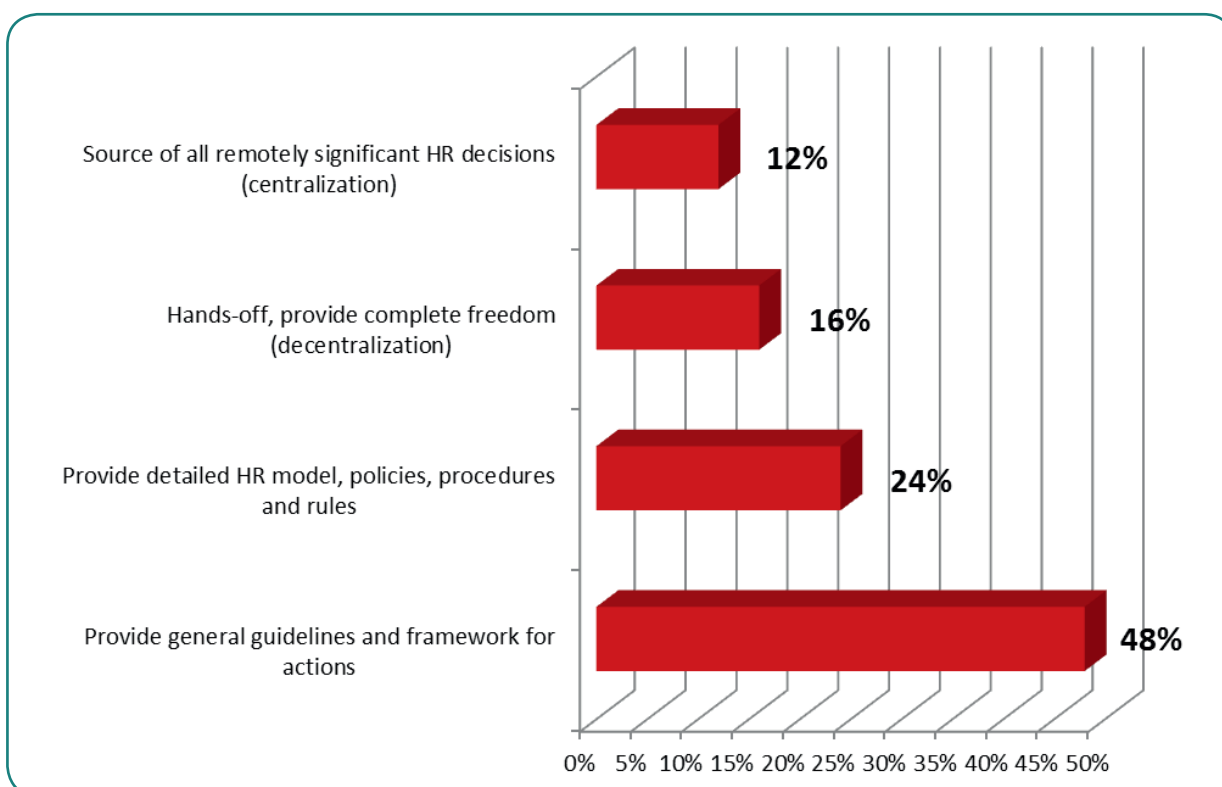
- » 48% of respondents described that the HQ-HR department provides general guidelines and framework for actions for the local HR departments of the subsidiaries
- » 24% of respondents said that the function of the HQ-HR is to provide the subsidiaries with detailed HR model, policies, procedures and rules
- » 16% of respondents stated that HQ-HR, expects information and reports, while as an auditor provides complete freedom (decentralization) for the local HR departments of the subsidiaries as well

Table 53: Typical functions of the (HQ) HR

Functions	Frequency of "yes" answers	distribution %
Hands-off, provide complete freedom (decentralization)	8	16
Provide general guidelines and framework for actions	24	48
Provide detailed HR model, policies, procedures and rules	12	24
Source of all remotely significant HR decisions (centralization)	6	12

Source: Primary research by the authors

Figure 17: Typical function of (HQ) HR



Source: Primary research by the authors



### 6.6.2. PRIMARY RESPONSIBILITY OF DECISION MAKING IN MAIN FUNCTIONS OF HR

The results are confirmed by our current survey, which were also established in other studies (CRANET, 2006 and Karoliny et al. 2009; 2010) that the members of the local line management hierarchy have larger responsibility and control in some HR decisions, while the local employees of the HR department have larger responsibility in other areas.

Table 54: Responsibility of decision making in key functions of HR

Key functions of HR	Local line management %	Local line management consulting with the HR department %	Local HR department consulting with local line management %	Local HR department %
Human Resource Planning	26,4	<b>35,8</b>	34	3,8
Recruitment	17	<b>43,4</b>	32,1	7,5
Selection	24,5	<b>41,5</b>	24,5	9,4
Performance Evaluation	<b>69,8</b>	20,8	5,7	3,8
Training and Development	24,5	<b>52,8</b>	17	5,7
Talent management	22	28	44	6
Compensation and Benefits	28,3	<b>37,7</b>	22,6	11,3
Industrial-Labor Relations	<b>32,1</b>	30,2	22,6	15,1
Employee Communication	<b>34,6</b>	23,1	28,8	13,5
HRMS/IT	11,5	11,5	<b>46,2</b>	30,8
Occupational Safety and Health (OSH)	28,3	13,2	<b>35,8</b>	22,6

Source: Primary research by the authors

As the data of Table 54 shows above, the majority of the respondents regard most of the interventions in the key functions of HR as the result of a joint decision in which the final decision is made rather by the local line management consulting with the HR department. Polish respondents said that the main areas of managerial decisions after consulting were in Training and development 52,8, Recruitment 43,4%, Compensation and benefits 37,7%.

Compared to our data of other investigations in Central and Eastern European countries, we can see the developing practices with responsibilities of HR decisions, with the local representatives and the final decision-making by the head of the local HR department.

The experts of the local HR department have "free-hands" in decisions on Performance evaluation 69,8% and Industrial labor relations 32,1% as well.

### 6.6.3. IMPLEMENTED TRANSFORMATION IN HR DEPARTMENT

According to 21,2% of the respondents, management get back the HR tasks during this period of time. 21.2% of the respondents also indicated the Increasing HR as a role of business partner. The Implementation of HR as a role of business partner has been indicated by 15,4% of the Polish respondents.

The Self-service HR for employees is known by 19,2% of respondents, while the Whole HR SSC and HR SSC in corporate and regional area have been both indicated by 7,7%.

Table 55: Implemented transformation in HR department

Implemented transformations in HR department	Completed	
	Frequency of "yes" answers	distribution %
Outsourcing of the tasks in HR department	6	11,5
Management gets back the HR tasks	11	21,2
Implementation of HR as a role of business partner	8	15,4
Increasing HR as a role of business partner	11	21,2
Whole HR SSC*	4	7,7
HR SSC * in corporate and regional areas	4	7,7
Self-service HR for employees	10	19,2
Self-service HR for the management	7	13,5

Source: Primary research by the authors

\* SSC = Shared Service Center

#### 6.6.4. THE ROLE OF EXTERNAL HR SERVICE PROVIDERS

In general the overall HR practices of the organizations have not changed recently, but we can see an increasing tendency in using of external partners.

The Labor relations 76,9%, the Performance evaluation 76,9% and Human resource planning 73,1% are seldom outsourced to external providers as indicated by those respondents.

Table 56: Role and use of external service providers in the different key functions of HR

Key functions of HR	Increased %	Decreased %	Same %	External providers not used %
Human Resource Planning	5,8	0	21,2	73,1
Recruitment	9,6	3,8	25	61,5
Selection	7,7	1,9	21,2	69,2
Performance Evaluation	7,7	1,9	13,5	76,9
Training and Development	23,1	7,7	23,1	46,2
Talent Management	3,8	3,8	23,1	69,2
Compensation and Benefits	13,5	0	15,4	71,2
Industrial-Labor Relations	1,9	3,8	17,3	76,9
Employee Communication	1,9	3,8	15,4	78,8
HRMS/IT	2	2	17,6	78,4
Occupational Safety and Health (OSH)	11,8	0	23,5	64,7

Source: Primary research by the authors

#### 6.6.5. LACK OF HR MANAGER

The Chief Executive apparently works mainly as the HR manager in those 11,3%, companies where there is no HR manager at all. Some decisions are taken by the Head of the Finance department 3,8% as well.

Table 57: The greatest decision-making power of HR issues of firms working without HR manager

Position	Frequency of "yes" answers	distribution %
Chief Executive	6	11,3
Administrative manager	0	0
Head of the Finance department	2	3,8
Production manager	0	0
Head of Marketing/Sale	0	0
Other	0	0

Source: Primary research by the authors

## 6.7. CRITICAL HR ISSUES

### 6.7.1. CHANGES IN IMPORTANCE OF MAIN HR ISSUES

We can see on the table below the ranking of critical HR areas. According to our results the Employee Communication, Industrial-Labor Relations and Talent Management are the most critical HR issues.

*Table 58: Critical HR issues (on a 1 ⇒ 5 scale, on average)  
(Explanation: 1= critical ⇒ 5 = not at all critical)*

Critical HR issues in	Average of the answers
Employee Communication	3,26
Industrial-Labor Relations	3,24
Talent Management	3,23
Compensation and Benefits	3,07
Human Resource Planning	3,05
Recruitment and Selection	2,9
Performance Evaluation	2,82
Training and Development	2,63
Other	2,2

*Source: Primary research by the authors*

### 6.7.2. CONDITIONS AND RESULTS OF THE SUBSIDIARIES

In our survey we tried to find the answers to the following questions, in accordance with the HR issues, which can be seen in this table.

Easy to find manual workers in labor market: 36,5% of the respondents said that it is minor characterized. Easy to find well-trained technical workers (in the labor market): 40,4% of respondents said that it was a minor issue. Foreign language skills are not seen to be a problem in most of the jobs: 43,1% of respondents answered that it is a significant issue or concern. We can keep talent easily: 35,3% of the respondents said that it was a significant issue now. We can offer competitive wages for our employees in every job: is considered by 41,2% of them to be a critical issue. Issues with trade unions are not significant for a majority 54% of the respondents.

Table 59: HR issues

HR issues in 2011	No feature at all %	Minor feature %	Large feature %	Full feature %
Easy to find manual workers in labour market	25	<b>36,5</b>	30,8	7,7
Easy to find well-trained technical workers	26,9	<b>40,4</b>	23,1	9,6
Foreign language skills are not problem in most of the jobs	7,8	29,4	<b>43,1</b>	19,6
We can keep the talents easily	23,5	23,5	<b>35,3</b>	17,6
We can offer competitive wages for our employees in every job	13,7	33,3	<b>41,2</b>	11,8
Significant influence of the trade unions	<b>54</b>	16	16	14

Source: Primary research by the authors

## 6.8. DELEGATES AND ROLES

## 6.9. EXPATRIATES

### 6.9.1. FOREIGN EXPATRIATES

We have to mention two types of long-term (expatriate) assignments. Arrivals from abroad (from a parent company or from a third country) are also called expatriates. Additionally employees from the domestic subsidiary appointed for a long-term period on mission abroad (to the parent company or subsidiaries working in other countries) are considered.

- » Foreign expats have not been employed in non-manager positions by 80% of the Polish subsidiaries participating in the survey. In those companies that employed permanently foreign expatriates in non-manager positions, the number of them was only 1-5 persons
- » The presence of expatriates being employed in manager positions is more significant but 66% of the respondents have not employed foreign expatriates in such positions in the focal research period. Where they were present in a Polish firm, the number of such assignees was most often in the range of 1-5 persons.

Table 60: Number of foreign expats

Number of expats	In managerial position		In non-managerial position	
	Frequency	distribution %	Frequency	distribution %
None	35	66	44	83
1 person	5	9,4	3	5,7
2-3 persons	5	9,4	1	1,9
4-5 persons	5	9,4	2	3,8
6-10 persons	2	3,8	1	1,9
11-15 persons	0	0	0	0
16-20 persons	0	0	0	0
Over 20 persons	1	1,9	2	3,8
<b>Total</b>	<b>53</b>	<b>100</b>	<b>53</b>	<b>100</b>

Source: Primary research by the authors

### 6.9.2. POLISH EXPATRIATES

We can see below the number and positions of Polish expatriates have been sent to foreign companies of their respective MNCs.

Table 61: Number and position of Polish expatriates

Number and positions of Polish expats	In managerial position		In non-managerial position	
	Frequency	distribution %	Frequency	distribution %
None	41	77,4	41	77,4
1 person	4	7,5	3	5,7
2-3 persons	3	5,7	2	3,8
4-5 persons	2	3,8	3	5,7
6-10 persons	2	3,8	1	1,9
11-15 persons	0	0	2	3,8
16-20 persons	0	0	0	0
Over 20 persons	1	1,9	1	1,9
<b>Total</b>	<b>53</b>	<b>100</b>	<b>53</b>	<b>100</b>

Source: Primary research by the authors

Although more respondents have been sending employees abroad than receiving them in country, 77,4% of the them have not sent employees abroad (in managerial, and non-managerial position) at all. The range of 1-5 employees has been typically sent by those companies that do send employees out.

### 6.9.3. TYPICAL HR COMPETENCIES FOR SUCCESS

According to the supplemented list of HRM competency areas identified by one of the most well-known HR consultants Dave Ulrich (et al. in 2009), the most important competencies are considered by the respondents:

- » Personal credibility: effectiveness, efficient connections and communication skills (96%)
- » Communication in foreign languages (80%)
- » HR services: recruitment-selection, training, performance evaluation, HR measurement, etc. (79,6%)
- » Business knowledge (79,6%).

The Strategic contribution was chosen by (77.6%) of the respondents.

The importance of the Using of HRMIS (IT) was identified by (45,7%) of them.

Table 62: Ranking of key competencies of HR managers

Ranking of the importance of key competencies	Very important	
	Frequency	distribution %
<b>Personal credibility (effectiveness, efficient connections, communication skills)</b>	48	96
<b>Communication in foreign languages</b>	40	80
<b>Business knowledge (value chain, value creation)</b>	39	79,6
<b>HR services (recruitment-selection, training, performance evaluation, HR measurement, etc.)</b>	39	79,6
<b>Strategic contribution (culture management, quick changes, strategic decision making)</b>	38	77,6
<b>Use of HRMIS (IT)</b>	21	45,7

Source: Primary research by the authors



## 6.10. KNOWLEDGE MANAGEMENT IN HR

Knowledge management refers to the integrated management and sharing of the collective strategic knowledge (know-how, skills and intellectual abilities) of a certain organization's employees. In connection to the application of knowledge transfers in the field of HR, we examined the following three areas:

- » Methods of personal competency development in HR
- » Enablers of HR knowledge flows
- » Directions of HR knowledge flows

### 6.10.1. PERSONAL COMPETENCY DEVELOPMENT IN HR

The Polish respondents considered local HR training and development (3,38/5) and Informal learning in HR department of the subsidiary (3,34/5) to be the most important methods of personal competency development in the field of HR. They thought that HR training and development in Headquarters (3,29/5), the Informal learning in Headquarters (2,86/5), and HR training and development in other subsidiaries (2,8/5) also played very important role in HR professional development. Informal learning in HR departments of other subsidiaries (2,43/5) were chosen as the least important method of competency of development in HR.

Table 63: The importance of the methods of personal competency development in HR (on a scale 1 ⇒ 5)  
(Explanation: 1 = important ⇒ 5 = not important at all)

Methods of gaining competencies	The average of the answers
Informal learning in HR department of the subsidiary	3,34
Informal learning in HR departments of other subsidiaries	2,43
Informal learning in Headquarters	2,86
Local HR training and development	3,38
HR training and development in Headquarters	3,29
HR training and development in other subsidiaries	2,8

Source: Primary research by the authors

### 6.10.2. HR KNOWLEDGE TRANSFER BETWEEN THE PARENT COMPANY AND THE SUBSIDIARY

The respondents ranked the HR knowledge flows from parent to subsidiary (3,53/5) and HR knowledge flows between subsidiaries and other departments (3,45/5) as the most important forms of the different HR knowledge flows.

Table 64: HR knowledge flows (on a 1 ⇒ 5 scale, on average)  
(Explanation: 5 = important ⇒ 1 = not important at all)

HR knowledge flows in HR	The average of the answers
HR knowledge flows from parent to subsidiary	3,53
HR knowledge flows from subsidiary to parent	3
HR knowledge flows between yours and other subsidiaries	2,98
HR knowledge flows in HR department of the subsidiary	3,12
HR knowledge flows between subsidiaries and other departments	3,45

Source: Primary research by the authors

## 6.11. THE FUTURE TASKS OF HR

### 6.11.1. THE KEY BUSINESS ISSUES, TRENDS FOR HR TO FACE

The key issues and trends have been considered to be important by the responding HR managers in next 12-24 months (see Table below):

The fast-growing organizations, Encourage employees, and the Raising commitment have been ranked as the most important by them. There are some managers, who do these tasks not only with business development, but adapting globalization.

Table 65: Rank order of key business challenges in the next 1-2 years

Order of priority of the key business directions, challenges
1. Fast-growing organizations
2. Encourage employees
3. Raising commitment
4. Staff development
5. Lack of Talent Management
6. Leadership development

Source: Primary research by the authors

## 6.12. CHARACTERISTICS OF THE RESPONDING INDIVIDUALS

We have also examined demographic characteristics, the professional qualifications and the characteristics of their positions as well.

Almost all the interviewees participating in the survey have university, college or equivalent qualifications, some of them also have PhD degree.

Table 66: Level of qualification

Level of qualification	Frequency	distribution %
University PhD	6	11,3
University (MA/MSc)	42	79,2
College (BA/BSc)	5	9,4
<b>Total</b>	<b>53</b>	<b>100</b>

Source: Primary research by the authors

The majority of the Polish respondents obtained qualifications in Engineering 57,7%, Social sciences 36,5% and the remaining part has graduate in Natural Sciences 5,8%.

Table 67: Field of professional qualification

Field of professional qualification	Frequency	distribution %
Natural sciences	3	5,8
Engineering	30	57,7
Social sciences	19	36,5
Other	0	0
<b>Total</b>	<b>52</b>	<b>100</b>

Source: Primary research by the authors

40% parts of the respondents have been working in their current positions for less than three years. And 32% of them have been spending in their positions for 3-5 years.

Table 68: Time spent in current position

Time spent in current position	Frequency	distribution %
0-3 years	20	40
3-5 years	16	32
5-10 years	11	22
10-15 years	3	6
Over 15 years	0	0
<b>Total</b>	<b>50</b>	<b>100</b>

Source: Primary research by the authors

## 7. ROMANIA (KINGA KERÉKES–MONICA ZAHARIA–JÓZSEF POÓR–ILDIKÓ ÉVA KOVÁCS)

### 7.1. INTRODUCTION



Population: 21 469 959 people  
Territory: 237 500 km<sup>2</sup>



GDP (%)	7,3	-7,1	-1,3
Unemployment (%)	5,8	6,9	7,3
Inflation (%)	7,9	5,6	6,1
GDP per capita in PPS EU-27=100%	47,0	46,0	45,0

## 7.2. FDI AND EMPLOYMENT IN ROMANIA

### 7.2.1. COUNTRIES OF ORIGIN

First and foremost FDI inflow had an important role in Romanian economic development over the past 25 years. The volume of FDI followed a growth trend until 2008, the highest growth being registered in 2006 (9 059 million EUR), an increase of 73.8% compared to the year before. Due to the global economic crisis, in the period 2008-2011 Romania lost much of its attractiveness to foreign investors and FDI inflow decreased. In 2012 the signs of recovery could already be noticed. The total volume of FDI in Romania reached 59 126 million euro at the end of 2012, 7.2% higher than in 2011, according to the records of the Romanian National Bank (NBR 2013).

Most of the FDI invested in Romania (Table 69) has its origins in The Netherlands (22.4%), Austria (18.5%), Germany (11.0%), France (8.9%) and Italy (5.0%).

Table 69: FDI by country of origin (2012)

Order	Country	%
1.	The Netherlands	22.4%
2.	Austria	18.5%
3.	Germany	11.0%
4.	France	8.9%
5.	Italy	5.0%
6.	Cyprus	4.5%
7.	Greece	4.3%
8.	Switzerland	3.7%
9.	USA	3.1%
10.	Luxembourg	2.3%
11.	Spain	1.8%
12.	Belgium	1.8%
13.	Czech Republic	1.7%
14.	UK	1.7%
15.	Hungary	1.6%
16.	Others	7.7%
<b>Total</b>		<b>100%</b>

Source: NBR 2013:23

### 7.2.2. SECTORAL DISTRIBUTION

Greenfield investments represent 47.3% of total FDI. The economic sector receiving the highest share of FDI was manufacturing (31.3%), followed by financial intermediation and insurance (18.5%), trade (11.4%), energy, gas and water supply (9.7%), construction and real estate transactions (9.2%). (Table 70)

Table 70: FDI by sector (2012)

Order	Sectors	%
1.	Manufacturing	31.3%
2.	Financial intermediation and insurances	18.5%
3.	Trade	11.4%
4.	Energy, gas and water supply	9.7%
5.	Construction and real estate transactions	9.2%
6.	Extractive industry	5.5%
7.	Information technology and communication	4.8%
8.	Professional, scientific, technical, administrative and support services	4.7%
9.	Agriculture, forestry and fishing	2.4%
10.	Transportation	1.5%
11.	Hotel and restaurant	0.6%
12.	Other activities	0.4%
<b>Total</b>		<b>100%</b>

Source: NBR 2013:23

Regional distribution of FDI is uneven: the Bucharest-Ilfov region has received most of the FDI (60.6%), while in the North East Region arrived only 3.0% of the total FDI (NBR 2013). This statistic may be seen to be distorted by the fact that all FDI is registered at the headquarters (often located in Bucharest, the capital city), even if the company operates in several other regions as well.

### 7.2.3. THE NUMBER OF FOREIGN OWNED COMPANIES

Foreign owned enterprises had been registered in greater numbers especially in the period 1992-1994 and 2004-2008, the peak year being 2007, when 15 720 foreign owned companies were registered. The impact of the economic crisis is clearly visible on the evolution of the number of companies registered in Romania, as well as on the volume of their capital involved in the various investments (Table 71).

Table 71: Evolution of foreign owned companies operating in the Romanian economy (1991-2013)

Year	No. of registered companies	Yearly registered capital (thou EUR)	Total registered capital (thou EUR)
1991	5 499	817 976	817 976
1992	11 765	443 106	1 261 082
1993	10 583	322 970	1 584 052
1994	11 053	681 484	2 265 536
1995	3 400	183 742	2 449 277
1996	3 630	443 356	2 892 633
1997	5 251	278 192	3 170 825
1998	8 801	583 940	3 754 765
1999	7 383	729 941	4 484 706
2000	8 567	648 611	5 133 317
2001	7 175	1 190 959	6 324 276
2002	7 518	833 810	7 158 086
2003	6 609	996 235	8 154 321
2004	10 167	2 343 733	10 498 054
2005	11 719	2 434 525	12 932 579
2006	12 823	2 417 237	15 349 816
2007	15 720	2 389 392	17 739 208
2008	12 264	3 984 433	21 723 641
2009	6 801	3 512 611	25 236 251
2010	6 302	3 914 441	29 150 692
2011	6 377	3 329 432	32 480 124
2012	6 385	2 856 417	35 336 541
2013	6 624	2 355 804	37 692 345
<b>1991 – 2013</b>	<b>192 416</b>	<b>37 692 345</b>	<b>37 692 345</b>

Source: ONRC (2013)

### 7.2.4. EMPLOYMENT

Foreign owned companies employed less than 5 thousand people in Romania in 1995, while this number was over half a million in 2012, almost 12% of the total number of employees in the entire Romanian economy (Table 72).

Table 72: The number of employees in companies with foreign interest from Romania and their share in total employment (1995-2012)

Year	Foreign owned firms	
	Number of employees	Share of employees %
1995	4 533	0.1%
1996	10 486	0.2%
1997	29 432	0.5%
1998	52 619	1.0%
1999	69 024	1.5%
2000	103 939	2.3%
2001	216 316	4.7%
2002	233 145	5.1%
2003	194 523	4.2%
2004	24 9727	5.6%
2005	291 603	6.4%
2006	321 450	6.9%
2007	374 266	7.7%
2008	454 203	9.0%
2009	408 189	8.6%
2010	399 399	9.1%
2011	461 984	10.6%
2012	516 782	11.6%

Source: NIS (2014)

The economic crisis had a negative impact on the operation of foreign-owned firms; as a result, employment declined slightly in 2009 and showed recovery in 2010.



### 7.3. CHARACTERISTICS OF THE COMPANIES PARTICIPATING IN THE SURVEY

A total of 34 foreign owned, legally independent subsidiaries participated in the survey. Not all company representatives did answer all the questions, thus for some reported items the number of respondents will vary.

#### 7.3.1. COMPANY SIZE

The subsidiaries examined employed over 20 thousand persons in 2011. Based on the number of their total employees, 48.5% of the companies participating in the survey are SMEs (Table 73).

Table 73: Number of staff (n=33)

Total number of employees of the company	Frequency	Percentage distribution %
<b>Below 250</b>	16	48.5%
<b>251-1000</b>	10	30.3%
<b>1001-2000</b>	5	15.2%
<b>2001-5000</b>	2	6.1%
<b>Over 5000</b>	0	0%
<b>Total</b>	<b>33</b>	<b>100%</b>

Source: Primary research by the authors

#### 7.3.2. MANDATE OF THE ORGANIZATION

We also examined how much control the respondent subsidiaries have over the entire value chain. Most of the subsidiaries participating in the survey have typical local subsidiary roles (71.9% production/operation, 44.8% sales/delivery, 13.8% purchase), around 30.4% have a more complete mandate, incorporating most if not all links in the value chain, including also the “back end” R&D activities (Table 74).

Table 74: Mandates of the companies participating in the survey

Roles and mandates of your subsidiary	Frequency	Percentage distribution %
<b>Mandate 1</b>	7	30.4%
<b>Mandate 2</b>	4	13.8%
<b>Mandate 3</b>	23	71.9%
<b>Mandate 4</b>	11	37.9%
<b>Mandate 5</b>	13	44.8%

Source: Primary research by the authors  
(As a reminder of the five mandates, see Section 3.2.4 earlier)

### 7.3.3. ORIGIN OF THE PARENT COMPANY

The subsidiaries participating in the survey came to Romania from 13 different countries. More than two third of them from the following five countries: USA, The Netherlands, Germany, Hungary and Japan, while another 8 countries account for the remaining one third of responses (Table 75).

Table 75: Origin of the parent companies of the participating companies (n=34)

Origin of the parent company	Frequency	distribution %
USA	6	17.6
The Netherlands	5	14.7
Germany	4	11.8
Hungary	4	11.8
Japan	4	11.8
France	3	8.8
Switzerland	2	5.9
Others	6	17.6
<b>Total</b>	<b>34</b>	<b>100</b>

Source: Primary research by the authors

The composition described above partly corresponds with the data of the Romanian National Bank (NBR 2013), according to which an important share of foreign direct investment arrived to Romania from The Netherlands, German and France, while Hungarian and Japanese multinationals are over represented in the survey compared to their importance in the national economy.

If we take a look at the management culture of the companies (Table 76), the highest proportions of companies in the sample analyzed belong to the so-called Germanic (35.3%) and the Anglo-Saxon (20.6%) management cultures.

Table 76: Management cultures of mother companies (n=34)

Management cultures of mother companies	Frequency	% distribution
Nordic	1	2.9%
Germanic	12	35.3%
Southern Europe and Latin	5	14.7%
Anglo-Saxon	7	20.6%
Eastern European	4	11.8%
Asian	5	14.7%
<b>Total</b>	<b>34</b>	<b>100%</b>

Source: Primary research by the authors

In Romania, besides traditional MNCs (American, Western European and Japanese), representing 88.2%, companies from the so-called emerging and transitional countries (11.8%) are represented in the sample.

### 7.3.4. YEAR AND FORM OF ESTABLISHMENT OF THE SUBSIDIARIES

Just around 8.8% of the subsidiaries examined were established by 1995, around one quarter (26.5%) of the companies settled in Romania between 1996 and 2000 and almost two third of the international firms (64.7%) appeared in the new millennium. About 58.8% of the foreign owners of the companies participating in the survey made Greenfield investments and 41.2% of them obtained majority control of Romanian companies during the intense period of privatization and the attendant rush for local acquisitions (Table 77).

Table 77: Year and mode of entry of the participants

Year of establishment of the subsidiary	Merger, acquisition	Greenfield investment	Total	% distribution
1990-1995	1	2	3	8.8%
1996-2000	4	5	9	26.5%
2001-2005	4	6	10	29.4%
2006-2010	5	6	11	32.4%
After 2010	0	1	1	2.9%
<b>% distribution</b>	<b>41.2%</b>	<b>58.8%</b>	<b>100%</b>	

Source: Primary research by the authors

### 7.3.5. FIELD OF OPERATION: SECTOR-INDUSTRY

The biggest share (35.3%) of the organizations examined is engaged in manufacturing, 20.6% of the firms are engaged in financial services, 20.6% in trade and 23.6% report a focus in other services (Table 78).

Table 78: Sectoral distribution of the participants (n=34)

Main sector of the subsidiary's activity	Frequency	% distribution
Industry	12	35.3%
Trade	7	20.6%
Financial services	7	20.6%
Business services	4	11.8%
Other services	4	11.8%
<b>Total</b>	<b>34</b>	<b>100%</b>

Source: Primary research by the authors

## 7.4. MAIN DIRECTIONS OF DEVELOPMENT OF THE COMPANIES IN THE PERIOD EXAMINED

We have examined how important the following three strategic orientations were for the respondents:

- » growth, market expansion, portfolio expansion,
- » stability, efficiency improvement, revenue retention, adapting to the market situation,
- » redundancies, rationalization.

### 7.4.1. MAIN STRATEGIC ISSUES-ORIENTATIONS

The great majority (72.7%) of the respondents indicated that growth and portfolio expansion were their main strategic orientations during the period examined. Almost 24.2% of the companies surveyed were characterized by seeking stability and improving efficiency. Only one respondent (3.0%) chose redundancies and rationalization and one did not answer (Table 79).

Table 79: Main strategic issues and orientations

Main strategic issues, orientations	Frequency of "yes" answers	distribution %
Growth, market expansion, portfolio expansion	24	72.7%
Stability, efficiency improvement, revenue retention, adapting to the market situation	8	24.2%
Redundancies, rationalization	1	3.0%
<b>Total</b>	<b>33</b>	<b>100%</b>

Source: Primary research by the authors

### 7.4.2. MAIN COMPETITIVE FACTORS IN THE PERIOD EXAMINED

From the provided list of the most important competitive factors (from which more than one answer could be marked) most companies mentioned the high quality workforce (81.8%), production technology (58.6%), management (57.6%) and optimal organization size (53.3%). A lower share of the respondents considered availability of financial resources (37.9%) and low workforce costs (29.6%) to be very important competitive factors (Table 80).

Table 80: The importance of competitive factors

Competitive factors	Frequency of "yes" answers	distribution %
Optimal plant/organization size	16	53.3%
Quality workforce	27	81.8%
Financial resources	11	37.9%
Management	19	57.6%
Production technology	17	58.6%
Low workforce costs	8	29.6%
Other	0	0%

Source: Primary research by the authors

The respondents declared that their companies are performing in most areas at least at an average level. Service quality was considered to be exceptional by 32.4% of respondents, but only 9.1% assessed their profitability as being described as average.

## 7.5. CHARACTERISTICS OF THE KEY INDICATORS OF THE HR FUNCTION

In this section we give an overview of the following HR characteristics:

- » Number and workload of the HR staff,
- » The main indicators representing the importance, results, and efficiency characteristics of the HR activity (labor cost – total cost ratio, and relative size of the training budget).

### 7.5.1. NUMBER OF HR STAFF

The average number of employees served by one HR professional was 75 persons. (Table 81)

Table 81: Number of employees and HR staff in the participating companies

Year	Number of employees	HR staff	Employees per HR position
2011	20113	269	75

Source: Primary research by the authors

The HR departments of the companies employ in average eight persons, most frequently reported (51.5%) are HR departments with 1-4 employees (Table 82). Only four organizations participated in the survey that did not have a HR department, moreover these four firms did not employ one single HR professional.

Table 82: Number of HR staff (n=31)

Total number of HR staff	2011	
	Frequency	distribution %
None	4	12.1%
1-4 persons	17	51.5%
5-10 persons	5	15.2%
11-15 persons	5	15.2%
15-20 persons	0	0.0%
Over 20 persons	2	6.1%
<b>Total</b>	<b>31</b>	<b>100%</b>

Source: Primary research by the authors

## 7.6. THE MAIN INDICATORS REPRESENTING THE IMPORTANCE AND RESULTS OF THE HR ACTIVITY

### 7.6.1. LABOR COST – OPERATING COST RATIO

Less than half of the examined companies give data referring to the labor cost – operating cost ratio, the variety of responses are due to the variety of their fields of activity. This may be due to a consideration that this type of information is proprietary and should be kept private. For about one third of the subsidiaries the labor cost ratio is higher than 30% (Table 83).

Table 83: Labor cost in % of the operating cost (n=16)

Labor cost in % of the operating cost	2011	
	Frequency	distribution %
Under 5 %	2	12.5%
5-10 %	3	18.8%
11-20 %	4	25.0%
21-30 %	2	12.5%
31-40 %	1	6.3%
41-50 %	2	12.5%
Over 50 %	2	12.5%
<b>Total</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors

### 7.6.2. RELATIVE SIZE OF THE TRAINING BUDGET

Even though literature considers the relative size of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity, for more than half of the companies examined, the relative size of the training budget was under 3%. At the same time, about 25.8% of the companies spent more than 5% of the annual labor budget on training employees (Table 84).

Table 84: Annual training budget in % of the entire annual labor cost

Annual training budget in % of the entire annual labor cost	2011	
	Frequency	distribution %
Under 1 %	4	12.9%
1-3 %	13	41.9%
3-5 %	6	19.4%
5-10 %	8	25.8%
<b>Total</b>	<b>31</b>	<b>100%</b>

Source: Primary research by the authors

## 7.7. EXPATRIATES

### 7.7.1. FOREIGN EXPATRIATES AND THEIR ROLES

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 Romanian subsidiary appointed for a long-term deputation abroad (at the parent company or subsidiaries operating in other countries).

- » Some 74.2% of the subsidiaries participating in the survey did not employ foreign expatriates in non-managerial positions. In those few companies that employed foreign expatriates in non-managerial positions permanently, the number of these expatriates was typically only between one and three positions. Only three respondents employed more than 10 such expatriates.
- » The presence of expatriates employed in managerial positions is more significant, around 64.5% of the respondents employed foreign expatriates in positions in the period examined. Where they were present, their number was typically between one and three expatriates, but one company employed more than 20 of them.

Table 85: Number of foreign expatriates (n=31)

Number of expats	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
None	20	64.5%	23	74.2%
1 person	1	3.2%	1	3.2%
2-3 persons	5	16.1%	3	9.7%
4-5 persons	2	6.5%	1	3.2%
6-10 persons	1	3.2%	0	0.0%
11-15 persons	0	0.0%	1	3.2%
16-20 persons	1	3.2%	0	0.0%
Over 20 persons	1	3.2%	2	6.5%
<b>Total</b>	<b>31</b>	<b>100%</b>	<b>31</b>	<b>100%</b>

Source: Primary research by the authors

## 7.7.2. ROMANIAN EXPATRIATES

(Table 86) shows how typically and to what positions Romanian expatriates were sent to foreign companies of MNCs.

Table 86: Number and positions of Romanian expatriates

Number of Romanian expatriates	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
None	22	66.7%	25	75.8%
1 person	4	12.1%	0	0.0%
2-3 persons	3	9.1%	3	9.1%
4-5 persons	2	6.1%	0	0.0%
6-10 persons	1	3.0%	2	6.1%
11-15 persons	1	3.0%	2	6.1%
16-20 persons	0	0.0%	0	0.0%
Over 20 persons	0	0.0%	1	3.0%
<b>Total</b>	<b>33</b>	<b>100%</b>	<b>33</b>	<b>100%</b>

Source: Primary research by the authors

Although more respondents sent employees in managerial positions rather than in non-managerial positions, there was no such foreign deputation in 66.7% of the respondents. Companies that sent employees abroad, sent usually one to three employees, the maximum reported was 15 persons.

## 7.8. THE OPERATION OF THE HR DEPARTMENT

### 7.8.1. THE RELATIONSHIP BETWEEN HEADQUARTERS AND LOCAL HR

We found several different function-sharing practices describing the relationship between the local HR unit and the corporate HQ HR unit among the companies surveyed.

(Table 87)

- » The solution implemented by 34.5% of the respondents, 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.
- » In the same share 34.5% of companies the headquarters was also responsible for developing the detailed HR model and not only personnel guidelines but also the rules, procedures, and HR processes were developed centrally.
- » 6.9% of the respondents characterized their relationship as one of absolute centralization.
- » On the other hand, 24.1% of the HR departments of the responding subsidiaries reported getting hands-off, almost complete freedom from the headquarters and locally decentralized HR activity, stating that the HR department of the company's headquarters only carries out the auditing function and requiring reports.



Table 87: Typical functions of the HQ HR (n=29)

Functions	Frequency of "yes" answers	Multiple answers possible, response
Hands-off, provide complete freedom	7	24.1%
Provide general guidelines and framework for actions	10	34.5%
Provide detailed HR model, policies, procedures and rules	10	34.5%
Source of all remotely significant HR decisions	2	6.9%

Source: Primary research by the authors

### 7.8.2. CHANGES IN THE IMPORTANCE OF HR FUNCTIONS

Talent management was first in the ranking of HR areas considered most critical in the period examined, being a little ahead of the issue of recruitment & selection. Interestingly, the responding subsidiaries regarded employee communication as the least critical area of their work (Table 88).

Table 88: Critical areas of HR (on a 1 ⇒ 5 scale, on average)  
(Explanation: 5 = critical ⇒ 1 = not critical at all)

The ranking of the areas of HRM critical in	The average of the answers
HR planning	2.91
Recruitment, selection	2.97
Performance Evaluation	2.94
Training and development	2.91
Talent Management	3.00
Compensation and Benefits	2.59
Employee Relations	2.65
Communication	2.41

Source: Primary research by the authors

### 7.8.3. TYPICAL HR COMPETENCIES FOR SUCCESS

From the list of HRM competency areas (Table 89), respondents considered the following to be the most important:

- » personal credibility (effectiveness, efficient connections, communication skills) (93.9%),
- » HR services (84.8%),
- » strategic contribution (75.8%),
- » foreign language skills (75.8%).

Table 89: Ranking of the key competencies of HR managers (n=34)

Ranking of key competencies	Very important	
	Frequency	% distribution
<b>Business knowledge (value chain, value creation)</b>	23	69.7%
<b>Strategic contribution (managing culture, championing changes, strategic decisions)</b>	25	75.8%
<b>Personal credibility (achieving results, effective relationships, communication skills)</b>	31	93.9%
<b>HR services (recruitment, selection, training and development, performance management, etc.)</b>	28	84.8%
<b>Usage of HRIS</b>	24	72.7%
<b>Foreign languages skills</b>	25	75.8%

Source: Primary research by the authors  
Multiple responses allowed, hence sums to more than 100%

#### 7.8.4. PRIMARY RESPONSIBILITY OF DECISION MAKING IN THE MAIN FUNCTIONS OF HR

Our current survey confirms the finding also established in other studies (Karoliny et al. 2009; 2010 and Kerekes et al. 2011) that members of the management hierarchy have larger responsibility or control for some HR decisions and local employees of the HR department have more responsibilities in other functions.

Table 90: Responsibility of decision making in key functions of HR

Key functions of HR	Local line management (mgt.)	Primarily local line mgt. but in consultation with the HR department	Primarily local HR department but in consultation with local line mgt.	Local HR department
Human Resource Planning	39.4%	27.3%	27.3%	6.1%
Recruitment	38.2%	11.8%	32.4%	17.6%
Selection	35.3%	8.8%	35.3%	20.6%
Performance Evaluation	44.1%	20.6%	29.4%	5.9%
Training and Development	45.5%	12.1%	30.3%	12.1%
Talent management	40.6%	15.6%	25.0%	18.8%
Compensation and Benefits	47.1%	23.5%	23.5%	5.9%
Industrial-Labor Relations	35.3%	23.5%	29.4%	11.8%
Employee Communication	36.4%	30.3%	21.2%	12.1%
HRMS/IT	29.0%	38.7%	16.1%	16.1%
Health & Safety	22.6%	29.0%	25.8%	22.6%

Source: Primary research by the authors

(\*Comments: multiple categories of functional HR areas were possible to be chosen)

As the responses in Table 90 reflect, local line managers take the final decision regarding most of the interventions in the key functions of HR, based usually on consultation with the HR department. Only seldom the final decision maker is the representative of the local HR department. Recruitment and health & safety are those areas where the HR departments are generally in charge.

### 7.8.5. THE ROLE OF EXTERNAL HR SERVICE PROVIDERS

External service providers were most often used in the area of training and development, as reported by the respondents. They were also often involved in recruitment and selection. Few companies used the help of external service providers in talent management and labor relations. The practice of companies either did not change or, where it did, companies reported an increase in the use of external partners. (Table 91)

Table 91: Role and use of external service providers in the different key functions of HR

Key functions of HR	Increased	Decreased	Same	External providers not used
Human Resource Planning	34.4%	9.4%	25.0%	31.3%
Recruitment	29.4%	11.8%	44.1%	14.7%
Selection	32.4%	11.8%	38.2%	17.6%
Performance Evaluation	27.3%	0.0%	30.3%	42.4%
Training and Development	41.2%	2.9%	35.3%	20.6%
Talent management	15.2%	0.0%	45.5%	39.4%
Compensation and Benefits	21.2%	3.0%	36.4%	39.4%
Industrial-Labor Relations	15.2%	3.0%	42.4%	39.4%
Employee Communication	24.2%	0.0%	36.4%	39.4%
HRMS/IT	28.1%	0.0%	40.6%	31.3%
Health & Safety	21.9%	3.1%	56.3%	18.8%

Source: Primary research by the authors

(\*Comments: multiple categories of functional HR areas were possible to be chosen)

## 7.9. KNOWLEDGE MANAGEMENT IN HR

Knowledge management refers to the management and sharing of the collective, strategically linked, firm-specific knowledge (know-how, skills and intellectual skills) of an organization's employees in an integrated way. Related to knowledge of critical HR capabilities we examined the following three areas:

- » methods of personal competency development in HR,
- » enablers of HR knowledge flows,
- » directions of HR knowledge flows.

### 7.9.1. PERSONAL COMPETENCY DEVELOPMENT IN HR

Romanian respondents found informal learning at the local HR department and local training to be the most important methods of personal competency development in the field of HR, while mobility within subsidiaries was seen as the least important method. (Table 92)

Table 92: *The importance of the methods of personal competency development in HR (on a 1 ⇒ 5 scale, on average)*  
(Explanation: 1 = unimportant ⇒ 5 = very important)

Methods of gaining competencies	The average of the answers
Informal learning at the HR department of your subsidiary	3.42
Informal learning at the HR department of another subsidiary	2.44
Informal learning at the parent company	2.72
Local HR-training and development	3.34
HR training and development at the parent company	2.94
HR training and development at other subsidiaries	2.50

Source: Primary research by the authors

### 7.9.2. HR KNOWLEDGE TRANSFER BETWEEN THE PARENT COMPANY AND THE SUBSIDIARY

The respondents ranked knowledge flows within their own HR departments and from the parent company to the subsidiaries as being the most characteristic forms of HR knowledge flows (Table 93).

Table 93: HR knowledge flows (on a 1 ⇒ 5 scale, on average)  
(Explanation: 1 = not characteristic ⇒ 5 = very characteristic)

Knowledge flows in HR	The average of the answers
Knowledge flows from the parent company to the subsidiary	3.26
Knowledge flows from the subsidiary to the parent company	2.90
Knowledge flows between subsidiaries	3.18
HR related knowledge flows within the HR department at your subsidiary	3.69
HR related knowledge flows at your subsidiary between the HR department and other organizational units	2.75

Source: Primary research by the authors

### 7.10. THE FUTURE TASKS OF HR

With regard to the key issues of the next 12 to 24 months, the interviewed Romanian HR managers considered attracting and retaining skilled workforce the most important task they will face.

### 7.11. CHARACTERISTICS OF THE RESPONDING INDIVIDUALS

From the personal characteristics of the interviewed professionals we examined demographic characteristics, their professional qualifications and the characteristics of their positions held.

#### 7.11.1. DEMOGRAPHIC CHARACTERISTICS AND QUALIFICATION

Almost all the interviewees participating in the survey have university, college or equivalent qualifications. (Table 94)

Table 94: Level of qualification

Level of qualification	Frequency	% distribution
University PhD	0	0.0%
University (MSc)	13	40.6%
College (BSc)	18	56.3%
Other	1	3.1%
<b>Total</b>	<b>32</b>	<b>100%</b>

Source: Primary research by the authors

The majority of the respondents obtained qualifications in social sciences (54.8%) or engineering (29.0%) but we also found professionals with qualifications in natural sciences (6.5%) as well. (Table 95)

Table 95: Field of professional qualification

Field of professional qualification	Frequency	% distribution
Natural sciences	2	6.5%
Engineering	9	29.0%
Social sciences	17	54.8%
Other	3	9.7%
<b>Total</b>	<b>31</b>	<b>100%</b>

Source: Primary research by the authors

Some 40% of the respondents have worked in their current positions for less than three years, 16.7% between 3-5 years and only 6.7% have worked over 15 years in its position. (Table 96)

Table 96: Time spent in current position

Time spent in current position	Frequency	% distribution
0-3 years	12	40.0%
3-5 years	5	16.7%
5-10 years	5	16.7%
10-15 years	6	20.0%
Over 15 years	2	6.7%
<b>Total</b>	<b>30</b>	<b>100%</b>

Source: Primary research by the authors

## 8. SERBIA (ÁGNES SLAVICZ–NEMANJA BERBER–MILAN NIKOLIC)

### 8.1. INTRODUCTION



Population: 10 150 265 people

Territory: 88 361 km<sup>2</sup>



GDP (%)	3,8	-3,5	1,8
Unemployment (%)	13,6	16,1	19,2
Inflation (%)	10,8	3,6	8,6
GDP per capita in PPS EU-27=100%	52,0	53,0	54,0



## 8.2. FDI IN SERBIA

Over the past several years, the Serbian economy has experienced growth due to strong foreign investment and continuous improvement of its business environment, even during the crisis and recession in 2009. Main characteristics of Serbian business environment, which speak in favor of FDI, are: unlimited trade, availability of human resources, favorable geographic position, low operating costs and several financial incentives (SIEPA, 2013, Doing Business in Serbia, pp. 12).

Since the year 2000, often referred to as a starting point for major economic and political transition, Serbia has attracted more than 22.4 billion EUR of inward foreign direct investment. The FDI flowing into the country by the end of 2010 exceeded EUR 14.5 billion, which means that Serbia has attracted nearly 8 billion EUR of FDI in last four years.

According to data published in 2013 the volume of FDI that flowed into Serbia was 1,087 million EUR. Since the onset of economic reforms, Serbia has grown into one of the premier investment locations in Central and Eastern Europe. A list of leading foreign investors is topped by world-class companies and banks such as FIAT, Telenor, Stada, Microsoft, Coca-Cola, Delhaize, Michelin, Gazprom, Bosch, Siemens, Intesa Sanpaolo, Mobilkom Austria, and many others.

Figure 26 shows the value of FDI inflows in Serbia between 2000 and 2013.

Figure 26: Inward FDI in Serbia, 2000-2013 in millions of EUR

Year	Inward FDI (€ million)
2013	1,087
2012	2,020
2011	2,289
2010	1,172
2009	1,869
2008	2,530
2007	3,015
2006	4,291
2005	1,332
2004	804
2003	1,229
2002	535
2001	199
2000	57

Source: SIEPA (Serbia Investment and Export Promotion Agency), 2014

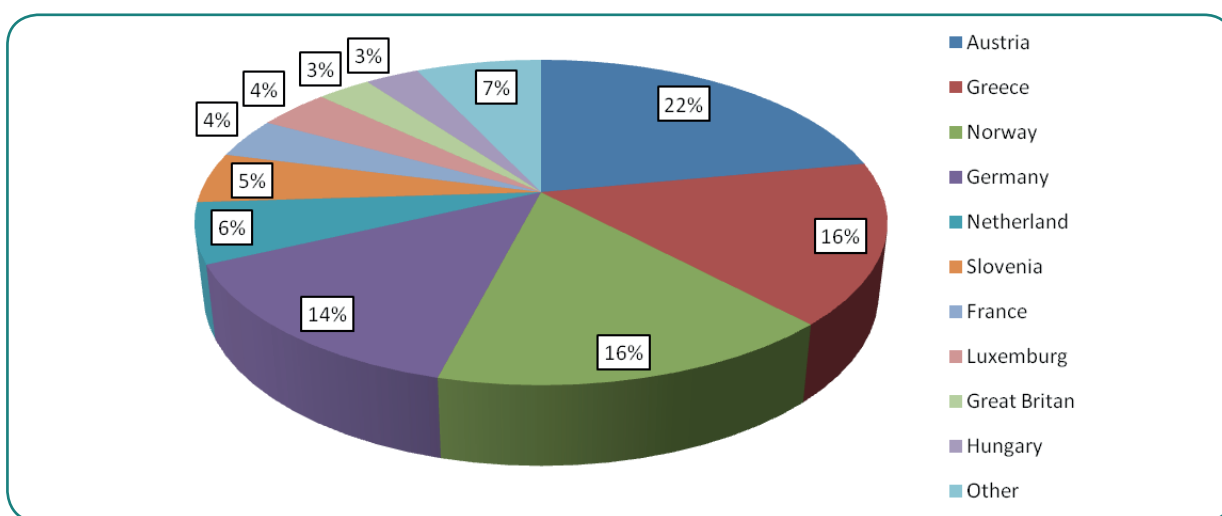
Serbia's strong FDI track-record is substantiated by internationally recognized awards for local Greenfield investors. Between 2004 and 2006, Greenfield projects in Serbia were awarded by the OECD as the largest investments of this type in South East Europe. The first Award was presented to Ball Packaging Europe (headquartered in the USA), followed by METRO Cash & Carry (Germany), and Israeli Africa-Israel Corporation/Tidhar Group for their Airport City Belgrade real estate project.

As forecasted by the KPMG Belgrade in November 2011, in spite of the global crisis, the inflow of foreign investment into Serbia in 2011 was the largest in the region.

### 8.2.1. COUNTRIES OF ORIGIN

According to data from the country of origin of FDI distribution, the European Union member states are listed as the top countries. SIEPA (Serbia Investment and Export Promotion Agency) stated that the leading spot on the country list is held by the Netherlands, followed by Austria, Greece, Norway and Luxembourg, while major investor countries also include Germany, Italy, Slovenia, and the Russian Federation. In relation to the actual amount of U.S. investment it is important to note that the volume of investment is significantly higher than the official figure due to their companies investing primarily through European affiliates. This also holds for Belgium, Denmark, Israel, and a number of other countries. According to data from Figure 27, the most of the volume of the FDI flowed into Serbia between 2000 and 2007 came from the following countries: Austria (22%), Greece (16%), Norway (16%), Germany (14%), the Netherlands (6%) and Slovenia (5%).

Figure 27: Figure 27: FDI by country of origin (2000-2007)

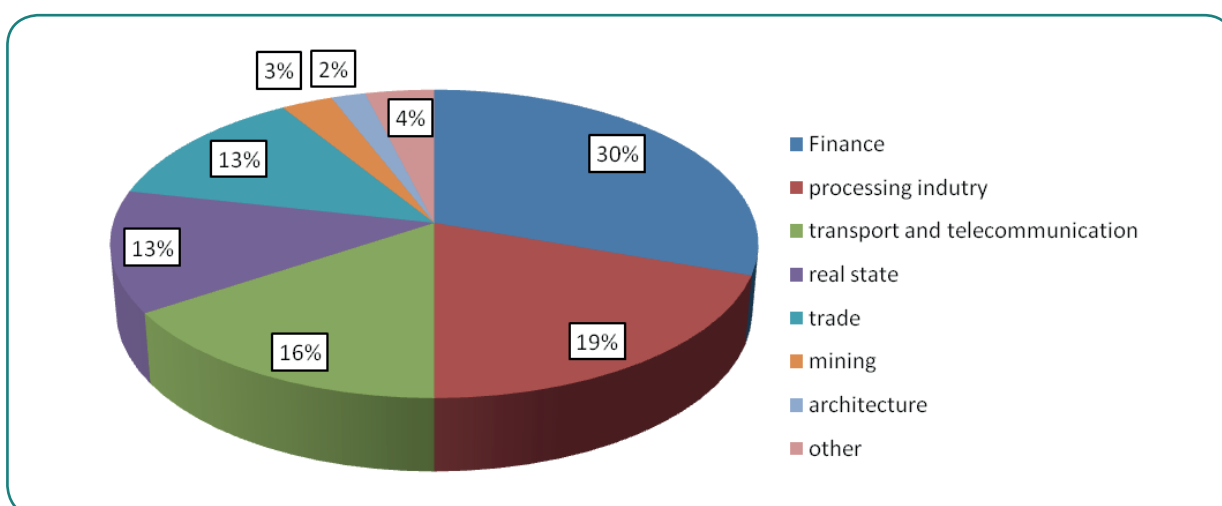


Source: National Bank of Serbia (2010). Beograd

### 8.2.2. SECTORAL DISTRIBUTION

According to this data, between 2005 and 2009 the majority of FDI was connected to the finance (30%) and processing industry (19%) sectors of the economy. Beside those areas a considerable part of the FDI was connected to transport and telecommunication (16%), trade (13%) and the business field of real estate (13%). Figure 28 presents the typical areas of FDI in Serbia.

Figure 28: Figure 28: Typical areas of FDI in Serbia (2005-2009)



Source: National Bank of Serbia (2010). Beograd

The National Bank of Serbia stated that service sectors have proven to be the most attractive to international investors (see Figure above). Banking and insurance recorded the largest FDI inflow of 5 billion EUR. Manufacturing industries held the 2nd spot with €4.8 billion, followed by wholesale, retail and repair of motor vehicles and real estate activities.

Table 97: FDI by Industries (2004-2013)

Inward FDI by Industries (2004 - 2013)	
Industry	Investment value (EUR million)
Financial intermediation	4,968
Manufacturing	4,766
Wholesale, retail and repairs	3,167
Real estate activities	2,459
Transport, storage and communication	2,456
Construction	586
Mining and quarrying	544
Agriculture, forestry and fishing	194
Other utility, social and personal services	136
Professional, scientific and technical activities	119
Accommodation and food service activities	97
Public administration and social insurance	83
Electricity, gas and water	73
Administrative and support service activities	26
Education	4

Source: SIEPA (Serbia Investment and Export Promotion Agency), 2014

### 8.3. CHARACTERISTICS OF THE COMPANIES PARTICIPATING IN THE SURVEY

A total of 19 foreign owned, legally independent subsidiaries participated in the questionnaire survey.

#### 8.3.1. COMPANY SIZE

The 19 subsidiaries participating in CEEIRT research in Serbia employed 9605 persons in 2013.

Some 52.9 % of the examined Serbian companies employ 250 persons or less, 11.8% had between 250 and 1000 employees. The remaining 35.3% of responding firms belong to the classification of typical large enterprises with more than 1000 employees. We can state from these results that the majority of the companies belong to the small and medium sized companies. Despite the fact that the local subsidiary may be considered a small firm, these firms largely were subsidiaries of large international companies. Also, not small percentage of large subsidiaries (35.3%) has participated in the research.

Table 98: Number of staff

Total number of employees of the company	Frequency	Percentage distribution (%)
Below 250	9	52,9
251-1000	2	11,8
1001-2000	6	35,3
2001-5000	0	0
Over 5000	0	0
<b>Total</b>	<b>17</b>	<b>100</b>

Source: Primary research by the authors

### 8.3.2. MANDATE OF THE ORGANIZATION

We also examined how much control these organizations have over the entire value chain. Based on the responses it can be stated that about 79 % of the sample are under "Mandate 3", which means that the subsidiary does not have control over the entire value chain of a business unit, but has activities in number of stages of the value chain.

One third of the subsidiaries are depositaries of only a few stages of the entire value chain, in mandates one and two. 15.8% of the sample is subsidiaries, which are imitations of their parent companies, while other 15.8% are responsible for 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. Also, 15.8% are under the mandate 4, where business unit develops and markets a certain product chain for global markets. Under mandate 5 there are 47.4% of companies. This means that business unit has the freedom and resources to develop lines of business for either local, multi-country or the global market.

Table 99: Mandates of the companies participating in the survey (n=19)

Roles and mandates of your subsidiary	Frequency	Percentage distribution (%)
<b>Mandate 1</b>	3	15,8
<b>Mandate 2</b>	3	15,8
<b>Mandate 3</b>	15	78,9
<b>Mandate 4</b>	3	15,8
<b>Mandate 5</b>	9	47,4

Source: Primary research by the authors

(As a reminder of the five mandates, see Section 3.2.4 earlier)

### 8.3.3. ORIGIN OF THE PARENT COMPANY

The origin of the parent companies participating in the survey is illustrated on the next Table.

The subsidiaries participating in the survey came to Serbia from 11 different countries. Some 21.1% came from Austria, 10.5% from Germany, 10.5% from Italy and 10.5% from Sweden. The remaining 33.6% came from France, Finland, USA, Hungary, Switzerland and UK. Interestingly, 15.8% of subsidiaries did not submit the origin of the parent country.

Table 100: Origin of the parent companies of the participating companies

Origin of the parent company	Frequency	% distribution
Austria	4	21,1
Germany	2	10,5
Italy	2	10,5
Sweden	2	10,5
France	1	5,3
Finland	1	5,3
Hungary	1	5,3
Switzerland	1	5,3
USA	1	5,3
UK	1	5,3
Other	3	15,8
<b>Total</b>	<b>19</b>	<b>100</b>

Source: Primary research by the authors

Table 101: Participating companies by management tradition

Management cultures of parent companies	Frequency	% distribution
German	7	36,8
Northern	4	21,1
Eastern European	3	15,8
Latin and South European	3	15,8
Anglo-Saxon	2	10,5
Asian	0	0
Other	0	0
<b>Total</b>	<b>19</b>	<b>100</b>

Source: Primary research by the authors

From Table 101 we can see that most (36,8%) of the respondents are companies with German management culture. 21,1% of respondents are from Northern Europe culture, while 15,8% are from Eastern Europe and Latin and South Europe. Firms originating from the Anglo-Saxon region comprised 10.5% of sample companies.

### 8.3.4. ESTABLISHMENT YEAR AND FORM OF SUBSIDIARY

The subsidiaries examined acquired control or carried out Greenfield investments after 2005. Some 10.5% of the companies settled in Serbia before 2000 while the remaining 89.5% came only after 2000. Most of the foreign owners of the companies participating in the survey obtained majority control in Serbian companies during the privatization combined with acquisition or merger (68.4%). Greenfield investments were implemented in 31.6% of respondents. After 2010, in the sample of companies, only one company was established by Greenfield.

Table 102: Year and mode of entry of the participants

Year of establishment of the subsidiary	Merger, acquisition	Greenfield investment	Total	% distribution
Before 1995	1	1	2	10,5
1996-2000	2	0	2	10,5
2001-2005	5	3	8	42,1
2006-2010	5	1	6	31,6
After 2010	0	1	1	5,3
<b>Total</b>	<b>13</b>	<b>6</b>	<b>19</b>	<b>100</b>
<b>% distribution</b>	<b>68,4</b>	<b>31,6</b>	<b>100</b>	

Source: Primary research by the authors

### 8.3.5. FIELD OF OPERATION: SECTOR-INDUSTRY

Table 103 shows distribution by sector (industry) of business of the companies examined in the survey. 36.8% of the examined companies are engaged in industry and another 36.8% of them in financial institutions and banks. Only 5.3% of the respondents operate in trade while another 21.1% of companies present some other sector of business.

Table 103: Sectoral distribution of the participants

Main sector of the subsidiary's activity	Frequency	% distribution
Industry	7	36,8
Trade	1	5,3
Financial services	7	36,8
Other services	4	21,1
<b>Total</b>	<b>19</b>	<b>100</b>

Source: Primary research by the authors

## 8.4. MAIN DIRECTIONS OF DEVELOPMENT OF THE COMPANIES IN THE PERIOD EXAMINED

### 8.4.1. MAIN STRATEGIC ISSUES-ORIENTATIONS

In relation to the topic indicated in the subtitle, we examined how important the following three strategic orientations were for the respondents:

- » growth, market expansion, portfolio expansion,
- » stability, efficiency improvement, revenue retention, adapting to the market situation,
- » redundancies, rationalization.

Most (63.2%) of the respondents indicated that they were seeking growth, market, expansion or portfolio expansion during the examined period. Also, 31.6% of the companies surveyed was characterized by stability, revenue retention or adapting to the market situation. None of the respondents presented rationalization and reorganization as strategic goals for the period, while only one organization claimed for something else as a strategic goal.

Table 104: Main strategic issues and orientations

Main strategic issues, orientations	Frequency of "yes" answers	Multiple answers possible, response
Growth, market expansion, portfolio expansion	12	63,2
Stability, efficiency improvement, revenue retention, adapting to the market situation	6	31,6
Redundancies, rationalization	0	0
Other	1	5,3
<b>Total</b>	<b>19</b>	<b>100</b>

Source: Primary research by the authors

In the next figure we illustrated the distribution of the answers regarding the strategic issues. We have to point out that more than one answer could be marked in this question.

### 8.4.2. MAIN COMPETITIVE FACTORS IN THE PERIOD EXAMINED

More than half of the companies chose optimal organization size as the most important competitive factor. Some 21.1% of the respondents pointed out the importance of the financial sources. Management, workforce and production technology were chosen by 52.6%, 42.1% and 42.1% of the subsidiaries respectively. A total of 15.8% of the companies chose the protected markets. (More than one answer could also be chosen in this question.)

Table 105: The importance of competitive factors

Competitive factors	Frequency of "yes" answers	Multiple answers possible, response
Optimal plant/organization size	11	57,9
Management	10	52,6
Workforce	8	42,1
Production technology	8	42,1
Financial resources	4	21,1
Protected, regulated market	3	15,8
Other	2	10,5

Source: Primary research by the authors

### 8.4.3. KEY PERFORMANCE EVALUATION OF SUBSIDIARY

A separate part of the survey dealt with how the performance evaluation relative to competitors' performance. According to the data from table 106 the majority of the subsidiaries operating in Serbia described their performance as better than average, according to the Serbian average, and often characterized their performances as outstanding.

Table 106: The level of performances in foreign subsidiaries in Serbia %

	Poor or very week	Below the average	On the average of industry	Better than average	Outstanding
Profitability	0	15,8	10,5	57,9	15,8
Service quality	0	0	21,1	47,4	34,6
Rate of innovations	0	5,3	36,8	47,4	10,5
Ecology	10,5	0	21,1	36,8	31,6

Source: Primary research by the authors

The profitability of about 58% of respondents is self-reported as better than the average, while 16% of respondents described its performances as outstanding. Also, 15.8% of companies stated that their profitability is below industry average, while 10.5% of the respondents claimed that their profitability is on the level of industry. None of the subsidiaries evaluated their profitability as poor or very week. The best results are achieved by foreign companies in the area of the quality of service. 47.4% of respondents claimed that the quality of their services is better than average, while 35% believed that they provide outstanding service quality. In the case of the innovation rate, 47.4% of respondents evaluated their innovation rate as higher the average, but outstanding results was found in only 10.5% of the companies in this sample. Some 36.8% of the respondents claimed that their innovation rate is on the level of the industry average. In the evaluation of the environmental issues by companies, 36.8% of companies claimed that their environmental performances are better than the average,



while 31.6% pointed to outstanding results in this area. It is important to stress that only in this area poor ratings occurred in 10.5% of the respondents. In this area, therefore, the subsidiaries of multinational companies in Serbia should try to find possibilities for improvements.

## 8.5. CHARACTERISTICS OF THE KEY INDICATORS OF THE HR FUNCTION

In this section we give an overview of the following HR characteristics:

- » Number and workload of the HR staff,
- » The main indicators representing the importance, results, and efficiency characteristics of the HR activity (labor cost – total cost ratio, age distribution of employees, and relative size of the training budget).

### 8.5.1. NUMBER OF HR STAFF

The average number of employees served by one HR professional decreased from 88 in 2009 to 65 in 2011.

Table 107: Number of employees and HR staff in the participating companies (n=19)

Year	Number of employees	HR staff		Employees per HR position
		HR professional HR admin staff Total number of HR staff		
2011	9605	148		65

Source: Primary research by the authors

Some 41% of the HR departments of the companies examined employ one to four persons. Additionally, 29.4% of the respondents employ five to ten persons while 11.8% of the HR departments examined in the survey have more than 20 employees. Finally 5.9 percent of the firms employed either 11-15 or 15-20 HR staff. Only one subsidiary in the survey does not have a HR department.

Table 108: Number of HR staff

Total number of HR staff	2009	
	Frequency	% distribution
None	1	5,9
1-4 persons	7	41,2
5-10 persons	5	29,4
11-15 persons	1	5,9
15-20 persons	1	5,9
Over 20 persons	2	11,8
<b>Total</b>	<b>17</b>	<b>89,5</b>
<b>Average</b>	<b>9 persons</b>	

Source: Primary research by the authors

### 8.5.2. LABOR COST – OPERATING COST RATIO

The labor cost – operating cost ratio is one of the frequently analyzed indicators of the importance of the HR function in a company. According to some researchers, the effects of HRM have a stronger and more direct influence on the company's performance if this ratio is higher. About 18% of the subsidiaries participating in the survey fell into this category (where the labor cost ratio is higher than 30%). But the vast majority 72.8% of the companies operated with a relatively low under 30% typically with 10-30 labor cost ratio.

Table 109: Labor cost in % of the operating cost

Labor cost in % of the operating cost	Frequency	% distribution
Under 5 %	0	0
5-10 %	2	18,2
10-20 %	3	27,3
20-30 %	3	27,3
30-40 %	1	9,1
40-50 %	1	9,1
Over 50 %	1	9,1
<b>Total</b>	<b>11</b>	<b>100</b>

Source: Primary research by the authors

### 8.5.3. TRAINING BUDGET

Many researchers consider the relative size of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity. In more than 64.7% of the companies examined, the relative size of the training budget was under 3% and only about 29% of the companies examined spent 3-5% of the annual labor budget on training employees. Only one subsidiary pointed at the annual training budget of 5-10% of the entire annual labor cost.

Table 110: Annual training budget in % of the entire annual labor cost

Annual training budget in % of the entire annual labor cost	Frequency	% distribution
Under 1 %	6	35,3
1-3 %	5	29,4
3-5 %	5	29,4
5-10 %	1	5,9
<b>Total</b>	<b>17</b>	<b>100</b>

Source: Primary research by the authors

## 8.6. EXPATRIATES

### 8.6.1. FOREIGN EXPATRIATES

Usually two types of long-term international travelers 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 Serbian subsidiary appointed for a long-term deputation abroad (at the parent company or subsidiaries operating in other countries).

- » Some 79% of the subsidiaries participating in the survey did not employ foreign expatriates in non-managerial positions. In those companies that employed foreign expatriates in non-managerial positions permanently, the number of these expatriates was typically 4 or 5 positions (10.5% of the respondents).
- » Fully 42% of the examined companies employed foreign expatriates in managerial positions. The number was typically two to 1 position. Some 57.9% of the companies did not employ foreign expatriates in managerial positions. Finally 5% of the companies have two to three, four to five, six to ten or eleven to fifteen persons with a maximum of 20 persons reported for this position.

Table 111: Number of foreign expatriates

Number of expatriates	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
None	11	57,9	15	78,9
1 person	4	21,1	1	5,3
2-3 persons	1	5,3	0	0
4-5 persons	1	5,3	2	10,5
6-10 persons	1	5,3	1	5,3
11-15 persons	1	5,3	0	5,3
16-20 persons	0	0	0	0
Over 20 persons	0	0	0	0
<b>Total</b>	<b>19</b>	<b>100</b>	<b>19</b>	<b>100</b>

Source: Primary research by the authors

Some % of the foreign expatriates work in managerial position while the remaining % are found in non-managerial positions in the Serbian companies.

### 8.6.2. SERBIAN EXPATRIATES

Below we outline how typically and to what positions Serbian expats were sent to foreign companies of MNCs. Most (79%) of the Serbian subsidiaries did not send employees to foreign companies of MNCs. In those companies that sent employees abroad, the number was typically two to three Serbs in the non-managerial positions and one or 4 to 5 positions in the managerial positions.

Table 112: Number and positions of Serbian expatriates

Number of Serbian expatriates	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
None	14	73,9	15	78,9
1 person	2	10,5	0	0
2-3 persons	0	0	2	10
4-5 persons	2	10,5	1	5,3
6-10 persons	1	5,3	1	5,3
11-15 persons	0	0	0	0
16-20 persons	0	0	0	0
Over 20 persons	0	0	0	0
<b>Total</b>	<b>19</b>	<b>100</b>	<b>19</b>	<b>100</b>

Source: Primary research by the authors

## 8.7. THE OPERATION OF THE HR DEPARTMENT

### 8.7.1. THE RELATIONSHIP BETWEEN HEADQUARTERS AND LOCAL HR

We found several different activity or function sharing practices among the companies examined.

- » However, the typical solution, one implemented by 44.4% of the respondents, was that the HR department of the company's headquarters, besides carrying out the auditing function, lays down general guidelines, provides a standard framework for the work of HR departments of the subsidiaries, and requires information and reporting from them.
- » Only one (5.6%) of the respondents reported that the local HR department has complete freedom.
- » Decentralized work is characteristic in 5.6% of the subsidiaries.
- » In 44.4% of the companies the headquarters was responsible for developing the detailed HR model and not only personnel guidelines but also the rules of procedures, processes were developed centrally. The operations of these global HR systems were usually supported by modern IT solutions.

Table 113: Typical functions of the HQ HR

Functions	Frequency of "yes" answers	Multiple answers possible, response
Hands-off, provide complete freedom	1	5,6
Provide general guidelines and framework for actions	8	44,4
Provide detailed HR model, policies, procedures and rules	8	44,4
Source of all remotely significant HR decisions	1	5,6
<b>Total</b>	<b>18</b>	<b>100</b>

Source: Primary research by the authors

### 8.7.2. CHANGES IN THE IMPORTANCE OF HR FUNCTIONS

Industrial labor relations (3.31) and communication practice (3.13) were first in the ranking of HR areas considered most critical in the period examined, being a little ahead of the ongoing problem area of human resource planning and recruitment and staffing (both 3.12). The subsidiaries participating in the survey also chose performance evaluation (2.81) and training and development (2.94) as critical areas of their responsibility sets. Compensation and benefits and talent management were chosen as the least critical areas of HR functionality.

Table 114: Critical areas of HR (on a 1 ⇒ 5 scale, on average)  
(Explanation: 1 = not at all critical ⇒ 5 = critical)

The ranking of the areas of HRM critical in 2011	The average of the answers
Human resource planning	3,12
Recruitment and selection	3,12
Performance evaluation	2,81
Training and development	2,94
Talent management	2,44
Compensation and benefits	2,56
Industrial-labor relations	3,31
Communication with the employees	3,13
Other	0

Source: Primary research by the authors

### 8.7.3. TYPICAL HR COMPETENCIES FOR SUCCESS

From the list of HRM competency areas identified by one of the most well-known HR consultants, Dave Ulrich et al. (2009), the respondents considered the following three qualities to be the most important:

- » personal credibility (effectiveness, efficient connections, communication skills) (88.2%),
- » change management (76.5%),
- » quick decision making and team work (70.6%).

According to 76.5% of the respondents, knowledge of foreign languages, business knowledge, HR services and using of HRMIS belongs to the very important key competencies.

Table 115: Ranking of the key competencies of HR managers

Ranking of key competencies	Very important	
	Frequency	Multiple answers possible, response
<b>1. Personal credibility (effectiveness, efficient connections, communication skills)</b>	15	88,2
<b>2. Business knowledge (value chain, value creation) Change management</b>	13	76,5
<b>3. Knowledge of foreign languages</b>	13	76,5
<b>4. HR services (recruitment-selection, training, performance evaluation, HR measurement, etc.)</b>	13	76,5
<b>5. Use of HRMIS (IT)</b>	13	76,5
<b>6. Strategic contribution (culture management, quick changes, strategic decision making)</b>	12	70,6

Source: Primary research by the authors

#### 8.7.4. PRIMARY RESPONSIBILITY OF DECISION MAKING IN THE MAIN FUNCTIONS OF HR

This survey confirms the finding established in other studies (Cranet, 2006 and Karoliny et al. 2009; 2010) that members of the management hierarchy have larger responsibility or control for some types of HR decisions and local employees of the HR department have more responsibilities in other areas.

Table 116: Responsibility of decision making in key functions of HR

Key functions of HR	Local line management (mgt.)	Primarily local line mgt. but in consultation with the HR department	Primarily local HR department but in consultation with local line mgt.	Local HR department
Human Resource Planning	11,8	47,1	29,4	11,8
Recruitment	18,8	18,8	56,3	6,3
Selection	25,0	25,0	50,0	0
Performance Evaluation	31,3	25,0	31,3	12,5
Training and Development	12,5	12,5	37,5	37,5
Talent Management	13,3	20,0	33,3	33,3
Compensation and Benefits	25,0	37,5	21,0	12,5
Industrial-Labor Relations	17,6	23,5	35,3	23,5
Employee Communication	18,8	25,0	37,5	18,8
HRMS/IT	17,6	11,8	17,6	52,9
Employee health and safety	17,6	5,9	17,6	58,8
Other fields of HR	33,3	33,3	0	33,3

Source: Primary research by the authors

(\*Comments: Recall that multiple categories of functional HR areas were possible and that these figures do not reflect percentages.)

As the data show, the majority of the respondents regard most of the interventions in the key functions of HR as the result of a joint decision in which the final decision is made rather by the local HR management based usually on consultation with the line management. This result was measured in the function of selection (50%), recruiting (56.3%), employee communication (37%), and in training and development (37.5%). Some 47% of the companies reported that the local line management has complete freedom in decision making in the HR planning process and 37.5% in the compensation and benefits. Human resource information system (53%) and employee health issues (59%) are functions in which the local HR department can decide with complete freedom. In general, we can say that in the Serbian subsidiaries the local HR department is involved in decision making.



### 8.7.5. THE ROLE OF EXTERNAL HR SERVICE PROVIDERS

Today human resources are managed in many organizations with the involvement of external service providers. Besides traditional HR consultants, an increasing number of service providers appear who enter the market offering new services (e.g. labor leasing, outsourcing, interim managers, etc.).

External service providers were most often used in the area of training and development. In addition to this area, outsourcing is used in the functions of compensation and benefits. None of the companies in the sample increased the help of external service providers in human resource planning, staffing, HRMIS, employee communication and in performance evaluation. The practice of Serbian companies in this respect either did not change or where it did, companies reported a decrease in the use of external partners.

Table 117: Role and use of external service providers in the different key functions of HR

Key functions of HR	Increased	Decreased	Same	External providers not used
1. Human Resource Planning	0	5,9	17,6	76,5
2. Recruitment	0	11,8	41,2	47,1
3. Selection	0	17,6	23,5	58,8
4. Performance Evaluation	0	0	23,5	76,5
5. Training and Development	11,8	5,9	64,7	17,6
6. Compensation and Benefits	11,8	5,9	29,4	52,9
7. Industrial-Labor Relations	0	5,9	35,3	58,8
Employee Communication	0	0	29,4	70,6
9. HRMS/IT	0	11,8	23,5	64,7
10. Other	0	11,8	52,9	35,3
	0	11,8	64,7	23,5

Source: Primary research by the authors

(\*Comments: Recall that multiple categories of functional HR areas were possible and that these figures do not reflect percentages.)

## 8.8. KNOWLEDGE MANAGEMENT IN HR

Knowledge management means the management and sharing of the collective, strategically relevant knowledge (know-how, skills and intellectual skills) of an organization's employees in an integrated way. In connection with the forms and patterns of knowledge management specific to the field of HR we examined the following three areas:

- » methods of personal competency development in HR,
- » enablers of HR knowledge flows,
- » directions of HR knowledge flows.

### 8.8.1. PERSONAL COMPETENCY DEVELOPMENT IN HR

The respondents considered local training and informal learning at the subsidiaries HR department to be the most important methods of personal competency development in the field of HR. Furthermore, they thought that HR training and development at the parent company also play very important roles in professional development of HR competencies.

According to the responses, the role of informal training in parent companies, HR training and development at other subsidiary and informal learning at the HR department of other subsidiary were rated lower in importance than the previously mentioned methods. From the data we can conclude that all mentioned methods are important for competence development in HR.

*Table 118: The importance of the methods of personal competency development in HR (on a 1 ⇒ 5 scale, on average)  
(Explanation: 1 = not at all critical ⇒ 5 = critical)*

Methods of gaining competencies	The average of the answers
Informal learning at the subsidiaries HR department	3,88
Informal learning at the HR department of other subsidiary	3,63
Informal training in parent companies	3,61
Local training	4,11
HR training and development at the parent company	3,75
HR training and development at other subsidiary	3,38

*Source: Primary research by the authors*

## 8.8.2. HR KNOWLEDGE TRANSFER BETWEEN THE PARENT COMPANY AND THE SUBSIDIARY

The respondents ranked knowledge flows from the parent company most important form or direction of HR knowledge flows. For the second place they chose the knowledge flows within their own local unit. The knowledge flows between the subsidiaries was chosen as third important HR knowledge flow. The least important knowledge flow was assigned to be knowledge flows from the local unit to the parent company.

Table 119: HR knowledge flows (on a 1 ⇒ 5 scale, on average)  
(Explanation: 1 = critical ⇒ 5 = not critical)

Knowledge flows in HR	The average of the answers
Knowledge flows from parent	4,36
Knowledge flows to parent	3,50
Knowledge flows between subsidiaries	3,63
Knowledge flows within your subsidiary	4,19

Source: Primary research by the authors

## 8.9. THE FUTURE TASKS OF HR

### 8.9.1. THE KEY BUSINESS ISSUES, TRENDS FOR HR TO FACE

With regard to the key issues of the next 12 to 24 months, the interviewed HR managers considered HR functions, issues regarding changes in the ownership structure of the parent company, changes of laws related to workforce and, of course, recession. Also, one company pointed changes, which will emerge as a result of the accession process of Serbia to the EU, as an important issue in HRM development in the next few years.

Table 120: Key business challenges in the next 1-2 years

Order of priority of the key business directions, challenges	Very important
	Frequency
HR functions (staffing, talent management, development, compensation and benefits, employee communication, etc.)	2
Challenges of structural change of ownership	2
Challenges arising from the process of accession to EU	1
Labor challenges caused by laws changes	1
Challenge of achieving the corporate objectives of the turbulent business environment, recession	2
Challenges of corporate restructuring	1

Source: Primary research by the authors

## 8.10. CHARACTERISTICS OF THE RESPONDING INDIVIDUALS

In terms of the personal characteristics of the interviewed professionals, we examined demographic characteristics and also their professional qualifications and the characteristics of their positions.

### 8.10.1. DEMOGRAPHIC CHARACTERISTICS AND QUALIFICATION

Almost all the interviewees participating in the survey have university, college or equivalent qualifications, some of them also have PhDs. There were almost 12% of the respondents with PhDs, 76.5% with MSc degrees, and 11.8% with BSc as well.

Table 121: Level of qualification

Level of qualification	Frequency	% distribution
University PhD	2	11,8
University (MSc)	13	76,5
College (BSc)	2	11,8
Other	0	0
<b>Total</b>	<b>17</b>	<b>100</b>

Source: Primary research by the authors

The majority of the interviewees obtained qualifications in social sciences 84.6% or engineering 7.7% but we also found professionals with qualifications in natural sciences 7.7%.

Table 122: Field of professional qualification

Field of professional qualification	Frequency	% distribution
Social sciences	11	84,6
Natural sciences	1	7,7
Engineering	1	7,7
Other	0	0
<b>Total</b>	<b>13</b>	<b>100</b>

Source: Primary research by the authors

About 47% of the respondents have worked in their current positions for less than three years, 13.3% of them for 3-5 years and 40% of them for more than 5 years.

Table 123: Time spent in current position

Time spent in current position	Frequency	% distribution
0-3 years	7	46,6
3-5 years	2	13,3
5-10 years	4	26,7
10-15 years	2	13,3
Over 15 years	0	0
<b>Total</b>	<b>15</b>	<b>100</b>

Source: Primary research by the authors

## 9. SLOVAKIA (RENATA MACHOVA–JÓZSEF POÓR–MARTIN VOLOŠIN–IMOLA JÓZSA–ZOLTÁN ŠEBEN)

### 9.1. INTRODUCTION

In this chapter, we review the main things of the HR practice in Slovakian subsidiaries of 30 international companies.



Population: 5 410 728 people

Territory: 49 036 km<sup>2</sup>



GDP (%)	5,8	-4,8	4,0
Unemployment (%)	9,5	12,0	14,4
Inflation (%)	3,9	0,9	0,7
GDP per capita in PPS EU-27=100%	72,0	73,0	74,0

## 9.2. FDI AND EMPLOYMENT OF MULTINATIONAL CORPORATIONS IN SLOVAKIA

### 9.2.1. FDI VOLUME, AND ITS DISTRIBUTION ACCORDING TO THE SECTORS AND COUNTRIES

In the Slovak Republic the preliminary flow of FDI data in aggregated form is published monthly in the balance of payments, 90 days after the end of a given observed term.

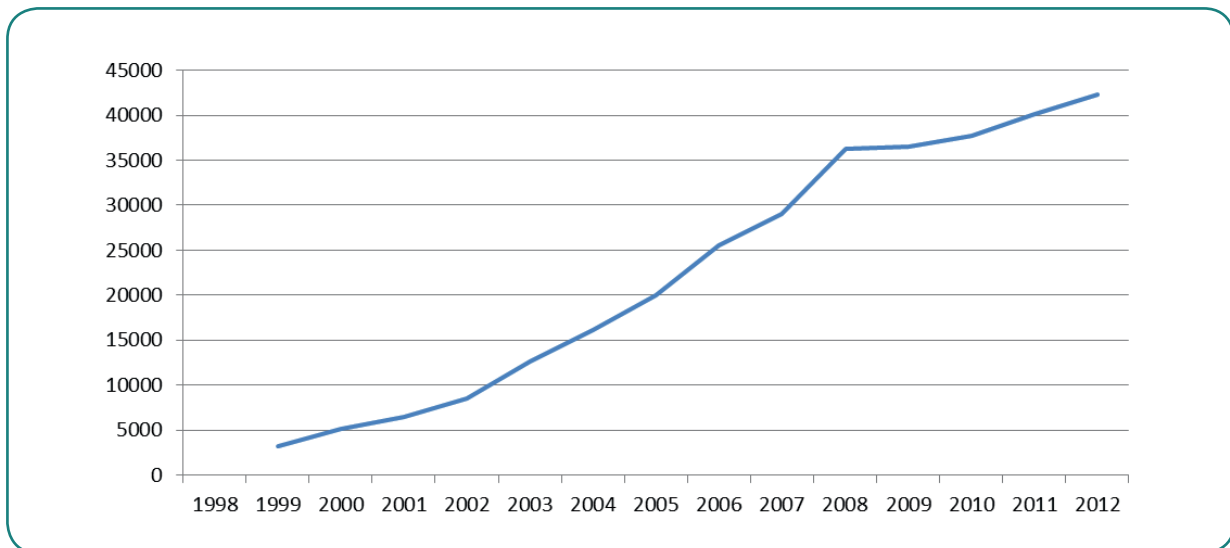
Preliminary status FDI data in aggregate form is disclosed quarterly in the international investment position, in the term T + 90 (90 days after the observed term).

Table 124: Development of the volume of FDI in Slovakia between (1998 – 2012)

Year	FDI (million EUR)	Year	FDI (million EUR)
1998	(not available)	2006	25 517
1999	3 213	2007	29 058
2000	5 129	2008	36 226
2001	6 495	2009	36 469
2002	8 563	2010	37 665
2003	12 617	2011	40 173
2004	16 068	2012	42 304
2005	19 968	2013	(not available)

Source: National Bank of Slovakia (2013): Preliminary data. Bratislava

Figure 29: FDI in Slovakia (1998-2012)(Million EUR)



Source: National Bank of Slovakia 2010 Eurostat

### 9.2.2. COUNTRIES OF ORIGIN

According to data from the NBS (National Bank of Slovakia) published at the beginning of 2014, the volume of FDI that had flowed into Slovakia since the beginning of the economic transition was about 42.307 billion EUR by the end of 2012. The partial slow-down of the FDI inflow can be seen above, but there is still a great potential for foreign investments in Slovakia, especially in the central and eastern regions of the country.

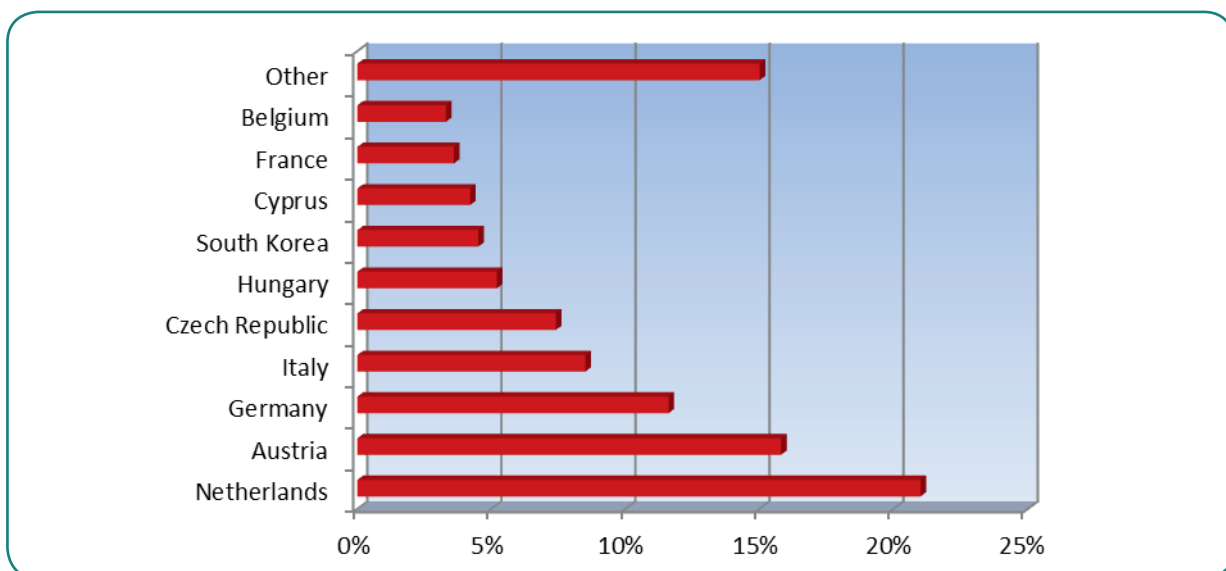
With respect to the majority of the FDI invested in Slovakia, according to data at the end of 2014, the order of most significant investors has somewhat changed compared to the previous year. The Netherlands and Austria retained its leading position but Germany stepped forward. That's why previous ranking positions were lost by Italy and the Czech Republic. Hungary, South Korea and Cyprus somewhat fell behind as well.

Table 125: FDI in Slovakia by country of origin (2012)

Order	Country	%
1.	Netherlands	21
2.	Austria	15.8
3.	Germany	11.6
4.	Italy	8.5
5.	Czech Republic	7.4
6.	Hungary	5.2
7.	South Korea	4.5
8.	Cyprus	4.2
9.	France	3.6
10.	Belgium	3.3
11.	Other	15
<b>Total</b>		<b>100</b>

Source: National Bank of Slovakia (2013): Preliminary data. Bratislava

Figure 30: FDI in Slovakia by country of origin (2012)



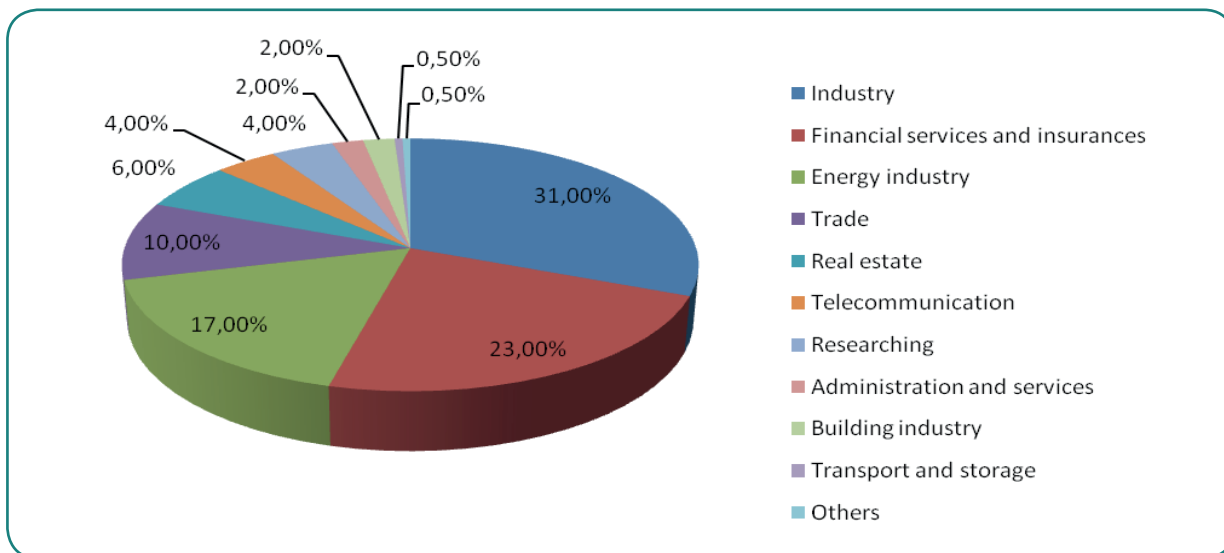
Source: Primary research by the authors

By the end of the observed period, 65 countries from around the world invested in the Slovak Republic. In total, fully 92% of FDI in Slovakia comes from member states of the European Union. The investment from other geographical zones is relatively small.

### 9.2.3. SECTORAL DISTRIBUTION OF FDI

The sectoral distribution and inflow of FDI in the Slovak Republic significantly changed. This change in pattern is particularly evident after Slovakia joined the European Union in 2004.

Figure 31: Sectoral structure of FDI in Slovakia (2012)



Source: National Bank of Slovakia (2013): Preliminary data. Bratislava

During this period, the industrial sectors have 31% part of FDI in Slovakia. In past several years Slovakia became the most intensive world car producer with the biggest number of cars produced yearly per capita. This rapid growth of car production was caused by huge investment by three multinational companies: Volkswagen Group, PSA Peugeot – Citroën and Kia Motors. The growth of car production stimulated investments on the part of other world producers of automotive parts and accessories, with a positive impact on the whole economy and national employment levels.

Table 126: Structure of FDI in Slovakia by sector in thousands EUR (2014)

Order	Sectors	FDI Volume	%
1.	Industry	12 960 147	30.95
2.	Financial services and insurances	9 624 396	22.99
3.	Energy industry	7 050 265	16.84
4.	Trade	4 128 804	9.86
5.	Real estate	2 624 648	6.27
6.	Telecommunication	1 745 043	4.17
7.	Researching	1 594 853	3.81
8.	Administration and services	832 687	1.99
9.	Building industry	717 862	1.71
10.	Transport and storage	321 169	0.77
11.	Other sectors	268 957	0.64
<b>Total</b>		<b>41 868 831</b>	<b>100</b>

Source: Slovak Statistical Office 2010



The highest concentration of foreign capital relatively to the number of companies is observed in Slovak wholesale and retail trade sector, the secondary sectors are the professional, scientific and technical services and the third sector is the building industry. Also such sectors as industry, administrative and support service activities, information and the telecommunication sectors are highly saturated by foreign capital and controlled by foreign firms.

#### 9.2.4. THE NUMBER OF FOREIGN ENTERPRISES

Table 127: The sectoral structure of firms operating in Slovakia (2012)

No.	Sectoral groups	Number of firms	%
1.	Wholesale and retail trade	38 761	28,45
2.	Professional, scientific and technical services	22 658	16,63
3.	Building industry	11 632	8,54
4.	Manufacturing industry	11 267	8,27
5.	Administrative and support service activities	10 134	7,44
6.	Real estate	8 603	6,31
7.	Information and telecommunication	6 587	4,84
8.	Hotel and catering services	5 257	3,86
9.	Health and social support	5 192	3,81
10.	Agriculture, forestry and fishing	5 033	3,69
11.	Transport and storage	4 750	3,49
12.	Arts, entertainment and recreation	1 756	1,29
13.	Education	1 517	1,11
14.	Financial services and insurance	676	0,5
15.	Water industry	544	0,4
16.	Energy, gas, steam and air condition	314	0,23
17.	Mining	127	0,09
18.	Public administration and defense	2	0,001
19.	Other services	1 421	1,04
<b>Total</b>		<b>136 233</b>	<b>100</b>

Source: Slovak Statistical Office, regional statistics, (2012). Bratislava

From the total number of 153 881 firms captured in the report, almost 19% are foreign owned companies. According to the database of Slovak Statistical Office (2014) the number of foreign owned firms in Slovakia totaled more than 29 000 in 2012.

Table 128: The number of foreign owned companies operating in Slovakia (2012)

No.	County	Total number of enterprises	Foreign enterprises	International firms	Foreign and International
1.	Bratislava (Pozsony)	54 391	10 776	2 974	13 750
2.	Trnava (Nagyszombat)	14 210	2 009	728	2 737
3.	Trenčín (Trencsén)	12 403	1 273	576	1 849
4.	Nitra (Nyitra)	15 449	3 272	696	3 968
5.	Žilina (Zsolna)	14 057	1 071	503	1 574
6.	Banská Bystrica (Besztercebánya)	13 279	1 098	607	1 705
7.	Prešov (Eperjes)	14 192	906	625	1 531
8.	Košice (Kassa)	15 900	1 479	741	2 220
<b>Total</b>		<b>153 881</b>	<b>21 884</b>	<b>7 450</b>	<b>29 334</b>

Source: Slovak Statistical Office, regional statistics, (2014). Bratislava

It is interesting to note that this distribution of firms varies significantly by region of the country. More than 76% of foreign firms are located in Western Slovakia, 11% in Central Slovakia and 13% of the international firms are located in Eastern Slovakia.

### 9.2.5. EMPLOYMENT IN FOREIGN-OWNED FIRMS

Foreign direct investment was very important for economic development, employment and economic growth of Central European countries on their way to a free market economy. Slovakia, which is the smallest economy among the four Visegrad countries, (the Czech Republic, Hungary, Poland and Slovakia) recorded very rapid economic growth over the past years due to its economic reforms and relatively high level of FDI inflow. This growth had a positive impact on the unemployment rate, which is still a national problem. This concern with employment levels is exacerbated as these investments are unevenly distributed geographically in the country and the economic recovery is still rather slow after the 2008 crisis.

Employment in affiliates under foreign control is characterized by the share of some 44% of total people employed in manufacturing sector. The total employment represents about 24% in services sector.

In 2010 the foreign-owned companies employed about 600 000 people in Slovakia. This number equals to one fourth of people employed in the entire Slovak national economy and about 30% of them employed in the competitive sector.

Table 129: The number of employees at foreign enterprises with interest in Slovakia (2010)

	Number of employees	%	Employees in foreign firms	% of the total number
<b>Production</b>	932 800	40	408 566	43,8
<b>Services</b>	806 000	35	192 634	23,9
<b>Public sector</b>	571 200	25	-	-
<b>Total</b>	<b>2 310 000</b>	<b>100</b>	<b>601 200</b>	<b>26</b>

Source: Slovak Statistical Office, Organizational Statistics

We can see that from the point of view of employment, the number of new jobs created by FDI is very important. The Slovak Government and the Slovak Agency for Development of Investment and Trade have ongoing plans to steer future FDI to less developed regions of Slovakia. In spite of these plans and goals, the most part of FDI has been received by the western part of the country.

The Table 131 below shows the number of new jobs created between 2002 and 2009. Due to the foreign direct investment by the FDI, more than 60 000 new jobs have been created for recent years.

Table 130: Number of new jobs created by FDI in Slovakia between (2002 and 2009)

No.	Region	Number of new jobs	%
1.	Banská Bystrica (Besztercebánya)	4 939	8
2.	Bratislava (Pozsony)	4 564	7
3.	Košice (Kassa)	8 030	13
4.	Nitra (Nyitra)	10 772	17
5.	Prešov (Eperjes)	3 654	6
6.	Trenčín (Trencsén)	12 273	20
7.	Trnava (Nagyszombat)	11 403	18
8.	Žilina (Zsolna)	6 883	11
<b>Total</b>		<b>62 518</b>	<b>100</b>

Source: SARIO (Slovak Agency for Development of Investment and Trade) 2010

The uneven regional spreading of new jobs is clearly illustrated by these figures. In Western Slovakia (in counties Bratislava, Trnava, Nitra, Trenčín) 62% of new jobs was created. In Central Slovakia (in counties Banská Bystrica and Žilina) 19% was only created and the same 19% was done in Eastern Slovakia (Košice and Prešov). This disproportion is partly caused by asymmetric model of the state organization (Bratislava is the capital city is located in the western boundary of the state, only 60 kilometers from Vienna).

Finally, we observe that the mountainous geographical character of the country combines with the rudimentary highway network, complicating transport between the two regions of Eastern and Western Slovakia.

### 9.3. CHARACTERISTICS OF THE COMPANIES PARTICIPATING IN THE SURVEY

Some 30 foreign-owned, legally independent subsidiaries participated in the questionnaire survey.

#### 9.3.1. COMPANY SIZE

In 2011, – according to the data shown in Table below-, the number of full time employees working in the subsidiaries participating in the survey, is more than 11 011 persons. According to the data shown below, we can say that the sizes of most of the companies are small and medium. Because of the majority (78,57%) of the companies participating, have fewer employees than 250 persons.

Table 131: Number of employees and revenue of the participating companies (n=28)

Year	Number of employees
2011	11 011

Source: Primary research by the authors

#### 9.3.2. TOTAL NUMBER OF EMPLOYEES

Table 132: Number of staff (n=28)

Total number of employees of the companies	2011	
	Frequency	Percentage distribution (%)
Below 250	22	78,57
251-1 000	4	14,29
1 001-2 000	1	3,57
2 001-5 000	1	3,57
<b>Total</b>	<b>28</b>	<b>100</b>

Source: Primary research by the authors

### 9.3.3. MANDATE OF THE ORGANIZATION

We have also examined in our survey, an assessment of the local role of control of value chain, controlled by these organizations (subsidiaries), so called subsidiary mandate.

Based on the responses, it can be stated that the largest portion 76,7% of the subsidiaries state that they play a limited, subsidiary role (mainly the Production and Services segments of the larger value chain). The other important portion 40% and 36,7% of the participants, control only a part of the value chain (Acquisition and Sales). In Slovakia, the final portion of the respondents 26,7% and 26,7% of these subsidiaries control only two elements of the processes of the value chain (namely Development and Marketing).

Table 133: Mandates of the companies participating in the survey (n=28)

Roles and mandates of your subsidiary	Frequency	Percentage distribution (%)
Mandate 1	8	26,7
Mandate 2	12	40
Mandate 3	23	76,7
Mandate 4	8	26,7
Mandate 5	11	36,7

Source: Primary research by the authors

\* Multiple answers were possible to choose

### 9.3.4. THE NUMBER OF THE SUBSIDIARIES OF THE MULTINATIONAL COMPANIES, PARTICIPATING IN THE SURVEY (N=28)

Table 134: The number of the subsidiaries

The number of the subsidiaries	Frequency	Percentage distribution (%)
Only 1 operating subsidiary of respondents to the survey of the country	21	75
More than 1 subsidiary of the respondents in that country	7	25
<b>Total</b>	<b>28</b>	<b>100</b>

Source: Primary research by the authors

Although the practices of the Multinational Companies are different, almost the three fourth (75%) of the respondent firms operate only one legal form in Slovakia.

### 9.3.5. ORIGIN OF THE PARENT COMPANY

The subsidiaries participating in the survey came to Slovakia from 13 different countries. Approximately 40% of them came from Austria and Germany, meanwhile the rest 60 % are from another 11 countries.

Table 135: Origin of the parent companies of the participating firms (n=30)

Origin of the parent company	Frequency	% distribution
Germany	8	26,7
Austria	4	13,3
Czech Republic	3	10
France	3	10
Denmark	2	6,7
Hungary	2	6,7
USA	2	6,7
Italy	1	3,3
U.K.	1	3,3
Others	4	13,3
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Primary research by the authors

This composition, which can be seen above, it is quite similar to the sequences that have been issued by the Slovak Statistical Office. Because the investors from Germany, France and the USA play an important role in the Slovak economy and they are the main participants in the sample of the survey as well. But, in this survey there are no participants from the Netherlands and Luxembourg at all.

If we have a look at the management cultures of the companies, we can see that the German 46,7% and the Eastern European 16,7% management cultures of the companies represent the main percentage of the sample. The role of the traditional multinationals (Latino, South-European and Anglo-Saxon) is very limited 13,3% and 10%, a pattern seen in the other Slovak research reports.

Table 136: Management cultures of parent companies

Management cultures of parent companies	Frequency	% distribution
Germanic	14	46,7
Eastern-European	5	16,7
Latino and South-European	4	13,3
Anglo-Saxon	3	10
Others	4	13,3
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Primary research by the authors

Table 137: Tradition of parent companies

Tradition of parent companies	Frequency	% distribution
<b>Traditional multinationals (American, Western European, Japanese)</b>	30	100
<b>Emerging and transition countries</b>	0	0
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Primary research by the authors

It is interesting to note that there were no subsidiaries coming from emerging and transition countries at all.

### 9.3.6. YEAR AND FORM OF ESTABLISHMENT OF THE SUBSIDIARIES

Between 1990 and 1995 more than one third 34,5% of the subsidiaries have been acquired via majority ownership control or carried out as greenfield investments by the foreign owners. Between 1996 and 2000 20,7% of them settled in Slovakia and the remaining sampled firms 27,6% arrived between 2001 and 2005.

Greenfield investments have been established by 41% of the foreign owners of these companies, participating in our survey. Far more 59% of the firms obtained majority control in Slovakian companies during the period of initial national privatization and acquisitions.

Table 138: Year and mode of entry of the participants

Year of establishment of the subsidiaries	Merger, acquisition	Greenfield investment	Total	% distribution
<b>Before 1990</b>	2	2	4	<b>13,8</b>
<b>1990-1995</b>	5	5	10	<b>34,5</b>
<b>1996-2000</b>	6	0	6	<b>20,7</b>
<b>2001-2005</b>	3	5	8	<b>27,6</b>
<b>After 2005</b>	1	0	1	<b>3,4</b>
<b>Total</b>	17	12	29	<b>100</b>
<b>% distribution</b>	<b>59%</b>	<b>41%</b>	<b>100%</b>	

Source: Primary research by the authors

**9.3.7. FIELD OF OPERATION: SECTOR-INDUSTRY**

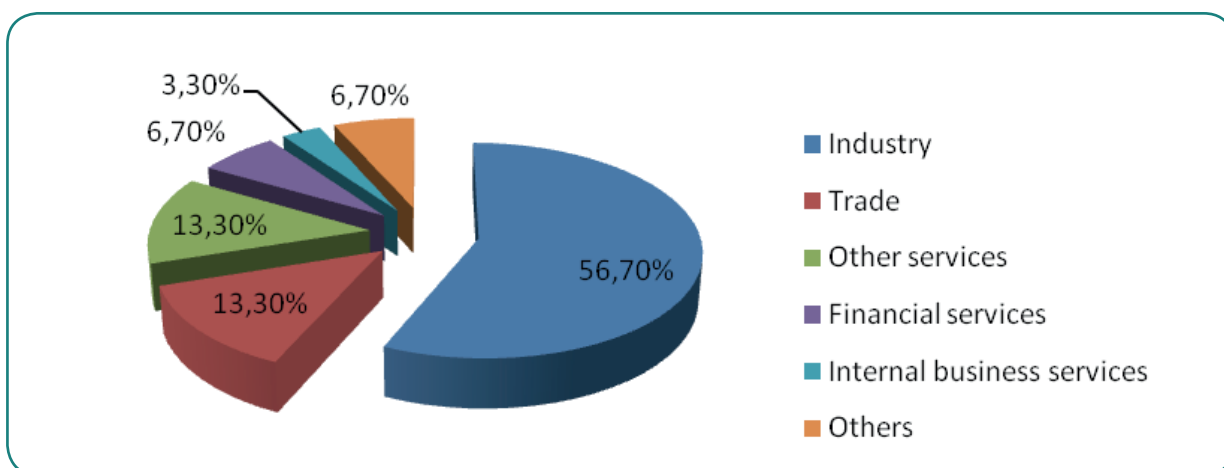
The majority of the organizations 56,7% are engaged in traditional manufacturing activities, while the other significant area 43,3% is in trade and services.

Table 139: Sectoral distribution of the participants

Main sector of the subsidiary's activity	Frequency	% distribution
Industry	17	56,7
Trade	4	13,3
Other services	4	13,3
Financial services	2	6,7
Internal business services	1	3,3
Others	2	6,7
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Primary research by the authors

Figure 32: The sectoral distribution of the participants



Source: Primary research by the authors



## 9.4. THE MAIN DIRECTIONS OF DEVELOPMENT OF THE COMPANIES IN THE PERIOD EXAMINED

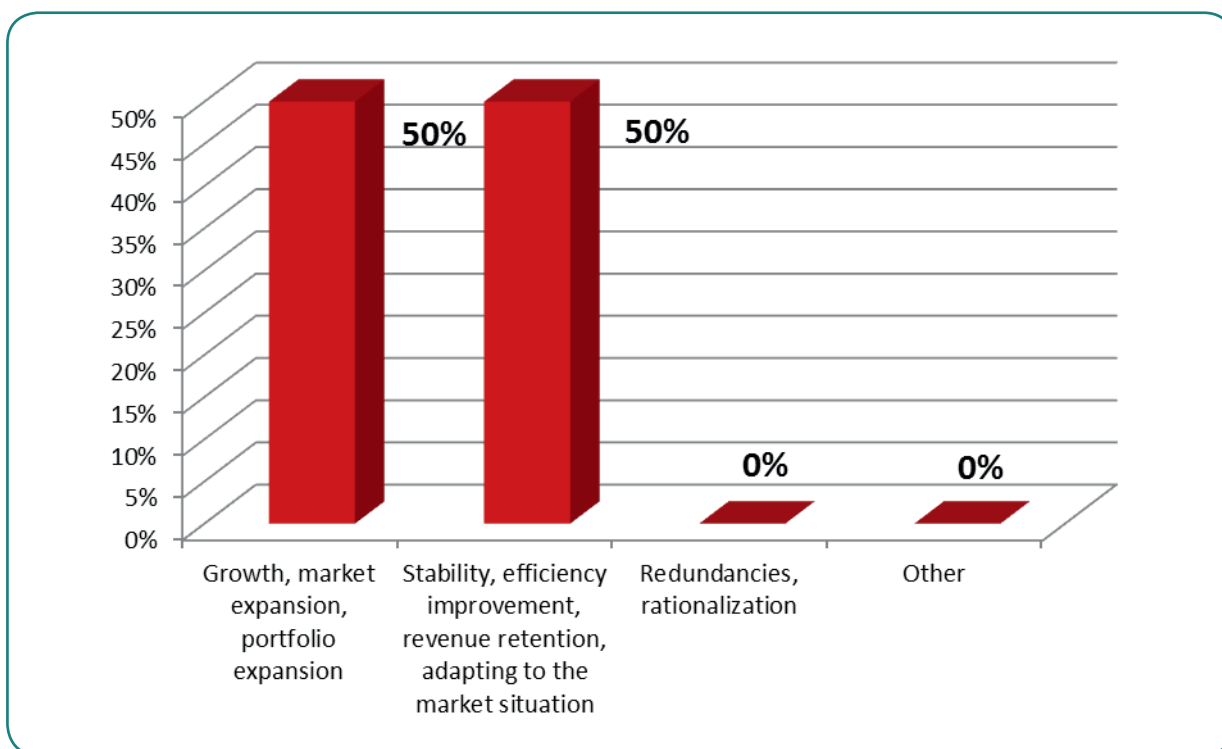
According to the topic indicated in the subtitle, we examined the importance of three strategic orientations:

- » Growth, market expansion, portfolio expansion
- » Stability, efficiency improvement, revenue retention, adapting to the market situation
- » Redundancies, rationalization

### 9.4.1. MAIN STRATEGIC ISSUES-ORIENTATIONS

Fully 50% of the Slovak respondents indicated that they were seeking growth and portfolio expansion during the survey period. The stability, efficiency improvement, revenue retention, and adapting to the market situation were also important 50% of the subsidiaries. None of the subsidiaries chose the redundancies and rationalization option.

Figure 33: The main strategic problem and orientations (%)



Source: Primary research by the authors

### 9.4.2. MAIN COMPETITIVE FACTORS IN THE PERIOD EXAMINED

The quality of workforce was chosen most frequently by 66,7% of the respondents from amongst the listing of most important competitive factors of companies. The quality of management (53,3%), production technology (43,3%) and low labor cost (43,3%) were also chosen as important and relevant competitive factors.

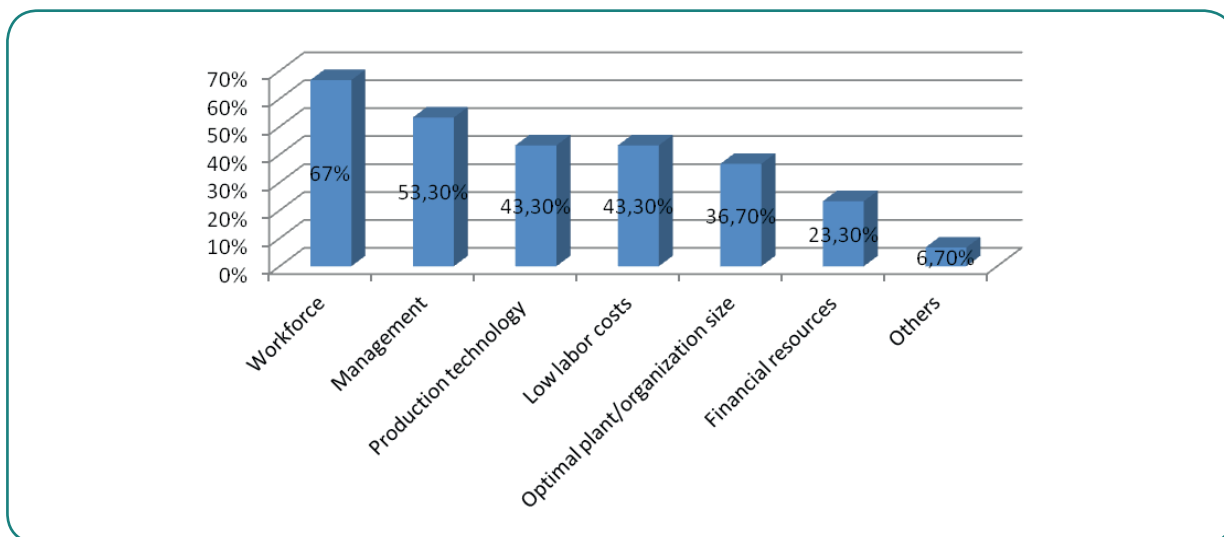
The optimal plant/organization size was deemed as the fifth most important 36,7% factor, which was followed by financial resources (23,35%) and other factors 6,7% each.

Table 140: The importance of competitive factors

Competitive factors	Frequency of "yes" answers	distribution
Quality of workforce	20	66,7
Quality Management	16	53,3
Production technology	13	43,3
Low labor costs	13	43,3
Optimal plant/organization size	11	36,7
Financial resources	7	23,3
Others	2	6,7

Source: Primary research by the authors. Multiple responses available, hence totals to more than 100%

Figure 34: The importance of the competitive factors for the subsidiaries (%)



Source: Primary research by the authors

### 9.4.3. EVALUATION OF MAIN COMPETITIVE DRIVERS OF THE SUBSIDIARIES

We have examined the main competitive factors in that period. The factors of profitability 48,3% and the quality of the service 55,2% are considered better than average. The firm's innovation rate 41,4% and the environmental cases 53,6% are regarded as same as the competitors have.

Table 141: Competitive factors

Competitive factors	Weak	Below average	Same as the competitors	Better than average	Out-standing	Total
Profitability	2	0	10	14	3	<b>29</b>
	6,9%	0%	34,5%	<b>48,3%</b>	10,3%	<b>100%</b>
Quality of service	0	1	7	16	5	<b>29</b>
	0%	3,4%	24,1%	<b>55,2%</b>	17,2%	<b>100%</b>
Innovation rate	0	2	12	10	5	<b>29</b>
	0%	6,9%	<b>41,4%</b>	34,5%	17,2%	<b>100%</b>
Environmental cases	0	0	15	9	4	<b>28</b>
	0%	0%	<b>53,6%</b>	32,1%	14,3%	<b>100%</b>

Source: Primary research by the authors

## 9.5. CHARACTERISTICS OF THE KEY INDICATORS OF THE HR FUNCTION

In this section we give an overview of the following HR characteristics:

- » Number and workload of the HR staff
- » The main indicators representing the importance, results, and efficiency characteristics of the HR activity (labor cost – total cost ratio, age distribution of employees, and relative size of the training budget).

### 9.5.1. NUMBER OF HR STAFF

Overall 32 persons were served by one HR professional in 2011 in Slovakian subsidiaries.

Table 142: Number of employees and HR staff in the participating companies (n=32)

Year	Number of employees	HR staff	
		HR professional HR administration staff Total number of HR staff	Employees per HR position
2011	11 011	347	32

Source: Primary research by the authors

Generally speaking the HR departments of the companies comprising the sample 71,4% are relatively small; the number of HR staff is predominantly less than five persons (1- 4). Bigger HR departments (over 20 persons) have only been operated by two companies.

Table 143: Number of HR staff

Total number of HR staff (persons)	2011	
	Frequency	% distribution
None	3	10,7
1-4 persons	20	71,4
5-10 persons	0	0
11-15 persons	3	10,7
16-20 persons	0	0
Over 20 persons	2	7,1
<b>Total</b>	<b>28</b>	<b>100</b>
<b>Average</b>	<b>12 persons</b>	

Source: Primary research by the authors

### 9.5.2. LABOR COST – OPERATING COST RATIO

The labor cost – operating cost ratio is one of the most frequently analyzed indicators of the importance of the HR function in the company's life. According to many researchers, the effects of HRM have a stronger and more direct influence on the company's performance if this ratio is higher. About 33% of the subsidiaries participating in the survey fall into this category (that is, where the labor cost ratio is higher than 40%). But the vast majority 67% of the companies operated with a relatively low (under 30%) labor cost ratio. This may be explained by the sectorial distribution of NMCs in the Slovakian economy described earlier.

Table 144: Labor cost as a % of the operating cost

Labor cost as a % of the operating cost	2011	
	Frequency	% distribution
Under 5 %	1	4,2
5-10 %	5	20,8
11-20 %	6	25
21-30 %	6	25
31-40 %	4	16,7
41-50 %	1	4,2
Over 50 %	1	4,2
<b>Total</b>	<b>24</b>	<b>100</b>

Source: Primary research by the authors

### 9.5.3. TRAINING BUDGET

Many HRM researchers consider the relative size of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity.

The relative size of the training budget was relatively low, under 5-10% in 70% of the firms examined.

In our sample, some 20% of the subsidiaries report they spent less than 1% of the annual labor budget on training for their employees.

Table 145: Annual training budget of the entire annual labour cost

Annual training budget in % of the entire annual labor cost	2011	
	Frequency	% distribution
Under 1 %	6	20
1-3 %	12	40
3-5 %	9	30
5-10 %	3	10
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Primary research by the authors

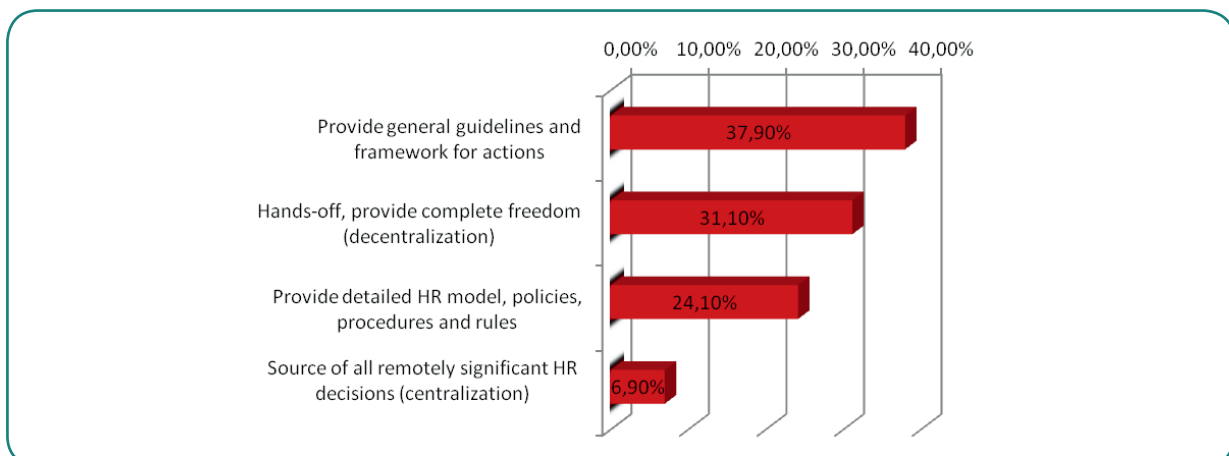
## 9.6. THE OPERATION OF THE HR DEPARTMENT

### 9.6.1. THE RELATIONSHIP BETWEEN HEADQUARTERS AND LOCAL HR

We found several different functional roles and responsibility sharing practices between the HR unit locally and the corporate HR center among the companies examined.

- » Some 37,9% of respondents reported that the HQ-HR department provides general guidelines and framework for actions for the local HR departments of the subsidiaries.
- » Some 31% of respondents stated that although HQ-HR expects information and reports while acting as an auditor, their system provides complete freedom (decentralization) for the local HR departments of the subsidiaries.
- » Finally 24,1% of respondents said that the function of the HQ-HR is to provide the subsidiaries with detailed HR model, policies, procedures and rules.

Figure 35: The typical functions of the HQ HR



Source: Primary research by the authors

### 9.6.2. PRIMARY RESPONSIBILITY OF DECISION MAKING IN MAIN FUNCTIONS OF HR

The results are confirmed by our current survey, which were also established in other studies (CRANET, 2006 and Karoliny et al. 2009; 2010) that the members of the local line management hierarchy have larger responsibility and control in some HR decisions, while the local employees of the HR department have larger responsibility in other functional areas.

Table 146: Responsibility of decision making in key functions of HR

Key functions of HR	Local line management %	Local line management consulting with the HR department %	Local HR department consulting with local line management %	Local HR department %
Human Resource Planning	27,6	31	27,6	13,8
Recruitment	6,7	26,7	43,3	23,3
Selection	34,5	20,7	27,6	17,2
Performance Evaluation	72,4	17,2	3,4	6,9
Training and Development	26,7	20	20	33,3
Talent management	24,1	24,1	27,6	24,1
Compensation and Benefits	65,5	20,7	6,9	6,9
Industrial-Labour Relations	26,7	33,3	23,3	16,7
Employee Communication	31	24,1	27,6	17,2
HRMS/IT	21,4	25	28,6	25
Occupational Safety and Health (OSH)	10,7	14,3	46,4	28,6
Others	0	0	0	0

Source: Primary research by the authors

As the data above reflects, the majority of the respondents regard most of the interventions in the key functions of HR as the result of a joint decision in which the final decision is made most often by the local line management. This approach is particularly true in the areas of Performance Evaluation and Compensation and Benefits. The main responsibility of decision of local line management, consulting with the HR local department is only found in the areas of Human Resource Planning and Industrial-Labor Relations. The responsibility of the local HR department consulting with local line management is in Recruitment and Occupational Safety and Health (OSH). In Slovakia the professionals of the local HR department have the greatest freedom of making decisions on Industrial-Labor Relations.

### 9.6.3. IMPLEMENTED TRANSFORMATIONS IN THE HR DEPARTMENT

We were interested in conversions made in the activities, priorities and responsibilities of the local HR department. The areas in outsourcing of the tasks in HR department 28,6% and the increasing HR as a role of business partner 28,6% "have done their best" were widely reported. Management reacquired a responsibility for HR tasks in 25% of the responses. The issues of self-service HR for the management 21,4%, and the implementation of HR as a role of business partner 21,4% have been realized. The HR SSC (Shared Service Center) in corporate and regional areas 14,3%, the Self-service HR for employees 10,7% and the whole HR SSC 7% are less often reported.

Table 147: Implemented transformation in HR departments

Implemented transformations in HR department	Completed	
	Frequency of "yes" answers	distribution
Outsourcing of the tasks in HR department	8	28,6
Increasing HR as a role of business partner	8	28,6
Management gets back the HR tasks	7	25
Self-service HR for the management	6	21,4
Implementation of HR as a role of business partner	6	21,4
HR SSC * in corporate and regional areas	4	14,3
Self-service HR for employees	3	10,7
Whole HR SSC*	2	7,1

Source: Primary research by the authors. Multiple answers allowed, hence column sums to more than 100%

\* SSC = Shared Service Center

#### 9.6.4. THE ROLE OF EXTERNAL HR SERVICE PROVIDERS

Today human resources are managed in many organizations with the involvement of external service providers. Besides traditional HR consultants, an increasing number of service providers appear who enters the market offering new services (e.g. labor leasing, outsourcing, interim managers, etc.).

External service providers were most often used by the companies in the area of Occupational Safety and Health (OSH) activities. They were also often involved in training and development, reported by two third of the participants of the survey. They were also used in the area of Industrial-Labour Relations, HRMS/IT, Recruitment, Human Resource Planning, Talent management, and Selection.

Table 148: Role and use of external service providers in the different key functions of HR

Key functions of HR	Increased %	Decreased %	Same %	External providers not used %
Occupational Safety and Health (OSH)	32,1	0	56,4	21,4
Training and Development	23,3	10	33,3	33,3
Industrial-Labour Relations	3,3	3,3	53,3	40
HRMS/IT	27,6	0	31	41,4
Recruitment	10	6,7	40	43,3
Human Resource Planning	20	3,3	30	46,7
Talent Management	13,3	3,3	36,7	46,7
Selection	10	6,7	33,3	50
Employee Communication	26,1	0	24,1	51,7
Performance Evaluation	16,7	0	30	53,3
Compensation and Benefits	10	6,7	26,7	56,7

Source: Primary research by the authors

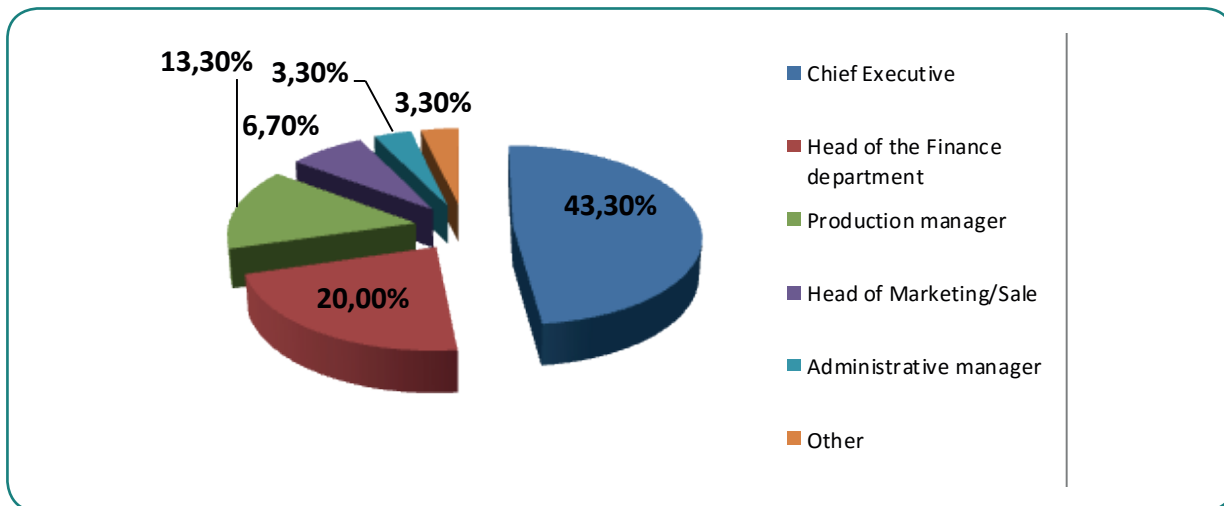
Recall that multiple categories of functional HR areas, which were possible and these figures do not reflect percentages.



### 9.6.5. LACK OF HR MANAGER

Very often the Chief Executive also acts as HR manager 43,3% in those companies where is no HR manager at all. Less often the task devolved to the head of the Finance department 20%, and the Production manager 13,3%.

Figure 36: HR decision-making power



Source: Primary research by the authors

## 9.7. CRITICAL HR ISSUES

### 9.7.1. CHANGES IN THE IMPORTANCE OF MAJOR HR ISSUES

Recruitment and Selection (2,9 out of 5) was the first in the ranking of HR areas considered to be the most critical during the period examined. The areas of Human Resource Planning, the Industrial-Labor Relations and the Training and development (2,8/5 each) were chosen as less important area. And the areas of Compensation and Benefits, Employee Communication, Performance Evaluation and Talent Management (2,7/5 each) were chosen as marginally less important issue of HR of the subsidiaries. Not how close the priorities are, only slight differences exist across the HR issue spectrum.

Table 149: Critical HR issues (on a 1 ⇒ 5 scale, on average)  
(Explanation: 5 = critical ⇒ 1 = not critical at all)

Critical HR issues in (2011)	Average of the answers
Recruitment and Selection	2,9
Human Resource Planning	2,8
Industrial-Labour Relations	2,8
Training and Development	2,8
Compensation and Benefits	2,7
Employee Communication	2,7
Performance Evaluation	2,7
Talent Management	2,7

Source: Primary research by the authors

## 9.7.2. CONDITIONS AND RESULTS OF THE SUBSIDIARIES

In our survey we tried to find the answers to the following questions, in accordance with the HR issues, which can be seen in this table.

Respondents report that it is easy to find manual workers in labor market: 32,1% of the respondents said that it is a characteristic of their environment. It is less easy to find well-trained technical workers (in the labor market): 46,4% of respondents said that it has low level characteristics. Foreign language skills are not problem in most of the jobs: 35,7% answered that it is not typical at all. We can keep talent easily: 35,7% of the respondents said that it has large feature. We can offer competitive wages for our employees in every job: it is considered by 35,7% of them report that it is a minor feature. The Significant influence of the trade unions is said by 37% of the participants to have no feature at all.

Table 150: HR issues

HR issues in 2011	No feature at all %	Minor feature %	Large feature %	Full feature %
Easy to find manual workers in labor market	21,4	21,4	25	32,1
Easy to find well-trained technical workers	28,6	46,4	21,4	3,6
Foreign language skills are not problem in most of the jobs	35,7	32,1	17,9	14,3
We can keep the talents easily	14,3	32,1	35,7	17,9
We can offer competitive wages for our employees in every job	14,3	35,7	32,1	17,9
Significant influence of the trade unions	37	29,6	18,5	14,8

Source: Primary research by the authors

## 9.8. INTERNATIONAL ASSIGNEES AND ROLES

### 9.8.1. FOREIGN ASSIGNMENTS

We have to mention two types of long-term international assignees. Arrivals from abroad (from a parent company or from a third country) are also called expatriates. Alternately there are employees originating from the domestic subsidiary and appointed for a long-term period on mission abroad (to the parent company or subsidiaries working in other countries).

- » Foreign expatriates have not been employed in non-manager positions by the vast majority 93,3% of the Slovak subsidiaries participating in the survey. In those companies that did employ permanently foreign expats in non-manager positions, the number of them ranged between 2-3 persons
- » The presence of expatriates being employed in manager positions is more significant but two thirds 66,7% of the respondents have not employed foreign expatriates in such positions. Where they were present, the number of them ranged between one and five persons.

Table 151: Number of foreign delegates (expatriates)

Number of expats	Manager position		Non manager position	
	Frequency	Distribution %	Frequency	Distribution %
None	20	66,7	28	93,3
1 person	6	20	0	0
2-3 persons	4	13,3	2	6,7
<b>Total</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>100</b>

Source: Primary research by the authors

### 9.8.2. SLOVAK DELEGATES

We can see below the number and position of Slovak expatriates. As stated above, very few Slovakian nationals go “out” on long term international assignments. This lack of transfers back to corporate HQ or to other subsidiary sites has implications for the development of globalized human capital originating in Slovakia.

Table 152: Number and position of Slovak expats

Number of Slovak expats	Manager		Employee	
	Frequency	Distribution %	Frequency	Distribution %
None	26	92,9	26	92,9
1 person	1	3,6	1	3,6
2-3 persons	0	0	0	0
4-5 persons	0	0	0	0
6-10 persons	0	0	1	3,6
11-15 persons	0	0	0	0
16-20 persons	1	3,6	0	0
<b>Total</b>	<b>28</b>	<b>100</b>	<b>28</b>	<b>100</b>

Source: Primary research by the authors

In our sample we can see that only two expats have been appointed abroad in management position. Beside these, there weren't any companies, which would have sent more than ten persons in non-manager position.

### 9.8.3. TYPICAL HR COMPETENCES FOR SUCCESS

According to the supplemented list of HRM competency areas identified by one of the most well-known HR consultants Dave Ulrich (et al. in 2009), the most important competencies are considered by the respondents:

- » Personal credibility: effectiveness, efficient connections and communication skills (78,6%)
- » Use of HRMIS – Information Technology (64,3%)
- » HR services: recruitment-selection, training, performance evaluation, HR measurement, etc. (60,7%)
- » Communication in foreign languages (60,7%).

Table 153: Ranking of key competencies of HR managers

Ranking of the importance of key competencies	Very important	
	Frequency	distribution
<b>Personal credibility (effectiveness, efficient connections, communication skills)</b>	22	78,6
<b>Use of HRMIS (IT)</b>	18	64.3
<b>HR services (recruitment-selection, training, performance evaluation, HR measurement, etc.)</b>	17	60,7
<b>Communication in foreign languages</b>	17	60,7
<b>Business knowledge (value chain, value creation)</b>	14	50
<b>Strategic contribution (culture management, quick changes, strategic decision making)</b>	13	46,4

Source: Primary research by the authors  
Multiple responses result in totals of more than 100%.

According to the respondents' answers, we note that gaining business knowledge (understanding the value chain, firm value creation), and providing a Strategic contribution (culture management, quick changes, strategic decision making) are perceived as important areas of competencies.

## 9.9. KNOWLEDGE MANAGEMENT IN HR

Knowledge management refers to the management and sharing of the collective, strategic and business based knowledge (know-how, skills and intellectual abilities) of a certain organization's employees in an integrated way. In connection with knowledge management specific to the field of HR, we examined the following three areas:

- » Methods of personal competency development in HR
- » Enablers of HR knowledge flows
- » Directions of HR knowledge flows

### 9.9.1. PERSONAL COMPETENCY DEVELOPMENT IN HR

The Slovak respondents found that local HR training and development (3/5) to be the most important method of personal competency development in the field of HR. They thought that HR training and development in headquarters (2,8/5), informal learning in HR department of the subsidiary (2,6/5), and formal learning in headquarters (2,5/5) also played very important role in HR professional development. HR training and development that occurred at other subsidiaries (2,1/5) and informal learning in HR departments of other subsidiaries (1,9/5) were seen to be the least important method of competency of development in HR.

Table 154: The importance of the methods of personal competency development in HR (on a 1 ⇒ 5 scale, on average)  
(Explanation: 5 = important ⇒ 1 = not important at all)

Methods of gaining competencies	The average of the answers
Local HR training and development	3
HR training and development in Headquarters	2,8
Informal learning in HR department of the subsidiary	2,6
Informal learning in Headquarters	2,5
HR training and development in other subsidiaries	2,1
Informal learning in HR departments of other subsidiaries	1,9

Source: Primary research by the authors

### 9.9.2. HR KNOWLEDGE TRANSFER BETWEEN THE PARENT COMPANY AND THE SUBSIDIARY

The respondents ranked the HR knowledge flows from parent to subsidiary (3,4/5) and HR knowledge flows in HR department of the subsidiary (3,2/5) as the most important forms of the different HR knowledge flows.

The lowest value was assigned to HR knowledge flows between the local Slovak subsidiary and other subsidiaries (2,1/5).

Table 155: HR knowledge flows (on a 1 ⇒ 5 scale, on average)  
(Explanation: 5 = important ⇒ 1 = not important at all)

HR knowledge flows in HR	The average of the answers
HR knowledge flows from parent to subsidiary	3,4
HR knowledge flows in HR department of the subsidiary	3,2
HR knowledge flows from subsidiary to parent	2,6
HR knowledge flows between subsidiaries and other departments	2,4
HR knowledge flows between yours and other subsidiaries	2,1

Source: Primary research by the authors

## 9.10. THE FUTURE TASKS OF HR

### 9.10.1. THE KEY BUSINESS ISSUES, TRENDS FOR HR TO FACE

The following problems and trends have been considered to be important by the responding HR managers for the upcoming 12-24 months:

- » The economic crisis has had serious impact on the financial situation report of companies, which resulted in a decrease labor behind
- » Reduction in the HR department
- » Maintaining/increasing the market share of the company. Flexibility during the introduction of the new Labour Code. Increase the HRMS user-friendly application
- » There is no activity devoted to the development of the HR of the company at all. The company has not had any developing tendencies in its current form in any field yet. The insurance subsidiary established in Slovakia, has been subtracted by the parent corporation and it will be only operating as a branch of a foreign insurance company.
- » We will reduce the number of our staff, because of the crisis.
- » The recruitment functions of the HR department will be growing, if the demand of the companies' products is increased by, and the parent company gives new projects to their subsidiaries. But, this task will be fulfilled easily as the number of unemployment has been increased in this region.
- » Because of the existing uncertainty in the EU, we reduce production and probably the number of staff as well.
- » Political instability and high expenses will be a problem. Changes to the tax system increase instability.
- » HR knowledge transfer between the subsidiary and other departments is an issue. Communication development, expansion and believing in better cooperation are key topics.

- » Slow administration, in case of an accident is of concern.
- » The main problem is in our company that our employees have been attracted by our competitors.
- » Staff reduction, the economic crisis, the growing engagement of the parent company is of concern.
- » The HR tasks are carried out by one person, so he/she has a large task. In the future the HR department is expected to develop and expand, and the processes may be complicated.
- » Rising labor costs, economic downturn in hospitals, the migration of doctors, and disadvantageous regulatory (legal) conditions characterize our industry.
- » Labor shortages exist in all areas of the production.
- » There are not enough skilled workers.
- » Language courses, acting according to the laws, communication with the managers and employees and information transfer are important topics to come.
- » We will start additional training programs.

## 9.11. CHARACTERISTICS OF THE RESPONDING INDIVIDUALS

We have also examined demographic characteristics, the professional qualifications and the characteristics of the HR professionals responding to our survey as well.

### 9.11.1. DEMOGRAPHIC CHARACTERISTICS AND QUALIFICATION

Almost all the interviewees participating in the survey have university, college or equivalent qualifications. One of them has PhD degree as well.

Table 156: Level of qualification

Level of qualification	Frequency	% distribution
University (PhD)	1	3,7
University (MA/MSc)	10	37
College (BA/BSc)	11	40,7
Other	5	18,5
<b>Total</b>	<b>27</b>	<b>100%</b>

Source: Primary research by the authors

The majority of the Slovak respondents obtained qualifications in Engineering (52,2%), Social Sciences (34,8%) and the remaining group has a degree in Natural Sciences (13%).

Table 157: Field of professional qualification

Field of professional qualification	Frequency	% distribution
Engineering	12	52,2
Social sciences	8	34,8
Natural sciences	3	13
<b>Total</b>	<b>23</b>	<b>100</b>

Source: Primary research by the authors

The HR respondents have not been in their present positions for very long. Almost half of the respondents 44,4% have been working in their current positions for less than three to five years. And 29,6% of them have been spending in their positions, for fewer periods than 3 years.

Table 158: Time spent in current position

Time spent in current position	Frequency	% distribution
0-3 years	8	29,6
3-5 years	12	44,4
5-10 years	3	11,1
10-15 years	2	7,4
Over 15 years	2	7,4
<b>Total</b>	<b>27</b>	<b>100</b>

Source: Primary research by the authors



## 10. APPENDICES (JÓZSEF POÓR)

### 10.1. APPENDIX – COMPANIES PARTICIPATING IN SURVEY

#### 10.1.1. HUNGARY

Some 118 foreign owned companies participated in the current survey. Twenty six companies remain anonymous.

Table 159: The list of the companies participating in the survey

No	Name of subsidiaries	No	Name of subsidiaries
1.	AGC Glass Hungary Kft.	47.	KIKA LAKBERENDEZÉSI KFT
2.	Alcoa Europe	48.	Knorr-Bremse Fékrendszerek Kft.
3.	ALDI Hungary Bt.	49.	Könyvelő és tanácsadó iroda
4.	Allianz Hungária Kft.	50.	LEAR
5.	AMB Components Hungary Bt.	51.	Linamar HUngary Zrt..
6.	Arval Mo. Kft.	52.	LKH Leoni Kft.
7.	AUDI HUNGÁRIA MOTOR KFT	53.	Lufthansa System Hungária Kft.
8.	Avis Group Business Support Centre Kft.	54.	Magyar Posta Biztosító
9.	AXEL SPRINGER Hungary KFT	55.	Magyar Duty Free Kft.
10.	B.Braun Medical Kft.	56.	Hungaryi pénzügyintézet
11.	Bauder kft	57.	Mattes Hungária Kft.
12.	BHG-ASZ Kft.	58.	MAV Trakció
13.	BIS HUNGARY KFT	59.	McDonald's Kft.
14.	Brunswick Kft.	60.	MG Tolna Üzemeltet? Kft.
15.	Budapest Bank (GE)	61.	Microsoft
16.	buw Hungary Kft.	62.	Nobel Biocare Hungary Kft.
17.	C. F. Maier Kft.	63.	NOKIA
18.	Cascade Engineering Europe Kft.	64.	Nolato Hungary Kft
19.	Celanese Hungary Kft.	65.	Orco Hotel MANagement Kft.
20.	Chemetall Kft	66.	Orion Elektronikai Kft.
21.	Citibank	67.	Perfekt Zrt.
22.	Coca-Cola HBC Hungary	68.	Pigge Hungária Kft.
23.	Continental Automotive Hungary Kft.	69.	Porsche Inter Auto Hungária kft.
24.	Contitech Fluid Automotive Hungária Kft.	70.	Pos Hungária kft
25.	Coty Hungary Kft.	71.	Raiffeisen Bak Zrt.
26.	Dobel Biocare	72.	Rail Cargo Hungaria Zrt.
27.	Dupont Hungary Kft.	73.	Rév és Társai Nemesacél Kereskedelmi Kft.
28.	EAGLE OTTAWA HUNGARY Kft.	74.	Robert Bosch Elektronika Kft.
29.	EON Hungária	75.	Schneider Electric
30.	EPAM SYSTEMS	76.	Siemens Zrt
31.	Epicor	77.	Stanley Electric Hungary Kft.
32.	Eurasia Logistics Kft.	78.	Sustrid ???
33.	Femad kft.	79.	sykes közép-európa kft
34.	Fiat Hungary Kft.	80.	Személyzeti Tanácsadó cég
35.	Fiege szállítványozási és logisztikai kft	81.	Szoftverfejlesztő vállalat
36.	FÓGÁZ	82.	Tchibo Budapest Kft.
37.	Friesland Hungária Zrt.	83.	Telenor Hungary Zrt.
38.	GE Capital	84.	tesa tape Kft.
39.	GE Hungary Kft. -Fényforrásgyár Nagykanizsa	85.	Tesco Global Áruházak zrt.
40.	GE Hungary Kft., GE Appliances Lighting üzletág	86.	TEVA Gyógyszergyár Zrt.
41.	Hauni Hungaria Gépgyártó Kft.	87.	Thissenkrupp Presta Hungary kft.
42.	HP Informatika Kft.	88.	Tu-Plast Kft
43.	IBM Hungarí ISSC Kft	89.	Tyco electronics Hungária kft
44.	Immergas Hungaria Kft	90.	Michelin Hungary
45.	IT SERVICES HUNGARY KFT	91.	Xerox Hungary Kft.
46.	Jabil Circuit Hungary Kft.	92.	ZOLLNER ELEKTRONIK AG

Source: Primary research by the authors

### 10.1.2. POLAND

A total of 53 foreign owned companies participated in the current survey. Some three of them remains anonymous.

Table 160: The list of the companies participating in the survey

No	Name of subsidiaries	No	Name of subsidiaries
1.	3M Poland	26.	Lafarge sp. z o.o.
2.	Apakor	27.	Mahle Filtracja Przemysłowa
3.	Arcelor Mittal Poland Oddzia? Zdzieszowice	28.	Manuli Ekobal sp. z o.o.
4.	Atem Polska sp. z o.o.	29.	Michael Huber sp. z o.o.
5.	Avantis S.A.	30.	Networks
6.	BDN sp. z o.o.	31.	Nokia Siemens Networks
7.	Boot Square sp. z o.o.	32.	PCC SA
8.	Cargill Polska sp. z o.o.	33.	Pierre Fabre Medicament Polska sp. z o.o.
9.	Colgate - Palmolive Manufacturing Poland sp. z o.o	34.	Pro Minent Dozotechnika sp. z o.o.
10.	Eurida	35.	Sauer - Danfoss sp. z o.o.
11.	Euro Bank S.A.	36.	SCA Hygiene Products sp. z o.o.
12.	Fagor Mastercook	37.	Sitech
13.	Faurecia S.A.	38.	Telekomunikacja Polska S.A.
14.	Fenergo Poland	39.	Tensis sp. z o.o.
15.	Fluid Engineering sp. z o.o.	40.	Terra Thaler
16.	Global Colors Polska S.A.	41.	The Lorenz Bahlsen Snack - World Poland
17.	Globale Business Operations sp. z o.o.	42.	Tristone Flowtech Poland sp. z o.o.
18.	Goodyear	43.	UPS Sp. z o.o.
19.	Graniou Atem	44.	Vita Polymers Poland sp. z o.o.
20.	Hamilton Sundstrand Kalisz sp. z o.o.	45.	Volkswagen Motor Polska
21.	Hewlett-Packard	46.	Volvo Polska sp. z o.o.
22.	Hilti Poland sp. z o.o.	47.	Volvo Polska sp. z o.o.
23.	IBM GSDC Polska sp. z o.o.	48.	VOSS Automotive Polska sp. z o.o.
24.	Korff Isolmatic	49.	Warsaw Trucks Center
25.	Kreatina	50.	Winkelmann

Source: Primary research by the authors

### 10.1.3. ROMANIA

Some 34 foreign owned companies participated in the current survey.

Table 161: The list of the companies participating in the survey

No	Name of subsidiaries	No	Name of subsidiaries
1.	AIMS TIMISOARA Ltd	17.	The Rompetrol Group
2.	Carrefour	18.	SC Power Belt SRL
3.	ContiTech Fluid Automotive Romania SRL	19.	BRD-GSG Suc. Blaj
4.	Deloitte SRL	20.	Emerson
5.	EBS Romania	21.	CSI Romania
6.	Mc Donald's Romania SRL	22.	Bosch Rexroth
7.	Nokia	23.	Groupama Asigurari
8.	OTP Bank	24.	Tenaris Silcotub
9.	SC Arcodom SRL	25.	ING Life insurances
10.	SC Austin Powder Exploziv SRL	26.	Ital Textil
11.	SC Dekra Certifications SRL	27.	Eckerle Automotive
12.	SC Game Loft Romania Srl	28.	Ursus
13.	SC Goodwill Consulting GWC SRL	29.	Heineken Romania
14.	SC JRO Masini de cusut industriale SRL	30.	Isopor
15.	SC Pilkinton Automotive Romania SA	31.	Fujikura automotive
16.	Sykes Enterprises Eastern Europe	32.	Genpact
17.	The Rompetrol Group	33.	ING Bank
18.	SC Power Belt SRL	34.	Vifor Pharma

Source: Primary research by the authors

#### 10.1.4. SERBIA

Some 18 foreign owned companies participated in the current survey. One company remains anonymous.

Table 162: The list of the companies participating in the survey

No	Name of subsidiaries	No	Name of subsidiaries
1.	Actavis d.o.o.	10.	Frikom AD
2.	Banking sector	11.	Holcim (Srbija) d.o.o.
3.	Insurance sector	12.	Wiener
4.	Cargo-partner doo	13.	Nokia Siemens Networks
5.	Contitech	14.	OTP Serbia
6.	Ericsson	15.	Tapflo d.o.o.
7.	Ernst & Young	16.	Tarkett SEE d.o.o.
8.	Erste banka Srbija	17.	Telenor d.o.o.

Source: Primary research by the authors

#### 10.1.5. SLOVAKIA

A total of 25 foreign owned companies participated in the current survey. Three companies remain anonymous.

Table 163: The list of the companies participating in the survey

No	Name of subsidiaries	No	Name of subsidiaries
1.	Agel Sk as	12.	LB Cemix sro
2.	Ariesz sro	13.	Olimpic Casino Slovaka
3.	ENEL Slovensko	14.	Partner in Pet Food sk sro
4.	Frekvent s. r. o.	15.	Poli- Farbe
5.	Groupama poistovna a. s.	16.	Raiffeisen Banka d.d.
6.	HÖRNLEIN SLOVENSKO s. r. o.	17.	SANO -moderna vyziva zvierat
7.	IBM ISC, Slovakia	18.	Smurfit Kappa Obaly ?túrovo a.s.
8.	Icopal	19.	Tesco Kolarovo
9.	IMET Group	20.	Veolia, Stredoslovenská Vodárenská Prevádzková Spo
10.	KomPolster sro	21.	Wolfcraft sro
11.	Kooperativa pois?ov?a, a.s	22.	ZDEMAR RD Slovakia

Source: Primary research by the authors

s. r. o. companies with limited liability (spoločnosť s ručením obmedzeným)

a. s. public limited companies (akciová spoločnosť)

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