

## HR Management at Subsidiaries of Multinational Companies in CEE in Light of Two Surveys of Empirical Research in 2008-2009 and 2012-2013

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*Abstract: There is only limited literature on Human Resource Management (HRM) activities in Multinational Companies (hereafter MNC) in the Central and Eastern European region. The research presented below is part of an ongoing research project developed by the Central and Eastern European International Research Team (CEEIRT), a consortium of researchers from universities across the Central and Eastern European (CEE) region with the aim of describing the ongoing patterns of HR practices, policies, practices and pursued by regional MNCs. Statistics and descriptive results are present from surveys carried out in 2008-2009 and again in 2012-2013.*

*Keywords: HR practices; multinational companies; Central-Eastern Europe*

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## 1 Introduction

According to UNCTAD's 2014 Report, the volume of FDI has fallen globally since the 1990s. A record value of US \$1,492 bn was recorded in 2000, whereas the total global FDI volume dropped to US \$735 bn only two years later. This same report identifies the declining number of cross-border acquisitions as being among the most important trends behind this shrinking level of FDI. According to the UNCTAD 2014 Report, the volume of FDI increased again between 2004 and 2008. Another record value of US \$1.401 bn was reached in 2006, but as the result of the global financial crisis of 2008 this volume has been drastically reduced. This decline is in contrast to trends reflected in other macroeconomic indicators such as GDP, foreign trade balance or employment rates, which once again started to rise globally (UNCTAD, 2014). According to the UNCTAD forecast, FDI 2014 will remain at close to the 2012 level. Issues such as the structural weaknesses of the financial system, political instability or an increasingly unfavourable macroeconomic environment could result in a further decline in investor confidence and as a consequence may trigger further declines in FDI. Whereas previously the most developed countries had a large share of the regional FDI, recently the trend has changed and the emerging and developing economies have a 50% share of the total FDI (UNCTAD 2010). FDI inflow into the CEE region between 1990 and 2012 amounts to 1.040 bn. \$ (830 bn. €) (UNCTAD 2014). In this region, it will be seen that for most of the 2000s, FDI increased, but fell back after the 2008 crisis. (Figure 1)

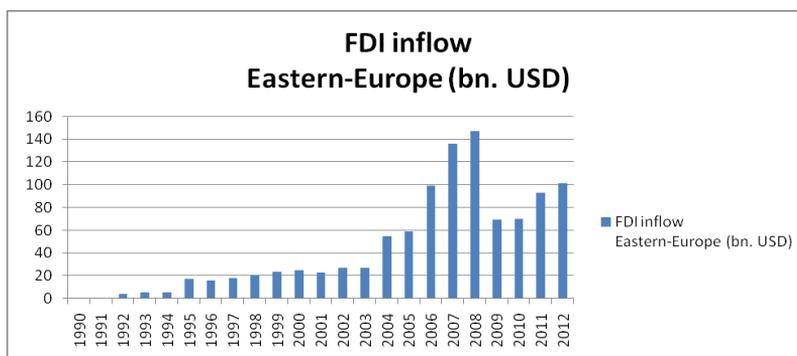


Figure 1

FDI inflow Eastern-Europe (1990-2012)

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

Previous research about the region has suggested that the inflow of FDI could lead to increasing differences in employment and wage levels (Golejewska, 2002; Jenkins, 2009 and Falusné, 2000), and this could exacerbate social and economic polarization. Antalóczy and Sass (2005) found significant correlations between employment, average wages and the size of the foreign capital, but that these values were also associated with significant levels of economic inequality. Bohle

et al. (2007) found that inward FDI is associated with stronger levels of high-tech exports, which contributes to a tendency for focal firms to upgrading their capabilities, so as to be more valuable, rare, difficult to imitate and non-substitutable. Allen Aldred (2011) notes, that the subsidiaries capabilities increase their autonomy in relation to the headquarters in their attempts to gain an enlarged role. These complex macro relationships are a topic of ongoing interest for academics and policy-makers alike.

## 1.1 The Research Model

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

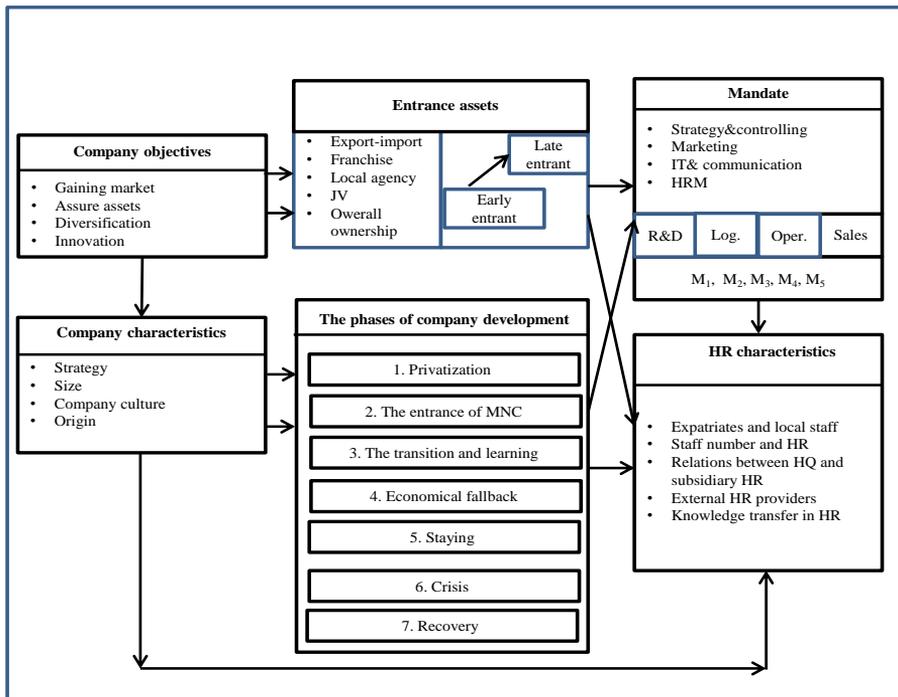


Figure 2

Research Model: HR and its Context in Multinational Subsidiaries

Source: Primary research by the authors

This model combines several influencing and contextual factors evolved from a variety of disciplines (e.g. international management, international human resource management and HRM): Objectives of the firms: MNCs enter to foreign markets for traditional reasons (market acquisition, securing resources, and diversification), but lately they are also seeking better economies of scale and a

more rational allocation of expenditures, via shifting processes and activities to lower cost nations (Dowling *et al.*, 2013). These realignment activities necessitate coordinating and refining HR practices, such as altering methods for expatriate compensation, reviewing training policies, and realigning the transfer of managers across borders (Fisher *et al.*, 1993, Francesco and Gold, 1997; Venaik *et al.*, 2005 and Brewster, 2006). Earlier research suggests that formal labor regulation does not have a significant relationship to FDI level (see Wood *et al.* 2014). This means that although firms may enter countries because of cheaper labor, they feel either that they can circumnavigate rules or that they can compensate for variations in regulation through a pattern of HR policies.

*Phases of company development:* Major stages of company development and HR implications in Central and Eastern Europe during 1988-2013 can be classified into the following seven categories (Poór *et al.*, 2010):

- 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 (Koenings, 2001 and Pavlinek, 2002)
- 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 (Claessens and Djankov, 2002).
- Stage Five – Consolidation and renewal: The majority of companies in the competitive sector of CEE economies has finished the structure changing after privatization.
- Stage Six and Seven - Crisis and Recovery: This period encompasses the global economic crisis that erupted in 2008 and the slow recovery since, of particular interest is (Kotler and Caslione, 2011) the impact of this stage on new or modified HR practices (Balázs and Veress, 2009) and executive expectations for the future (Fodor *et al.*, 2011).

*Mandate:* During the analysis, following 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": "Mandate 1": This is a business in which "front end" value chain activities – some subassemblies, manufacturing, distribution and retailing - are accomplished for the local trading area. The business is a small-scale replica of the parent.

2) "Mandate 2": This is a business producing a designated set of component parts for a multi-country or the global market. Operational activities are limited to packaging, bulk breaking, some final processing and warehousing, distributing.

3) "Mandate 3": This is a business that does not have control over the entire value chain of a business unit but has activities in a number of stages of the value chain. This might be the preparation of manufacturing activities or a regional logistics brief (responsibility).

4) "Mandate 4": This is a business that develops and markets a certain product chain for global markets. Products, markets and basic technologies are similar to the parent company, but the exchange of information between the subsidiary and the parent are rare.

5) "Mandate 5": This is a business that has the freedom and resources to develop lines of business for either local, multi-country or the global market. The subsidiary is allowed unconstrained access to global markets and freedom to pursue new business opportunities.

*Nature and time of market entry:* Data relevant for international comparison show that the majority of international companies chose to solve the problem of gaining majority control by acquisitions or implementing a greenfield developments in the region (UNCTAD 2012). The great migration of MNCs into Hungary took place in the 1990s – in contrast with the neighbouring Slovakia where this process largely occurred between 2002 and 2007. Many of the large multinational companies now present in Hungary have been operating here continuously for nearly two decades. However, the actors of some industries (e.g. automotive suppliers) have been known to move operations in and out of nations within the CEE region and outside of the region very quickly. If the situation is not favourable, these companies walk away promptly. However, the decision that the primary actors in these companies make to stay or leave also depends largely on whether their main buyers stay in-country or depart. In support of the role of “cheap manufacturing and service provider” the number of Hungarian subsidiaries capable of operating with shorter delivery times increased during the recent financial crisis.

*Origin:* The origin here means that the institutional arrangements and purposes of a MNE are influenced by associations and beliefs related to the firm’s country of origin (Kotler-Keller, 2006: 893). According to Yan (2003), one of the key researchers in this topic area (this group would include Hofstede, 1991; Rosenzweig and Nohira, 1994 and Jackson and Artola, 1997) management practices and structures are heavily influenced by national cultures. In contrast, others (Pauly and Reich, 1997) believe that the path and form of technology development is fundamentally impacted by these national differences. Companies of different origins to choose various paths to internationalization, and it should also be stressed that companies of American, Japanese or European origin have built up their present organization structure and hierarchy in a variety of ways (Dowling et al., 2013). Pudelko-Hatzing (2007) stress that human resources management practices of the subsidiary level of an MNC resemble the practices in the home country more so than practices of the local firms (country of origin

effect). However, these authors emphasize too, that national cultures and institutional environment can limit the transfer of HRM practices. Besides that, the subsidiary level HRM practice may follow the practice of the country that sets the HRM standards for what is perceived as a global best practice, too (the so-called dominance effect).

## 1.2. Research Participants - Samples

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

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

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

*Employment Scope:* The first survey (2008-2009) covered seven countries and included results from 279 subsidiaries. These firms employed almost 300.000 people. We can state that the companies in this survey period are split equally between large (51.9%) and small enterprises (48.1%) based on the number of their employees. In our second survey (2012-2013), we analyzed the data of five countries. A total of 254 foreign owned subsidiaries took part in the research, employing total 245 thousand people. Some 48% of the respondents had more than 250 employees.

*Mandate:* We also asked how wide a portion of the value chain the local subsidiary has control of, in other words, what is the „mandate” of the local organization (Delany 1998 and White-Poynter 1984). Some 60% participating subsidiaries have a typical subsidiary mandate, such as purchasing, production/operation and sales/distribution in 2008-2009 survey. This figure is a little bit higher in the 2012-2013 survey period.

*MNE Origin:* The subsidiaries participating in the total sample of the research (2008-2009) came from 33 different countries. More than 74% of them came from four countries: Germany and Austria (47.8%), and the USA and Canada (27%). The remaining subsidiaries came from Western and Southern European EU countries (11.3%) as well as from outside of Europe (13.9%). The data on the origin of the 254 subsidiaries participating in the survey in 2012-2013 show that they were from 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. In both surveys MNC companies originates mainly from Europe, especially from the European Union (EU).

*Time of market entry:* The foreign owners of more than half (52.7%) of the subsidiaries examined in survey 2008-2009 were established before 1995 in Hungary. Almost one quarter of the companies arrived in Hungary between 1996 and 2000 (24.3%) and the remaining firms (23.0%) set up operations in the new millennium. In the other samples most of the respondents established subsidiaries after 2000, especially in Romania and in Serbia where this happened for 75.0% and 81.8% of respondents respectively. In the total sample of the 2012-2013 survey nearly a third of the subsidiaries were established before 1990 (31.7%) and almost a quarter (22.7%) between 1990 and 2000. Almost half (45.7%) of subsidiaries were established after 2000. Patterns of regional arrival and resettlement by MNEs are at once complex and dynamic.

*Nature of market entry:* About 44% of the foreign owners of the companies participating in the survey 2008-2009 came to Hungary creating greenfield investments and around 56% of them obtained majority control from extant Hungarian companies during privatization and the following period of acquisition. In the Croatian and Serbian samples (81.8% and 75% respectively) the primary mode of entry was through acquisition as was the case, to a lesser extent, in Estonia (63.6%). While in the Polish, Romanian and Slovakian samples more multinational companies established subsidiaries via greenfield investments. In the 2012-2013 survey results 51% of the respondents were established via a greenfield project and 49% were established through acquisition. Some 45.7% of responding firms carry out traditional production, 16.5% are in trading and 35.4% provides services.

*Strategic orientation:* A significant number of the respondents (39.7%) in the total sample of 2008-2009 indicated that they were seeking growth development during the period examined. Over 35% of the companies surveyed characterized their strategy as stability. The fact that 23.2% – nearly a quarter – of the respondents chose the redundancies option indicates a slow recovery from the crisis. By the time of the 2012-2013 survey the main 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 a reduction of capacities. This is a significant change when compared to

the 2008-2009 survey, when 23.2% of respondents considered reduction in force and rationalization of capacity. In comparison with survey in 2008-2009, few of MNC subsidiaries in 2012-2013 were struggling with issues of cut-back or downsizing.

### 1.3 Key Indicators of HR Activity

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

#### 1.3.1. Number, Workload and HR Staff

*HR effectiveness ratio:* In the total sample of 2008-2009 the average number of employees per HR professional was under 100 employees for 73.6% of the organizations and the average number of employees per HR professional of 200 or less characterized 96.6% of surveyed organizations. The average headcount serviced by one HR employee is 64 across the responding 279 companies in the 2008-2009 sample in contrast to 69 across the responding 254 companies in the 2012-2013 sample. This finding is consistent with other observations by the authors that the average headcount/HR staff ratio is declining. Some sources explain this with the increasing importance of the HR function (Balázs–Veress, 2009 and Pudlowski, 2009). The average number of employees served by an HR professional is far below the traditional firm ratio. It is well known from management theory and practical experience that it is not reasonable to maintain a separate HR apparatus under a certain number of employees (e.g. 80-100 persons) within an organization. However, the actual ratio also depends on the industry and the composition of the workforce. (Table 2)

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

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

*The average size of the HR department:* The average number of HR professionals was between one and five position holders in the total sample 2008-2009, and in sample 2012-2013 too. In the Hungarian and Polish samples the average number of HR professionals ranged between one and ten incumbents. Respondents in five out of the seven countries indicated no HR staff; ranging from some 5% (in Hungary) up to 10% (in Croatia) of the subsidiaries. This includes 45.1% of respondents having only 1-4 people in HR. Some 18.9% of respondents reported 5-10 HR staff, and 14.4% of respondents reported 10-20 HR people, while 14.3 % of respondents operate an HR department that is larger than 20 people. In some

cases there is no formally appointed/identified HR leader in the organization. In these cases the management or HR issues are performed by the head of the organization or the CFO. The average number of HR professionals was between one and five HR position holder in each sample. This figure is in line with regional data of Cranet global HR survey (Cranet, 2011).

### 1.3.2. The Main Indicators

Training and Development spending: Literature describing HRM operations often considers the relative weight of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity. It is also seen as a sign of the relative commitment of a firm to its people (although, of course, it is possible that a high expenditure in basic hiring training may simply be a product of high staff turnover rates). The average annual training and development spending – as a percentage of the annual labor costs – is less than 1% for 26.0% of the respondents, between 1 and 3% for 42.4% of respondents and 31.6% of respondents spend more than 3% of the labor costs on training and development programs in the 2012-2013 survey. The global average of this indicator calculated using the formerly mentioned Cranet (2006 and 2011) international comparative HR database was 3.36%, the Eastern European index was 3.15% and the Hungarian statistic is 3.54%. (Table 3)

Table 3  
Training cost ratio %

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

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

*Relationship of the local and central HR organization:* There are several models to describe how the corporate center and local HR units share accountabilities. Taylor et al. (1966) describe the relationship between the subsidiaries and the parent company with the following three basic systems of relations:

*In the exportive system of relations,* HR systems developed in the parent company are adopted without changes.

*In the adaptive system of relations,* local subsidiaries adapt the HR systems adopted from the parent company according to their local needs. In the integrative system of relations, all good and applicable solutions are attempted to be spread and implemented in all units of the company regardless of the origin of the HR system.

Lawler (2006) concluded from his research conducted among American subsidiaries operating in Asia and Europe that the most dominant deciding factor in the adoption and adaptation of HR systems is the size of local companies. The

logic is understandable: which solution should be applied in a certain case? Lawler states that the system to be implemented depends on the sum of the impacts of internal and external factors that form and influence the organization. In certain cases the national culture of the host country and the legal, regulatory environment are considered influencing factors.

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

The typical solution that was implemented by nearly half of the respondents in the total sample was that the HR department of the company's headquarters lays down general guidelines and provides a standard framework for the work of HR departments of the subsidiaries and requires information and reporting from them. While 20% of the companies' headquarters performed the auditor's role.

In addition, in the case of almost 36% of the companies the headquarters was responsible for providing resources and advice when requested.

Around 15% of the respondents stated that the headquarters provided the subsidiary with a detailed HR model, policies, procedures, and rules.

On the other hand, about 15% of the HR departments of the responding subsidiaries reported getting hands-offs treatment, almost complete freedom from the headquarters resulting in what they considered a decentralized HR activity.

Finally, in almost 6% of companies the headquarters provided central control.

A majority of the respondents in the 2012-2013 survey (47.5%) indicated that the central HR function issues general guidelines and frameworks and the subsidiary HR staff implement their local practices within these frameworks. Some 32.6% of the respondents have detailed HR models and policies issued by the headquarters, and 19.8% of respondents reported that the headquarters provided them with full authority, performs some audit functions, and expects regular reports. This survey finding underpins the findings in other research regarding the division of HR accountabilities locally between line management and HR specialists. According to Cranet (2006, 2011) some HR decisions are typically the prerogative of line management, whereas other decision areas (namely HRIS and labor management) are more influenced by the local HR staff.

- International assignees: As presented in Perlmutter's (1969) seminal paper, multinational companies following a typology of four personnel strategies have different priorities in their selection and recruitment policies. The company can follow an ethnocentric, polycentric, regiocentric or geocentric selection mechanism. In the ethnocentric orientation, key positions of the local company are held by professionals from the parent company. In polycentric companies, local key positions are held by locals but their promotion to higher positions is very limited. In companies following the regiocentric selection mechanism, locals can hold key positions not only in

the subsidiary but also in the center coordinating the management of the region. In companies following the geocentric selection mechanism, locals can obtain positions even in the top management of the company.

- Usually two types of long-term emissaries are distinguished – employees arriving from abroad from the parent company or from a third country (who are also confusingly often called expatriates) and a second set of employees from the local CEE regional subsidiary appointed for a long-term deputation abroad at the parent company or subsidiaries operating in other countries. In the majority of the results reported from 2008-2009 most foreign expatriates are managers. Exceptions are found in the Estonian sample, where foreign expatriates are more likely to be non-managers (58.6%). In the Romanian and Slovakian samples the proportions of foreign expatriates in managerial and non-managerial roles are almost equally divided. It is important to note that companies appear to be sending an increasing number of employees abroad for a short term “international assignments” (Dowling et al., 2013), for a variety of limited projects, and therefore did not meet the traditional definition of a long term assignment associated with the traditional definition of an expatriate.
- Among the total 247,000 employees working at the 254 respondents, 1000 expatriates are listed in employment estimates, merely 0.4% of the employee reported in the survey of 2012-2013. These assignments are typically in management positions. At 60% of the respondents no expatriates at all were reported at the time of the research. The number of local employees on international assignment is 800, and they were spread across 27% of the responding subsidiaries. Only 33% of these assignees worked in a managerial position.
- Knowledge Management in HR: In terms of developing personal competencies amongst the HR staff, the most important channels or methods of development is reported to be local training and development, and learning assignments at the mother company’s headquarters. This result is consistent for both samples. It is interesting to note that responses indicate the extent or degree of knowledge transfer follows a similar pattern a) inside the subsidiary HR department, b) between the local HR department and other local business units, and c) between the subsidiary HR group and the headquarters HR unit.

## 1.4 Analysis

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

The correlations between seven elements of the firm and contextual elements in our model (mandate, size, origin, strategic orientation, nature, time of entry into the market and firm characteristics) and five HR characteristics (number of HR staff in the subsidiary, number of expatriates, the role of the HR department of the parent, the use of external HR service providers and knowledge transfer in the field of HR) were tested with the ‘Chi-squared’ test. The strength of the correlation was described by means of the Cramer V index. (If the strength of the correlation established between two variables under investigation is around 0, we can speak of ‘independence’; the relationship is ‘weak’ if below 0.3, ‘medium’ between 0.3 and 0.69, and ‘close’ at/over 0.7. (Table 4, 5 and 6).

Table 4  
Detailed analysis of hypothesis explanations of two consecutive researches

Fact.inflH RM	Hypothesis explanations of two consecutive researches	
	2008-2009	2012-2013
H1 mandate <sup>1</sup>	<p>According to the Chi-squared test the mandate affects the number of HR employees and expatriates (expats) but does not affect the relationship between the local HR and HQ HR. The Chi-squared test shows a significant connection between the mandate and the employment of external HR service providers in the cases of recruitment, selection and training/development. According to the cross table analysis companies which are also engaged in research and development apply external service in the highest proportion – not counting selection. Independently from the mandate the use of external service is the most typical for training/development (75%) and recruitment (62%)</p> <p>Between the mandate and the knowledge flow from the parent company to the subsidiary there is just a 10% significance level connection. (Chi-squared test, ANOVA.)</p> <p>While in the case of the local training and education both tests show a significant connection (on 5% level) with the mandate variable. Overall we accept the hypothesis.</p>	<p>According to the Chi-squared test the mandate partly affects the number of HR employees (in the case of production and sales) but it does not affect the number of expatriates and the relationship between the local HR and the HQ HR. Between the employment of external service providers and the different mandate types the Chi-squared test shows significant connections just in a few times. According to the cross table analysis (similarly to the previous research) research and development companies apply external service in the highest proportion and the growth in that happens there in the most cases – not counting the selection. Generally, the use of external service is now the most typical for the field of the training/development of the staff (65%), recruitment (65%) and Occupational Safety and Health (OSH)<sup>4</sup> (66%). No statistically significant connection can be shown between the mandate and the knowledge flow from the parent company to the subsidiary. However, in one case (production/service) there is a significant</p>

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In the two researches the variable affects of the mandate can be examined differently. While in the research of 2008-2009 the different value chain role combinations were different attributes of a variable (These were Sales/marketing, Sales/marketing/production/operation, Sales/marketing /production/ operation/research/development), and from these one could be marked, in the research of 2012-2013 the companies could mark the applying mandates one by one (Sales, marketing, production, etc.) This means that each mandate category was a separate variable. So the connections with other variables (e. g. number of HR-employees, expats) inside a single category could be examined just in reference to the given yes/no questions.

4 This field was examined only in the research of 2012-2013.

		connection with the local training and education. (According to the Chi-squared test, ANOVA). We partly accept the hypothesis.
H2 origin	The effect of the origin cannot be examined by Chi-squared test in the most cases. (The conditions of the test are not met). According to the analysis of contingency tables at Eastern European and Japanese/Korean companies the number of expats is higher than in the case of the other managing cultures. Eastern European and Japanese/South Korean companies reported on a much higher growth (double to fivefold) in the case of employment of external service providers in several fields. (The biggest difference appears in the cases of recruiting, selection and HR planning. The significance of the knowledge flow from the parent company to the subsidiary is in the Eastern European companies the greatest while it is the smallest in the Japanese/Korean ones. The other origin categories behave very similarly so they are put together and ANOVA shows on 10% level a significant connection between the two variables. For Eastern Europeans there is a much greater importance of the local training and education than in the case of the other managing cultures, however there is no significant connection between the two variables. (According to ANOVA) On the relationship between the local HR and HQ HR <sup>5</sup> the Chi-squared test shows a significant connection in three cases – not counting centralization. Decentralization is much more typical for companies of Eastern European origin (38%) and of German origin (40%) while for Anglo-Saxon companies the provision of general guidelines (75%) and detailed HR model (49%).	The effect of the origin cannot be examined by Chi-squared test (because in no cases of the variables are the conditions of the test met.) All in all, (compared with the previous research) independently from the category of origin the proportion of those firms which do not have a HR officer is considerably higher (5% vs 54%) and much higher is the number of those where there are expats (57% vs 93%). According to the cross table analysis the firms of Eastern European origin show a significantly different picture in the case of certain examined variables than the other firms from different managing cultures. Among these is the proportion of those firms the highest (69%) where there are no HR-employees and they are characterized by having no expats or just a low number of them. In reference to the relationship between the local HR and the HQ HR <sup>6</sup> decentralization is typical for them (47%). There was not a single firm for which centralization was typical. In the use of external HR providers no tendency can be experienced in the case of origin. However, the Eastern European firms use external providers in much less proportion in the most fields than in the previous research. In the case of the local HR training no significant connection can be shown between the variables either. (ANOVA) Between the origin and the HR knowledge transfer variables there is a weak but significant relation which is the least typical for Asian and Latin-South European firms and the most for Anglo-Saxon ones. We partly accept the hypothesis (because the Eastern European firms behave differently from the other ones).
H3 date of the establish	Chi-squared test shows a connection on a 10% significance level between the date of the establishment and the number of HR employees. A high number of HR employees (more than 5) is the most characteristic for the firms which were	The criteria of the Chi-squared test are not met in the most cases. On the basis of the cross table analysis the firms established before 2010 show a very similar picture in regard to the most variables while the very new firms

<sup>5</sup> The relationship between the local and central HRs could be examined in the two researches differently. Look at footnote number 2.

<sup>6</sup> The relationship between the local and central HRs could be examined in the two researches differently. Look at footnote number 2.

ment	<p>established before 1995. In the cases of expats and the connection between local HR and the HQ HR<sup>7</sup> there is no significant connection, however, according the cross table analysis the firms established after 1995 are characterized by a higher number of expats while those which were established after 2000 are characterized by decentralization and less by provision of general guidelines and a detailed HR model. In the use of external HR service providers the Chi-squared test cannot carried out in all cases. On a 10% significance level there are connections in two cases (recruitment and labour relations) but according to the cross table no definite tendencies can be shown in the connection of the variables. In the case of the knowledge transfer from the parent company to the subsidiary there is no significant connection, but its importance is much higher in reference to the firms which were established after 2000. In the local training there is no significant difference between the firms in regard to the date of the establishment either. We partly accept the hypothesis.</p>	<p>(established after 2010) differ from those from many aspects. They employ less HR-officers, they do not have expats and in regard to the local HR and the HQ HR<sup>8</sup> they are characterized in a higher proportion by centralization while it is a lot more typical for them not to use external service providers. (We have to take into consideration that it is about just 7 firms). ANOVA does not show a significant connection between the knowledge flow from the parent company to the subsidiary and the local HR trainings. However, the subsidiaries established after 2010 are more characterized by the knowledge transfer than the others. (According to the averages.) Overall we reject the hypothesis.</p>
H4 the way of establish ment	<p>According to the Chi-squared test there is a significant connection between the way of establishment and the number of HR officers. Newly established firms are characterized by a lower number (1 to 5 men) of HR employees (54%) while in the case of firms gained by acquisition this number is mostly higher than 5. (59%) In the cases of the other variables (expat number, relationship between the local HR and the HQ HR<sup>9</sup>, use of external service providers and knowledge flow from the parent company to the subsidiary) there is no significant difference between the two ways of establishment. The Chi-squared test does not show any significant connection in any cases. With the help of the cross table analysis it can be observed that the newly established firms are a slightly more characterized by the growth of the use of external service providers, while for the firms gained by acquisition is the decrease of the use of external service providers more</p>	<p>According to the Chi-squared test there is a weak but significant connection between the way of establishment and the number of HR officers. Newly established firms are characterized by a lower number (1 to 5 men) of HR employees (52%) while in the case of firms gained by acquisition this number is mostly higher than 5.(47%) In the expat number and the relation of the local HR and the HQ HR<sup>10</sup> the firms do not show significant differences in regard to the way of establishment. Between the way of establishment and the use of external service providers there is no significant connection in any fields either, however, with the help of the cross table analysis it can be observed that the newly established firms are more characterized by the growth of the use of external service providers – not counting occupational safety – in contrast with the firms gained by acquisition which are in most cases characterized by the</p>

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<sup>10</sup> The relationship between the local and central HRs could be examined in the two researches differently. Look at footnote number 2.

	<p>typical. Independently from the way of establishment nearly half of the firms are mostly or totally characterized by the knowledge transfer from the HQ HR to the local HR. (48% vs 51%) Overall we reject the hypothesis.</p>	<p>decrease of the use of external service providers. Independently from the way of establishment nearly half of the firms are mostly or totally characterized by the knowledge transfer from the HQ HR to the local HR. (50% vs 48) Overall we reject the hypothesis.</p>
H5: strategy	<p>According to the Chi-squared test there is no significant connection between the number of expats and the relation of the local HR and the HQ HR.<sup>11</sup> The cross table analysis shows that in the case of the latter decentralization is slightly more typical for the firms which decide for growth while those firms which decide for workforce reduction (WFR) are more characterized by a detailed HR model and centralization. According to the Chi-squared test in the field of the use of external HR service providers there is a connection with strategy in many cases (HR planning, recruitment, compensation and labour relations). According to the cross table analysis in regard with WFR strategy the response proportion of the growth in the use of external service providers is significantly less in the most fields, while the decrease response is significantly higher than in the others. Labour relations are an exception where the growth and overall the use of external service providers are significantly higher than in the others. According to the Chi-squared test there is a significant connection between the knowledge transfer from the HQ HR to the local HR and the strategy. (In the case of the growth strategy it is more significant than in the others). While there is no significant relation with the role of the local training and development. We partly accept the hypothesis.</p>	<p>In examination of relations between the variables we first of all relied on the cross table examinations, because the data do not allow the statistical hypothesis test. (There are only eight firms with downsizing strategy and in comparison with the previous research their number decreased significantly.) It can be ascertained that those subsidiaries which follow downsizing and regression there are not HR officers in any cases and the proportion of expats is considerably higher. For those firms who choose growth in the relation between the local HR and the HQ HR <sup>12</sup> decentralization slightly more typical while those which choose downsizing are more characterized by general guidelines and centralization. Those firms which choose growth strategy use external providers almost in every field in a higher proportion than the others (not counting labour relations). Compared with other strategies the proportion of those who report on growth in the use of external providers is significant. (2-3 fold) Between the strategy and the knowledge transfer from the HQ HR to the local HR there is no significant connection. (ANOVA). With the help of the cross table analysis it can be observed that the knowledge transfer has slightly more significance in the case of the growth strategy, while it is the local training in the case of downsizing. We partly accept the hypothesis.</p>

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<p>size (number of employee s)</p>	<p>According to the Chi-squared test there is a significant, middle-strength connection between the size and the number of HR-staff. The bigger the firm is the more HR officers it has. In the case of the number of expats there is a weak but significant relation with a similar tendency. Between the relation of the HQ HR and the local HR<sup>13</sup> and the use of external service providers there is a significant connection in two cases (recruitment, training and development) but there is no definite tendency according the cross table analysis. In the case of the knowledge transfer from the HQ HR to the local HR there is a connection on 10% significance level (the bigger the firm is, the more important it is regarded). According to the cross table analysis in the case of the local training and development there is no significant relation. It is the most significant in medium-sized firms (250-1000 men). We partly accept the hypothesis.</p>	<p>According to the Chi-squared test there is a significant relation between the size of the firm (on the basis of the number of employees) and the number of HR officers (middle-strength connection) and the number of expats (weak connection). The bigger the firm is, the more HR officers and expats it has. With the relation between the local HR and HQ HR<sup>14</sup> there is just a connection on 10% significance level. On the basis of the cross table analysis the big firms are more characterized by decentralization, while the small ones and middle-sized ones by centralization. There is a significant connection between the knowledge transfer from the parent company to the subsidiaries and in the case of the local training as well. (Chi-squared test, ANOVA). These are more typical for the firms with more than 1000 employees. Overall we accept the hypothesis.</p>
<p>H7: Size of the HR departme nt influence d by the characte ristics of the firms</p>	<p>According to the Chi-squared test there is a significant relation between the size of the HR department and the size of the firm (middle-strength relation) and between the number of expats (weak relation). The bigger the size of the firm is, and the higher the number of the expats is, the more HR officers it has. In the case of inpatriates the Chi-squared test cannot be applied, however, on the basis of the cross table analysis there is a definite tendency: a higher number of inpatriates goes together with a higher number of HR officers. Regarding the annual training and development budget there is no significant connection, but the cross table analysis shows that labour costs lower than 1% is more typical for those firms which do not have HR officers or there are just 1-5 men, than for those where the number of HR officer is higher. In the case of the personnel cost the Chi-squared test cannot be carried out and no definite tendency can be observed with the help of the cross table analysis. We partly accept the hypothesis.</p>	<p>As we could observe it in the previous point, the Chi-squared test shows a middle-strength connection between the size of the HR department and the size of the company. In the case of the other variables it cannot be applied, however, the cross table analysis shows a definite tendency: the higher the number of the HR officers is, the more characteristic is for the company a high number of inpatriates/expatriates. In the case of the annual training and development budget, those firms which have more than 20 HR officers are out of line with the others, the training budget is above 1% in much higher proportion, while the labour costs are below 10%, unlike in the others. We partly accept the hypothesis.</p>

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Table 5  
Analysis of HR influencing factors (2008-2009)

No	Factors	1.		2.		3.		4.		5.		6.	
		Mandate		Origin		Fondation time		Fondation way		Strategic orientation		subsidiary (No. of employees)	
		(Pearson $\chi^2$ v. Éta)	V v. Éta	(Pearson $\chi^2$ v. Éta)	V v. Éta	(Pearson $\chi^2$ v. Éta)	V v. Éta	(Pearson $\chi^2$ v. Éta)	V v. Éta	(Pearson $\chi^2$ v. Éta)	V v. Éta	(Pearson $\chi^2$ v. Éta)	V v. Éta
1	Number of HR staff employed by subsidiaries	0,047**				0,077*	C=0,152	0,017**	C=0,204			0,000**	C=0,520
2	Number of expats	0,003***										0,000**	C=0,227
3	Role of HR department at HQ												
	Local HR is free to make decisions			0,093*								0,007*	C=0,190
	Supply of resources and counselling to local HR if necessary	0,008***		0,033**									
	General guidelines and framework to local HR			0,016**								0,008*	C=0,190
4	Detailed HR model, policies, and control to local HR			0,02**									
	Involvement of external HR service providers												
	Planning of human resources									0,028**			
	Recruitment	0,003***			0,072*					0,012**		0,052*	
	Selection	0,003***											
	Training-development	0,037**										0,004*	
	Compensation-Remuneration									0,001***			
Labor relations				0,071*	C=0,150				0,007***				
HRIS													
5	Knowledge transfer from HQ to local HR	0,068**	E=0,140	0,059*	E=0,163					0,036**		0,059*	
6	Role of local training in the development of HR competences	0,023**	E=0,1										

Table 6  
Analysis of HR influencing factors (2011-2013)

No	Factors	1.		2.		3.		4.		5.		6.	
		Mandate		Origin		Fondation time		Fondation way		Strategic orientation		Size of subsidiary (No. of employees)	
		(Pearson $\chi^2$ v. Éta)	Camer V v. Éta	(Pearson $\chi^2$ v. Éta)	Camer V v. Éta	(Pearson $\chi^2$ v. Éta)	Camer V v. Éta	(Pearson $\chi^2$ v. Éta)	Camer V v. Éta	(Pearson $\chi^2$ v. Éta)	Camer V v. Éta	(Pearson $\chi^2$ v. Éta)	Camer V v. Éta
1	Number of HR staff employed by subsidiaries							0,048**	C=0,181			0,000**	C=0,578
2	Number of expats											0,000**	C=0,288
3	Role of HR department at HQ												
	Local HR is free to make decisions												
	Supply of resources and counselling to local HR if necessary												
	General guidelines and framework to local HR									0,092*		C=0,153	
4	Detailed HR model, policies, and control to local HR												
	Involvement of external HR service providers												
	Planning of human resources												
	Recruitment											0,007**	C=0,191
	Selection											0,008**	C=0,191
	Training-development												
	Compensation-Remuneration												
Labor relations													
HRIS												0,018**	C=0,179
5	Knowledge transfer from HQ to local HR			0,038**	E=0,219							0,055*	C=0,181
6	Role of local training in the development of HR competences											0,032**	E=0,171
												0,005**	C=0,215
												0,001**	E=0,237

Table 7  
Hypotheses analysis (2008-2013)

H	Explanations	2008-2009			2012-2013		
		(Yes/ No)			(Yes/ No)		
		True	Partially true	Not true	True	Partially true	Not true
H1	The mandate of the subsidiaries has an impact on HR variables	Y				X	
H2	The company's origin has an impact on HR variables			N		X	
H3	The time of market entry of the MNC has an impact on HR activities.			N	Y		
H4	The nature of the subsidiary's market entry has impact on HR variables.			N		X	

H5	The strategic orientation of companies has an impact on the projected characteristics of HR activities.			N	Y		
H6	The size of the subsidiaries in terms of employee numbers has an impact on the various features of HR variables.		X		Y		
H7	The size of the employee numbers, expat numbers and revenue is has an impact HR department.		X			X	

Our hypotheses (H1-H7) and our review of the findings has already given us the opportunity to examine the connection between certain HR variables and the factors thought to influence their application. What is interesting is that although government regulation has reduced since 2009, more firms see the strategic orientation of the firm as impacting on HRM practices. This could be because there is more room for firms to experiment with new types of HRM, or simply owing to a more difficult operating environment resulting in firms being willing to take HRM more seriously. Subsidiary size also appears to be having an increasing impact on HRM practice. This could reflect the extent to which subsidiaries are gaining an increasing degree of autonomy. An interesting question would be the relative lifespan of the subsidiary as this contextual factor relates to the level of autonomy of HR managers. The hard times of 2008-2009 appear – at least for the time being – to be over. Whereas there is by no means a return to the pre-2008 days when over three fourths of MNC subsidiaries describe themselves as growing, most respondents reported they were once again expanding. Nonetheless, HR departments still remain smaller than their counterparts in the West – HRM is still evolving in the region.

### Conclusions

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

Our analysis of the pattern of the HR practices of MNC's in CEE region shows at best mixed support for the original two (efficiency, effectiveness) assumptions. While the practices of MNCs have contributed to considerable changes in HRM practices of the CEE region, yet a significant degree of diversity characterizes the region even when accounting for MNE similarities in size, strategy and subsidiary mandate. Seeking out patterns of HR resource allocation across this dynamic region continues to be a topic in need of further study.

### **Limitations and Future Plans**

The research team readily acknowledges that these two research data sets do not constitute a replication. The sampling processes of the two iterations of a standardized instrument have a different mix of national samples for 2008-09 and 2012-13. Even so, the ability to generally track large samples of MNC activities across time, nations within the region, as well as across contextual characteristics while concentrating on a standard set of HR practices, policies, relationships and roles appears to have both an academic and practical public policy value.

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

We intend to examine similarities and differences in HR practice at organizations operating in contexts of other types of capitalism (e.g. Mediterranean Market Economies, Coordinated Market Economies (CMEs), Liberal Market Economies (LMEs). An interesting question is the extent to which MNC country of origin is impacting on HR practice in the region. Based on previous research results (see Pudelko-Harzing 200); Allen-Aldred 2011; Whitcher-Chau 2012) we would predict that the pattern of human resource practices applied by MNCs in CMEs would differ from the configuration of practices in the LME region or in the CEE region.

In later stages of our ongoing research we will try to identify any patterns in type of industry, size of firm or national origin within a broader type of capitalism context. A more detailed investigation into the patterns by which MNCs set up various forms of subsidiary value chains within the region (and hence set up or modified mandates) and then went on to modify the nature and location of those operations is an interesting potential area of study. For an interesting recent conceptual review of the issues of MNC subsidiary roles and activities see Schmid, Dzedek and Lehrer (2014).

Furthermore, the relationship between the dynamics of MNC subsidiary mandate changes and MNC executive perceptions of local, area, national and CEE regional HR competencies and capabilities is a promising area of research study. To what degree do issues of the reputation of national and regional human capital impact decisions on the deployment and redeployment of MNC value chain activities and resources?

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