EXAMINING THE ROLES OF HUMAN RESOURCE MANAGEMENT IN FOREIGN-OWNED FIRMS: FOCUS ON THREE CEE COUNTRIES AND AUSTRIA

Barbara Covarrubias Venegas[1], Katharina Thill[1], Martina Rašticová[2], József Poór[3,4], Zdeňka Konečná[5]

[1] *FH Wien University of Applied Sciences*
[2] *Mendel University in Brno*
[3] *Szent István University, Gödöllő*
[4] *Selye János University, Komárno*
[5] *Brno University of Technology*

EUROPEAN JOURNAL OF BUSINESS SCIENCE AND TECHNOLOGY

Volume 2 Issue 1
ISSN 2336-6494
www.ejobsat.com

ABSTRACT

Foreign-owned firms enter foreign markets for traditional reasons (market acquisition, securing resources, and diversification), but lately they have also been seeking better economies of scale and a more rational allocation of expenditures, via shifting processes and activities to lower-cost countries. The aim of this paper is to analyse the major foreign direct investments (FDI) and impacts on Human Resource Management through seven case studies in Austria, Czech Republic, Hungary and Slovakia. Multinational Corporations are considered the driving force behind the internationalization of business. The shift from a domestic to a global business perspective also has a profound impact on corporate human resources management activities. The analysis confirms the general viewpoint in literature that HR work in subsidiaries of MNCs has shifted from an administrative role to a strategic contributor role. The strategic impact is especially big when it comes to fields which need to be "culturally translated": recruitment, compensation and benefits, and talent management. However, that influence is still limited to national HR work on a national level.

KEY WORDS

international HRM, CEE-region, foreign subsidiary, MNC, HR roles

JEL CODES

J24, M12, O15

1 INTRODUCTION

Multinational Corporations are considered the driving force behind the internationalization of business. Anyhow, there is an ongoing debate about the potential adverse side effects of globalisation. The differences in HR management and increase in employment volatility are some of the side effects usually depicted in a negative light, since they decrease job security (Scheve

COVARRUBIAS VENEGAS, Barbara, THILL, Katharina, RAŠTICOVÁ, Martina, POÓR, József, and KONEČNÁ, Zdeňka. 2016. Examining the Roles of Human Resource Management in Foreign-Owned Firms: Focus on Three CEE Countries and Austria. *European Journal of Business Science and Technology,* 2 (1): 70–84. ISSN 2336-6494.

and Slaughter, 2004; Geishecker et al., 2012). Globalisation could influence the volatility and unpredictability of employment for three main reasons. First, internationalization of production may strengthen the volatility of shocks that firms face. Second, multinational companies may react to shocks on economic changes more strongly, i.e. their elasticity of labour demand could be larger in absolute terms. Third, the differences in HR management in multinational companies in comparison to domestic companies may influence employment volatility.

The literature on comparative capitalism has highlighted clear differences in institutions and associated practices. Four key institutional archetypes are often presented. A key distinction in the literature is between Liberal Market Economies (LMEs or shareholder capitalism), Coordinated Market Economies (CMEs or stakeholder capitalism) – see Hall and Soskice (2001) or Whitley (1999) – and the Mediterranean or Mixed Market Economies (MMEs) and the Emerging Market Economies of Central and Eastern Europe (EMEs) – see Hancké et al. (2007) or Amable (2003). "In the former, employment is more likely to be contingent, employee voice weaker, and skills formation bifurcated between those with generic tertiary skills and a large grouping of those with poor skills and occupational insecurity. In the latter, tenure is more secure, employee voice stronger, with a stronger emphasis on vocational skills and continuous lifelong skills development" (Wood et al., 2015, p. 6).

Estimation of conditional volatility based on propensity score matching yield the result that employment tends to be more unsecure in the subsidiaries of foreign-owned enterprises than in domestically owned firms. However, higher flexibility in foreign-owned enterprises is not unanimously caused by their more elastic labour demand. Meriküll and Rõõm (2014) refer that labour demand can be either more or less elastic in subsidiaries of foreign-owned multinationals, depending on the institutional environments of their home and host countries. When FDI (foreign direct investment) originates from a region of Liberal Market Economy (LME) with a more flexible institutional environment (e.g. from the USA to Western European countries), then the elasticity of labour demand is smaller in absolute terms in FOEs (Foreign-Owned enterprises) than in DOEs (domestic enterprises). Hofstede (1991), Rosenzweig and Nohria (1994), Jackson and Artola (1997) and Yan (2003) found that national cultures, as external contextual components, have a significant impact on the HRM structures and practices of companies. In the opposite case (e.g. when FDI originates from Germany a Coordinated Market Economy-CME to Central and Eastern European countries), the elasticity of labour demand is higher. A potential explanation for this finding is that in countries with rigid labour market regulations, multinational companies avoid changing domestic employment in response to economic crisis and instead use other margins of adjustment (Bartlett and Beamish, 2011). They are more likely to do this than domestic firms are since it is easier for multinational companies to substitute between factor inputs. In addition to adjusting through alternative margins, they may also shift the adjustment of labour in response to economic shocks to subsidiaries which are located in countries with less regulated labour markets. Alternatively, multinational firms may choose the host countries where they establish subsidiaries by looking at the labour market institutions: if they operate in sectors that have highly volatile demand then they are more likely to move to countries with a flexible institutional environment (Meriküll and Rõõm, 2014; Dowling et al., 2013).

1.1 Specifics of foreign investment

Multinational companies are a major driving force when it comes to foreign direct investment (Carstensen and Toubal, 2004; Lankes and Venables, 1996; Holtbrügge and Puck, 2009; Spee, 2013). A recent study published by UNCTAD (2012) showed that FDI in CEE amounted to approximately $650 billion. Therefore, a brief outline of specifics of foreign direct investment shows the impact and importance of MNCs for national economies. Section 1.3 is dedicated to the importance of MNCs for the development of HRM in emerging markets.

There are two main categories of foreign investments:

Foreign direct investment (FDI) means "gaining ownership and control over a company in another country" (Krugman and Obstfeld, 2003, p. 190). Deresky (2014) assumes that foreign direct investment (FDI) occurs when a firm invests directly in new facilities to produce and/or market in a foreign country. In exchange for ownership, the investor company delivers financial, production and management know-how and other resources to the target country, and the management's direct involvement in the foreign firm should also be highlighted in connection with FDI (Peng, 2009). The investor can choose between several alternative forms of investment. For example, he can purchase a company which had been operating for a long time, or he might opt for a completely new, so-called "green-field" investment. Most cross-border investment is in the form of mergers and acquisitions rather than green-field investments (Deresky, 2014). 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 practice to local circumstances (Hill, 2014). 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 (Warkentin, 2014).

In contrast to the above, *portfolio investment* means that investors purchase different financial assets and shares (Krugman and Obstfeld, 2003), and follow an investment approach which produces 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 (Hill, 2014).

Foreign direct investment was very important for economic development, employment and economic growth of Central European countries on their way to the market economy. This is especially true for Slovakia, which in the past years showed rapid economic growth thanks to its economic reforms and relatively high level of FDI inflows. This growth had a positive impact on the rate of unemployment, but in Slovakia the unemployment rate for certain socially weak groups of the population is still high. However, FDI contributes to economic growth only when a sufficient absorptive capability of the advanced technologies is available in the host economy (Borensztein et al., 1998, p. 115).

1.2 Influences on Human Resource Management

Global competition leads to globalized business and thus begs the question of how HR can best support business in the face of global integration and coordination, while maintaining local flexibility. This implies that the role of HR in global business ventures is crucial when it comes to implementing organizational strategies with sensitivity to cultural influences (Pucik, 1996). A number of researchers have identified that among the challenges and contradictions MNCs face, there is the need to be simultaneously local and global in scope, to be centralized and decentralized (Bures and Vloeberghs, 2001; Caldas et al., 2011; Doz and Prahalad, 1986; Evans et al., 2002; Hill, 2014), and to maintain a dynamic balance between implementing global standard practices and localization if they are to become transnational (Bartlett and Ghoshal, 1998). Along with being performed differently, HRM is also conceptualized differently in different countries (Lazarova et al., 2008). Furthermore, a paradigm shift from HR as an administrative or support function to one having strategic importance seems to be in process (Karoliny et al., 2009). Deresky (2014) assumes that successful firms, besides a good salary, provide potential candidates with a good brand, purposeful jobs, opportunities and a reliable organizational culture.

It can also be hypothesized that, due to globalisation, HR practices from more developed countries have been transferred to developing countries, forcing the latter to adopt HR practices that put an emphasis on people. However, Pucik (1996) draws our attention to the fact that although there are multiple value-adding opportunities for HR in the process of business globalisation, the positioning or recognition within companies does not reflect this assumption yet, as the HR function now is still not seen as a full partner in the globalisation process. As HRM continues to be developed in Central Eastern Europe (CEE), there is a growing need to examine each country individually and take into account its cultural and institutional contexts.

The traditional notion of HRM has been highly influenced by scholars from the USA (Gooderham et al., 2004; Michailova et al., 2009; Clark and Pugh, 2000). The ongoing debate on convergence or divergence of HRM practices seems to be endless and rather too complex to be able to draw a conclusion (Clark and Pugh, 2000). Signs of homogeneity of preferred HR practices and techniques do exist when comparing the CEE region and global practices (Karoliny et al., 2009), as well among European countries (Clark and Pugh, 2000; Mayrhofer and Brewster, 2005), which might lead to the conclusion that there is an increasing convergence in HRM (Karoliny et al., 2009). Many authors state that national culture, as well as external factors such as socio-political and economic elements, the role of the state, education, and religion all affect the competitive advantage of nations and influence the development and establishment of the HR base (and furthermore the development of HR competencies) in countries. In particular, this means that the host country with its cultural value system has a significant influence on HRM (Rosenzweig and Nohria, 1994).

1.3 Human Resource Management in Multinational Corporations

Already since the late 20th century, researchers have been observing that international strategies and organizational designs are in rapid transition (Egelhoff, 1998; Miles and Snow, 1984; Bartlett and Ghoshal, 1993; Hedlund, 1994; Roberts, 2004). These contributions show new opportunities for multinational corporations to gain competitive advantages: global specialization and scale advantages could be increased and combined with adaptation to local markets; specific skills could be developed in dispersed subsidiaries and then exchanged among units; new innovations could be created by joint development projects. However, MNCs must often address greater challenges than domestic firms – particularly in terms of geographic dispersion of operations, cross-cultural differences, global competition, and greater reliance on overseas divisions (Milliman et al., 1991). Therefore an effective (International) Human Resource Management is crucial for the successful implementation of international strategies in MNCs (Bartlett and Ghoshal, 1989). The competitiveness of companies has increasingly been recognized as dependent on people management strategies (Pieper, 1990; Porter, 1990; Pucik, 1992). One could therefore argue that the globalization of business has resulted in the increasing recognition of the value of a well-managed workforce and the evolution of the human resource function. It has shifted from being viewed as a support function to that of a strategic partner (Pucik, 1992; Teagarden and von Glinow, 1997; Scullion and Starkey, 2000; Wright and Snell, 1991; Huselid, 1995). The key strategic tasks facing the HRM function in many MNCs are, according to literature, facilitating the development of firm-specific competencies, producing complex social relationships, and generating organizational knowledge (Pucik, 1988; Lado and Wilson, 1994).

However, HRM is not only carried out in the headquarters but also, to a big extent, in the subsidiaries. Truss (2000) claim to be able to distinguish between the corporate HR department and the subsidiary HR department in this respect. The role of the corporate HR department and the subsidiary HR department are different in that they deal with HR on two different levels. Corporate HR is active on an international/global level, while subsidiary HR has an impact on a local/regional level. Scullion and Starkey (2000) posit that the key roles of the corporate HR department in MNCs often include management development, managing the mobility of expatriate managers, career planning, succession planning, strategic staffing, and top management rewards. Furthermore, it is common that MNC corporate HR is responsible for managing key personnel in worldwide operations while the rest of the staff is managed by subsidiary HR departments (Scullion and Starkey, 2000). This means a strategic role does not necessarily require the same processes at the level of the corporate HR department and at the level of the subsidiary HR department. Despite this the roles of the two departments are likely to be influenced by each other, depending at least partly on the design of the MNCs overall international HRM system (Farndale and Paauwe, 2005). Accordingly, a literature review about the transformation of headquarters-subsidiary relations by Ferlie and Pettigrew (1996, p. 496) emphasizes that "the ever-swinging pendulum thus seems currently to be moving from centralisation to decentralisation".

Little research has been conducted on how HR departments in MNCs organize and structure themselves in order to balance their strategic and technical HRM activities and meet the demands for local responsiveness and global standardization (Stiles and Trevor, 2006). In recent research designs the main emphasis is put on cooperation with Asian enterprises (Ferner, 1997; Gamble, 2003; Sumelius et al., 2009; Chang et al., 2007) while European and/or North-American headquarter-subsidiaries-relations are rarely taken into consideration (for exceptions see Mayrhofer et al., 2011). Furthermore, the research that has been conducted on the role of the HR department in MNCs was concentrated almost exclusively on the role of the corporate HR department (Novicevic and Harvey, 2001; Scullion and Starkey, 2000; Minbaeva, 2005), whereas the subsidiary HR function has received less research attention. Although the role of corporate HR is undoubtedly important, the role of the subsidiary HR department should be considered nonetheless as it plays an important part in helping the MNC balance its activities between local and global needs (Truss et al., 2002; Farndale and Paauwe, 2005). Accordingly, this paper seeks to explore that particular perspective of HR work in (Central-Eastern) European subsidiaries.

1.4 Human Resource Management in CEE

In the case of Central Eastern Europe in particular, a thorough overview is given in the book publication edited by Morley et al. (2009). They argue that all these countries have been undergoing a transition process from socialist to market oriented economies (contextual factor), the unique political, socio-cultural and economic features of each country had a strong influence on how HRM developed (Michailova et al., 2009).

During the socialist era the strategical positions in organizations were kept under review by the Socialist Worker's Party (e.g. in the case of Hungary) and the state bureaucracy (Wolfe and Poór, 1992). The personnel function, which performed mostly administrative, ideological and social roles (Brewster et al., 2010), was divided into two hierarchical fields: The "Personnel Department" managed the selection, employment and promotion of managers and cadres, while the "Labour Department" took care of employment, wages and allowances of blue-collar workers (Poór and Karoliny, 2015). According to Garavan et al. (1998) these roles in the socialist system were not encouraging more sophisticated and value adding activities. After the fall of the iron curtain and the collapse of the socialist regimes the current view of HRM started to develop in the CEE region and is more and more consolidated in management thinking (Brewster et al., 2010). Morley et al. (2009) described the CEE region as heterogenic concerning the rising economy and a rapidly changing socio-cultural context, which is influenced by restructuring, privatization, increasing foreign direct investment, and an emerging individualism. From 2001 to 2007 economies in CEE grew rapidly due to foreign capital inflows. Nevertheless, since the 2008 financial crisis the economic growth in CEE struggles and therefore presents HRM with new challenges (Hoffmann, 2010).

The Czech Republic, Hungary and Slovakia are among the CEE countries which are included in the CRANET project (as well as Poland, Estonia, Latvia, Lithuania, Slovenia and Croatia) and Austria (among the western countries). The 2005 and 2010 findings show that HR departments in CEE are already on their way to design strategic processes. Written HRM strategies and the involvement of HR managers in the managing board can be noticed in the majority of organizations (Poór, 2009; Cranet, 2011).

2 METHODOLOGY AND DATA

A thorough literature review on HR roles, in particular differences between national companies and subsidiaries of international organisations, led to an exploratory qualitative study. Qualitative expert interviews have been conducted in Austria, Czech Republic, Hungary and Slovakia in the period of January to June 2015. In this study, we posed the following main research question: what are the characteristics of HR work in subsidiaries of multinationals in Austria, Czech Republic, Hungary and Slovakia and how does HR work differ compared to national companies?

The Tab. 1 provides general data regarding the analysed country cases. A detailed description of each case follows below. Every country case gives insights into the specifics of HR's work in subsidiaries of MNCs with respect to the target country.

Data were collected through face-to-face interviews keeping the same structure through a common guideline. Except the facts regarding company's description and organizational structure, the areas of local HR department, current process of HR development and challenges were questioned. Another section dealt with the HR role in international organizations. The interviews were partly conducted in English, partly in the national language with English translation. The approximate duration was one hour per interview.

We placed special importance on our method of analysis as well as the process of analysis in a team of researchers. Thematic analysis was the method of choice to evaluate our data. As described by Braun and Clarke (2006), thematic analysis provides a flexible and useful research tool, which can potentially deliver a rich and detailed account of data. Thematic analysis can thus be a method that works both to reflect reality and to unravel the surface of 'reality'. In this context, a theme captures something important reflected in the data, is related to the research question, and represents some level of structured response or meaning within the data set (Braun and Clarke, 2006). In line with the approach as proposed by Braun and Clarke (2006), we familiarised ourselves with the data by starting with the verbatim transcription and thorough reading of all the transcripts. Then we began the coding process using the software Atlas ti, with coding activities based on a rough coding scheme developed from literature. We also followed Yin's (2003) suggestion to ensure and enhance reliability by using a research framework explicitly derived from literature. We also followed Yin's (2003) suggestion to ensure and enhance reliability by using a research framework explicitly derived from literature. As a result, we define a code in our qualitative inquiry as 'most often a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute' (Saldaña, 2009, p. 3). In terms of reliability, the key principles are transparency and replication (Gibbert and Ruigrok, 2008). According to

Tab. 1: Sample cases

Case countries	Branch/Sector	Origin	Headcount in target countries	HR department
CZ1	Multinational technology and consulting firm	USA	4,000 employees	20 employees
CZ2	Multinational firm	USA	600 employees	7 employees
HU1	Multinational firm	Germany	800 employees	5 employees
HU2	International banking organization	Hungary/Germany	2,100 employees	15 employees
SK1	International manufacturing firm	Germany	1,100 employees	n. a.
SK2	Oil and gas	Hungary	3,000 employees	36 employees
AT1	International banking organization	Italy	6,000 employees	120 full time equivalents

Krippendorff (2004), analysts can verify reliability by checking similarities and differences in readings, interpretations, and responses to given texts or data. This may be achieved by several researchers or by relying on distinct yet functionally equal measuring devices. In this sense, reliability is indicated by substantial agreement of results among these duplications. Therefore, the process of defining the specifics of each theme was based on the continuous exploration of each pattern accompanied by weekly meetings of the three primary coders. As recommended by Yin (2011) and Müller-Benedict (1997), these weekly meetings ensured inter-coder reliability throughout the research process.

Limitation of this study: The research team is completely aware that the sample in each country is rather small, hence we do not claim generalisation through the analysis. It has to be mentioned that this qualitative analysis is embedded in a bigger research project, therefore just showing a small part of our activities. Anyhow, we can draw some preliminary conclusions from this qualitative research. In total we have been conducting 40 interviews, whilst this paper, as mentioned before, is especially focusing on the MNC sample.

3 RESULTS

Considering our expert panel's many different backgrounds and experiences, the respondents were remarkably consistent in the views they expressed. This section describes the eight cases we have been analysing for the purpose of this paper.

CZECH REPUBLIC: Case 1

Company CZ1 is part of a US-American multinational technology and consulting corporation. In the Czech Republic the company has about 4,000 employees. Regarding the organisational life cycle the organisation is in a stability phase.

The local HR department is part of the global HR organisation and consists of about twenty employees. One HR manager leads the centres in the Czech Republic and in Hungary. Besides two HR business partners there is also one HR administrative manager, who heads the HR specialist team and reports to the HR manager. The HR specialist team consists of different sections. For example, there are four recruiters, who report to a different manager outside the country, as well as an HR employee responsible for newcomers and the onboarding program. Although payroll is outsourced, an internal payroll expert is part of the HR department.

The main areas of the local HR department can be described as recruitment and compensation & benefits. There are also two specific teams which are not in the local HR department: one for education and one for resource deployment, supporting people on internal movements from department to department.

The subsidiaries of the multinational have to implement the global HR strategy autonomously, with directives from the US-

American headquarters. Due to local specifics, the implementation processes can be described as very challenging.

In general, HR roles in the Czech Republic changed from rather operational services and agendas to some kind of strategic and partnership-oriented support functions. Therefore, HR roles cannot be reduced to administrative functions anymore.

Czech labour law is not perceived as very restrictive, although strict limits regarding work time and employing foreign country citizens are being described as challenging. Since those limitations affect HR work, improvements in the labour law are described as desirable.

CZECH REPUBLIC: Case 2

Company CZ2 supports microscopy technology and is in a phase of growth. The headquarter is located in the United States. The company currently has over 2,800 employees in more than 20 countries worldwide. The 600 local employees are engaged in research & development, manufacturing and business support functions.

The HR department of the subsidiary consists of seven Full time equivalents (FTEs). It is structured in a classical HR back office which is called "HR research centre" where two HR employees work. In addition to that there is the recruitment team which also consist of two people. The remaining three people work in the HR front office. Two of them hold a similar position as HR managers. They have the same role but serve different divisions of the company. Their primarily goal is to strengthen the role of the managers in the company by consulting them. They do not seek to interfere in their communication with the staff. The head of the HR department is the so called HR side lead. She is a senior manager who represents HR towards the company and the headquarters.

The challenges of HR are mostly described in recruitment and selection – the local market has a specific lack of software engineers. The competition for suitable candidates became tough. Moreover, this is the fact because candidates need to have good English skills.

The company is globally oriented but contained in size. The size is therefore projected in the way of communication and cooperation as well. It is described as strict by implementing global procedures but still sensitive to the local environment and willing to reflect that also in the global guidelines.

The organisational culture is described as particularly open, informal and friendly. There is no strict hierarchy in the sense who can be approached, either for help, advice or any other kind of contact. Company events that embrace also families take place once a quarter. This is to include the employees' relatives in the company life because they feel depended on their understanding concerning the high worktime flexibility they ask of their staff.

The labour law in the Czech Republic is seen as not particular restrictive. Trade unions or another legal formation do not exist in this sector.

HUNGARY: Case 1

Company HU1 is a subsidiary of a German multinational with a leading global market position in three business areas. The MNC has subsidiaries in 75 different countries and more than 47,000 employees worldwide. In addition to the national headquarters in Budapest, two other subsidiaries in Hungary with more than 800 employees in total exist.

The Hungarian subsidiary has three internal employees in the HR department and five employees for payroll and administrative functions.

Subsidiaries of this MNC display the same structure of HR departments in all subsidiaries. There are experts developing strategic HR programs and activities based on business needs, and HR business partners contributing actively to the business strategy by adapting it to the organisational people capabilities. HR operational functions have the main objective to deliver HR services and to coordinate change processes. Other HR colleagues have to support the implementation of the global HR strategy and to drive innovation through local HR business partnership.

The HR strategy itself is provided by the German headquarters and has a special focus on talent and performance issues. Besides talent management, the responsibilities mainly include employer branding and recruitment by attracting ambitious people. The HR departments in the different subsidiaries are strategic business partners in operative areas.

Multinationals are described as the drives of a more strategic HR work in Hungary. Regarding the current state of the economy, the companies must be able to adapt themselves to upcoming changes in a competitive and effective way. The success of the HR function depends on its ability to create value through the business activity and to lead the business strategy and different processes. Hungarian labour law is perceived as very restrictive and furthermore having strong influences on the implementation of HR strategies and processes.

As part of a global corporation an SAP system is implemented, which is perceived as having a positive influence on efficient processes and furthermore fostering business results.

HUNGARY: Case 2

Company HU2 is an international banking organization with subsidiaries in Bulgaria and Romania, controlled by a German bank. Before the financial crisis there was hardly any intervention in the management what changed for a short time. Since the financial crisis the bank is again in a phase of growth and in strategic control.

HR in Hungary has developed in recent years from an operational function to managing tasks. Current HR managers are extensively educated. This process is described as initiated by foreign-owners.

The HR department of HU2 is structured in three divisions. First, there is strategy and controlling which currently is working on the implementation of a new analyzing tool. The HR director is integrated and is the one who reports to the management. They are also responsible of the management of remuneration policy. Here they are aligned to the five HR business partners. One business partner has assigned to one division and is responsible for strategic development – in close coordination with the management. Recruitment is also allocated there but not an active part as most positions are filled by recommendations. The third division works on training and development.

The company culture is described as conservative; rather reactive than innovative. There is a health program but no special leisure time events.

The labor market is not being considered as challenging as no shortage of workforce can be seen. Trade unions and labor law are not providing any obstacles.

SLOVAKIA: Case 1

Company SK1 is a German manufacturing company with subsidiaries worldwide. The Slovakian subsidiary is organised in two separate organisations: the manufacturing with more than one thousand employees, and the shared service centre with more than 100 employees. Currently the company can be described as being in a growth phase, planning a new business centre.

Facing those problems, HR is becoming more important in Slovakia. Especially employer branding, recruitment and compensation & benefits are becoming very popular. Even if international companies are already perceived as very attractive employers, HR departments of multinationals have to develop different strategies to attract young, educated people.

The HR department of the company is divided into the manufacturing business unit and the shared service centre: there are two business partners for each of them, covering HR activities from recruiting, training & development and retention. Additionally, the shared service centre has a talent acquisition specialist, described as a critical function due to employee shortages despite the high rates of unemployment in Slovakia. Employee shortages are partly due to the location of the company (not Bratislava) as well as skills shortages.

The professionalization of HR management is mainly enforced by the headquarters in Germany. Like in other international companies, the headquarters provides HR strategy directives and leaves the leadership in the change process to the local subsidiaries. Every country has its local HR and can be described as working with a high level of autonomy.

HRM has partially developed from being a purely administrative support to being a strategic business partner. HR managers already “have their seat at the big table”, attending top management meetings and being part of strategy development.

SLOVAKIA: Case 2

Company SK2 is a so called “flagship” of a MNC with headquarters in Hungary. A flagship here is understood as a bigger organisational entity. The MNC consist of four; one in Slovakia, the others in Italy, Croatia and Hungary. Concerning the organisational life cycle the company is in a stability phase.

HR contains of 36 employees taking care of, locally, more than 3,000 employees. The HR director is reporting to the CEO. She has three direct report managers: one is talking care of the HR development part, one for HR business partnering and one for the HR compensation and administration part. This structure is described as a classic model in business partnering; front office, back office and centre of excellence. HR partner is part of the front office, as a contact for line managers. He is the one with the closest contact to the business and therefore has to know the business very well. An internal customer services takes care of employees and their requests. As to reduce administrative tasks, payroll is outsourced.

The company culture is described as very conservative and “technical” due to high safety requirements. Stability therefore is a common goal.

Cooperation with the headquarters is described as “two-way-communication”. Still the main HR strategy is established in the headquarters. Local adjustments concerning legal requirements are made in the subsidiary.

The labour law is perceived as very restrictive. The company sometimes feels forced to choose organisational changes to manage the workforce because otherwise dismissals are hardly possible. Trade unions also have a big influence in this sector – over 50 percent of employees are members of a trade union.

AUSTRIA: Case 1

Company D is part of an Italian global banking and financial services company, which is one of the largest European banking groups with more than 147,000 employees in 17 different countries. The Austrian headquarters is based in Vienna and serves as a sub-holding company of the banking group – responsible for overseeing the group´s banking activities in the CEE region. In Austria, this company has 6,000 employees, and together with the CEE-subsidiaries more than 60,000 employees. The influence of the Italian headquarters can be described as very strong. The Austrian subsidiary is in a mixed phase regarding the organisational life cycle of stability and decline.

The local HR department is organised in two big areas: the business partners on one hand and one big expertise centre on the other hand. The business partners work closely together with the management (business strategy). The expertise centre conducts mainly HR functions in labour law, HR planning and development & learning. The expertise centre is not in “client contact”. In addition to the 120 employees in the Austrian HR department, they also have a shared service centre in Poland - responsible for administration, e.g. travel management, payroll.

HRM has developed from being a rather administrative support to a strategic business partner and change communicator. This is mainly due to the increasing importance of the HR department for developing and implementing business strategies, which is being acknowledged. Another major topic of the HR strategy is to introduce a more trustful culture for the employees, e.g. with flexible working hours. Besides the outsourcing of the administrative part to the employees and managers (employee and management self-service systems), the HR department introduced and fostered the concept of an internal job market.

For the specific business and particularly for fulfilling customer needs, labour law as well as strong work councils are perceived as restrictive with a high influence on HR work.

Tab. 2: Main areas, processes and challenges of HR departments of local subsidiaries

Country of the local subsidiary	**Areas of the local HR department**	**Current process of HR development**	**Challenges**
Czech Rep.	Recruitment Compensation & benefits	Changed from rather operational services and agendas to some kind of strategic and partnership-oriented support functions	Czech labour law
Hungary	Experts developing strategic HR programs and activities based on business needs HR business partners contributing actively to the business strategy Business partners supporting the implementation of the global HR strategy	Employer branding and recruitment by attracting ambitious people The HR departments in the different subsidiaries are strategic business partners in operative areas	The ability to create value through the business activity and to lead the business strategy and different processes Hungarian labour law
Slovakia	Manufacturing business unit The shared service centre: there are two business partners for each of them, covering HR activities from recruiting, training & development and retention	HRM has partially developed from being a purely administrative support to being a strategic business partner	Developing of different strategies to attract young, educated people
Austria	HR business partners (business strategy) One big expertise centre (which conducts mainly HR functions in labour law, HR planning and development & learning)	Besides the outsourcing of the administrative part to the employees and managers (employee and management self-service systems), the HR department introduced and fostered the concept of an internal job market	To introduce a more trustful culture for the employees, e.g. with flexible working hours

4 DISCUSSION AND CONCLUSIONS

The analyses based on the qualitative approach gives indication that there is a range of differences in HR management in MNC companies. In the MNCs surveyed in the Czech Republic, the HR department focuses mostly on recruitment, compensation, and benefits. Roles of HR management in the Czech Republic changed from rather operational services to strategic and partnership oriented support functions. In Hungary, multinationals are supposed to be the drivers of a more strategic HR work in Hungary. The company studied pays attention especially to talent management and performance issues, focusing also on employer branding and recruitment by attracting ambitious people. Czech labour law is perceived as less restrictive in comparison to Hungarian labour law. The MNC analysed in Slovakia is influenced by the current growth phase, which challenges employer branding, recruitment, compensation and benefits. Although the headquarters provides HR strategy directives, every country has its local HR and works with a high level of autonomy. In Austria, HR management is perceived as a strategic business partner and change communicator and is highly influenced by restrictive labour law.

The influence of local culture, local policies and HR practices is obvious. From an HR point of view, it seems crucial to broaden competencies of HR managers and especially involve sensitivity to diversity and openness to ambiguity, flexibility, and communication skills.

These findings together with the analyses of the literature result in a newly designed competency model for HR work. Three technical HR competencies (HR Knowledge, Business Knowledge, Strategic Approach) and six behavioural HR competencies (Leadership Competence, Relationship Management Competence, Consultation Competence, Ethical Competence, Cultural/Global/Diversity Competence, Change Competence) outline the relevant skills, abilities and knowledge important for HR work in MNCs. This model will be published in following papers.

5 ACKNOWLEDGEMENTS

This study was prepared by the HRProgress research and teaching team which is financed by the MA23 – City of Vienna.

6 REFERENCES

Amable, B. 2003. *The Diversity of Modern Capitalism*. Oxford: Oxford University Press.

Bartlett, C. A. and Beamish, P. W. 2011. *Transnational Management: Text Cases and Readings in Cross Border Management*. 6th ed. New York, NY: McGraw-Hill/Irwin.

Bartlett, C. A. and Ghoshal, S. 1989. *Managing Across Borders: The Transnational Solution*. 2nd ed. Boston: Harvard Business School Press.

Bartlett, C. A. and Ghoshal, S. 1993. Beyond the M-form: Toward a Managerial Theory of the Firm. *Strategic Management Review*, 14 (S2), 23–46.

Bartlett, C. A. and Ghoshal, S. 1998. *Managing Across Borders: The Transnational Solution*. 2nd ed. Boston: Harvard Business School Press.

Borensztein, E., De Gregorio, J. and Lee, J.-W. 1998. How does Foreign Direct Investment Affect Economic Growth? *Journal of International Economics*, 45 (1), 115–135.

Braun, V. and Clarke, V. 2006. Using Thematic Analysis in Psychology. *Qualitative Research in Psychology*, 3 (2), 77–101.

Brewster, C., Morley, M. and Bučiūnienė, I. 2010. The Reality of Human Resource Management in Central and Eastern Europe: A Special Issue to Mark the 20th Anniversary of Cranet (the Cranfield Network on Comparative Human Resource Management). *Baltic Journal of Management*, 5 (2), 145–155.

Bures, A. L. and Vloeberghs, D. 2001. Cross Cultural Patterns of Internationalization and Human Resource Management Issues. *Competitiveness Review: An International Business Journal incorporating Journal of Global Competitiveness*, 11 (2): 48–56.

Caldas, M. P., Tonelli, M. J. and Lacombe, B. M. B. 2011. IHRM in Developing Countries: Does the Functionalist vs. Critical Debate Make Sense South of the Equator? *Brazilian Administration Review*, 8 (4), 433–453.

Carstensen, K. and Toubal, F. 2004. Foreign Direct Investment in Central and Eastern European Countries: A Dynamic Panel Analysis. *Journal of Comparative Economics*, 32 (1), 3–22.

Chang, Y. Y., Wilkinson, A. J. and Mellahi, K. 2007. HRM Strategies and MNCs from Emerging Economies in the UK. *European Business Review*, 19 (5), 404–419.

Clark, T. and Pugh, D. 2000. Similarities and Differences in European Conceptions of Human Resource Management. *International Studies of Management & Organization*, 29 (4), 84–100.

Cranet. 2011. *International Executive Report 2011*. Cranet Survey on Comparative Human Resource Management. Cranfield: Cranet-Cranfield University. 97 pp.

Deresky, H. 2014. *International Management: Managing Across Borders and Cultures, Text and Cases*. 8th ed. Englewood Cliffs (NJ): Prentice Hall.

Dowling, P. J., Festing, M. and Engle, A. D. 2013. *International Human Resource Management*. 6th ed. London: Thomson-Cengage.

Doz, Y. and Prahalad, C. K. 1986. Controlled Variety: A Challenge for Human Resource Management in the MNC. *Human Resource Management*, 25 (1), 55–71.

Egelhoff, W. G. (ed.) 1998. *Transforming International Organizations*. Edward Elgar, Cheltenham (Elgar Reference Collection). 640 pp.

Evans, P., Pucik, V. and Barsoux, J. L. 2002. *The Global Challenge: Frameworks for International Human Resource Management*. New York: McGraw Hill/Irwin.

Farndale, E. and Paauwe, J. 2005. *The Role of Corporate HR Functions in Multinational Corporations: the Interplay Between Corporate, Regional/National and Plant Level*. CAHRS WP05-10, School of Industrial and Labor Relations, Cornell University, Ithaca, NY.

Ferner, A. 1997. Country of Origin Effects and HRM in Multinational Companies. *Human Resource Management Journal*, 7 (1), 19–37.

Ferlie, E. and Pettigrew, A. 1996. The Nature and Transformation of Corporate Headquarters: A Review of Recent Literature and a Research Agenda. *Journal of Management Studies*, 33 (4), 495–523.

Gamble, J. 2003. Transferring Human Resource Practices from the United Kingdom to China: the Limits and Potential for Convergence. *International Journal of Human Resource Management*, 14 (3), 369–387.

Garavan, T. N., Morley, M. J., Heraty, N., Lucewicz, J. and Schudolski, A. 1998. Managing Human Resources in a Post Command Economy: Personnel Administration or Strategic Human Resource Management? *Personnel Review*, 27 (3), 200–213.

Gibbert, M., Ruigrok, W. and Wicki, B. 2008. What Passes as a Rigorous Case Study? *Strategic Management Journal*, 29 (13), 1465–1474.

Geishecker, I., Riedl, M. and Frijters, P. 2012. Offshoring and Job Loss Fears: An Econometric Analysis of Individual Perceptions. *Labour Economics*, 19 (5), 738–747.

Gooderham, P., Morley, M., Brewster, C. and Mayrhofer, W. 2004. Human Resource Management: A Universal Concept? In Brewster, C., Mayrhofer, W. and Morley, M. (eds.) *Human Resource Management in Europe: Evidence of Convergence?*, pp. 1–26. London and New York: Routledge.

Hall, P. A. and Soskice, D. 2001. An Introduction to the Varieties of Capitalism. In Hall, P. and Soskice, D. (eds.) *Varieties of Capitalism: The Institutional Basis of Competitive Advantage*, pp. 1–70. Oxford: Oxford University Press.

Hancké, B., Rhodes, M. and Thatcher, M. 2007. Introduction: Beyond Varieties of Capitalism. In Hancké, B., Rhodes, M. and Thatcher, M. (eds.) *Beyond Varieties of Capitalism: Conflict, Contradiction, and Complementarities in the European Economy*, pp. 3–38. Oxford: Oxford University Press.

Hedlund, G. 1994. A Model of Knowledge Management and the N-Form Corporation. *Strategic Management Journal*, 15, 73–90.

Hill, C. W. L. 2014. *International Business: Competing in the Global Marketplace*. 9th ed. New York: McGraw-Hill.

Hoffmann, A. 2010. An Overinvestment Cycle in Central and Eastern Europe? *Metroeconomica*, 61 (4), 711–734.

Hofstede, G. J. 1991. *Cultures and Organizations: Software of the Mind*. New York: McGraw-Hill.

Holtbrügge, D. and Puck, J. 2009. Stakeholder Networks of Foreign Investors in Russia: An Empirical Study Among German Firms. *Journal for East European Management Studies*, 14 (4), 369–394.

Huselid, M. A. 1995. The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance. *Academy of Management Journal*, 38 (3), 635–672.

Jackson, T. and Artola, M. C. 1997. Ethical Beliefs and Management Behaviour: A Cross-Cultural Comparison. *Journal of Business Ethics*, 16 (11), 1163–1173.

Karoliny, Z., Farkas, F. and Poór, J. 2009. In Focus, Hungarian and Central Eastern European Characteristics of Human Resource Management – An International Comparative Survey. *Journal for East European Management Studies*, 14 (1), 9–47.

Krippendorff, K. 2004. *Content Analysis: An Introduction to its Methodology*. 2nd ed. Thousand Oaks: Sage Publications.

Krugman, P. R. and Obstfeld, M. 2003. *International Economics: Theory and Policy*. 6th ed. Boston: Addison-Wesley.

Lado, A. A. and Wilson, M. C. 1994. Human Resource Systems and Sustained Competitive Advantage: A Competency-Based Perspective. *Academy of Management Review*, 19 (4), 699–727.

Lankes, H.-P. and Venables, A. J. 1996. Foreign Direct Investment in Economic Transition: The Changing Pattern of Investments. *Economics of Transition*, 4 (2), 331–347.

Lazarova, M., Morley, M. and Tyson, S. 2008. International Comparative Studies in HRM and Performance – the Cranet Data. *The International Journal of Human Resource Management*, 19 (11), 1995–2003.

Mayrhofer, W., Brewster, C., Morley, M. J. and Ledolter, J. 2011. Hearing a Different Drummer? Convergence of Human Resource Management in Europe – A Longitudinal Analysis. *Human Resource Management Review*, 21 (1), 50–67.

Mayrhofer, W. and Brewster, C. 2005. European Human Resource Management: Researching Developments over Time: Management Revue. *The International Review of Management Studies*, 16 (1), 36–62.

Meriküll, J. and Rõõm, T. 2014. *Are Foreign-Owned Firms Different? Comparison of Employment Volatility and Elasticity of Labour Demand*. Working Paper Series No. 1704. Frankfurt am Main: European Central Bank.

Michailova, S., Heraty, N. and Morley, M. J. 2009. Studying Human Resource Management in the International Context: The Case of Central and Eastern Europe. In Morley, M. J., Heraty, H. and Michailova, S. (eds.) *Managing Human Resources in Central and Eastern Europe*, pp. 1–24. New York: Routledge.

Miles, R. E. and Snow, C. C. 1984. Fit, Failure and the Hall of Fame. *California Management Review*, 26 (3), 10–28.

Milliman, J., Von Glinow, M. A. and Nathan, M. 1991. Organizational Life Cycles and Strategic International Human Resource Management in Multinational Companies: Implications for Congruence Theory. *Academy of Management Review*, 16 (2), 318–339.

Minbaeva, D. B. 2005. HRM Practices and MNC Knowledge Transfer. *Personnel Review*, 34 (1), 125–144.

Morley, M., Heraty, N. and Michailova, S. (eds.) 2009. *Managing Human Resources in Central and Eastern Europe*. London: Routledge.

Müller-Benedict, V. 1997. *Der Einsatz von Maßzahlen der Interkoder-Reliabilität in der Inhaltsanalyse.* [online]. Working paper. Available at: `http://nbn-resolving.de/urn:nbn:de:0168-ssoar-12596`. [Accessed 2016, March 15].

Novicevic, M. M. and Harvey, M. 2001. The Changing Role of the Corporate HR Function in Global Organizations of the Twenty-First Century. *The International Journal of Human Resource Management*, 12 (8), 1251–1268.

Peng, M. W. 2009. *Global Business*. Mason: South-Western Cengage Learning.

Pieper, R. 1990. Introduction: Human Resource Management: An International Comparison. In Pieper, R. (ed.) *Human Resource Management: An International Comparison*, pp. 1–26. Berlin: de Gruyter.

Poór, J. 2009. Managing Human Resources in Hungary. In Morley, M. J., Heraty, N. and Michailova, S. (eds.) *Managing Human Resources in Central and Eastern Europe*, pp. 188–218. New York: Routledge.

Poór, J. and Karoliny, Z. 2015. HRM in Transition in the Countries of Central and Eastern Europe – Including Hungary: Past and Present. In Machado, C. and Davim, J. P. (eds.) *Human Resource Management Challenges and Changes*, pp. 95–113. Nova Science Publishers.

Porter, M. 1990. *The Competitive Advantage of Nations*. Basingstoke: Macmillan.

Pucik, V. 1988. Strategic Alliances, Organizational Learning, and Competitive Advantage: the HRM Agenda. *Human Resource Management*, 27 (1), 77–93.

Pucik, V. 1992. Globalization and Human Resource Management. In Pucik, V., Tichy, N. M. and Barnett, C. K. (ed.) *Globalizing Management: Creating and Leading the Competitive Organization*, pp. 61–81. New York: Wiley.

Pucik, V. 1996. *Human Resources in the Future: An Obstacle or a Champion of Globalization?* New York: Ithaca.

Roberts, J. 2004. *The Modern Firm: Organizational Design for Performance and Growth*. Oxford: Oxford University Press.

Rosenzweig, P. M. and Nohria, N. 1994. Influences on Human Resource Management Practices in Multinational Corporations. *Journal of International Business Studies*, 25 (2), 229–251.

Saldaña, J. 2009. *The Coding Manual for Qualitative Researchers*. Los Angeles, London, New Delhi, Singapore, Washington DC: SAGE Publications.

Scheve, K. and Slaughter, M. J. 2004. Economic Insecurity and the Globalization of Production. *American Journal of Political Science*, 48 (4), 662–674.

Scullion, H. and Starkey, K. 2000. In Search of the Changing Role of the Corporate Human Resource Function in the International Firm. *International Journal of Human Resource Management*, 11 (6), 1061–1081.

Spee, R. 2013. *Facilitating Investment During Difficult Times – Findings from IBM Global Location Trends Report*. Brussels: IBM Plant Locational International.

Stiles, P. and Trevor, J. 2006. The Human Resource Department: Roles, Coordination and Influence. In Stahl, G. K. and Björkman, I. (eds.) *Handbook of Research in International Human Resource Management*, pp. 49–67. Cheltenham: Edward Elgar Publishing.

Sumelius, J., Smale, A. and Björkman, I. 2009. The Strategic Role of HR in MNC Subsidiaries in China between 1999 and 2006. *Chinese Management Studies*, 3 (4), 295–312.

Teagarden, M. B. and von Glinow, M. A. 1997. Human Resource Management in Cross-Cultural Contexts: Emic Practices Versus Etic Philosophies. *Management International Review*, 37 (1), 7–20.

Truss, C. 2000. *Shifting the Paradigm in Human Resource Management : From the Resource-Based View to Complex Adaptive Systems*. Working paper.

Truss, C., Gratton, L., Hope-Hailey, V., Stiles, P. and Zaleska, J. 2002. Paying the Piper: Choice and Constraints in Changing HR Functional Roles. *Human Resource Management Journal*, 12 (2), 39–63.

UNCTAD. 2012. *World Investment Report 2012 — Towards a New Generation of Investment Policies*. Geneva: United Nations.

Warkentin, S. 2014. *What Can We Learn from Coca-Cola's International Marketing Success?* [online]. Available at: `https://www.smartling.com/2014/12/18/what-can-we-learn-from-coca-colas-global-marketing-success/`. [Accessed 2014, December 18].

Whitley, R. 1999. *Divergent Capitalisms: The Social Structuring and Change of Business Systems*. Oxford: Oxford University Press.

Wolfe, J. and Poór, J. 1992. Socio-economic Note Hungary 1990 and Mechanical Tools Factory. In Wheeler, T. L. and Hunger, J. D. (eds.) *Strategic Management and Business Policy*, pp. 1014–1061. Reading: Addison-Wesley.

Wood, G., Poór, J., Karoliny, Z., Gross, A. and Szlávicz, Á. 2015. *The Use of HRM External Resources: CRANET Evidence, 2005 and 2010.* (Unpublished study.)

Wright, P. M. and Snell, S. A. 1991. Toward an Integrative View of Strategic Human Resource Management. *Human Resource Management Review*, 1 (3), 203–225.

Yan, Y. 2003. A Comparative Study of Human Resource Management Practices. In International Joint Ventures: The Impact of National Origin. *International Journal of Human Resource Management*, 14 (4), 487–510.

Yin, R. K. 2003. *Case Study Research: Design and Methods*. Applied Social Research Methods Series, Volume 5. Thousand Oaks: SAGE Publications.

Yin, R. K. 2011. *Qualitative Research from Start to Finish*. New York, London: The Guilford Press.

AUTHOR'S ADDRESS

Barbara Covarrubias Venegas, Institute for Human Recources and Organisation, Faculty of Management and Communication, Währinger Gürtel 97, 1180 Vienna, Austria, e-mail: barbara.covarrubias@fh-wien.ac.at

Katharina Thill, Institute for Human Recources and Organisation, Faculty of Management and Communication, Währinger Gürtel 97, 1180 Vienna, Austria, e-mail: katharina.thill@fh-wien.ac.at

Martina Rašticová, Department of Law and Social Sciences, Faculty of Business and Economics, Mendel University in Brno, Zemědělská 1, 613 00 Brno, Czech Republic, e-mail: martina.rasticova@mendelu.cz

József Poór, Department of Human Resource Management, Faculty of Economics and Social Sciences, Szent István University, Páter Károly Street 1, 2100 Gödöllő, Hungary, e-mail: poorjf@t-online.hu

Zdeňka Konečná, Department of Management, Faculty of Business and Management, Brno University of Technology, Antonínská 548/1, 601 90 Brno, Czech Republic, e-mail: konecna@fbm.vutbr.cz