



SELYE JÁNOS EGYETEM  
GAZDASÁGTUDOMÁNYI KAR

# **Human Resource Management Issues and Challenges in Foreign Owned Companies: Central and Eastern Europe**

**(Dr. József Poór - Dr. Ferenc Farkas - Dr. Allen D.  
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## 1 INTRODUCTION (JÓZSEF POÓR)

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

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

There is a deficit in the HRM (Human Resource Management) literature when it comes to identifying new patterns of Multinational Company (hereafter MNC) involvement and its impact on the HR/HRM activities of these firms. In this ongoing regional research project we examine the HR functions and practical applications of Multinational Company (MNC) subsidiaries in Central and Eastern Europe. The current research is part of long-term research cooperation – the Central and Eastern European International Research Team – that is composed of researchers from universities across the Central and Eastern European (CEE) region and aimed at examining the changing HR practices and roles in MNC subsidiaries. Some of 279 foreign owned, legally independent subsidiaries participated in the questionnaire survey from seven countries (Croatia, Estonia, Hungary, Poland, Romania, Serbia and Slovakia).

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

The book consists of eleven parts and an appendix. The Second section gives a brief overview of the basic features of our research. The Third section describes the theory of the four most important elements of our model (FDI and Employment, Strategic issues of the local subsidiaries, HR in CEE region and Socio-economic and cultural dimensions of Countries Survey).<sup>1</sup> The Fourth chapter summarizes the main results of our research and provides a series of conclusions. The last seven chapters consist of detailed individual country analyses (Croatia, Estonia, Hungary, Poland, Romania, Serbia and Slovakia).<sup>2</sup>

The Appendix includes company names provided data to our research. The book also includes a bibliography.

Such a research monograph is not to be prepared without the support of a wide variety of hard working professional colleagues. Special thanks to all of the members of the CEEIRT (Central and Eastern European International Research Team) Team. The names of the academic contributors to the book may be found on the introductory page.

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

<sup>2</sup> The country reports are based on research carried out between 2008-2011. These reports are partly published in a monograph (in Hungarian) (Poór, J. and Farkas, F. (2012). *HR at foreign owned Firms in Central and Eastern Europe* /In Hungarian/ Gödöllő: Szent István University).

On one level the creation and development of this impressive regional research group may be the most important and long lasting contribution related to this initial report of our collective scholarship. Our growing sense of global and regional solidarity and coordinated scientific curiosity is very appropriate to the type of research we have entered into over the last seven or so years.

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

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

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

### **2.1 MODEL**

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

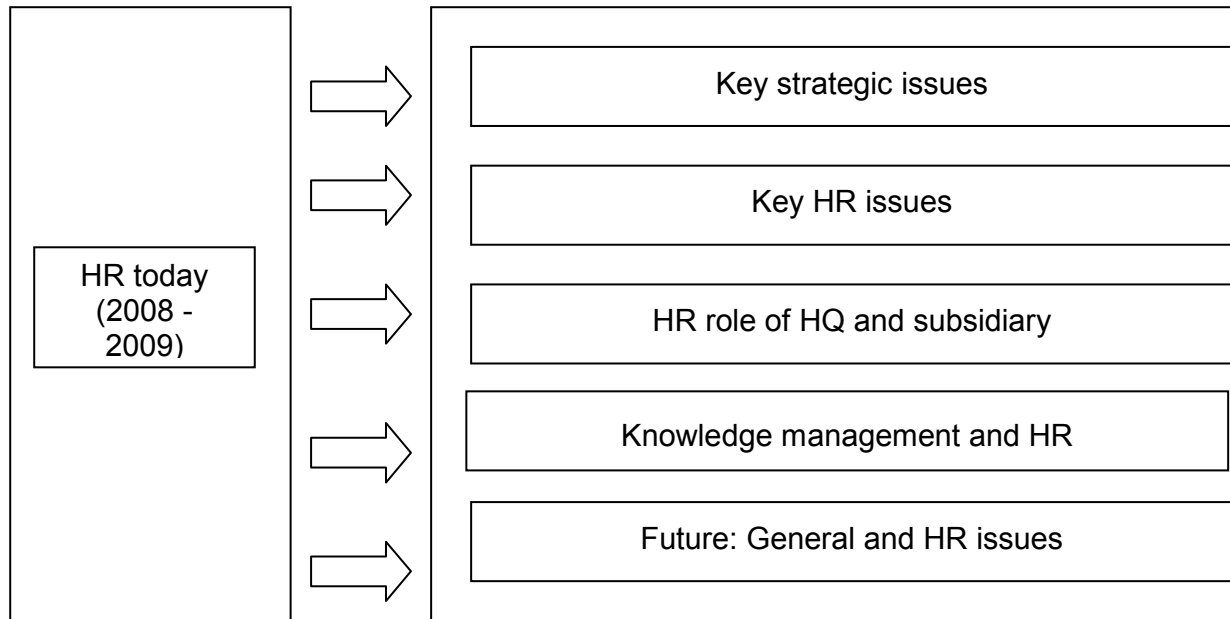
In undertaking a study of HR practices in the subsidiaries of MNCs in Central Europe, we begin by adopting a broad framework encompassing the major external and internal factors that affect the operations of such firms (Figure 1) (Poór et al., 2010). While a discussion concerning each element in this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

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

**Figure 1: Research model**

HRM includes the following functions:
HR Planning + Recruitment and Selection + Performance Evaluation + Training and Development + Talent Management + Compensation and Benefits + Industrial and Labor Relations + Employee Communication + HRMS/IT + Other HR related area(s)

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



Source: Primary research by the authors.

In developing the research model shown in the figure above we implemented international results and several of our own previous surveys. During the analysis we collated the observed picture with the findings of other research projects conducted at the department thus, inter alia, we built on:

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

## 2.2 EMPIRICAL RESEARCH

In the research we covered the following areas:

- ❑ *Characteristics of the subsidiaries surveyed:* the most important organizational and economic characteristics (origin of the parent company, year of establishment of the subsidiary, main area of operation of the company – sector –, size of the organization – based on revenue and the number of employees – and the evolution of its productivity index, its mandate in the value chain and the main steps, directions of its development).
- ❑ *Key indicators of the HR function:* the number and workload of the staff employed in HR departments, the main indicators representing the importance, results, efficiency characteristics of the HR activity (labor cost – total cost ratio, age distribution of the

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

employees, relative weight of the training budget, level and rate of fluctuation and absenteeism).

- ❑ *Most important HR characteristics of the period examined:* the importance of the HR function, foreign and local expats, distribution of roles between central and local HR, the role of local HR in developing and operating the different HRM subsystems, most important key competencies and fundamental sources of professional development of the person interviewed.
- ❑ *Knowledge management in the field of HR:* main directions, methods and characteristics of knowledge flows.
- ❑ *The future of HR:* most significant changes from a HR point of view occurring in the next 12 to 24 months.
- ❑ *Data of the respondents:* data on the current HR department and its employees.

Most of our questions were related to the characteristics of the participating subsidiaries observed in 2009. In some cases (number of staff, revenue and HR efficiency indicators) we collected data from both 2008 and 2009.

The statements included in the report were based on the use of descriptive statistical models (frequency, distribution, average). We also presented graphically the data obtained from processing the answers given to several important questions.

Several case examples collected during the personal interviews – while ensuring anonymity – were also added to our analysis.

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

Figure 2: Initial web-page of the CEEIRT research

**Central and Eastern European International Research Team**  
**CEEIRT**



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[Home page](#) | [Members](#) | [Our Research](#) | [Research model](#) | [Invitation letters](#) | [Questionnaires](#) | [Non-disclosure agreements](#) | [Respondents](#) | [Publications](#) | [Contacts](#)

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**[Access into CEEIRT online survey](#)**

**CEEIRT MISSION**

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



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

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

**Participating countries:**





**Figure 3: An extract from the CEEIRT questionnaire**

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

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

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

If you choose 'Other', please explain

Source: Primary research by the authors.

### 2.3 RESPONDING COUNTRIES

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

**Table 1: Overview on respondents**

No	Countries	Responses
1	Austria	3
2	Bulgaria	5
3	Croatia	11
4	Czech Rep.	1
5	Estonia	45
6	Hungary	74
7	Lithuania	2
8	Poland	88
9	Romania	16
10	Serbia	20
11	Slovakia	22
12	Slovenia	1
	Total	288

Source: Primary research by the authors.

## **2.4 REPORTS**

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

### 3 THEORETICAL BACKGROUND (KATALIN DOBRAI, ALLEN ENGLE, FERENC FARKAS, MÁRTONNÉ KAROLINY AND JÓZSEF POÓR)

#### 3.1 FDI AND EMPLOYMENT

##### 3.1.1 GLOBAL AND REGIONAL TRENDS

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

- *Foreign Direct Investment* (FDI) means “gaining ownership and control over a company in another country” (Krugman & Obstfeld, 2003: 190). In exchange for ownership, the investor company delivers financial, production and management 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 or she can purchase a company which had been operating for a long time, or he or she might opt for a completely new, so-called “green-field” investment. As previously stated, the essence of foreign direct investment is to acquire and secure control over the assets and operation of a company in another country, but, when we talk of FDI, we should not fail to mention that the characteristics of the product and the size, nature and culture of the local market or other conditions might demand the adaptation of corporate strategy and management practice to local circumstances. In car manufacture, for example, there is no such thing as a world car. Toyota is a good illustration of this, since, although it is the number one brand in the United States, it was unable to get into the top three in Japan. The story of Coca-Cola is very similar. Although it is advertised as a global world drink, country-specific advertisements proved to be more successful than would have been the case with the same polar-bear campaign running in every country.
- In contrast to the above, *portfolio investment* means that investors purchase different financial assets and shares, and follows 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.

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

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

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

**Table 2: The volume of global FDI**

Year s	Actual values											Forecast		
	1990	1996	1999	2000	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>FDI</b>	208	1400	1600	1490	735	800	1000	1411	2100	1771	1114	1200	1300-1500	1600-2000

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

**Table 3: FDI in CEE countries (2009)**

No.	Countries	FDI volume (billion USD)	% to GDP	Population (million people)	FDI per capita (USD)
1.	Bulgaria	50	92.2	7.585	6 592
2.	Cyprus	26.8	83.4	0.797	33 626
3.	Czech Republic	115.8	52.7	10.487	11 042
4.	Estonia	16.2	68.8	1.34	12 090
5.	Poland	182.8	30.7	38.151	4 791
6.	Latvia	11.4	33.9	2.254	5 058
7.	Lithuania	13.8	27.2	3.339	4 133
8.	Hungary	85.9	41.4	10.021	8 572
9.	Malta	9.4	108.4	0.413	22 760
10.	Romania	73.9	36.7	21.48	3 440
11.	Slovakia	50.2	48.4	5.418	9 265
12.	Slovenia	15.2	29	2.039	7 455
13.	EU-12 (new members)	651.4	47.1	103.324	6 304
14.	EU-15	5 146.00	34.6	323.679	15 898
15.	EU-27	7 447.00	35.1	500.379	14 883

Source: KSH (2010a). Foreign Direct Investment.(In Hungarian) Statistical Mirror (Statisztikai Tükör) IV. 16:2. and <http://stats.unctad.org/FDI/TableViewer/tableView.aspx?ReportId=4031>

The Western Balkan countries have received significantly less FDI than the countries of CEE. The political and economic instabilities in the Balkan countries have had as a consequence a lack of attractiveness for international investors: In general, FDI inflow was very low until 2000. Only, but important exception was Croatia, with a significant amount of FDI starting from 1997 onwards.

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

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

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

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

Countries	2000	2001	2002	2003	2004	2005	2006	Total
Albania	143	204	135	178	322	265	300	1547
Bosnia and Herzegovina	150	130	266	382	490	400	570	2388
<b>Croatia</b>	<b>1085</b>	<b>1407</b>	<b>591</b>	<b>2025</b>	<b>899</b>	<b>2000</b>	<b>1200</b>	<b>9207</b>
Macedonia	175	441	78	96	156	97	200	1.243
Serbia and Montenegro	25	165	562	1405	1031	2020	2000	7208

Source: EBRD, 2006

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

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

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

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

The main reason for that were that Croatia became attractive to foreign investors relatively late compared to Hungary, Czech Republic and Poland. On the other hand, the composition of Croatian FDI is much more presented in the favor of privatization related FDI compared to greenfield investments in production sectors oriented to export in CE economies.

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

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

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

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

### 3.1.2 FDI AND EMPLOYMENT

Foreign direct investment was very important for economic development, employment and economic growth of Central European countries on their way to the market economy. Especially Slovakia, which is the smallest economy among the Visegrad four countries (Czech Republic, Hungary, Poland and Slovakia), which recorded in the past years rapid economic growth thanks to its economic reform and relatively high level of FDI inflow. This growth had a positive impact on the rate of unemployment, but it in Slovakia unemployment rate for certain socially weak groups of population is still high, investment is not evenly spread in the country and economic recovery after the crisis is still rather slow.

From a global point of view, international companies employ more than 80 million people in their subsidiaries all over the world (UNCTAD data 2010). The proportion of people employed at subsidiaries of international companies varies significantly between countries. According to the representative data of the UNCTAD World Investment Report, 50.6 % of the employees in the private sector work for multinational companies in Ireland. The same indicator in Hungary was 22.4 % at the beginning of the millennium, according to the mentioned report.

**Table 5: FDI and employment**

No.	Countries	Year	Employees
-----	-----------	------	-----------

			employees in MNCs	Employees in private sector	in % of total
1.	Austria	2004	232,800	3,266,500	7.1%
2.	China	2004	24,000	752,000	3.2%
3.	Czech Republic	2004	620,000	3,890,000	15.9%
4.	Finland	2001	176,000	2,060,000	8.5%
5.	Germany	2004	2,280,000	31,405,000	7.3%
6.	Hungary	2000	606,000	2,703,000	22.4%
7.	Poland	2000	648,000	10,546,000	6.1%
8.	Portugal	2002	150,400	3,756,000	4.0%
9.	Slovenia	2004	64,000	798,000	8.0%
10.	USA	2004	5,116,000	131,367,000	3.9%

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

## 3.2 STRATEGIC ISSUES OF LOCAL SUBSIDIARIES

### 3.2.1 OBJECTIVES OF THE FIRM

MNCs enter to foreign markets for traditional reasons (market acquisition, securing resources, and diversification), but lately they are also seeking better economies of scale and a more rational allocation of expenditures, via shifting processes and activities to lower cost nations (Dowling, Festing and Engle, 2008). These realignment activities necessitate coordinating and refining HR practices, such as altering methods for expatriate compensation, reviewing training policies, and realigning the transfer of managers across borders

### 3.2.2 DEVELOPMENT OF SUBSIDIARIES

Major stages of company development and HR implications in Central and Eastern Europe during 1988-2010 can be classified into the following six categories:

- *Stage One and Two – Privatization/ firm establishment:* This period is characterized by the transition from centralized state control and state socialism to private ownership of the means of production in a wide range of industries. Legal and institutional infrastructures (formation of private capital markets, etc) are altered to allow for numerous forms of private ownership and resource allocation. Simultaneously it is occurred the entrance of global multinational corporations (MNC's) into the Central and Eastern European economies via partnerships with state sponsored firms or increasingly through direct purchase from the state, or indirectly through purchase or creation via local or regional venture ownership transactions. After the Cold War, one of the first foreign joint venture was established by Siemens AG (Germany) in CEE region in Hungary in 1973. Overwhelmingly the majority of foreign subsidiaries in our region were established only after these regime changes.
- *Stage Three and Four – Restructuring and development:* Later the new owners shift interest more toward economic rationalization and the divestiture of unprofitable units and functions. The key role of HR was to contribute to institutional changes and transformation. Overall economic development in the region combined with the

stronger foreign capital inflow it contributed to the strengthening the newly privatized or established enterprises. HR helped to acquire new competencies and capabilities of people. According to Claessens and Djankov (2002,313) „there is [a] large difference in post-privatization performance across ownership-type with the best owner (strategic foreign investor) being associated eight times higher productivity growth the worth owner (diffuse individual owner)”.

- *Stage Five – Consolidation and renewal:* The majority of companies in the competitive sector of CEE economies has finished the structure changing after privatization. They have left the reconstruction of the different company functions behind themselves for a longer or a shorter period. With the intensification of competition continuous renewal is being emphasized. In this situation the role of human resources becomes particularly important. With the appearance of new economy the knowledge and steady renewal become the motive power of the HR.
- *Stage Six – Crisis and Recovery:* **The focus of this survey, this period encompasses the global economic crisis that erupted in 2008 and the slow recovery since, particularly the impact of this stage on HR practices and expectations for the future.**

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

### **3.2.3 ORIGIN OF THE FIRMS**

Companies of different origins choose various paths to internationalization, and it should also be stressed that companies of American, Japanese or European origin have built up their present organization structure and hierarchy in a variety of ways (Dowling, Festing and Engle, 2008, Chapter 2).

Americans went through their development phases rather quickly, Europeans used the international division structure less frequently, whilst Japanese companies also underwent all development phases, even if somewhat slowly. In this last case, however, the special role of salesmen affected their organizational development significantly. Companies of different origins, national traditions and different local market backgrounds led to different approaches of managing foreign subsidiaries. American companies coming from a large, homogenous market often still find foreign markets less important than their local one. On the other hand domestic consumption is of marginal importance for Nestlé, which comes from Switzerland, a nation of only 6.5 million inhabitants. The culture followed by the parent company's management is also a significant explanatory variable and may also be worth repeating; specifically the ethno-, poly-, regio- or geocentric cultural typology (Perlmutter, 1969).

### **3.2.4 MANDATE**

During the analysis, as per Delany (1998) and White-Poynter (1984), we classified the participants into five groups based on how much of the value chain is covered by the range of activities of the local subsidiary.

- 1) "Mandate 1": This is a business which markets products manufactured centrally into the local trading area. The business is a small-scale replica of the parent.
- 2) "Mandate 2": This is a business producing a designated set of component parts for a multi-country or the global market. Operational activities are limited to packaging, bulk breaking, some final processing and warehousing, distributing.



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

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

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

### **3.2.5 RELATIONSHIP BETWEEN HQ AND SUBSIDIARY HR**

Taylor et al. (1966) describe the relationship between the subsidiaries and the parent company with the following three basic systems of relations:

- In the **exportive** system of relations, HR systems developed in the parent company are adopted without changes.
- In the **adaptive** system of relations, local subsidiaries adapt the HR systems adopted from the parent company according to their local needs.
- In the **integrative** system of relations, all good and applicable solutions are attempted to be spread and implemented in all units of the company regardless of the origin of the HR system.

Lawler (2006) concluded from his research conducted among American subsidiaries operating in Asia and Europe that the most dominant deciding factor in the adoption and adaptation of HR systems is the size of local companies. The question is reasonable: which solution should be applied in a certain case? These authors say that the system to be implemented depends on the sum of the impacts of internal and external factors that form and influence the organization. In certain cases the national culture of the host country and the legal, regulatory environment are considered influencing factors.

## **3.3 HR IN CEE REGION**

### **3.3.1 PAST**

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

Let us give just a few examples of these.

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

The key positions in companies were closely monitored by the communist party and by state bureaucracy. Management was not considered as a profession and decisions regarding promotion were not based on performance assessment. In several cases; the selection of specialists and personnel-related decisions were greatly influenced by party- and government politics and objectives, and the party instructed company directors to blend together the aspects of individual and collective leadership.

The traditional personnel department consisted of two separate sections. One dealt with office staff and management and the other with blue-collar workers. The group dealing with office staff reported to the Personnel Manager; whilst the one dealing with blue-collar staff reported to the Finance Director. Under the previous regime personnel departments were under the direct control of the managing director, and their scope of responsibilities usually included conventional personnel functions such as selection, career management, etc.

### 3.3.2 HR IN PROGRESS

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

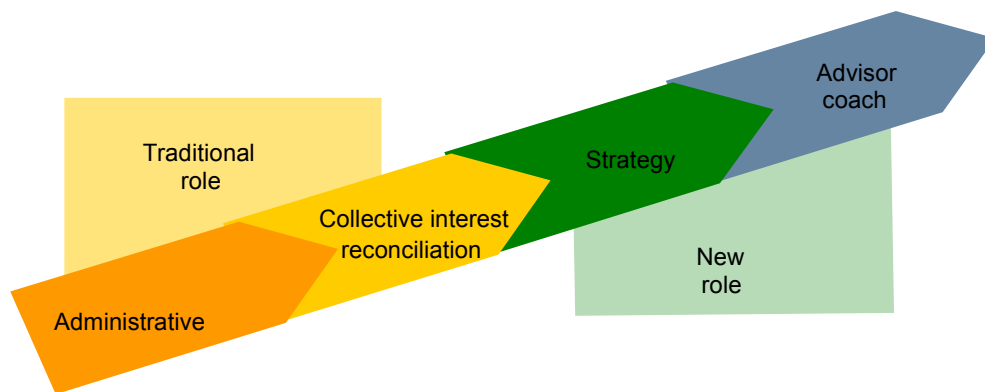
In his book about the role of international companies in Eastern Europe Lewis (2005) states that multinational companies have *redrawn* the labor market map of the former socialist countries in many respects. Among other things, they have finished egalitarianism and introduced a basic salary system based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

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

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

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

**Figure 4: The specific roles of HR**



Source: Primary research by the authors.

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

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

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

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

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

In former socialist countries (excluding Slovenia) the number of organized employees in the public sector has dramatically decreased (Cranet, 2006). Besides changing economic life, governing powers in transition countries sooner or later have started to transform the public sector (central and local administration). Among the indicated reform initiatives, priority was given to the modernization of human resource management in the public sector/administration (Karoliny-Poór, 2007 and Poór 2008). The PHARE program provided by the EU and the financial and professional support from the World Bank and some foundations well-known also in Hungary played an essential role in this process.

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

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

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

### **3.3.3 IHRM**

As the result of internationalization and globalization, International Human Resource Management has been established since the 1980s as a separate discipline. According to Brewster the development of HR is discussed related to relevant management cultures (American, Asian, Germanic, Latino, etc.). (Brewster et al., 2004) As conceptualized by Perlmutter (1969), multinational companies following four personnel strategies are often found to have different priorities in their selection and recruitment policies. A company can follow an ethnocentric, polycentric, regiocentric or geocentric selection mechanism. In the ethnocentric orientation, key positions of the local

company are held by professionals from the parent company. In polycentric companies, local key positions are held by locals but their promotion to higher positions is very limited. In companies following the regiocentric selection mechanism, locals can hold key positions not only in the subsidiary but also in the center coordinating the management of the region. In companies following the geocentric selection mechanism, locals can obtain position even in the top management of the company (Poór, 2009).

**Table 6: Typical comparative indices used in the report**

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

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

### **3.4 SOCIO-ECONOMIC AND CULTURAL CHARACTERISTICS OF COUNTRIES SURVEYED (RENÁTÁ MACHOVÁ)**

#### **3.4.1 SOCIO-ECONOMIC SITUATION**

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

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

All the countries surveyed appear to be in various stages of economic recovery, largely due to their various associations with the powerful German economy.

**Table 7: Key economic variables of countries surveyed**

No.	Countries	Items	Years		
			2008	2009	2010
1	Austria	Annual growth of GDP (%)	2.2	-3.9	2.1
		Unemployment (%)	3.8	4.8	4.4
		Inflation (%)	3.2	0.4	1.7
		GDP per capita in PPS EU-27=100%	124.0	124.0	125.0
2	Bulgaria	Annual growth of GDP (%)	6.2	-5.5	0.2
		Unemployment (%)	5.6	6.8	10.2
		Inflation (%)	12.0	2.5	3.0
		GDP per capita in PPS EU-27=100%	44.0	44.0	43.0
3	Czech R.	Annual growth of GDP (%)	2.5	-4.1	2.3
		Unemployment (%)	4.4	6.7	7.3
		Inflation (%)	6.3	0.6	1.2
		GDP per capita in PPS EU-27=100%	81.0	82.0	80.0
4	Croatia	Annual growth of GDP (%)	2.2	-6.0	-1.2
		Unemployment (%)	8.4	9.1	11.8
		Inflation (%)	5.8	2.2	1.1
		GDP per capita in PPS EU-27=100%	63.0	64.0	61.0
5	Estonia	Annual growth of GDP (%)	-5.1	-13.9	3.1
		Unemployment (%)	55.5	13.8	17.8
		Inflation (%)	10.6	0.2	2.7
		GDP per capita in PPS EU-27=100%	68.0	64.0	65.0
6	Hungary	Annual growth of GDP (%)	0.8	-6.7	1.2
		Unemployment (%)	7.8	10.0	11.2
		Inflation (%)	6.0	4.0	4.7
		GDP per capita in PPS EU-27=100%	65.0	65.0	64.0
7	Lithuania	Annual growth of GDP (%)	2.9	-14.7	1.3
		Unemployment (%)	5.8	13.7	17.8
		Inflation (%)	11.1	4.2	1.2
		GDP per capita in PPS EU-27=100%	61.0	55.0	58.0
8	Poland	Annual growth of GDP (%)	5.1	1.7	3.8
		Unemployment (%)	7.1	8.2	9.6
		Inflation (%)	3.8	3.5	2.6
		GDP per capita in PPS EU-27=100%	56.0	61.0	62.0
9	Romania	Annual growth of GDP (%)	7.3	-7.1	-1.3
		Unemployment (%)	5.8	6.9	7.3
		Inflation (%)	7.9	5.6	6.1
		GDP per capita in PPS EU-27=100%	47.0	46.0	45.0
10	Serbia	Annual growth of GDP (%)	3.8	-3.5	1.8
		Unemployment (%)	13.6	16.1	19.2
		Inflation (%)	10.8	3.6	8.6
		GDP per capita in PPS EU-27=100%	52.0	53.0	54.0
11	Slovakia	Annual growth of GDP (%)	5.8	-4.8	4.0
		Unemployment (%)	9.5	12.0	14.4
		Inflation (%)	3.9	0.9	0.7
		GDP per capita in PPS EU-27=100%	72.0	73.0	74.0
12	Slovenia	Annual growth of GDP (%)	3.7	-8.1	1.2
		Unemployment (%)	4.4	5.9	7.3
		Inflation (%)	5.5	0.9	2.1
		GDP per capita in PPS EU-27=100%	91.0	98.0	87.0
average	Analysed 12 countries	Annual growth of GDP (%)	3.1	-6.4	1.5
		Unemployment (%)	11.0	9.5	11.5
		Inflation (%)	7.2	2.4	3.0
		GDP per capita in PPS EU-27=100%	68.7	69.1	68.2
average	EU-27	Annual growth of GDP (%)	0.5	-4.3	1.8
		Unemployment (%)	7.1	9.0	9.7
		Inflation (%)	3.7	1.0	2.1
		GDP per capita in PPS EU-27=100%	100.0	100.0	100.0
Sources:	www.stat.ee/29958; www.stat.ee/29980; www.stat.ee/29956				
	IMF World Economic Outlook, www.nbs.rs				

Economies of all the ten CEE EU Member Countries have been significantly impacted by the global crisis, on average far more than the “old” market economies. However, the degree to which particular CEE economies have been hit by the crisis turns out to be very different. This part presents most important differences in the macro scale on GDP, unemployment, inflation and GDP per capita in Purchasing Power Standards (PPS).

The most evident result of the economic crisis had been a decrease in GDP growth rate followed by absolute decrease in its volume. The Austrian economy has weathered the crisis well on the back of an export led recovery. Austria, like other export oriented economies, was hit hard by the crisis but the currently strong recovery offers an opportunity to strengthen reform efforts. The most evident result of economic crisis had been a decrease in GDP growth rate, in 2009 compared with 2008, 2.2 % became already negative -3.9 % and in 2010 it increased to 2.1%. In 2008 all comparison countries besides Estonia still continued to show growth of GDP (between 0.8% and 7.3%). In the next year in all countries rates went down and in eleven of them (Austria, Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Lithuania, Romania, Serbia, Slovakia and Slovenia) became negative, but in Poland was still 1,7 %. While in Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Poland, Serbia, Slovakia and Slovenia an increase was not as big in 2010, but in Croatia growth remains negative.

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

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

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

Towards 2008, Slovakia lowered its inflation rate and was able to keep its level in line with the average of Euro Area countries. The inflation level was also one of the Maastricht criteria, which Slovakia had to fulfill for its entry to the Euro Area: inflation could not be higher than 1.5 % of the average of three lowest inflation member states of

the EU and Slovakia also had to have sustainable low inflation outlook. Keeping inflation low is also one of the important tasks of the Euro Area member states. Inflation levels in 2009 decreased to 0.9 %, compared to 3.9 % in 2008. In 2009 Slovakia had the second lowest inflation level among Czech Republic, Poland, Hungary, Bulgaria and Romania. The inflation level in the Czech Republic, which had the lowest inflation level, was only slightly lower. The previous year Slovakia had the lowest inflation level.

In Serbia, inflation was 10.8% in 2008, in 2009 the situation became better at 3.6% and in 2010 it returned to 8.6%.

After becoming members of the European Union in May 2004, the Baltic countries experienced a sharp increase in consumer prices that was caused by a number of mutually overlapping factors: the harmonization of the tax systems, an increase in global oil prices, and to some extent, increasing inflationary expectations. Additionally, a one-off effect of an increase in customs tariffs against countries outside the European Union added to overall inflation. EU membership increased business and consumer confidence, which fuelled domestic demand and further increased inflationary expectations.

GDP per capita in PPS shows countries comparative price levels to the right, with the EU-27 average at 100. Austria is by far the most expensive from the comparison countries and at the same EU Member State, and indeed the most expensive country in Europe. From the comparison countries GDP per capita in PPS is higher in Austria than the EU-27. In 2008 and 2009 it is 24% higher and it remains 25% higher in 2010. Slovenia and Czech Republic have price levels slightly below the EU average. In the case of Slovenia in the years 2008–2010 it ranged between 91% - 87% and in the case of Czech Republic it ranged between 81% - 80%. At the lower end of the table, we find several countries clustered between 44 and 56 percent below the average price level: Serbia, Poland, Romania and the lowest, Bulgaria.

### 3.4.2 CULTURAL CHARACTERISTICS

Before the social, political and economic reforms of 1989 the entire CEE region was perceived by politicians and policy makers in the West as a largely homogeneous region (Svetlik, 2010). By now it is clear that this was a simplistic perception.

Table 8 gives an insight into CEE countries and it reveals how culturally diversified this region is. In light of these findings and analysis countries of the CEE region should not be considered as a culturally homogenous region. Much more can be gained from considering it a heterogeneous region, where in some cases cultural convergence, as well as divergent tendencies may be clearly observed (Jarjabka, 2010).

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

**Table 8: Cultural dimensions of the countries surveyed**

No	Countries	Dimensions				
		PDI	IDV	MAS	UAI	LTO
1	Austria	11	55	79	70	n.a.
2	Bulgaria	70	30	40	85	n.a.
3	Croatia	73	80	40	33	n.a.
4	Czech Republic	57	58	57	74	13
5	Estonia	40	60	30	60	n.a.
6	Hungary	46	80	88	82	50



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7	Lithuania*	42	60	19	65	30
8	Poland	93	39	36	95	n.a.
9	Romania	90	30	42	90	n.a.
10	Serbia	86	92	43	25	n.a.
11	Slovakia	104	52	110	51	38
12	Slovenia	71	88	19	27	n.a.

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

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

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

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

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

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

## 4 SUMMARY OF THE RESEARCH (JÓZSEF POÓR-ZSUZSA KAROLINY-RUTH ALAS-KATALIN DOBRAI-ALLEN ENGLE-FERENC FARKAS)<sup>5</sup>

### 4.1 RESEARCH OVERVIEW

In the broader research project we covered the following areas:

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

**Table 9: Overview of respondents**

No	Countries	Responses
1	Croatia	11
2	Estonia	45
3	Hungary	75
4	Poland	88
5	Romania	17
6	Serbia	20
7	Slovakia	23
	Total	279

Source: Primary research by the authors.

### 4.2 ABOUT RESPONDING FIRMS AND RESPONDENTS

#### 4.2.1 STAFF NUMBER

Based on the following exhibit we can state that the companies in the survey are split equally between large (51.9%) and small enterprises (48.1%) based on the number of their employees in the total sample (large enterprises are above 250 persons). In the individual samples, only in Serbia is there an equal split between large and small enterprises. In the other samples the majority of the enterprises are small, except in the Hungarian sample and in the Polish sample. In the Hungarian sample 70.3% of the enterprises are large and in the Polish sample 58% of the enterprises are large. In this relationship it is important to highlight that although a minority of the subsidiaries are

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<sup>5</sup> This section of our monograph was presented by József Poór, Mártonné Karoliny, Ferenc Farkas, Ruth Alas, Katalin Dobrai: MNC Subsidiaries in Central and Eastern Europe: HRM Practices, Priorities and the Executive Perspective, on 1<sup>st</sup> Israeli Global Human Resource Management Conference (GHRM), 23 – 25 November 2011, ORT Braude College, Israel. and József Poór, Zsuzsa Karoliny, Allen D. Engle, Ruth Alas, Katalin Dobrai, Ferenc Farkas and Agneš Slavić: Human Resource Management Issues and Challenges in Foreign Owned Companies: Central and Eastern Europe (2008 - 2009). *The 11<sup>th</sup> World Congress of the International Federation of Scholarly Associations of Management*. 26<sup>th</sup>-29<sup>th</sup> June 2012, University Limerick, Limerick.

SMEs based on their size (number of staff), all the Hungarian companies analyzed are part of larger international companies and thus are regarded as large enterprises from an operational and management point of view.

**Table 10: Staff number (number of people) (2009) (in %)**

Staff number	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
<250	7	70.0%	31	67.4%	22	29.7%	34	42.0%	10	62.5%	15	65.2%	11	55.0%	130	48.1%
250-1,000	2	20.0%	10	21.7%	21	28.4%	23	28.4%	4	25.0%	4	17.4%	5	25.0%	69	25.6%
> 1,000	1	10.0%	5	10.9%	31	41.9%	24	29.6%	2	12.5%	4	17.4%	4	20.0%	71	26.3%
Total	10	100.0%	46	100.0%	74	100.0%	81	100.0%	16	100.0%	23	100.0%	20	100.0%	270	100.0%

Source: Primary research by the authors.

#### 4.2.2 LABOR COST RATIO

The labor cost – operating cost ratio is one of the frequently analyzed indicators on the importance of the HR function in the company's life. According to assumptions, the effects of HRM have a stronger and more direct influence on the company's performance if this ratio is higher. About one third (34.9%) of the subsidiaries participating in the survey fell into this category (where the labor cost ratio is higher than 30%) in the total sample. But the vast majority (65.1%) of the companies operated with a relatively low (under 30%) labor cost ratio. In the Croatian sample (87.5%) the effects of HRM are quite low on the company's performance. The average labor cost ratio for the other seven nations is between 27 and 29.

**Table 11: Labor cost ratio (2009) (in %)**

Labour cost ratio	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
<10%	4	50.0%	6	20.7%	17	25.4%	0	0.0%	3	18.8%	6	26.1%	2	11.8%	38	22.2%
10-30%	3	37.5%	13	44.8%	26	38.8%	0	0.0%	7	43.8%	8	34.8%	9	52.9%	66	40.0%
>30%	1	12.5%	10	34.5%	24	35.8%	0	0.0%	6	37.5%	9	39.1%	6	35.3%	56	33.3%
Total	8	100.0%	29	100.0%	67	100.0%	0	0.0%	16	100.0%	23	100.0%	17	100.0%	160	100.0%
Average labour cost ratio+deviation	13.46 + 16.85		26.85 + 24.05		27.9 + 21.42		0.00		29.64 + 21.61		27.69 + 20.83		29.18 + 19.91		27.27 + 21.44	

Source: Primary research by the authors.

With regard to the revenue we can state that Croatia, Estonia, Romania, and Slovakia had the majority of companies in their samples with revenue below 50

million Euro's while Hungary, Poland and Serbia had the majority of companies in their samples with revenue above 100 million Euro's.

**Table 12: Revenue (in million euro) (2009) (in %)**

Revenue	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
<50	6	54.5%	34	73.9%	22	29.3%	27	31.0%	13	76.5%	17	73.9%	7	35.0%	126	45.2%
50-100	2	18.2%	4	8.7%	11	14.7%	9	10.3%	0	0.0%	2	8.7%	0	0.0%	28	10.0%
> 100	3	27.3%	8	17.4%	42	56.0%	51	58.6%	4	23.5%	4	17.4%	13	65.0%	125	44.8%
Total	11	100.0%	46	100.0%	75	100.0%	87	100.0%	17	100.0%	23	100.0%	20	100.0%	279	100.0%

Source: Primary research by the authors.

### 4.3 ORIGIN OF THE RESPONDING FIRMS

The subsidiaries participating in the survey in the total sample came from 33 different countries. More than 74% of them came from four countries: Germany and Austria (47.8%), and the USA and Canada (27%). The remaining subsidiaries came from Western and Southern European EU countries (11.3%) as well as from outside of Europe (13.9%). Under the table, the categories are defined with a listing of countries belonging to each category.

#### 4.3.1 LOCATION OF THE SUBSIDIARIES

The Human Development Report measures development by combining indicators of life expectancy, educational attainment and income into a composite human development index, the HDI. It was first developed by the late Pakistani economist Mahbub ul Haq with the collaboration of the Nobel laureate Amartya Sen and other leading development thinkers for the first Human Development Report in 1990. It was introduced as an alternative to conventional measures of national development, such as level of income and the rate of economic growth. The breakthrough for the HDI was the creation of a single statistic which was to serve as a frame of reference for both social and economic development. The HDI sets a minimum and a maximum for each dimension, called goalposts, and then shows where each country stands in relation to these goalposts, expressed as a value between 0 and 1. According to this HDI measurement the most developed country in our survey in 2009 is Slovakia ranking number 31, followed by Estonia and Hungary (at 34 and 37 respectively) with Serbia being the least developed country in the survey at 59. The average value among OECD countries was 0.879 and among Europe and Central Asia it was 0.702. Out of the four categories of Very high human development, high human development, medium human development, and low human development, all of the countries in our survey were within the category of high human development.

**Table 13: Location (2009) (in %)**

Location	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia	
	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank
HDI *	0.765110	50	0.809272	34	0.802964	37	0.791426	40	0.763943	51	0.815074	31	0.732816	59

Source: Primary research by the authors.

\* HDI= Human Development Index

### 4.3.2 SECTOR

There were more than 49% of the organizations examined in the total sample engaged in manufacturing, 33% of organizations in services, and 17% of organizations in trade and other industries. In the Hungarian sample 65.3% of the organizations were engaged in manufacturing and the rest were equally divided between services and trade. Other details of the industrial distribution are as follows:

- Half to nearly half of the respondents in the Polish, Slovakian, and Serbian samples operated in the manufacturing industries with a third of their respondents in the services industries.
- The majority of respondents in the Croatian and Estonian samples operated in the services industries with nearly a third of their respondents in the manufacturing industries.

**Table 14: Sectors (2009) (in %)**

Sectors	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	
Manufacturing industries	3	27.3%	16	34.8%	49	65.3%	44	53.0%	4	23.5%	10	43.5%	11	55.0%	137
Services	7	63.6%	23	50.0%	13	17.3%	29	34.9%	6	35.3%	7	30.4%	6	30.0%	91
Trade and others	1	9.1%	7	15.2%	13	17.3%	10	12.0%	7	41.2%	6	26.1%	3	15.0%	47
Total	11	100.0%	46	100.0%	75	100.0%	83	100.0%	17	100.0%	23	100.0%	20	100.0%	275

Comments: (a) Manufacturing – Industries (Chemical and Pharmaceutical Industry; Consumer Goods (FMCG); Engineering; Heavy Industry and Light Industry), (b) Services (including Financial services) and (c) Trade and Others

Source: Primary research by the authors.

### 4.3.3 YEAR AND WAY OF ESTABLISHMENT

The foreign owners of more than half (52.7%) of the subsidiaries examined were established before 1995 in Hungary. Almost one quarter of the companies settled in Hungary between 1996 and 2000 (24.3%) and the remaining ones (23.0%) in the new

millennium.<sup>6</sup> In the other samples most of the respondents established subsidiaries after 2000, especially in Romania and in Serbia where 75.0% and 81.8%, respectively, of respondents established organizations after 2000.

In the total sample nearly a third of the subsidiaries were established before 1990 (31.7%) and almost a quarter, 22.7%, between 1990 and 2000. While close to half (45.7%) of subsidiaries were established after 2000.

**Table 15: Year of establishment (2009) (in %)**

Year of establishment	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	
<1995	3	30.0%	14	26.9%	39	52.7%	24	28.9%	1	6.3%	7	33.3%	0	0.0%	88
1995-2000	3	30.0%	10	19.2%	18	24.3%	21	25.3%	3	18.8%	4	19.0%	4	18.2%	63
>2000	4	40.0%	28	53.8%	17	23.0%	38	45.8%	12	75.0%	10	47.6%	18	81.8%	127
Total	10	100.0%	52	100.0%	74	100.0%	83	100.0%	16	100.0%	21	100.0%	22	100.0%	278

Source: Primary research by the authors.

About 44% of the foreign owners of the companies participating in the survey came to Hungary realizing greenfield investments and around 56% of them obtained majority control in Hungarian companies during the privatization and the following acquisitions. In the Croatian and Serbian samples (81.8% and 75% respectfully) the primary mode of entry was through acquisition and to a lesser extent in Estonia (63.6%). While in the Polish, Romanian and Slovakian samples more companies established subsidiaries via greenfield investments.

**Table 16: Way of establishment (2009) (in %)**

Way of establishment	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	
Acquisition	9	81.8%	28	63.6%	39	55.7%	34	40.5%	6	33.3%	10	43.5%	12	75.0%	138
Greenfield	2	18.2%	16	36.4%	31	44.3%	50	59.5%	12	66.7%	13	56.5%	4	25.0%	128
Total	11	100.0%	44	100.0%	70	100.0%	84	100.0%	18	100.0%	23	100.0%	16	100.0%	266

Source: Primary research by the authors.

<sup>6</sup> The great migration of MNCs into Hungary took place in the 1990s – in contrast with for example the neighboring Slovakia where this occurred between 2002 and 2007. Many of the large multinational companies present in Hungary have been operating here continuously for nearly two decades. However, the actors of some industries (e.g. automotive suppliers) move very fast. If the situation is not favorable, these companies walk away very quickly. However, the decision that these companies stay or leave also depends largely on whether their main buyers stay here or leave. The role of “cheap manufacturing and service provider” Hungarian subsidiaries with shorter delivery times increased during the crisis.

#### 4.3.4 MANDATES

We also examined how much control these organizations have over the entire value chain. This examination was based on organizations' responses to which mandate they operated under. These mandates are defined in previous section 3.2.4.

It is a somewhat stark division between those subsidiaries with no freedom and those with some to total freedom in developing and marketing products for the global markets. Subsidiaries in the Croatian sample deviate from the pattern seen in the other samples since the majority of respondents (54.5%) marked mandate 3 where they are involved only in parts of the value chain. The respondents in the Hungarian sample also deviate from the pattern seen in the total sample as the majority of respondents (50.7%) marked mandates 4 and 5.

**Table 17: Mandates (2009) (in %)**

Mandates	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
1 and 2	3	27.3%	18	40.9%	20	26.7%	43	50.6%	8	47.1%	9	39.1%	9	45.0%	110	40.0%
3	6	54.5%	8	18.2%	17	22.7%	9	10.6%	1	5.9%	6	26.1%	5	25.0%	52	18.9%
4 and 5	2	18.2%	18	40.9%	38	50.7%	33	38.8%	8	47.1%	8	34.8%	6	30.0%	113	41.1%
Total	11	100.0%	44	100.0%	75	100.0%	85	100.0%	17	100.0%	23	100.0%	20	100.0%	275	100.0%

Source: Primary research by the authors.

#### 4.3.5 STRATEGIC DEVELOPMENT

A plurality of the respondents (39.7%) in the total sample 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. A high proportion of Polish and Croatian organizations indicated growth plans (51.9% and 50.0% respectively). While the other samples mainly indicated a focus toward seeking stability, for example 45.1% in the Hungarian sample. In the Romanian sample nearly a third (28.6%) of the organization chose the redundancies option.

**Table 18: Strategic development (2009) (in %)**

Strategic development	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Growth	9	50.0%	18	33.3%	29	31.9%	54	51.9%	6	28.6%	11	36.7%	10	37.0%	137	39.7%
Stability	5	27.8%	22	40.7%	41	45.1%	22	21.2%	9	42.9%	13	43.3%	16	59.3%	128	37.1%
Redundancies	4	22.2%	14	25.9%	21	23.1%	28	26.9%	6	28.6%	6	20.0%	1	3.7%	80	23.2%

Source: Primary research by the authors.

### 4.3.6 RESPONDANTS

Over half (60.3%) of the individuals participating in the survey in the total sample are top HR managers in their firm: with the title of HR Vice President, Director, Manager or Department Head. The respondents (except the CEOs) work in the functional area of HR. In the case of the Hungarian and Romanian samples more than half of the participating individuals are at the level of HR Director or HR Manager. While in the Croatian sample a high proportion of the individuals participating in the survey were HR professionals (70.0%).

**Table 19: Position level (2009) (in %)**

Position level	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
CEO or other functional managers	1	10.0%	10	23.8%	11	17.7%	11	42.3%	1	11.1%	3	25.0%	2	13.3%	39	26.3%
HR director	2	20.0%	14	33.3%	34	54.8%	3	11.5%	6	66.7%	3	25.0%	5	33.3%	67	30.3%
HR professionals	7	70.0%	18	42.9%	17	27.4%	12	46.2%	2	22.2%	6	50.0%	8	53.3%	70	39.4%
Total	10	100.0%	42	100.0%	62	100.0%	26	100.0%	9	100.0%	12	100.0%	15	100.0%	176	100.0%

Source: Primary research by the authors.

Over 40% of the respondents in the total sample have worked in their current positions for less than three years. However, the majority have spent longer time, typically 3-5 years (26.3%), in their current positions. In the Slovakian sample over 65% of the respondents have held their current position for over 5 years. In the Polish sample the majority of the responses indicated that they had held their position under 3 years (50.0%). However in the Croatian sample the majority (45.5%) held their current position for 3-5 years.

**Table 20: Time spent in current position (2009) (in %)**

Time spent	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
<3	2	18.2%	18	39.1%	31	41.3%	43	50.0%	6	35.3%	5	21.7%	7	35.0%	112	40.3%
3-5	5	45.5%	14	30.4%	16	21.3%	22	25.6%	7	41.2%	3	13.0%	6	30.0%	73	26.3%
5-10	3	27.3%	6	13.0%	18	24.0%	16	18.6%	3	17.6%	14	60.9%	3	15.0%	63	22.7%
>10	1	9.1%	8	17.4%	10	13.3%	5	5.8%	1	5.9%	1	4.3%	4	20.0%	30	10.8%
Total	11	100.0%	46	100.0%	75	100.0%	86	100.0%	17	100.0%	23	100.0%	20	100.0%	278	100.0%

Source: Primary research by the authors.



## 4.4 HR CHARACTERISTICS

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

- Number and workload of the HR staff,
- The main indicators representing the importance, results, and efficiency characteristics of the HR activity (labor cost – total cost ratio, age pyramid, relative weight of the training budget, the fluctuation rate and absenteeism).

### 4.4.1 NUMBER OF HR STAFF

The average number of HR professionals was between one and five position holders in the total sample. In the Hungarian and Polish samples the average number of HR professionals ranged between one and ten incumbents. Respondents in five out of the seven countries indicated no HR staff; ranging from some 5% in Hungary up and some to 10% (in Croatia) of the subsidiaries.

**Table 21: HR staff (2009) (in %)**

HR staff	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
None	1	10.0%	3	8.1%	4	5.3%	5	6.4%	1	7.7%	0	0.0%	0	0.0%	14	5.5%
1-5	6	60.0%	17	45.9%	23	30.7%	27	34.6%	6	46.2%	15	68.2%	10	50.0%	104	40.8%
6-10	2	20.0%	5	13.5%	15	20.0%	26	33.3%	1	7.7%	3	13.6%	4	20.0%	56	22.0%
11-20	1	10.0%	6	16.2%	11	14.7%	9	11.5%	0	0.0%	3	13.6%	3	15.0%	33	12.9%
>20	0	0.0%	6	16.2%	22	29.3%	11	14.1%	5	38.5%	1	4.5%	3	15.0%	48	18.8%
Total	10	100.0%	37	100.0%	75	100.0%	78	100.0%	13	100.0%	22	100.0%	20	100.0%	255	100.0%

Source: Primary research by the authors.

### 4.4.2 HR PRODUCTIVITY

The distribution of the ratio of revenue to HR staff changed quite a bit from 2008 to 2009. In 2008 the ratio was less than ten according to the majority of subsidiaries (57%) in the total sample. By 2009 the number of respondents indicating a ratio of less than ten was less than a third while nearly half (45.2%) of respondents indicating a ratio of greater than 100.

**Table 22: Revenue/HR staff (in %) (2009)**

Revenue/HR staff (Million Euro/person)	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
<10	5	45.5%	16	34.8%	5	6.7%	44	50.6%	5	29.4%	2	8.7%	11	55.0%	88	31.5%

Revenue/HR staff (Million Euro/person)	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
10-50	0	0.0%	5	10.9%	10	13.3%	3	3.4%	4	23.5%	4	17.4%	4	20.0%	30	10.8%
50-100	1	9.1%	6	13.0%	8	10.7%	12	13.8%	2	11.8%	6	26.1%	0	0.0%	35	12.5%
>100	5	45.5%	19	41.3%	52	69.3%	28	32.2%	6	35.3%	11	47.8%	5	25.0%	126	45.2%
Total	11	100.0%	46	100.0%	75	100.0%	87	100.0%	17	100.0%	23	100.0%	20	100.0%	279	100.0%

Source: Primary research by the authors.

#### 4.4.3 HR EFFECTIVENESS

In the total sample the average number of employees per HR professional was under 100 employees for 73.6% of the organizations and the average number of employees per HR professional of 200 or less was 96.6% of organizations. In Hungary 93.3% of organizations have 200 persons or less per HR professional and this pattern is true in the other samples. In the Romanian sample (69.2%) and in the Serbian sample (45.0%) a large number of organizations have under 50 persons per HR employee.<sup>7</sup> This same pattern can be seen in 2009 with a slight rise in the number of organizations with a ratio of under 50 total staff per HR staff in the Total sample (44.3%). In the Estonian and Romanian samples an even higher frequency of organizations with total staff to HR staff ratio of under 50 is seen in the 2009 sample (70.3% and 84.6% respectfully).

**Table 23: Total staff /HR staff (in %)**

Total staff/HR staff	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
<50	3	30.0%	26	70.3%	22	29.3%	35	44.9%	11	84.6%	8	36.4%	8	40.0%	113	44.3%
50-100	2	20.0%	9	24.3%	28	37.3%	21	26.9%	1	7.7%	12	54.5%	5	25.0%	78	30.6%
101-200	4	40.0%	1	2.7%	19	25.3%	15	19.2%	1	7.7%	2	9.1%	7	35.0%	49	19.2%
>200	1	10.0%	1	2.7%	6	8.0%	7	9.0%	0	0.0%	0	0.0%	0	0.0%	15	5.9%
Total	10	100.0%	37	100.0%	75	100.0%	78	100.0%	13	100.0%	22	100.0%	20	100.0%	255	100.0%

Source: Primary research by the authors.

#### 4.4.4 AGE DISTRIBUTION OF EMPLOYEES

One of the results of human resource management actions is the age distribution of the labor force. The results of our survey in this respect do not confirm to the common view

<sup>7</sup> 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.

that there is no room for employees over 45 years of age in multinational companies, as about one third of the employees of the subsidiaries participating in the total sample fell within this age group for the year 2009. If one uses 35 as representative for the age category 25-45 and 45 for the category of greater than 45 then based on the percentage distribution among the three age groups, then the average age group for each of the samples was in the age range of between 25 and 45 years of age.

**Table 24: Age distribution (in %)**

Age	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
<25	6.00	27.3%	9.00	37.5%	65.00	33.5%	0.00	0.0%	13.00	32.5%	13.00	28.9%	9.00	30.0%	115	32.5%
25-45	9.00	40.9%	10.00	41.7%	65.00	33.5%	0.00	0.0%	17.00	42.5%	17.00	37.8%	11.00	36.7%	129	36.5%
>45	7.00	31.8%	5.00	20.8%	64.00	33.0%	0.00	0.0%	10.00	25.0%	15.00	33.3%	10.00	33.3%	111	31.8%
Total	22.00	100.0%	24.00	100.0%	194.00	100.0%	0.00	0.0%	40.00	100.0%	45.00	100.0%	30.00	100.0%	355.00	100.0%
Average + deviation	35.45 + 4.33		33.33 + 3.01		34.95 + 3.24		0.00 + 0.00		34.25 + 3.38		35.44 + 4.08		35.33 + 3.86		34.89 + 3.13	

Source: Primary research by the authors.

#### 4.4.5 TRAINING BUDGET

Literature considers the relative weight of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity. In more than 53% of the companies examined, the relative weight of the training budget was under 3% and only about 12 of the companies examined spent more than 5% of the annual labor budget on training employees in the total sample for 2009.<sup>8</sup> The overall total increased from 2008 (131) to 2009 (246). A similar pattern can be seen in the all the samples. The average increased from 2008 to 2009. This was in part due to no reported results from the Polish sample in 2008, but also because the training budget increased in four of the six countries that provided responses in 2008 and in 2009 – increasing in Estonia, slightly increasing in Hungary, slightly increasing in Romania and in Serbia.

**Table 25: Training budget (in %)**

Training budget	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
<1	1	10.0%	4	11.1%	8	10.3%	4	6.1%	5	29.4%	1	4.8%	0	0.0%	23	9.3%

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

Training budget	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
1-3	8	80.0%	14	38.9%	30	38.5%	23	34.8%	9	52.9%	14	66.7%	10	55.6%	108	43.9%
3-5	1	10.0%	12	33.3%	33	42.3%	31	47.0%	1	5.9%	6	28.6%	2	11.1%	86	35.0%
>5	0	0.0%	6	16.7%	7	9.0%	8	12.1%	2	11.8%	0	0.0%	6	33.3%	29	11.8%
Total	10	100.0%	36	100.0%	78	100.0%	66	100.0%	17	100.0%	21	100.0%	18	100.0%	246	100.0%
Average + deviation	2.10 + 0.74		3.22 + 0.52		3.10 + 0.67		3.36 + 0.76		2.29 + 0.39		2.52 + 0.71		3.56 + 0.87		3.08 + 0.54	

Source: Primary research by the authors.

#### 4.4.6 LABOR TURNOVER

The level of fluctuation in employment amongst the sample firms was under 10% in more than 60% of the subsidiaries participating in the total sample for 2009 with many companies having barely measurable low values. On the other hand, nearly one quarter of the respondents reported rather high values, between 10 and 20%. Moreover, we found 15.9% companies with levels of fluctuation higher than 20%.<sup>9</sup> The Slovakian (30.0%) and Serbian (25.0%) samples had high (more than 20%) levels of employment fluctuation in 2009. This was seen in 2008 for these three countries as well. The amount of fluctuation increased in the Croatian, Romanian, and Serbian samples from 2008 to 2009 while decreasing in the Estonian, Hungarian and Slovakian samples based on the weighted averages given in the tables below.

**Table 26: Fluctuation (in %) (2009)**

Fluctuation	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
<5	1	12.5%	2	22.2%	9	16.7%	0	0.0%	3	21.4%	0	0.0%	2	20.0%	17	15.9%
5-10	5	62.5%	5	55.6%	25	46.3%	0	0.0%	6	42.9%	5	41.7%	3	30.0%	49	45.0%
10-20	1	12.5%	1	11.1%	13	24.1%	0	0.0%	3	21.4%	4	33.3%	2	20.0%	24	22.0%
>20	1	12.5%	1	11.1%	7	13.0%	0	0.0%	2	14.3%	3	25.0%	3	30.0%	17	15.9%
Total	8	100.0%	9	100.0%	54	100.0%	0	0.0%	14	100.0%	12	100.0%	10	100.0%	107	100.0%
Average +	9.38 +		8.89 +		10.28 +		0.00 +		10.14 +		12.92 +		12.10 +		10.54 +	

<sup>9</sup> An important characteristic of HR subsystems are the different fluctuation indices. These indices are calculated by means of dividing the number of people who leave during the year by the average number of staff. According to the conservative approach, the cost of an average employee leaving amounts to 1.5 times their annual wage cost (Boudreau, 2010). However, it is important to see that different people's leaving have different consequences. If a key employee leaves the company, it has a much larger impact compared to a simple employee leaving.

Fluctuation	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
deviation	1.56		1.20		1.23		0.00		0.99		2.37		2.15		1.23	

Source: Primary research by the authors.

#### 4.4.7 FOREIGN EXPATRIATES

Usually two types of long-term emissaries are distinguished – the ones arriving from abroad from the parent company or from a third country who are also called expatriates and the ones from the Hungarian subsidiary appointed for a long-term deputation abroad at the parent company or subsidiaries operating in other countries.<sup>10</sup> In the majority of the samples most foreign expats are managers. The exceptions being in the Estonian sample where foreign expatriates are more likely to be non-managers (58.6%). In the Romanian and Slovakian samples the split between foreign expats in manager and non-manager roles is almost split equally. It is important to indicate that companies appear to be sending an increasing number of employees abroad for a short term “international assignments” (Dowling, Festing and Engle, 2008), for a variety of limited projects, and therefore did not meet the traditional definition of a long term assignment associated with the definition of an expatriate. Our survey did not cover this issue.

**Table 27: Position (in %)**

Expat positions	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Manager	5	83.3%	12	41.4%	48	73.8%	40	62.5%	6	54.5%	15	55.6%	12	63.2%	138	62.5%
Non-managers	1	16.7%	17	58.6%	17	26.2%	24	37.5%	5	45.5%	12	44.4%	7	36.8%	83	37.5%
Total	6	100.0%	29	100.0%	65	100.0%	64	100.0%	11	100.0%	27	100.0%	19	100.0%	221	100.0%

Source: Primary research by the authors.

#### 4.4.8 LOCAL EXPATRIATES (INPATRIATES)

- More respondents received than sent employees abroad – 221 employees received from abroad while 155 were sent out of nations in the region.

<sup>10</sup> After Perlmutter (1969), multinational companies following the four personnel strategies have different priorities in their selection and recruitment policies. The company can follow an ethnocentric, polycentric, regiocentric or geocentric selection mechanism. In the ethnocentric orientation, key positions of the local company are held by professionals from the parent company. In polycentric companies, local key positions are held by locals but their promotion to higher positions is very limited. In companies following the regiocentric selection mechanism, locals can hold key positions not only in the subsidiary but also in the center coordinating the management of the region. In companies following the geocentric selection mechanism, locals can obtain position even in the top management of the company (Poór, 2009).

- ❑ Companies tended to send non-managers abroad, although in four countries the split was equal between the number of managers and non-managers sent abroad (Croatia, Hungary, Romania, and Serbia).

**Table 28: Position (2009) (in %)**

Local Expat positions	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Manager	1	50.0%	5	38.5%	30	50.0%	21	41.2%	3	50.0%	7	46.7%	4	50.0%	71	45.8%
Non-managers	1	50.0%	8	61.5%	30	50.0%	30	58.8%	3	50.0%	8	53.3%	4	50.0%	84	54.2%
Total	2	100.0%	13	100.0%	60	100.0%	51	100.0%	6	100.0%	15	100.0%	8	100.0%	155	100.0%

Source: Primary research by the authors.

## 4.5 HR DEPARTMENT

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

- ❑ The HR department (independence, competences of HR employees).
- ❑ The knowledge management in HR.

### 4.5.1 TYPICAL “INDEPENDENCE” OF THE HR DEPARTMENT

We found several different function sharing practices among the companies examined.<sup>11</sup>

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

<sup>11</sup> Taylor et al. (1966) describe the relationship between the subsidiaries and the parent company with the following three basic systems of relations:

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

In the **adaptive** system of relations, local subsidiaries adapt the HR systems adopted from the parent company according to their local needs.

In the **integrative** system of relations, all good and applicable solutions are attempted to be spread and implemented in all units of the company regardless of the origin of the HR system.

Lawler (2006) concluded from his research conducted among American subsidiaries operating in Asia and Europe that the most dominant deciding factor in the adoption and adaptation of HR systems is the size of local companies. The question is reasonable: which solution should be applied in a certain case? The mentioned authors say that the system to be implemented depends on the sum of the impacts of internal and external factors that form and influence the organization. In certain cases the national culture of the host country and the legal, regulatory environment are considered influencing factors.

decentralized HR activity. While in almost 6% of companies the headquarters provided central control.

- There are no major deviations from the distribution in the total sample by any of the individual country samples. However, the Estonian and Romanian samples received a less “hands off” treatment than in the other samples.

**Table 29: Typical function of the HR department (2009) (in %)**

Independence	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Hands off	4	13.8%	5	5.3%	18	9.6%	38	20.2%	1	3.0%	11	20.8%	7	13.5%	84	13.2%
Provide resources and general guidelines	16	55.2%	50	53.2%	77	41.2%	77	41.0%	16	48.5%	21	39.6%	26	50.0%	283	44.5%
Request and details	9	31.0%	35	37.2%	85	45.5%	57	30.3%	16	48.5%	19	35.8%	13	25.0%	234	36.8%
Remote	0	0.0%	4	4.3%	7	3.7%	16	8.5%	0	0.0%	2	3.8%	6	11.5%	35	5.5%
Total	29	100.0%	94	100.0%	187	100.0%	188	100.0%	33	100.0%	53	100.0%	52	100.0%	636	100.0%

Source: Primary research by the authors.

#### 4.5.2 CRITICAL AREAS OF HR

Employee communications was first in the ranking of HR areas considered most critical in the period examined, being a little ahead of the issues of human compensation and benefits in the total sample. The responding subsidiaries deemed human resource planning and recruitment selection as the next most critical areas. In the Polish, Slovakian, and Serbian samples the most critical area of HR work was recruitment and selection, while in the Estonian sample the most critical area was human resource planning.

The respondents regarded HRMS/IT as the least critical area of their work, followed by industrial labor relations as the next least critical area in the total sample, despite the fact that many of them operated with considerably high fluctuation rates. In the Estonian, Hungarian, and Slovakian samples training and development was indicated as the least critical area of HR, while in the Polish sample the least critical area of HR is human resource planning.

**Table 30: Critical area of HR (2009) (in %)**

Critical areas of HR	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Human Resource Planning	4	12.1%	20	31.7%	25	24.3%	0	0.0%	3	18.8%	6	35.3%	2	11.1%
Recruitment+ Selection	3	9.1%	8	12.7%	7	6.8%	27	23.9%	4	25.0%	4	23.5%	4	22.2%
Performance Evaluation	4	12.1%	6	9.5%	13	12.6%	13	11.5%	2	12.5%	1	5.9%	2	11.1%
Training and	6	18.2%	3	4.8%	5	4.9%	13	11.5%	0	0.0%	1	5.9%	2	11.1%

Critical areas of HR	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Development														
Compensation and Benefits	8	24.2%	10	15.9%	16	15.5%	23	20.4%	1	6.3%	3	17.6%	3	16.7%
Industrial-Labour Relations	4	12.1%	0	0.0%	9	8.7%	12	10.6%	1	6.3%	0	0.0%	1	5.6%
Employee Communication	3	9.1%	13	20.6%	25	24.3%	17	15.0%	5	31.3%	2	11.8%	2	11.1%
HRMS/IT	1	3.0%	3	4.8%	3	2.9%	8	7.1%	0	0.0%	0	0.0%	2	11.1%
Total	33	100.0%	63	100.0%	103	100.0%	113	100.0%	16	100.0%	17	100.0%	18	100.0%

Source: Primary research by the authors.

#### 4.5.3 PERSONAL COMPETENCIES OF HR

From the somewhat completed list of HRM competency areas identified by one of the most known HR experts, Dave Ulrich et al. in 2009, the respondents in the Total sample considered the following three categories to be the most important:

- Business partnership + Strategic contribution + Quick decision making (30.6%),
- change management (13.3%),
- teamwork and HR services + Usage of HRMIS (IT) (13.1%).

In the Hungarian, Romanian, and Serbian samples personal credibility was a quite important criterion for HR competency success. Also, in the Serbian subsidiaries HR services + Usage of HRMIS (IT) is the second most critical area of HR competency success. In the Polish sample the second most critical area of HR competency success was teamwork while in the Slovakian sample it was knowledge of foreign languages in addition to teamwork.

Personal credibility and knowledge sharing were followed, in respect of importance, by knowledge of foreign languages in the Total sample.

**Table 31: Personal competencies of HR (2009) (in %)**

Personal competencies of HR	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	
Business partnership+ Strategic contribution+ Quick decision making	10	25.0%	53	29.1%	128	33.0%	99	30.4%	23	29.9%	26	31.7%	24	26.1%	363
Team work	4	10.0%	25	13.7%	43	11.1%	50	15.3%	12	15.6%	10	12.2%	11	12.0%	155
Knowledge sharing	6	15.0%	20	11.0%	20	5.2%	38	11.7%	5	6.5%	9	11.0%	9	9.8%	107
Change management	7	17.5%	27	14.8%	51	13.1%	46	14.1%	6	7.8%	9	11.0%	12	13.0%	158



Personal competencies of HR	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.
Knowledge of foreign languages	3	7.5%	15	8.2%	34	8.8%	27	8.3%	6	7.8%	10	12.2%	7	7.6%	102
Personal credibility	3	7.5%	18	9.9%	62	16.0%	27	8.3%	14	18.2%	9	11.0%	14	15.2%	147
HR services + Usage of HRMIS (IT)	7	17.5%	24	13.2%	50	12.9%	39	12.0%	11	14.3%	9	11.0%	15	16.3%	155
<b>Total</b>	<b>40</b>	<b>100.0%</b>	<b>182</b>	<b>100.0%</b>	<b>388</b>	<b>100.0%</b>	<b>326</b>	<b>100.0%</b>	<b>77</b>	<b>100.0%</b>	<b>82</b>	<b>100.0%</b>	<b>92</b>	<b>100.0%</b>	<b>1187</b>

Source: Primary research by the authors.

#### 4.5.4 PRIMARY RESPONSIBILITY OF DECISION MAKING IN THE MAIN FUNCTIONS OF HR

Our current survey confirms the finding also established in other studies (Cranet, 2006 and Karoliny et al. 2009) that members of the management hierarchy have larger responsibility or control in some HR decisions in consultation with the HR department in the total sample. More responsibility is taken by the local line management in the area of recruitment and selection (22.1%). The local HR department was indicated to have measurable responsibility (>10%) in performance evaluation, compensation and benefits, and human resource planning. In the Hungarian sample Local HR responsibility for performance evaluation was greater than in the other samples (above 30%). Primary responsibility for performance evaluation for local HR was lowest in the Polish sample (5.5%). Local HR primary responsibility for employee communication was highest in the Croatian, Estonian, Romanian, and Serbian samples (greater than 12%).

**Table 32: Primary responsibility (2009) (in %)**

(1) Local HR department

Primary responsibilities	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Human Resource Planning	4	11.8%	21	11.6%	9	10.2%	18	14.1%	6	12.5%	9	13.0%	5	12.8%
Recruitment + selection	8	23.5%	37	20.4%	12	13.6%	40	31.3%	10	20.8%	15	21.7%	8	20.5%
Performance Evaluation	5	14.7%	27	14.9%	27	30.7%	7	5.5%	5	10.4%	10	14.5%	4	10.3%
Training and development	4	11.8%	17	9.4%	9	10.2%	18	14.1%	4	8.3%	6	8.7%	4	10.3%
Compensation and Benefits	3	8.8%	20	11.0%	10	11.4%	18	14.1%	6	12.5%	11	15.9%	6	15.4%
Employee communication	4	11.8%	22	12.2%	8	9.1%	8	6.3%	6	12.5%	5	7.2%	5	12.8%
Industrial-Labor Relations	3	8.8%	21	11.6%	5	5.7%	12	9.4%	5	10.4%	8	11.6%	5	12.8%
HRMS/IT	3	8.8%	16	8.8%	8	9.1%	7	5.5%	6	12.5%	5	7.2%	2	5.1%
Total	34	100.0%	181	100.0%	88	100.0%	128	100.0%	48	100.0%	69	100.0%	39	100.0%

Source: Primary research by the authors.

In analyzing the samples when line management in conjunction with HR has primary responsibility, recruitment and selection is a major primary responsibility in the total sample for line management and HR for nearly a quarter of the respondents. Primary responsibility for performance evaluation for local HR and line management was lowest in the Polish sample (6.6%) versus the other samples. Local HR and line management primary responsibility for employee communication was highest in the Estonian, Hungarian, Romanian, Slovakian, and Serbian samples (greater than 10%).

**Table 33: Line management + HR and line mgmt**

Primary responsibilities	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		T
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.
Human Resource Planning	10	13.9%	42	12.1%	69	13.1%	40	10.2%	15	12.8%	23	12.4%	17	11.6%	216
Recruitment + selection	16	22.2%	77	22.1%	127	24.1%	103	26.3%	24	20.5%	41	22.0%	34	23.1%	422
Performance Evaluation	10	13.9%	42	12.1%	73	13.8%	26	6.6%	11	9.4%	21	11.3%	15	10.2%	198
Training and development	8	11.1%	41	11.8%	69	13.1%	74	18.9%	14	12.0%	20	10.8%	18	12.2%	244
Compensation and Benefits	10	13.9%	40	11.5%	65	12.3%	68	17.4%	15	12.8%	22	11.8%	17	11.6%	237
Employee communication	7	9.7%	40	11.5%	57	10.8%	22	5.6%	13	11.1%	20	10.8%	19	12.9%	178
Industrial-Labour Relations	4	5.6%	34	9.8%	38	7.2%	40	10.2%	13	11.1%	20	10.8%	15	10.2%	164
HRMS/IT	7	9.7%	32	9.2%	30	5.7%	18	4.6%	12	10.3%	19	10.2%	12	8.2%	130
<b>Total</b>	<b>72</b>	<b>100.0%</b>	<b>348</b>	<b>100.0%</b>	<b>528</b>	<b>100.0%</b>	<b>391</b>	<b>100.0%</b>	<b>117</b>	<b>100.0%</b>	<b>186</b>	<b>100.0%</b>	<b>147</b>	<b>100.0%</b>	<b>1789</b>

Source: Primary research by the authors.

#### 4.5.5 THE ROLE OF EXTERNAL HR SERVICE PROVIDERS

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

External service providers were most often used in human resource planning with regards to the key HR functions as reported by the respondents in the Total sample. They were also often involved in training and development and in the area of compensation and benefits. In the Hungarian sample after the key function of human resource planning, the next important functions were performance evaluation, industrial labour relations, and compensation and benefits. In the Croatian sample the following functions were important: human resource planning, performance evaluation, compensation and benefits, and industrial labor relations. In the Romanian sample over 50% of the respondents indicated that industrial labor relations and employee communication were important functions of external service providers.

**Table 34: Role of external HR service providers (2009) (in %)**

Role of external service providers	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
<i>Human</i>	4	90.9%	3	20.0%	4	90.7%	3	15.5%	3	17.6%	3	30.4%	4	80.0%	4	72.4%

Role of external service providers	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
<i>Resource Planning</i>																
<i>Recruitment +selection</i>	4	68.2%	3	25.8%	3	23.6%	3	26.3%	3	26.5%	3	21.7%	3	27.5%	3	25.1%
<i>Performance Evaluation</i>	4	90.9%	3	15.6%	4	83.8%	3	28.6%	3	31.3%	3	36.4%	3	25.0%	3	20.6%
<i>Training and development</i>	2	18.2%	3	26.7%	3	41.9%	3	21.7%	2	29.4%	3	31.8%	3	35.0%	3	30.9%
<i>Compensation and Benefits</i>	4	90.9%	3	15.6%	3	45.9%	3	31.3%	3	29.4%	3	22.7%	3	30.0%	3	30.9%
<i>Employee communication</i>	4	81.8%	3	22.7%	3	23.0%	3	24.1%	3	52.9%	3	39.1%	3	30.0%	3	26.5%
<i>Industrial-Labor Relations</i>	4	90.9%	3	11.1%	4	64.9%	3	28.9%	3	58.8%	3	17.4%	4	75.0%	3	23.8%
<i>HRMS/IT</i>	3	27.3%	3	31.1%	3	32.4%	3	11.5%	3	47.1%	3	45.5%	3	20.0%	3	28.6%

Source: Primary research by the authors.

#### 4.5.6 HR KNOWLEDGE FLOW

The respondents in the Total sample ranked knowledge flows between subsidiaries and knowledge flows to parent company the most important HR knowledge flows among the 4 types of HR knowledge flows provided. Knowledge flow from parent company was second. Lower but still considerably important was assigned to knowledge flows within your subsidiary. In the Polish, Estonian, and Croatian samples the most HR knowledge flow was indicated to be the knowledge flows within their subsidiary and knowledge flows between subsidiaries. In the Hungarian sample the respondents ranked slightly higher the knowledge flows from the parent company and knowledge flows within their subsidiary. The respondents in the Serbian sample ranked high knowledge flows between their subsidiaries, while the respondents in the Slovakian sample ranked high knowledge flows within their subsidiary.

**Table 35: HR knowledge flow (in %)**

HR knowledge flow	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Knowledge flows from parent	3	9.1%	3	32.6%	2	30.1%	3	12.8%	3	25.0%	2	22.7%	3	35.0%	3	21.4%
Knowledge flows to parent	3	27.3%	3	29.5%	3	23.3%	3	12.8%	3	25.0%	3	27.3%	3	30.0%	3	22.1%
Knowledge flows between subsidiaries	3	45.5%	2	34.1%	3	26.0%	4	41.4%	3	25.0%	3	22.7%	4	50.0%	3	22.3%
Knowledge	4	36.4%	2	44.4%	2	30.1%	4	42.5%	3	23.5%	2	40.9%	3	25.0%	3	18.2%

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HR knowledge flow	Croatia		Estonia		Hungary		Poland		Romania		Slovakia		Serbia		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
flows within your subsidiary																

Source: Primary research by the authors.

## **COUNTRY REPORTS<sup>12</sup>**

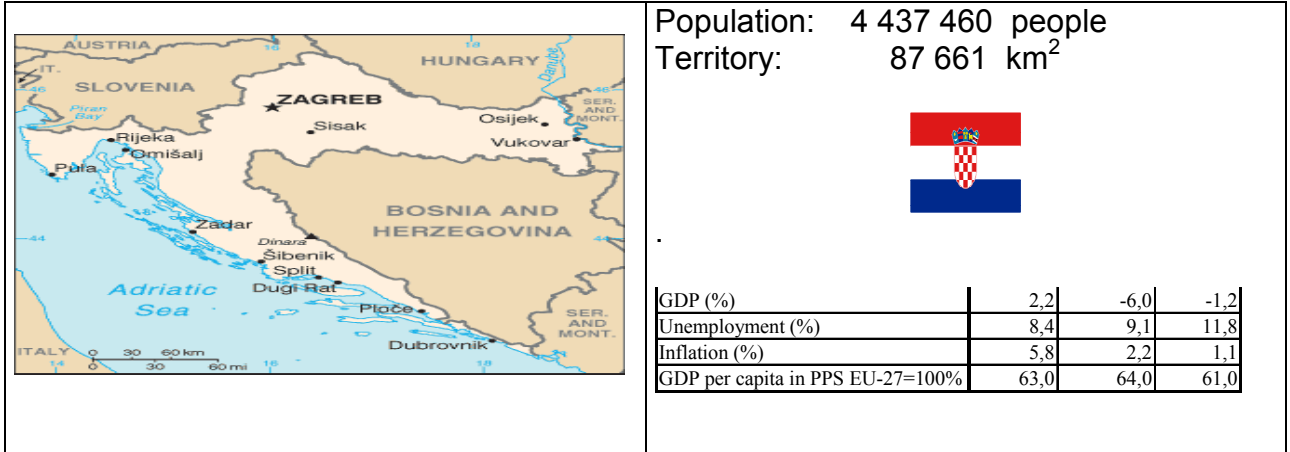
The following seven chapters will provide a detailed analysis of results at the national level for Croatia, Estonia, Hungary, Poland, Romania, Serbia and Slovakia. This level of detail will add to our understanding of both the macro contextual factors and individualized micro perceptions of HR executives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

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<sup>12</sup> Country reports based on research carried out between 2008-2011 with the helps of János Selye University (Slovakia), University of Pécs (Hungary) and St. Stephen's University (Hungary). Sections of these reports have been published in Hungarian in the monograph by Poór József-Farkas Ferenc: *Átalakuló emberi erőforrás menedzsment a multinacionális cégek helyi leányvállalatainál Közép-és Kelet-Európában*. Szent István Egyetem Kiadó, Gödöllő (Hungary).

## 5 CROATIA (ANTON BARASIC, MÁRTONNÉ KAROLINY, GYÖRGYI KONTRA CSAPÓ AND JÓZSEF POÓR)

### 5.1 INTRODUCTION



## 5.2 FDI AND EMPLOYMENT AT FOREIGN FIRMS IN CROATIA

### 5.2.1 FDI

In the early 1990's the opening of Croatia to international capital flow did not result with significant interest on the part of foreign investors. This disappointing result can be partly explained by the more privileged access of CE countries to the international capital markets (Hungary, Poland, Czech Republic and Slovakia). These countries absorbed about 90% of FDI inflow into all of Eastern Europe.

FDI in Croatia being initially recorded in 1993, can be, in general, divided into three phases.

- **Phase 1** - 1993 - 1999 - was mainly characterized by small-scale privatizations.
- **Phase 2** - 1999 - 2004 - was dominated by investments in the service sector (telecommunication, banking, transportation, energy)
- **Phase 3** - 2004 - present - the first wave of export oriented FDI has been registered.

According to Moore and Vamvakidis, (2007), the progress Croatia has made in transition has lagged behind the top reforming countries in central Europe, but it has coped well when compared to most southern and eastern European economies. According to the EBRD's (European Bank for Reconstruction and Development) report of transition indicators up to 2006, overall transition performance of Croatia compares well with most Southern and Eastern European (SEE) economies, but lags behind those in the CEE.

The analysis of FDI in the Croatian manufacturing sector confirms that FDI recipient firms are more successful as measured by their capital, sales, employment and productivity growth than the locally owned organizations. However, FDI inflow to Croatia failed to significantly increase the employment rate, exports, productivity and overall competitiveness of the overall national economy (Sohinger, Galinec, Skudar, 2005). Although Croatian authorities officially support FDI, what remains elusive is a sound national investment promotion strategy.

In order to ensure sustained economic growth at a significant rate, the business environment in Croatia needs to be improved by applying measures to reduce the administrative burdens, legal barriers, and ongoing issues of corruption. Moore and Vamvakidis, (2007), emphasize the importance of attracting more greenfield FDI, and providing more regulatory reforms to reduce the role of the state in the economy through fiscal consolidation and faster privatization.,

The Croatian economy has performed better than its nearest neighbors, while lagging behind central European economies. According to Bozic and Gallagher (2006), the main factors contributing to the good performance are the high quality of infrastructure, a well-trained work force, and proximity to raw material resources. On the other hand, disproportionately high labor costs, weak coordination of economic activity and the inefficiency of the government bureaucracy constitute the major barrier to investments. In fact, Croatia is the second most expensive SEE country in terms of labor costs (Bozic and Gallagher 2006). In order to avoid a competition with countries having lower



operational costs (Romania and Bulgaria), Croatia should focus developmental efforts in the sectors of knowledge intensive activities and in the sectors with higher added value.

According to Croatian National Bank, FDI is concentrated in following sectors

- the banking sector,
- manufacturing,
- telecommunication and transports,
- wholesale and retail,
- real estate and tourism.

Other CEE transition countries, where FDI has been directed to manufacturing - with particular emphasis to the export oriented sectors and services - have managed to raise their competitiveness significantly. ( Sohinger and Horvatin, 2005)

Recently, the most interesting sectors for FDI in Croatia are:

- Tourism
- Information and communication technology (Siemens, Ericsson are already present)
- Pharmaceuticals (Pliva, Belupo, GlaxoSmithKline)
- Biotechnology (project for a tech-park in Varazdin)
- Business services (e.g. processing data, call centers, data entry, telemarketing, back office, etc.)

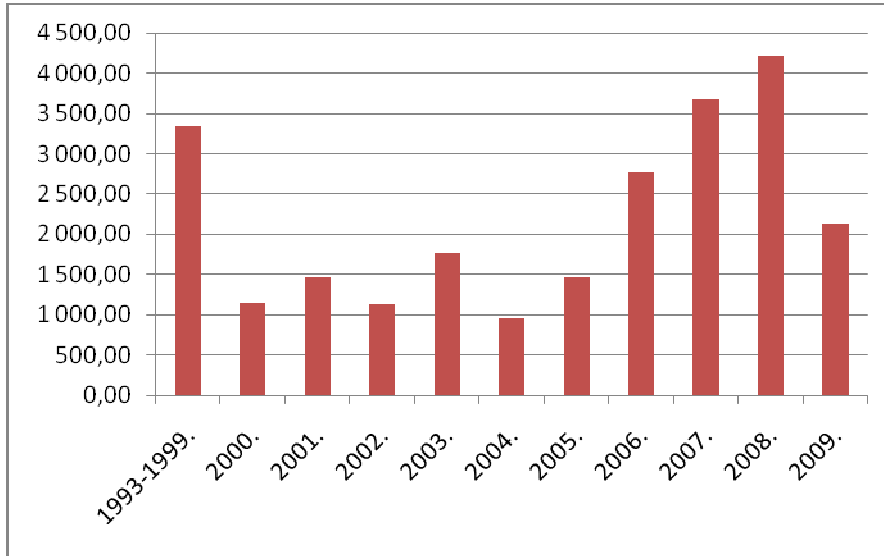
In the period 1993-1998, the FDI inflow into Croatia was trivial due to the country's political and economic instability caused mainly by the civil war's effects. Since 1999, the FDI has exceeded US\$1 billion almost each year. Table 36 below illustrates the dynamic of the FDI in Croatia for the period 2000 -2009. In total, FDI inflow in Croatia accounted for 24.058 millions. Eur.

**Table 36: Foreign direct investment in Croatia (in million €)**

<b>FDI</b>	1993/ 1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Mill €</b>	3.348	1.141	1.467	1.138	1.762	949	1.468	2.768	3.679	4.209	2.129

Source: Croatian National Bank

**Figure 5: FDI in Croatia**



Source: Croatian National Bank

The main economic activities attracting FDI in 1993-2009 were financial intermediation (34,9% of equity investment), wholesale trade and retail trade (15,6%), telecommunications (4,9%), pharmaceuticals (11%), petroleum (10,5%), and manufacturing (3,2%). While the tourism sector is the most important economic sector in Croatia and source of export revenue, it has attracted only 2,4% of total FDI.

**Table 37: Foreign direct investments by sectors in Croatia (1993 - Q2/2010) in %**

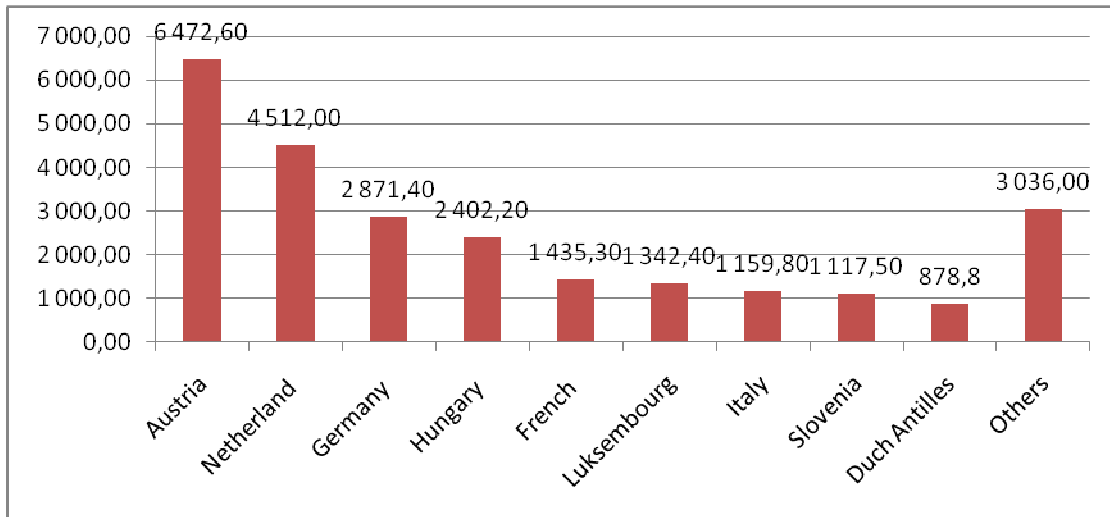
Financial intermediation, except insurance and pension funds	34,9%
Wholesale trade and retail trade	15,6%
Manufacture of chemicals and pharmaceuticals	10,5%
Petroleum and natural gas, refined petroleum products	6,7%
Real estate activities	5,4%
Post and telecommunications	4,9%
Manufacture of other non-metallic mineral products	3,2%
Hotels and restaurants	2,4%
Other	16,2%

Source. Croatian National Bank = CNB

Greenfield investments are still not recognized as an attractive FDI area in Croatia, particularly in the export oriented manufacturing sector. However, in that specific sector Croatia is the first in FDI stock comparing with all other SEE countries, competing successfully with the new EU member states. Greenfield investment in Croatia has been restrained and still is, partly due to a lack of industrial real estate outside the former government owned companies.

The main investor in Croatia is Austria with almost 26% of total FDI inflow. The second biggest investor is the Netherlands with 18%, followed by Germany (11%) and Hungary (10% of the total FDI in period 1993-2009).

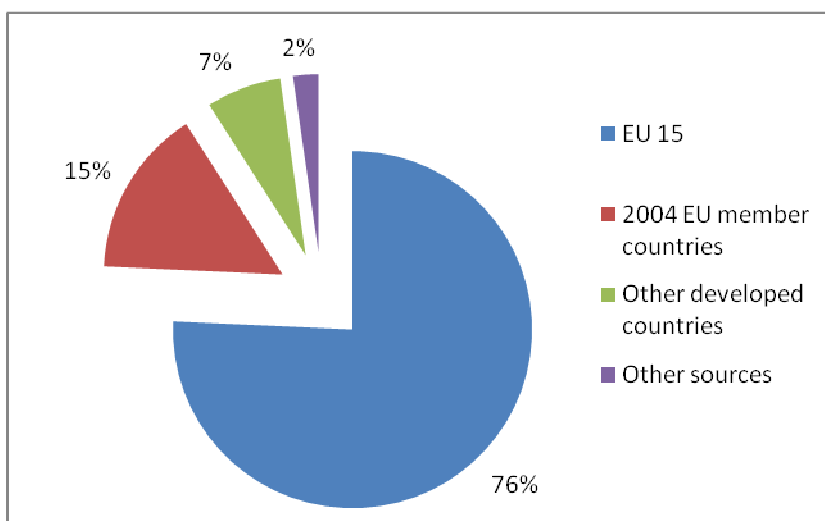
**Figure 6: FDI Inflow to Croatia by countries of origin 1993 – 2010, (mill EUR)**



Source *Croatian National Bank = CNB*

The data about FDI inflow with regard to the geographical distribution of investment partners shows that the major investors come from the European Union, while only 7% of the total FDI inflow comes from developed countries outside Europe. EU FDI flow to Croatia has tripled between 2004 and 2006. At the end of 2009, fully 76% of the FDI originates from the EU 15, while 15% comes from 2004 EU member countries.

**Figure 7: FDI inflow in Croatia by geographical distribution, 1993 – 2009.**



In comparison to the new members of the EU and the other Southeast European countries, Croatia has the fifth largest FDI stock and also the fifth largest FDI per capita (EUR 2,970). Over 60% of FDI in years 1993-2005 was in the form of equity investment,

while since 1999 huge privatization-related FDI inflow resulted in the equity investments representing almost 90% of total FDI. (Smolic, 2010)

**Table 38: Per capita FDI for selected transition economies, 1993 - 2009**

	Total	Population/mill	PCFDI/EUR
Romania	51.064,0	21,5	2.371,8
Lithuania	9.531,7	3,3	2.888,4
Poland	115.273,0	38,1	3.024,7
Latvia	7.919,7	2,3	3.488,9
Slovenia	7.260,7	2,0	3.630,4
Bulgaria	38.337,9	7,6	5.044,5
<b>Croatia</b>	<b>24.058,6</b>	<b>4,4</b>	<b>5.418,6</b>
Slovak R.	25.095,7	5,4	4.656,0
Hungary	56.707,0	10,1	5.642,5
Czech R.	69.141,3	10,3	6.693,3
Estonia	12.677,0	1,3	9.460,4

Source: Kzfsru,

Despite the relatively high level of FDI in Croatia, a common positive effect for the domestic economy failed to appear. There was no positive impact regarding employment increase, and production and export growth, primarily due to adverse investment structure.

## 5.2.2 LABOR AND EMPLOYMENT

In 2002, FDI companies accounted for 15% of registered capital, 16% of revenue, 24% of exports, but only 9% of employment. The share of employment generated by FDI inflow exceeds 50% in CE countries and in that respect, FDI in Croatia failed to contribute to the new job creation.

FDI companies in 2002 accounted for 15% of registered capital, 16% of revenue, 24% of exports, and 9% of employment—much smaller shares than for Central European countries where foreign penetration typically exceeds 50%. Greenfield investment in Croatia, as in Slovenia, has been hindered by a lack of industrial real estate outside the former socially owned companies.

The data about gross salary for five categories of labor are given in Table 39 for all the countries of the Western Balkan region. By way of comparison data for the CE countries (Czech Republic, Hungary and Slovakia) is also included. It is obvious that salaries and wages in Croatia are the highest within the Western Balkan countries and among the highest compared with comparator countries.

**Table 39: Annual Gross Salary or Wages, (in US\$)**

	Management	Professional	Technical	Skilled Labor	Unskilled Labor
Albania	13,538	8,123	6,497	3,569	2,215
Bosnia and Herzegovina	22,521	14,250	12,600	7,667	5,467
<b>Croatia</b>	<b>35,383</b>	<b>22,317</b>	<b>12,600</b>	<b>11,408</b>	<b>7,714</b>
Macedonia	26,251	14,214	6,445	5,701	4,079
Serbia & Montenegro	NA	10,649	3,878	5,715	4,293
<b>Comparators:</b>					
Czech Republic	21,193	NA	6,031	9,389	6,583
Hungary	37,170	NA	16,862	8,744	7,618
Slovakia	21,189	NA	10,797	5,152	3,699

Source: Investor interviews. World Bank: Doing Business Report. Washington, D.C..

Regarding the annual total employment costs for five categories of labor; Table 40 shows that compared with all the SEE and CE countries, Croatia experiences the highest costs of total employment. Among CE countries, only Hungary has a similar level of the costs. Such extremely high costs make Croatia less competitive as a nation, and therefore not as attractive for inflows of FDI. Normally only investments requiring knowledge intensive and technologically advanced FDIs are able to absorb higher labor costs.

**Table 40: Annual Total Employment Costs by Country (in US\$)**

	Management	Professional	Technical	Skilled Labor	Unskilled Labor
Albania	17,695	10,617	7,882	4,665	2,896
Bosnia & Herzegovina	25,111	15,889	14,049	8,548	6,095
<b>Croatia</b>	<b>41,352</b>	<b>26,155</b>	<b>19,763</b>	<b>13,370</b>	<b>9,041</b>
Macedonia	34,652	18,763	14,252	7,526	5,384
Serbia & Montenegro	13,881	12,353	7,537	6,630	4,980
<b>Comparators:</b>					
Czech Republic	28,611	NA	17,128	12,675	8,887
Hungary	49,622	NA	23,843	11,673	10,170
Slovakia	28,647	NA	15,241	6,965	5,001

Source: Investor interviews. World Bank: Doing Business Report. Washington, D.C.

The labor availability is another important element of attracting FDI inflow. Next we report investor perceptions on the availability of labor, on a scale of 1-5 (in which 5 means that there are plenty of qualified candidates and 1 means it is impossible to find the right

personnel) The data in Table 41 are given for five categories of labor by level of position, presented for each of the five countries in the Western Balkans

Levels of positions analyzed:

- Management
- Professional (accountant, lawyer, consultant, etc.)
- Technical (engineer, programmer, system analyst, etc.)
- Skilled (workers engaged in production, data entry, customer service, etc.)
- Unskilled (receptionist, driver, assembly line worker, etc.)

**Table 41: Labor Availability(as measured by 1= not available,...5=there are plenty of workers)**

Level	Albania	Bosnia and Herzegovina	Croatia	Macedonia	Serbia & Montenegro
Management	1.9	3.4	3.6	4.5	4.0
Professional	2.8	4.0	3.6	4.8	4.0
Technical	2.1	4.4	3.5	4.0	3.8
Skilled	2.5	4.6	3.6	4.2	4.0
Unskilled	3.9	5.0	4.2	4.7	4.2

Source: World Bank: Doing Business Report. Washington.

Flexibility of labor regulations is characterized by an index of “Rigidity of Employment” (REI), which measures how difficult it is to hire a new worker, how rigid the restrictions are on expanding/contracting the number of working hours and how difficult and costly it is to dismiss a redundant worker. The Table 42 represents Rigidity of Employment Index (REI), giving the data for each of the five subject countries in the Western Balkans, and includes comparator countries

**Table 42: Flexibility of Labor Regulations**

	Albania	Bosnia and Herzegovina	Croatia	Macedonia	Serbia & Montenegro	Czech Republic	Hungary	Slovakia
	Comparator countries							
Rigidity of Employment Index*	30	49	57	38	23	28	40	10
Average number of weekly working hours	43	41	25	39	43	41	40	40
Labor relations**	NA	3.3	3.6	3.8	3.8	4.7	5.1	4.8

Labor turnover (annual rate in %)	6.7	1.6	3.3	0.7	0.5	NA	NA	NA
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Source: World Bank: Doing Business Report. Washington, D.C.

Notes:

\* Based on a scale of 0-100 in which 100 denotes the most rigid regulations.

\*\* Based on a scale of 1-7 in which 7 denotes the best labor relations.

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

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

#### 5.3.1 COMPANY SIZE AND LEGAL FORM

According to the data shown in Table 43, the subsidiaries participating in the survey, due to the global financial and economic crisis, generated smaller revenue while concurrently increasing the number of full-time employees – not significantly though – in the two years examined.

**Table 43: Number of employees and revenue of the participating companies (n=10)**

Year	Number of employees	Revenue (million Euros)
2008	3.760	982
2009	3.918	738
<b>Change: 2009/2008</b>	104%	75%

(Note: 1 Euro equals 7.34 Kuna in the study for statistical purposes)

Source: Primary research by the authors.

Assessing the following two subsections below we can state that the majority of the companies are large enterprises based on the number of their employees or on their revenue. It is important to highlight that although a minority of the subsidiaries may be classified as SMEs based on their size (number of staff and revenue); all the Croatian companies analyzed are parts of larger international companies and thus are regarded as large enterprises from an operational and management point of view.

#### 5.3.1.1 Total number of employees

The majority (67%) of the participants are small enterprises based on the number of their employees (below 250 persons).

**Table 44: Number of staff**

Total number of employees of the company	2008		2009	
	Frequency	Percentage distribution (%)	Frequency	Percentage distribution (%)
<b>Below 250</b>	6	67	6	67
<b>251-1000</b>	2	22	2	22
<b>1001-2000</b>	-	-	-	-
<b>2001-5000</b>	1	11	1	11
<b>Over 5000</b>	-	-	-	-
<b>Total</b>	<b>9</b>	<b>100</b>	<b>9</b>	<b>100</b>

Source: Primary research by the authors.

The number of staff at the companies examined increased to a small degree but they still belong to the same size categories.

### 5.3.1.2 Revenue

With regard to revenues we can state that in general a decline characterized the companies in the sample regarding their revenue. Even the single company in the highest category (370-1850 million Euros) couldn't save its position and fell one category back in 2009.

**Table 45: Revenue of the subsidiaries participating in the research (billion Euros)**

Revenue of the subsidiary (million Euros)	2008		2009	
	Frequency	Percentage distribution (%)	Frequency	Percentage distribution (%)
<b>Under 18,5</b>	2	22	3	33
<b>18,5-74</b>	4	44	3	33
<b>74-185</b>	1	11	1	11
<b>185-370</b>	1	11	2	22
<b>370-1850</b>	1	11	0	0



<b>Total</b>	<b>9</b>	<b>100</b>	<b>9</b>	<b>100</b>
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Source: Primary research by the authors.

**Table 46: Productivity index of the subsidiaries examined (€/person)**

<b>Year</b>	<b>Number of employees</b>	<b>Revenue (million Euros)</b>	<b>Average revenue per employee (€/person)</b>
<b>2008</b>	3.760	982	261.172
<b>2009</b>	3.918	738	188.361
<b>Change: 2009/2008</b>	104%	75%	72%

Source: Primary research by the authors.

As the result of the trends in the number of employees and in the revenue reviewed above, the average productivity index has decreased from the level of 261 thousand €/person to the level of under 190 thousand €/person in the period examined - a 30% decline.

**Table 47: Revenue per employee (million €/person)**

<b>Revenue per employee (million Euro/person)</b>	<b>2008</b>		<b>2009</b>	
	<b>Frequency</b>	<b>Percentage distribution (%)</b>	<b>Frequency</b>	<b>Percentage distribution (%)</b>
<b>1-30</b>	4	45	4	45
<b>31-60</b>	1	11	1	11
<b>61-90</b>	1	11	1	11
<b>91-120</b>	1	11	1	11
<b>121-240</b>	1	11	1	11
<b>241-540</b>	1	11	1	11
<b>Total</b>	<b>9</b>	<b>100</b>	<b>9</b>	<b>100</b>

Source: Primary research by the authors.

### 5.3.2 MANDATE OF THE ORGANIZATION

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

The half of the companies doesn't have control on the whole value chain but has activities in a number of stages of the value chain.

**Table 48: Mandates of the companies participating in the survey \***

Mandates of the companies participating in the survey	Frequency	Percentage distribution (%)
<b>Mandate 1</b>	-	-
<b>Mandate 2</b>	3	30
<b>Mandate 3</b>	5	50
<b>Mandate 4</b>	2	20
<b>Mandate 5</b>	-	-
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Primary research by the authors.

**Table 49: \*You can read the explanations of possible subsidiary roles under section 3.2.4.**

Source: Primary research by the authors.

### 5.3.3 ORIGIN OF THE PARENT COMPANY

The subsidiaries participating in the survey came to Croatia from seven different countries.

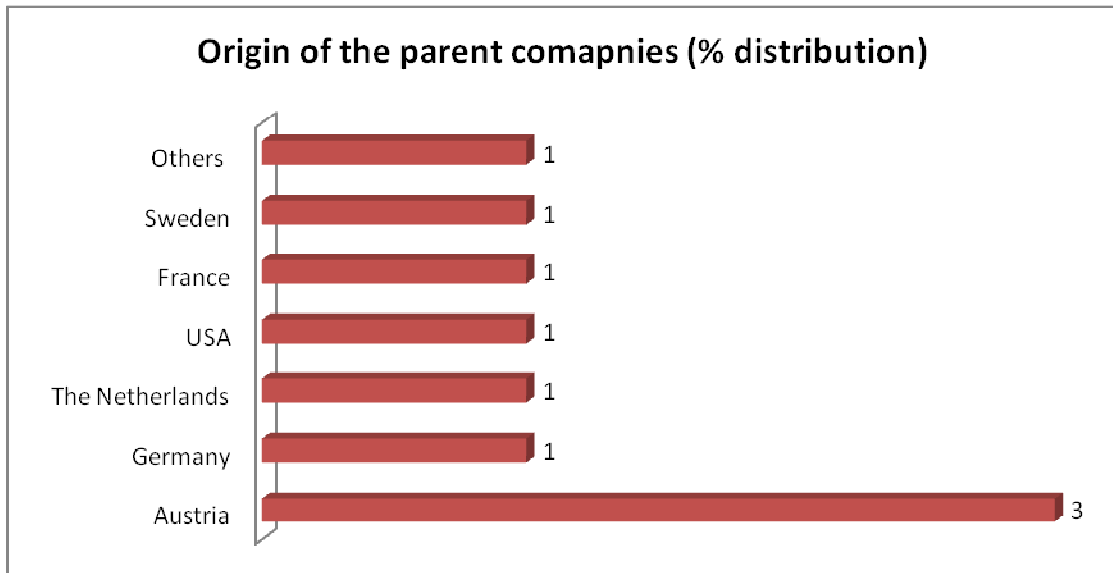
Three companies (34%) from Austria, and one company from France, Germany, the Netherlands, Sweden and USA.

**Table 50: Origin of the parent companies of the participating companies**

Origin of the parent company	Frequency	% distribution
<b>Austria</b>	3	34
<b>France</b>	1	11
<b>Germany</b>	1	11
<b>The Netherlands</b>	1	11
<b>Sweden</b>	1	11
<b>USA</b>	1	11
<b>Others</b>	1	11
<b>Total</b>	<b>9</b>	<b>100</b>

Source: Primary research by the authors.

**Figure 8: Origin of the parent companies**



Source: Primary research by the authors.

If we take a look at the management culture of the companies (Table 51) the highest portion of companies in the sample analyzed belongs to the so-called Germanic (67%) management culture. From the nine respondents two companies belong to the Anglo-Saxon and Nordic culture.

**Table 51: Management cultures of mother companies**

<b>Table 52: Management cultures of mother companies</b>	<b>Frequency</b>	<b>% distribution</b>
<b>Anglo-Saxon</b>	1	11
<b>Nordic</b>	1	11
<b>Germanic</b>	6	67
<b>Others</b>	1	11
<b>Total</b>	<b>9</b>	<b>100</b>

Source: Primary research by the authors.

**Table 53: Participating companies by tradition**

Management cultures of mother companies	Frequency	% distribution
Traditional MNCs (American, Western-European, Japanese etc.)	10	100
Emerging and transitional	-	-
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Primary research by the authors.

### 5.3.4 FIELD OF OPERATION: SECTOR-INDUSTRY

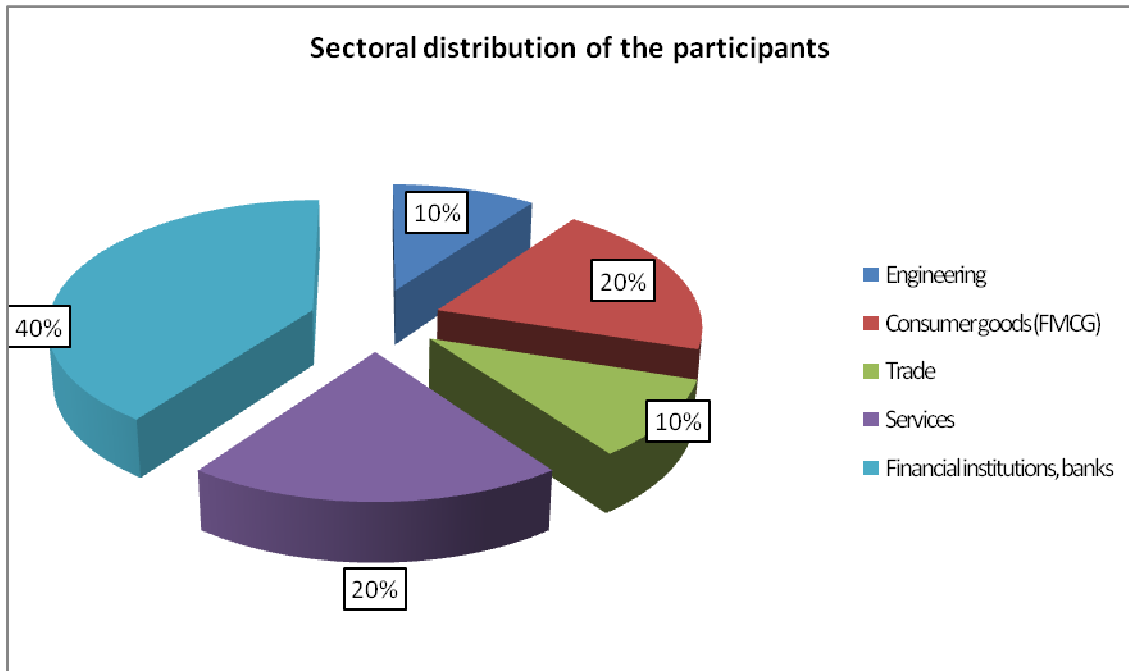
The majority (40%) of the companies participating in the survey operates in the banking sector in Croatia while the second strongest sectors are the sectors of consumer goods and services, each with 20%.

**Table 54: Sectoral distribution of the participants**

Main sector of the subsidiary's activity	Frequency	% distribution
Engineering	1	10
Consumer goods (FMCG)	2	20
Trade	1	10
Services	2	20
Financial institutions, banks	4	40
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Primary research by the authors.

**Figure 9: Sectoral distribution of the participants**



Source: Primary research by the authors.

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

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

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

##### 5.4.1 MAIN STRATEGIC ISSUES-ORIENTATIONS

Most (80%) of the respondents indicated that they were seeking growth and portfolio expansion during the period examined. Almost 40% of the companies surveyed were characterized by stability, and efficiency improvements. Redundancies and rationalization were chosen by the same percentage (40%) while the number of staff of the companies participating in the survey decreased quite considerably.

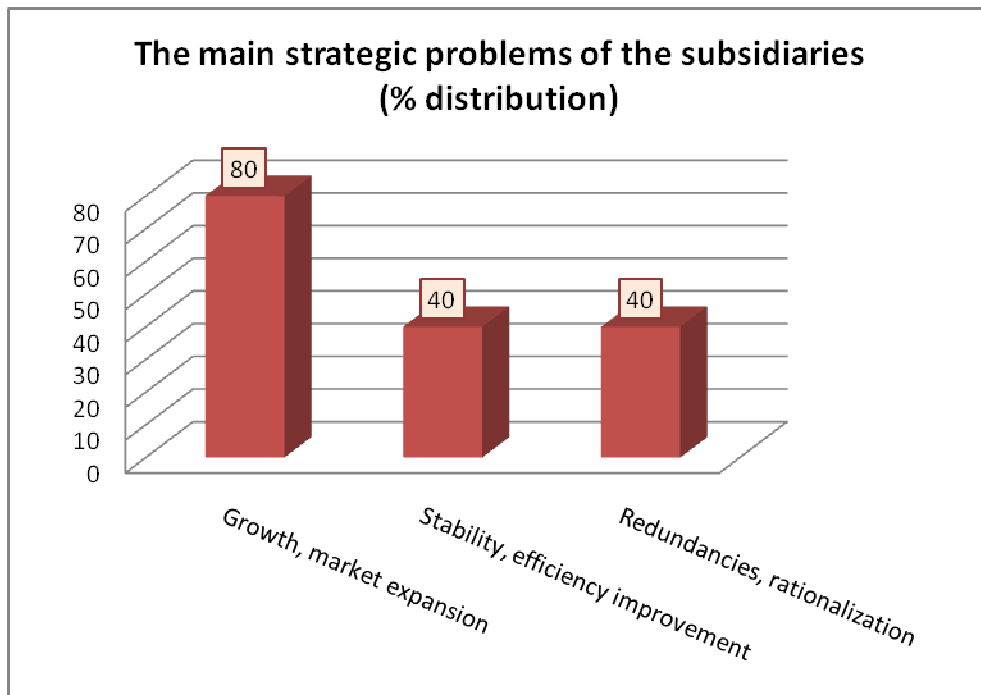
**Table 55: Main strategic issues and orientations**

Main strategic issues, orientations	Frequency of "yes" answers	Multiple answers possible, response
Growth, market expansion, portfolio expansion	8	80

<b>Stability, efficiency improvement, revenue retention, adapting to the market situation</b>	4	40
<b>Redundancies, rationalization</b>	4	40

Source: Primary research by the authors.

**Figure 10: The main strategic problems of the subsidiaries (%)**



Source: Primary research by the authors.

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

Optimal plant/organization size, workforce and management were chosen most frequently (70-70%) by the respondents from the most important competitive factors of companies (more than one answer could be marked in this question).

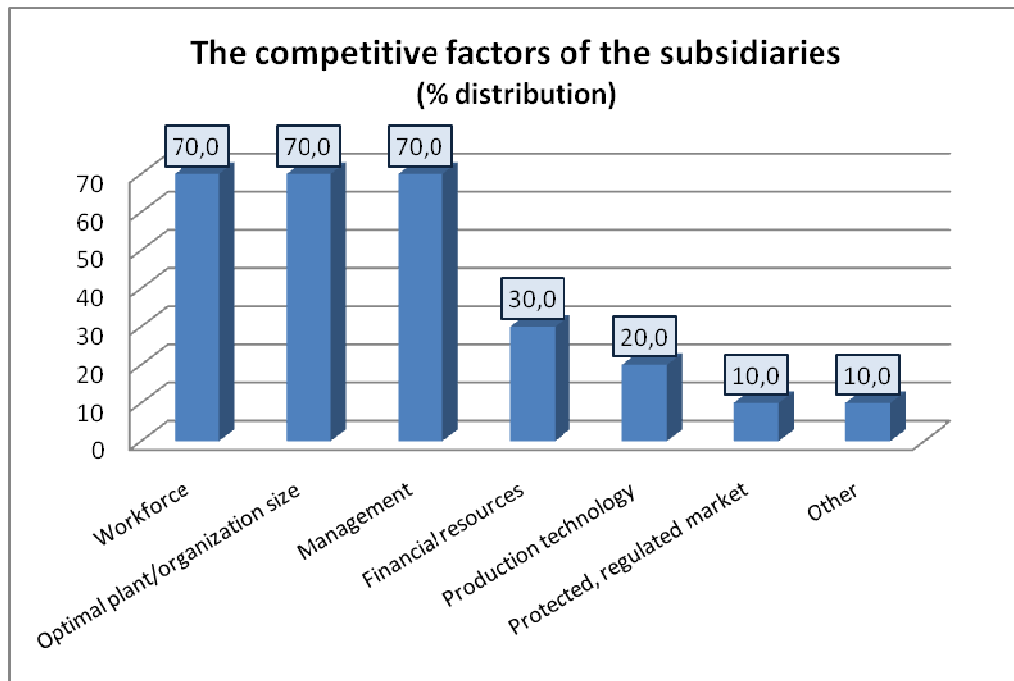
**Table 56: The importance of competitive factors**

<b>Competitive factors</b>	<b>Frequency of "yes" answers</b>	<b>Multiple answers possible, response</b>
<b>Optimal plant/organization size</b>	7	70

<b>Workforce</b>	7	70
<b>Management</b>	7	70
<b>Financial resources</b>	3	30
<b>Production technology</b>	2	20
<b>Protected, regulated market</b>	1	10
<b>Other*</b>	1	10

Source: Primary research by the authors.

**Figure 11: The importance of the competitive factors**



Source: Primary research by the authors.

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

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

- Number and workload of the HR staff,
- The main indicators representing the importance, results, and efficiency characteristics of the HR activity (labor cost – total cost ratio, age pyramid, and relative weight of the training budget, the fluctuation rate and absenteeism).

### 5.5.1 NUMBER OF HR STAFF

The average number of employees served by one HR professional increased from 94 in 2008 to 98 in 2009 in the companies surveyed. The number and the composition of HR staff in the companies examined in the survey have not changed, with totals of 30 HR professionals and 10 HR admin (75-25%).

**Table 57: Number of employees and HR staff in the participating companies**

Year	Number of employees	HR staff			Employees per HR position
		HR professional	HR admin staff	Total number of HR staff	
2008	3.760	30	10	40	94
2009	3.918	30	10	40	98
2009/ 2008 (%)	104%	100%	100%	100%	104%

Source: Primary research by the authors.

The HR staffs in the companies examined are very different. Two of the companies do not have any HR staff while we can state that in each company having a number of employees above 50 we can find at least one HR professional. (Table 53)

Note that HR to staff ratios vary by industry and the largest number of employees (217 persons) served by one HR professional is found in a company operating in financial sector while this ratio is the smallest in a company operating in services sector where 20 employees are served by two HR professionals (one HR professional serves only 10 persons in those companies).



**Table 58: Number of HR staff**

Total number of HR staff	2008		2009	
	Frequency	% distribution	Frequency	% distribution
None	2	20	2	20
1-4 persons	5	50	5	50
5-10 persons	2	20	2	20
11-15 persons	-	-	-	-
15-20 persons	1	10	1	10
Over 20 persons	-	-	-	-
<b>Total</b>	<b>10</b>	<b>100</b>	<b>10</b>	<b>100</b>

Source: Primary research by the authors.

## 5.5.2 THE MAIN INDICATORS REPRESENTING THE IMPORTANCE AND RESULTS OF THE HR ACTIVITY

### 5.5.2.1 Age distribution of the employees

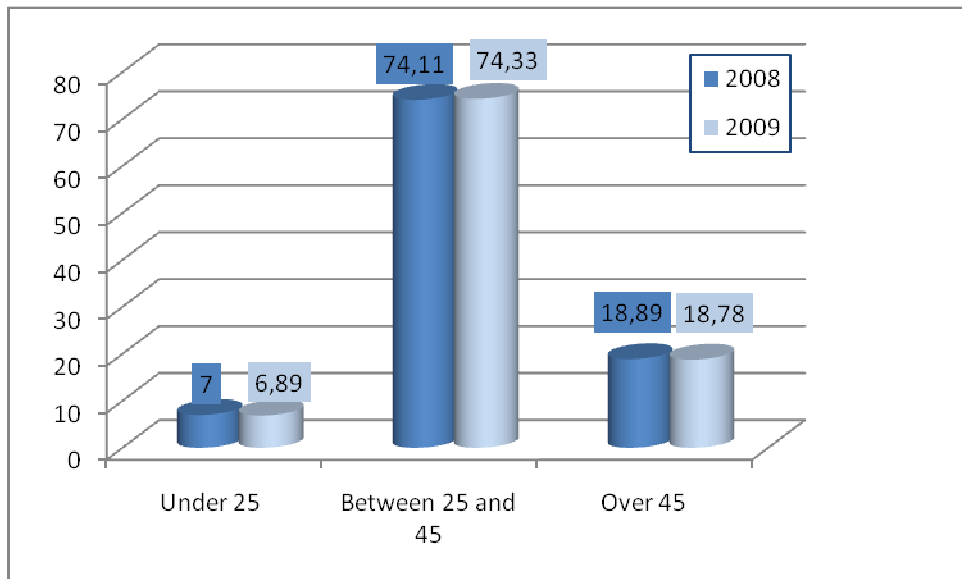
One of the results of human resource management actions is the age distribution of the labor force. The results of our survey in this respect do not confirm the common view that there is no room for employees over 45 years of age in multinational companies, as almost one fifth of the employees of the subsidiaries participating in the survey fell within this age group. The percentage of employees under 25 years of age was much lower (around 7%) and the bulk of responses consisted of the employees between 25-45 years of age – with a percentage over 74%.

**Table 59: Age group distribution of employees (%)**

Age groups	Under 25	Between 25 and 45	Over 45	Total
<b>2008</b>	7	74	19	100
<b>2009</b>	7	74	19	100

Source: Primary research by the authors.

**Figure 12: Age group distribution of employees (%)**



Source: Primary research by the authors.

### 5.5.2.2 Training budget

Literature considers the relative size of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity. None of the companies examined spent more than 5% of their annual labor budget on training employees and the relative size of the training budget was under 3% in the majority of the companies.

**Table 60: Annual training budget in % of the entire annual labor cost**

Annual training budget in % of the entire annual labor cost	2008		2009	
	Frequency	% distribution	Frequency	% distribution
<b>Under 1 %</b>	2	25	1	12
<b>1-2 %</b>	2	25	2	25
<b>2-3 %</b>	3	38	5	63
<b>3-5 %</b>	1	12	-	-
<b>5-7 %</b>	-	-	-	-

<b>7-10 %</b>	-	-	-	-
<b>10 - 20 %</b>	-	-	-	-
<b>Over 20 %</b>	-	-	-	-
<b>Total</b>	<b>8</b>	<b>100</b>	<b>8</b>	<b>100</b>

Source: Primary research by the authors.

### 5.5.2.3 Time lost due to absence/sickness

The average number of days lost annually due to absence was under 10 in approximately 90% of the respondent companies and only one company reported that this number was 11, a result close to the average. The mean value of the absences (increasing from 5 to 9) almost doubled from 2008 to 2009.

**Table 61: The average days absent per employee per annum**

<b>Absence / sick leave</b>	<b>2008</b>		<b>2009</b>	
	Frequency	% distribution	Frequency	% distribution
<b>Less than 1 day</b>	-	-	-	-
<b>1-3 days</b>	2	22	2	22
<b>3-5 days</b>	2	22	1	11
<b>5-10 days</b>	4	45	6	67
<b>10-20 days</b>	1	11	-	-
<b>20-30 days</b>	-	-	-	-
<b>30-40 days</b>	-	-	-	-
<b>More than 40 days</b>	-	-	-	-
<b>Total</b>	<b>9</b>	<b>100</b>	<b>9</b>	<b>100</b>
<b>Mean value</b>	<b>5 days</b>		<b>9 days</b>	

Source: Primary research by the authors.

## 5.6 EXPATRIATES

### 5.6.1 FOREIGN EXPATRIATES

Usually two types of long-term emissaries are distinguished. The ones arriving from abroad (from the parent company or from a third country) who are also called expatriates and the ones from the Croatian subsidiary appointed for a long-term deputation abroad (at the parent company or subsidiaries operating in other countries).

- ❑ Only one of the subsidiaries participating in the survey employed foreign expats in non-managerial positions (one person only).
- ❑ The presence of expats employed in managerial positions is more significant, but only four companies employed foreign expats in such position. Where they were present, their number was typically between one and two employees but one respondent employed six of them.

**Table 62: Number of foreign expats**

Number of expats	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
<b>None</b>	6	60	-	-
<b>1 person</b>	1	10	-	-
<b>2-3 persons</b>	2	20	1	100
<b>4-5 persons</b>	-	-	-	-
<b>6-10 persons</b>	1	10	-	-
<b>11-15 persons</b>	-	-	-	-
<b>16-20 persons</b>	-	-	-	-
<b>Over 20 persons</b>	-	-	-	-
<b>Total</b>	<b>10</b>	<b>100</b>	<b>1</b>	<b>100</b>

Source: Primary research by the authors.

**Table 63: Positions of foreign expats**

Manager	Non-manager	Total
80	20	100%

Source: Primary research by the authors.

Fully 80% of the responding organizations had foreign expats from the parent company. The other 20% of foreign expats came to Croatia from countries different from the country of the parent company (Table 64).

**Table 64: Country of origin of foreign expats**

Mother country	Other countries	Total
65%	35%	100%

Source: Primary research by the authors.

## 5.6.2 CROATIAN EXPATRIATES

Below we outline how typically and to what positions Croatian expats were sent to foreign companies of MNCs.

**Table 65: Number and positions of Croatian expats**

Number of Croatian expats	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	%
None	-	-	-	-
1 person	1	100	1	100
2-3 persons	-	-	-	-
4-5 persons	-	-	-	-
6-10 persons	-	-	-	-
11-15 persons	-	-	-	-
16-20 persons	-	-	-	-
Over 20 persons	-	-	-	-
<b>Total</b>	<b>1</b>	<b>100</b>	<b>1</b>	<b>100</b>

Source: Primary research by the authors.

- ❑ Only one company reported that sent abroad employee (employed in trade field) managerial position.
- ❑ The number of sending employees in non-managerial positions is the same but this person works in financial field.

## 5.7 THE OPERATION OF THE HR DEPARTMENT

### 5.7.1 THE RELATIONSHIP BETWEEN HEADQUARTERS AND LOCAL HR

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

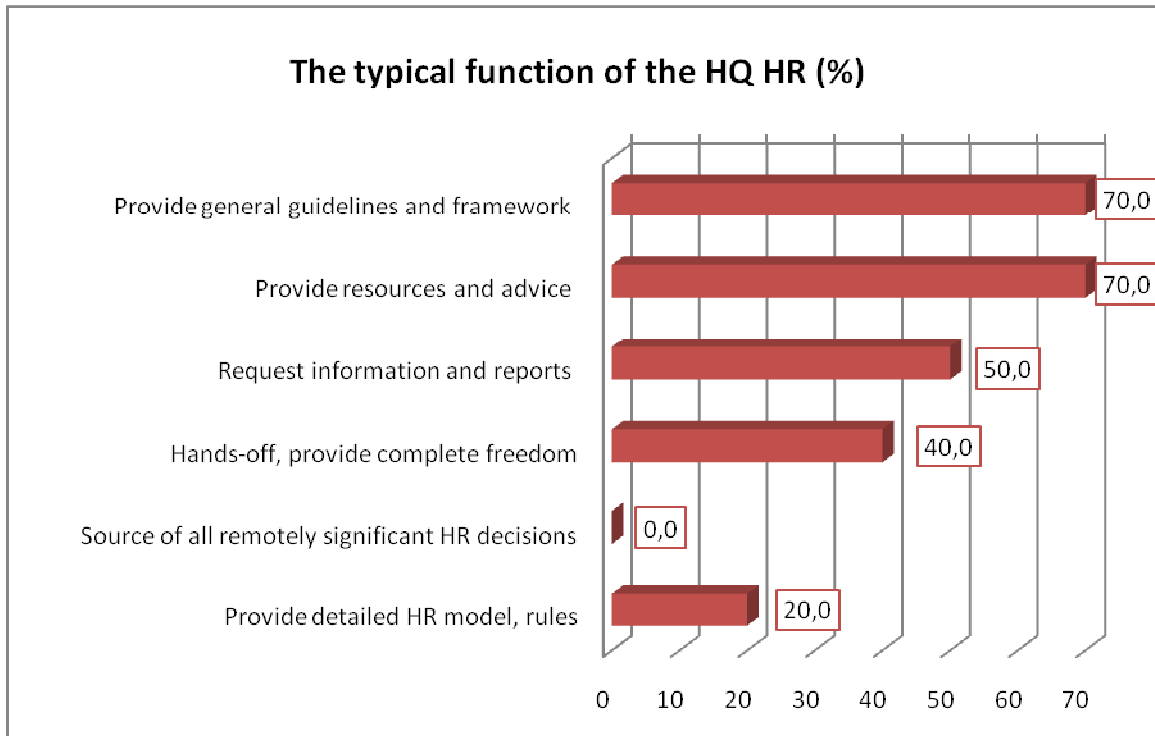
- ❑ However, the typical solution, one implemented by 70% of the respondents, was that the HR department of the company’s headquarters, besides carrying out the consulting role, lays down general guidelines and provides a standard framework for the work of HR departments of the subsidiaries and requires information and reporting from them.
- ❑ In addition one half of the companies reported that the typical function of the HQ HR is an auditing role, requiring information from the subsidiary and requiring standardized reports.
- ❑ On the other hand, 40% of the HR departments of the responding subsidiaries reported a hands-off approach from corporate headquarters, almost complete freedom from the headquarters and decentralized HR activity.
- ❑ 20% of the respondents related centralization with given processes and tasks.

**Table 66: Typical functions of the HQ HR**

Functions	Frequency of “yes” answers	Multiple answers possible, response
<b>Hands-off, provide complete freedom</b>	4	40
<b>Provide resources and advice when requested</b>	7	70
<b>Provide general guidelines and framework for actions</b>	7	70
<b>Request information and reports – auditor’s role</b>	5	50
<b>Provide detailed HR model, policies, procedures and rules</b>	2	20
<b>Source of all remotely significant HR decisions</b>	-	-
<b>Other</b>	10	100

Source: Primary research by the authors.

**Figure 13: The typical function of the HQ HR**



Source: Primary research by the authors.

### 5.7.2 CHANGES IN THE IMPORTANCE OF HR FUNCTIONS

Compensation and benefits was first in the ranking of HR areas considered most critical in the period examined, being a little ahead of an ongoing problem area, the issue of performance evaluation. The responding subsidiaries deemed industrial-labor relations, employee communication and talent management less critical.

**Table 67: Critical areas of HR (on a 1⇒5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not at all critical)*

The ranking of the areas of HRM critical in 2009	The average of the answers
1. Compensation and benefits	1.4
2. Performance evaluation	1.9
3. Training and development	2.3
4. Recruitment and selection	2.7
5. Human resource planning	2.9
6. Industrial-labor relations	2.9
7. Employee communication	3.0
8. Talent management	3.3

Source: Primary research by the authors.

### 5.7.3 TYPICAL HR COMPETENCIES FOR SUCCESS

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

- ❑ knowledge of foreign languages (50%),
- ❑ business knowledge (value chain, value creation) (30%).
- ❑ change management, teamwork, HR services (20%),



Personal credibility, quick decision making, strategic contribution, knowledge sharing and use of HRMIS followed the mentioned three competencies in the ranking.

**Table 68: Ranking of the key competencies of HR managers**

Ranking of key competencies	Very important	
	Frequency	Multiple answers possible, response
1. Knowledge of foreign languages	5	50
2. Business knowledge <i>(value chain, value creation)</i>	3	30
3. Change management	2	20
4. Teamwork	2	20
5. Personal credibility <i>(effectiveness, efficient connections, communication skills)</i>	1	10
6. Quick decision making	1	10
7. Strategic contribution <i>(culture management, quick changes, strategic decision making)</i>	1	10
8. HR services <i>(recruitment-selection, training, performance evaluation, HR measurement, etc.)</i>	2	20
9. Knowledge sharing	1	10

<b>10. Use of HRMIS (IT)</b>	1	10
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Source: Primary research by the authors.

#### 5.7.4 PRIMARY RESPONSIBILITY OF DECISION MAKING IN THE MAIN FUNCTIONS OF HR

**Table 69: Responsibility of decision making in key functions of HR**

<b>Key functions of HR</b>	<b>Local line management (mgt.)</b>	<b>Primarily local line mgt. but in consultation with the HR department</b>	<b>Primarily local HR department but in consultation with local line mgt.</b>	<b>Local HR department</b>
<b>Human Resource Planning</b>	4	3	2	1
<b>Recruitment</b>	4	3	1	2
<b>Selection</b>	4	2	2	2
<b>Performance Evaluation</b>	5	2	2	1
<b>Training and Development</b>	4	2	2	2
<b>Compensation and Benefits</b>	3	1	5	1
<b>Industrial-Labor Relations</b>	3	-	1	6
<b>Employee Communication</b>	4	-	3	3
<b>HRMS/IT</b>	3	2	1	4

Source: Primary research by the authors.

As the data in Table 69 shows, the majority of the respondents regard most of the interventions in the key functions of HR as the result of a joint decision in which the final decision is made by the local line management, based usually on consultation with the HR department. Less often the responsibility attached to HR decisions is shared in a way that the final decision maker is the representative of the local HR department. The local HR department reported the widest freedom of decision making on the field of industrial-labor relations and HRMIS.

#### 5.7.5 THE ROLE OF EXTERNAL HR SERVICE PROVIDERS

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

External service providers were most often used in training and development as reported by the respondents. In selection and HRMIS there was also some use of external service providers reported.

**Table 70: Role and use of external service providers in the different key functions of HR**

Key functions of HR	Increased	Decreased	Same	External providers not used
Human Resource Planning	-	-	1	9
Recruitment	-	1	2	7
Selection	-	1	3	6
Performance Evaluation	-	-	1	9
Training and Development	3	2	4	1
Compensation and Benefits	-	-	1	9
Industrial-Labor Relations	1	-	1	8
Employee Communication	-	-	1	9
HRMS/IT	1	-	3	6

Source: Primary research by the authors.

## 5.8 KNOWLEDGE MANAGEMENT IN HR

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

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

### 5.8.1 PERSONAL COMPETENCY DEVELOPMENT IN HR

According to the responses, the training activities at headquarters, mobility between the parent company and the subsidiary and cross-cultural learning were rated as more critical in developing competencies than local and informal learning.

The respondents found local training and informal learning to be the less important from the listing of methods of personal competency development in the field of HR. They also thought that formal learning plays a less important role.

**Table 71: The importance of the methods of personal competency development in HR (on a 1-5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not critical)*

Methods of gaining competencies	The average mean of the answers
Mobility between parent and subsidiary	2.6
Cross-cultural training	2.6
Mobility between subsidiaries	2.6
Training in HQ	3.1
Formal learning	3.2
Local training	3.7
Informal learning	3.7

Source: Primary research by the authors.

### 5.8.2 ENABLERS OF HR KNOWLEDGE FLOWS BETWEEN THE PARENT COMPANY AND THE SUBSIDIARIES

Identifying the enablers of efficient knowledge flows, i.e. the motivation to transfer of knowledge and content of knowledge about HR practices and techniques, between the parent company and the subsidiary are the most enablers. The respondents considered the ability to transfer knowledge and the form used to transfer knowledge as less important enablers.

**Table 72: Enablers of HR knowledge transfer (on a 1-5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not critical)*

<b>Knowledge flow enablers</b>	<b>The average of the answers</b>
<b>Motivation to transfer knowledge</b>	3.3
<b>Content/Kind of knowledge</b>	3.4
<b>Ability to transfer knowledge</b>	3.6
<b>Form of knowledge transfer</b>	3.6

Source: Primary research by the authors.

### 5.8.3 HR KNOWLEDGE TRANSFER BETWEEN THE PARENT COMPANY AND THE SUBSIDIARY

Most of the respondents indicated that HR experience generated in and proposals coming from subsidiaries find acceptance at the parent company. Knowledge flow from the parent company was rated as second by importance. Much lower priority, but still of considerable importance, was assigned to knowledge flows between subsidiaries. The respondents ranked knowledge flows within their own subsidiaries as less important with the regard to the different HR knowledge flows explored.

**Table 73: HR knowledge flows (on a 1-5 scale, on average)**

*(Explanation: 1= critical ⇒ 5 =not critical)*

<b>Knowledge flows in HR</b>	<b>The average of the answers</b>
<b>Knowledge flows to parent</b>	2.7
<b>Knowledge flows from parent</b>	3.1
<b>Knowledge flows between subsidiaries</b>	3.2
<b>Knowledge flows within your subsidiary</b>	3.7

Source: Primary research by the authors.

## 5.9 THE FUTURE TASKS OF HR

### 5.9.1 THE KEY BUSINESS ISSUES, TRENDS FOR HR TO FACE

With regard to the key issues of the next 12 to24 months, the interviewed HR managers considered improving efficiency most important. More than half (60%) of the respondents thought that this business expectation is the most important tasks HR professionals will have to face. In a number of companies this issue is accompanied by company development (40%).

**Table 74: Key business challenges in the next 1-2 years**

<b>Order of priority of the key business directions, challenges</b>	<b>Very important</b>	<b>Important</b>
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	Frequency	% distribution	Frequency	% distribution
<b>1. Efficiency improvement</b>	6	60	4	40
<b>2. Company development</b>	3	30	6	60
<b>3. Company reorganization</b>	2	20	3	30
<b>4. Conform to globalization</b>	1	10	3	30
<b>5. Distribution development</b>	1	10	5	50
<b>6. EU changes</b>	-	-	7	70
<b>7. Eastern expansion</b>	1	10	2	20

Source: Primary research by the authors.

### 5.9.2 INITIATIVES TO IMPROVE THE BUSINESS FOCUS OF HR PROFESSIONALS

To improve the business focus of the HR professionals a number of respondents put emphasis on measures and business performance.

That initiative was followed in criticality by training on business issues and expectations of business knowledge in the selection of HR staff with training on specific areas of HR. Firms did not put an emphasis on rotation yet and that practice is not planned by the companies.

**Table 75: Improving business focus among HR staff**

<b>Actions improving business focus of HR staff</b>	<b>Implemented</b>	<b>Planned</b>
<b>Offer trainings on specific areas of HR</b>	4	4
<b>Offer trainings on business issues</b>	4	4
<b>Offer incentives based on measures and business performance</b>	5	4

<b>Prioritize business knowledge in the selection of HR staff</b>	4	-
<b>Hire people from outside HR (business people)</b>	2	1
<b>Offer rotation programs (outside the HR department) for HR staff</b>	-	4

Source: Primary research by the authors.

## 5.10 CHARACTERISTICS OF THE RESPONDING INDIVIDUALS

Regarding the personal characteristics of the interviewed professionals we have examined demographic characteristics and also their professional qualifications and the characteristics of the positions held.

### 5.10.1 DEMOGRAPHIC CHARACTERISTICS AND QUALIFICATION

The gender distribution of the interviewees shows a female dominance (70-30%) consistent with a more general finding that HR is a female dominated profession.

**Table 76: The gender of the responding individuals**

<b>Gender</b>	<b>Frequency</b>	<b>% distribution</b>
<b>Male</b>	3	30
<b>Female</b>	7	70
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Primary research by the authors.

Fully 60% of the respondents are below 40 years old while another 40% are between the age of 40 and 54.

**Table 77: The age of the respondents**

<b>Age</b>	<b>Frequency</b>	<b>% distribution</b>
<b>25-29 years</b>	-	-
<b>30-39 years</b>	6	60
<b>40-54 years</b>	4	40



<b>55-59 years</b>	-	-
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Primary research by the authors.

Almost all the interviewees participating in the survey have university, college or equivalent qualifications, but none of them have PhDs.

**Table 78: Level of qualification**

<b>Level of qualification</b>	<b>Frequency</b>	<b>% distribution</b>
<b>University PhD</b>	-	-
<b>University (MSc)</b>	4	50
<b>College (BSc)</b>	4	50
<b>Total</b>	<b>8</b>	<b>100</b>

Source: Primary research by the authors.

With the exception of one respondent, all (90%) the other respondents have a qualification in social sciences.

**Table 79: Field of professional qualification**

<b>Field of professional qualification</b>	<b>Frequency</b>	<b>% distribution</b>
<b>Natural sciences</b>	-	-
<b>Engineering</b>	-	-
<b>Social sciences</b>	9	90
<b>Other</b>	1	10
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Primary research by the authors.

### 5.10.2 POSITION OF THE RESPONDENTS

The majority of the interviewee is top HR managers with the title of HR Director, HR Manager or HR Department Head.

**Table 80: Current position**

<b>Current position</b>	<b>Frequency</b>	<b>% distribution</b>
<b>CEO</b>	-	-

<b>HR Vice President</b>	-	-
<b>HR Director/Manager</b>	2	20
<b>HR Department Head</b>	5	50
<b>HR professional</b>	2	20
<b>Other</b>	1	10
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Primary research by the authors.

More than half (60%) of the respondents have worked in their current positions for less than five years. Only one person has worked in his/her position for more than 15 years. However, the majority of them have spent longer time, typically 3-10 years in their positions.



**Table 81: Time spent in current position**

<b>Time spent in current position</b>	<b>Frequency</b>	<b>% distribution</b>
<b>0-3 years</b>	2	20
<b>3-5 years</b>	4	40
<b>5-10 years</b>	3	30
<b>10-15 years</b>	-	-
<b>Over 15 years</b>	1	10
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Primary research by the authors.

## 6 ESTONIA (RUTH ALAS- JÓZSEF POÓR- MÁRTONNÉ KAROLINY)

### 6.1 INTRODUCTION

	Population:	1 315 912	people	
	Territory :	45 226	km <sup>2</sup>	
				
	GDP (%)	-5,1	-13,9	3,1
	Unemployment (%)	55,5	13,8	17,8
	Inflation (%)	10,6	0,2	2,7
	GDP per capita in PPS EU-27=100%	68,0	64,0	65,0

## 6.2 FDI AND EMPLOYMENT AT FOREIGN OWNED FIRMS IN ESTONIA

### 6.2.1 FDI STRUCTURE

By the end of 2009, FDI in Estonia mainly focused on equity capital inflow. The inflow shows a significant and ongoing increase since 2006 (Eesti Pank, 2011). Other FDI items include loans and other claims and liabilities to investors. Both other FDI items show decreases compared to the year of 2008. The decrease mainly happened as the result of the drastic decrease in loans, -445.4 million US Dollars.

**Table 82: Structure of FDI in Estonia 2005-2009 (million USD)**

Year	2005	2006	2007	2008	2009
<b>Equity capital Inflow</b>	2898.4	936.5	1385.4	1160.3	2047.3
<b>Other direct investment capital</b>	-57.1	351.6	467	162.1	-465.7
<b>Loans</b>	-52.8	408	373.1	43.1	-445.4
<b>Other claims and liabilities to direct investors</b>	-4.3	-56.4	93.8	119	-20.3

Source: Eesti Pank (Bank of Estonia) Statistics data. (Jan 26, 2011)

### 6.2.2 FDI COUNTRIES OF ORIGIN

According to Eesti Pank (Bank of Estonia) statistic data, through the end of 2009, Estonian has captured FDI totaling 1.75 Billion US Dollars, slightly higher than results for 2008. Seven of the top ten investing countries are from the European Union. The other three countries are Russia, Ukraine, and Norway. The three world biggest FDI outflow countries, USA, France, and Japan are listed in the seventh, third, and twenty seventh places.

**Table 83: FDI in Estonia by countries 2000-2009 (Thousands US Dollars)**

	Year	2005	2006	2007	2008	2009
	<b>Total</b>	<b>2942813</b>	<b>1787619</b>	<b>2727411</b>	<b>1744939</b>	<b>1751319</b>
1	Sweden	2392585	1079894	1353731	954288	1480188
2	Netherlands	-34876	-41024	265571	486641	172042
3	France	15867	23949	30012	44744	46713
4	Russia	71707	73277	-2407	158479	36792
5	Finland	449657	400558	449422	-185549	34532
6	Latvia	-25096	57791	-180482	-27758	33884
7	Ukraine	-4630	4577	-21056	14018	27464
8	Bulgaria	-9367	-3837	-32001	-1059	27317
9	Norway	10055	56047	-57769	133916	18645
10	Austria	-13500	-9586	31994	-14242	16621
11	Virgin Islands, British	72311	-61831	32212	35894	9894
12	Belgium	-942	3080	-70204	11244	7740
13	China	675	-3663	-1200	4335	6351
14	Greece	-96	8869	-7535	-1223	6158
15	Marshall Islands	-462	-21	-157	1270	3863
16	Malta	-469	4983	2988	-3618	2750

	Year	2005	2006	2007	2008	2009
17	USA	-65555	-135514	-10074	4580	2388
18	Turkey	-580	-481	1052	24	2256
19	Canada	11712	-4323	15597	-1290	1830
20	Romania	23	27	-1649	-1404	1550
21	Slovenia	-3	-200	-292	-217	1399
22	Belarus	-90	-342	-12466	9555	698
23	Seyshelles	570	-90	x	24	655
24	Spain	6761	5206	-15364	-3040	562
25	Azerbaijan	111	x	-707	x	433
26	Singapore	-7483	-2231	-445	20200	329
27	Japan	2482	426	2601	-1465	266
28	Hungary	-1776	2199	275	-3	149
29	Hong Kong	243	9538	6679	-13277	80
30	Indonesia	-1076	86	394	99	69
31	Iran	0	0	-17	-317	48
32	United Arab Emirates	77	-140	-148	-52	44
33	Taiwan	x	12	191	-342	28
34	Egypt	32	x	-6	1	19
35	Croatia	-42	-59	249	-130	5

Source: Eesti Pank (Bank of Estonia) Statistics data. (Jan 26, 2011)

### 6.2.3 FDI SECTORAL DISTRIBUTION

According to investment sector, in 2009, Estonian financial and insurance activities have attracted FDI 1.15 billion USD which is the highest FDI investing sector, followed by professional, scientific and technical sector, and the information and communication sectors. Human health and social work sector got the least amount of FDI, 55 thousand USD.

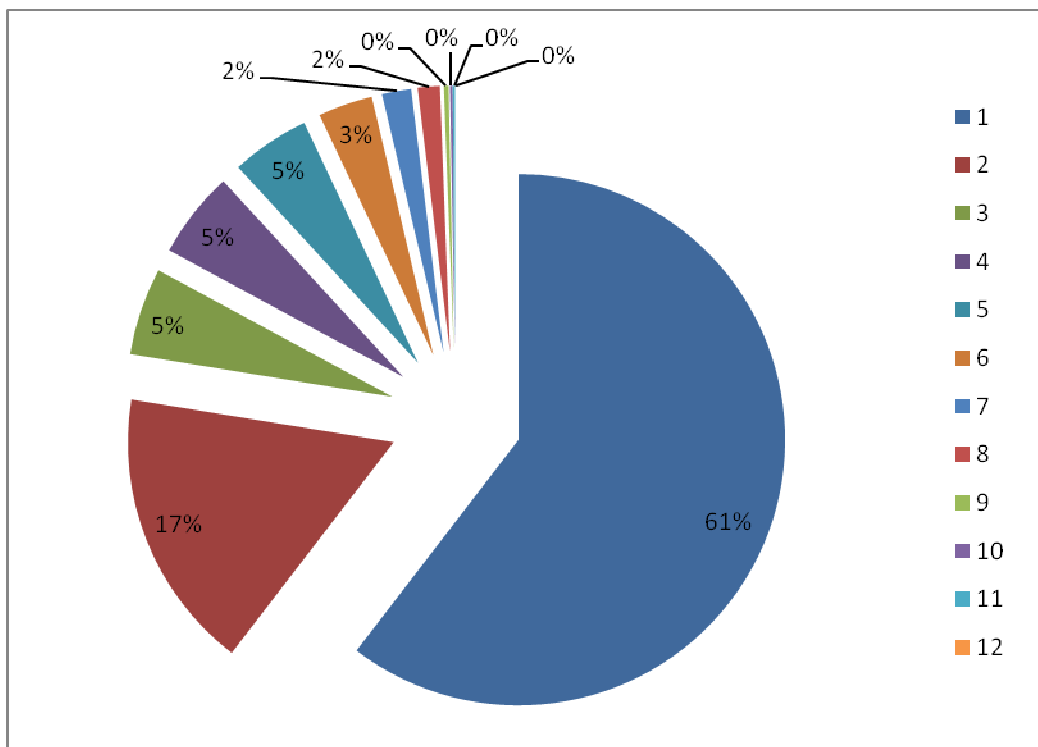
**Table 84: FDI in Estonia by Sectors 2005-2009 (Thousands USD)**

	Year	2005	2006	2007	2008	2009
	<b>Total</b>	<b>2942813</b>	<b>1787619</b>	<b>2727411</b>	<b>1744939</b>	<b>1751319</b>
1	Financial and insurance activities	2373960	1108288	1668243	1330058	1147635
2	Professional, scientific and technical activities	7755	9870	31882	-70806	325640
3	Information and communication	-23768	22616	-59225	69930	101065
4	Electricity, gas, steam and air conditioning supply	56709	33062	-12753	42628	100206
5	Transportation and storage	26954	121535	24240	214913	90817
6	Real estate activities	184194	39296	229842	-8610	62945
7	Administrative and support service activities	-38695	8873	57020	42184	33784
8	Manufacturing	246559	323768	216791	22147	25506
9	Mining and quarrying	5277	9520	9217	3279	5499

10	Water supply; sewerage, waste management and remediation activities	-38073	14419	11327	14023	3219
11	Other service activities	3954	3606	-5879	-5867	2776
12	Human health and social work activities	828	197	-13769	-290	55

Source: Eesti Pank (Bank of Estonia) Statistics data. (Jan 26, 2011)

**Figure 14: FDI in Estonia by Sectors 2009**



Source: Eesti Pank (Bank of Estonia) Statistics data. (Jan 26, 2011)

#### 6.2.4 EMPLOYMENT



In 2008 there were 5,648 foreign owned companies in Estonia. Of these, 108 companies employed more than 250 employees. Some 381 firms had between 50 and 249 employees working for company. In 941 companies from 10 to 49 employees were employed. A majority of 4,218 companies had less than 10 employees (Statistical office of Estonia). (Comments: According to different research sources, foreign owned firms employ 124,000 people.)

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

A total of 46 foreign owned, legally independent subsidiaries participated in the survey.

#### 6.3.1 COMPANY SIZE AND LEGAL FORM

##### 6.3.1.1 Company size

According to the data shown in Table 85, the subsidiaries participating in the survey, reached €2.5 billion annual revenue in 2009. The examined subsidies employ the 13% of the employees of the foreign owned Estonian companies.

**Table 85: Number of employees and revenue of the participating companies (n=46)**

Year	Number of employees	Revenue in EUR (million)
2009	16030	2508,65

Source: Primary research by the authors.

Based on the following two subsections we can state that the majority of the companies are small or middle sized enterprises, based on the number of their employees or on their revenue.

##### 6.3.1.2 Total number of employees

The majority of the participants (67%) are small and middle-sized enterprises based on the number of their employees (under 250 persons)

**Table 86: Number of staff (person) (n=46)**

Total number of employees of the company	Frequency	Percentage distribution (%)
--	-----------	-----------------------------

<b>Below 250</b>	31	67%
<b>251-1000</b>	10	22%
<b>1001-2000</b>	3	7%
<b>2001-5000</b>	2	4%
<b>Over 5000</b>	0	0%
<b>Total</b>	<b>46</b>	<b>100%</b>

Source: Primary research by the authors.

### 6.3.1.3 Revenue

According to their revenues 79% of the companies examined are small and middle sized enterprises.

**Table 87: Revenue of the subsidiaries participating in the research (million EUR) (n=46)**

Revenue of the subsidiary	2009	
	Frequency	Percentage distribution (%)
<b>Below 10 million EUR</b>	25	54%
<b>10-50 million EUR</b>	11	24%
<b>50-100 million EUR</b>	5	11%
<b>100-300 million EUR</b>	3	7%
<b>300-1000 million EUR</b>	2	4%
<b>1000-2000 million EUR</b>	0	0%
<b>Over 2000 million EUR</b>	0	0%
<b>Total</b>	<b>46</b>	<b>100%</b>

Source: Primary research by the authors.

**Table 88: Productivity index of the subsidiaries examined (EUR/person)**

Year	Number of employees	Revenue (million €)	Average revenue per employee (€/person)
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<b>2009</b>	16030	2508,65	156497,2
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Source: Primary research by the authors.

Taking into account revenue and number of employees, the productivity index of the participating companies exceeds €156,000, which is a significant value.

**Table 89: Revenue per employee (€/person) (n=46)**

Revenue per employee (€/person)	2009	
	Frequency	Percentage distribution (%)
<b>Under 20000 €</b>	5	11%
<b>20-40000 €</b>	3	7%
<b>40-80000 €</b>	6	13%
<b>80-160000 €</b>	13	28%
<b>160-200000 €</b>	5	11%
<b>200-300000 €</b>	4	9%
<b>300-500000 €</b>	2	4%
<b>Over 500000 €</b>	8	17%
<b>Total</b>	<b>46</b>	<b>100%</b>

Source: Primary research by the authors.

### 6.3.2 MANDATE OF THE ORGANIZATION

We also examined how much control these organizations have over the entire value chain. Some 61% of the subsidiaries participating in the survey have typical local subsidiary roles (purchase, production/operation and sales/delivery).

Based on the responses 39% of the companies analyzed include mandates encompassing development to the whole global market.

**Table 90: Mandates of the companies participating in the survey\* (n=46)**

Roles and mandates of your subsidiary	Frequency	Percentage distribution (%)
Mandate 1	13	28%
Mandate 2	6	13%
Mandate 3	9	20%
Mandate 4	6	13%
Mandate 5	12	26%
<b>Total</b>	<b>46</b>	<b>100%</b>

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

Source: Primary research by the authors.

### 6.3.3 ORIGIN OF THE PARENT COMPANY

The participating companies entered Estonia from 18 different countries. Some 70% of the companies surveyed came from the following six countries: Finland (24%), Sweden (24%), Denmark (7%), Germany (7%), Austria (4%), and France (4%). The remaining 30% represent another 12 countries.

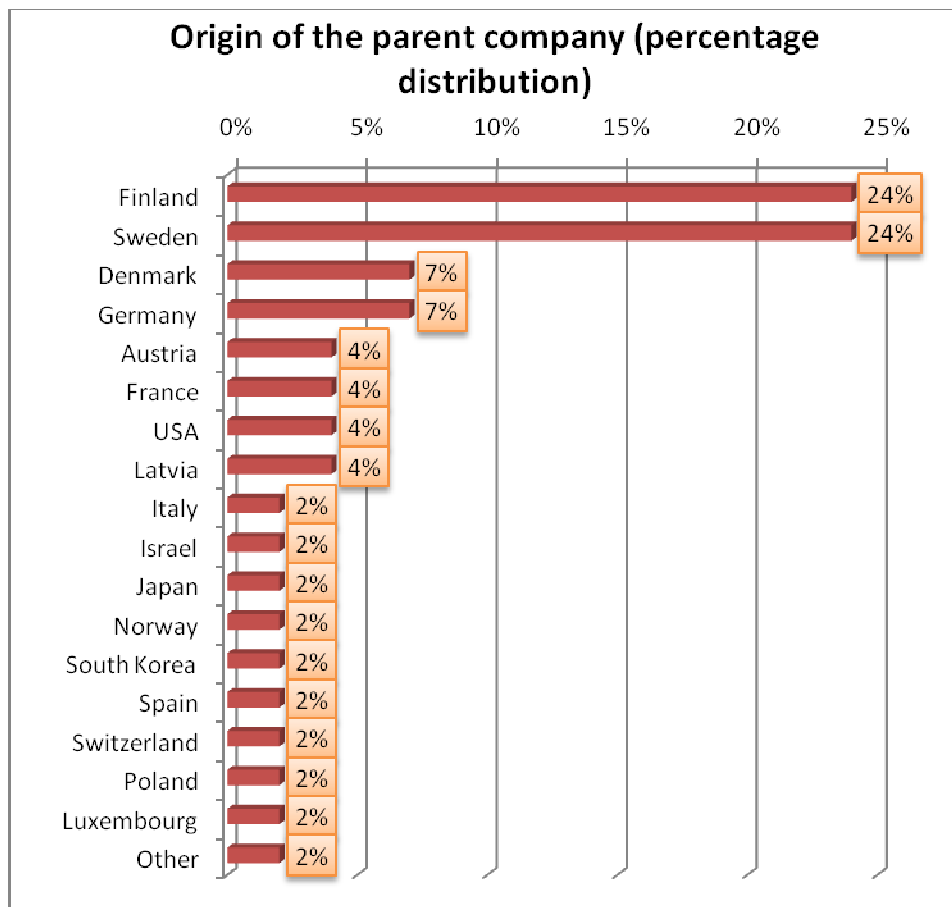
**Table 91: Origin of the parent companies of the participating companies (n=46)**

Origin of the parent company	Frequency	% distribution
Finland	11	24%
Sweden	11	24%
Denmark	3	7%
Germany	3	7%
Austria	2	4%
France	2	4%
USA	2	4%
Latvia	2	4%
Italy	1	2%
Israel	1	2%
Japan	1	2%

<b>Norway</b>	1	2%
<b>South Korea</b>	1	2%
<b>Spain</b>	1	2%
<b>Switzerland</b>	1	2%
<b>Poland</b>	1	2%
<b>Luxembourg</b>	1	2%
<b>Other</b>	1	2%
<b>Total</b>	<b>46</b>	<b>100%</b>

Source: Primary research by the authors.

**Figure 15: Origin of the parent company (% distribution) of the participating companies**



Source: Primary research by the authors.

The composition described above substantially corresponds with the ranking of the statistics of the Estonian Central Statistical Office, which shows that most foreign direct investment was made by Swedish, Dutch, French, Russian, Finnish and Lithuanian companies.

If we take a look at the management culture of the companies (Table 92), the highest proportions of companies in the sample analyzed belong to the so-called Northern (57%) and the Germanic (13%) management cultures. Note that in Estonia besides the groups of traditional MNCs (93%) (American, Western European and Japanese), companies from the so-called emerging and transitional countries (7%) have also appeared.

**Table 92: Management cultures of mother companies (n=46)**

Management cultures of the mother company	Frequency	% distribution
<b>Nordic</b>	26	57%
<b>Germanic</b>	6	13%
<b>Latin and South-European</b>	4	9%
<b>Anglo-Saxon</b>	3	7%
<b>Eastern-European</b>	3	7%
<b>Asian</b>	2	4%
<b>Others</b>	2	4%
<b>Arabic</b>	0	0%
<b>Total</b>	<b>46</b>	<b>100%</b>

Source: Primary research by the authors.

**Table 93: Participating companies by tradition (n=46)**

Management cultures of the mother company	Frequency	% distribution
<b>Traditional MNCs (American, Western-European, Japanese etc.)</b>	41	93%
<b>Emerging and transitional</b>	3	7%
<b>Total</b>	<b>44</b>	<b>100%</b>

Source: Primary research by the authors.

#### 6.3.4 YEAR AND FORM OF ESTABLISHMENT OF THE SUBSIDIARIES

Some 20% of the foreign owners of the companies analyzed acquired majority control or carried out the greenfield investments before 1995. Another 20% of the companies settled in Estonia between 1996 and 2000 and the majority (60%) after 2000.

About 42.8% of the foreign owners of the companies participating in the survey came to Estonia realizing Greenfield investments and almost 57.2% of them obtained majority control in Estonian companies during the privatization stage and the following period of acquisitions.

**Table 94: Year and mode of entry of the participants (n=46)**

Year of establishment of the subsidiary	Merger, acquisition	Greenfield investment	Total	% distribution
Before 1990	0	0	0	0%
1990-1995	7	2	9	20%
1996-2000	6	3	9	20%
2001-2005	9	4	13	30%
After 2005	11	2	13	30%
<b>Total</b>	<b>33</b>	<b>11</b>	<b>44</b>	<b>100%</b>
<b>% distribution</b>	<b>75%</b>	<b>25%</b>	<b>100%</b>	

Source: Primary research by the authors.

### 6.3.5 FIELD OF OPERATION: SECTOR-INDUSTRY

The majority (46%) of the organizations examined is engaged in manufacturing while the others (54%) in trade, tangible and intangible services:

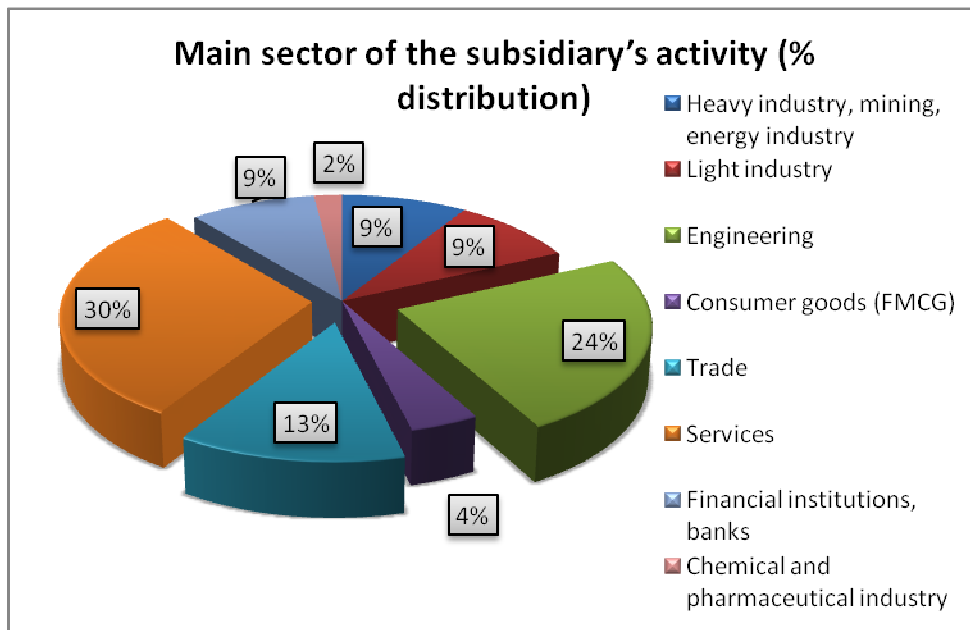
**Table 95: Sectoral distribution of the participants (n=46)**

Main sector of the subsidiary's activity	Frequency	% distribution
Heavy industry, mining, energy industry	4	9%
Light industry	4	9%

Main sector of the subsidiary's activity	Frequency	% distribution
Engineering	11	24%
Consumer goods (FMCG)	2	4%
Trade	6	13%
Services	14	30%
Financial institutions, banks	4	9%
Chemical and pharmaceutical industry	1	2%
<b>Total</b>	<b>46</b>	<b>100%</b>

Source: Primary research by the authors.

**Figure 16: Sectoral distribution of the participants (n=46)**



Source: Primary research by the authors.

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

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

- growth, market expansion, portfolio expansion,
- stability, efficiency improvement, revenue retention, adapting to the market situation,



- redundancies, rationalization.

### 6.4.1 MAIN STRATEGIC ISSUES-ORIENTATIONS

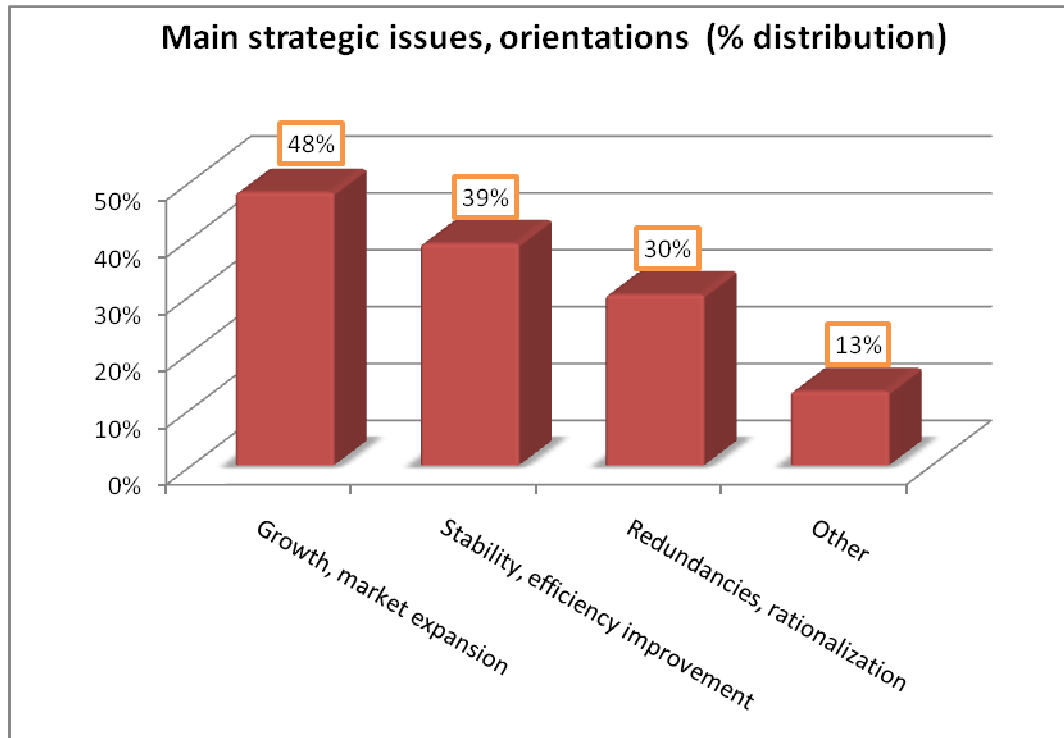
Almost half (48%) of the respondents indicated that they were seeking stability during the period examined. Some 39% of the companies surveyed were characterized by growth and portfolio expansion strategies. The fact that a much lower proportion (30%) of the respondents chose the redundancies and rationalization option suggests a recovery from the global economic crisis.

**Table 96: Main strategic issues and orientations (n=46)**

Main strategic issues, orientations	Frequency of “yes” answers	Multiple answers possible, response
Growth, market expansion, portfolio expansion	18	39
Stability, efficiency improvement, revenue retention, adapting to the market situation	22	48
Redundancies, rationalization	14	30
Other	6	13

Source: Primary research by the authors.

**Figure 17: Main strategic issues and orientations (n=46)**



Source: Primary research by the authors.

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

From the listed items related to most important competitive factors (See Table 97, more than one answer could be marked in this question) the majority (48%) of respondents chose both the Workforce, Optimal plant/organization size and the financial resources. In contrast to the results of our other studies involving mainly SMEs (Fodor-Kiss-Poór, 2010), a large number (48%) of the respondents emphasized having ample financial resources due to the stronger financial positions of multinational companies. The respondents also deemed management to be very important competitive factor.

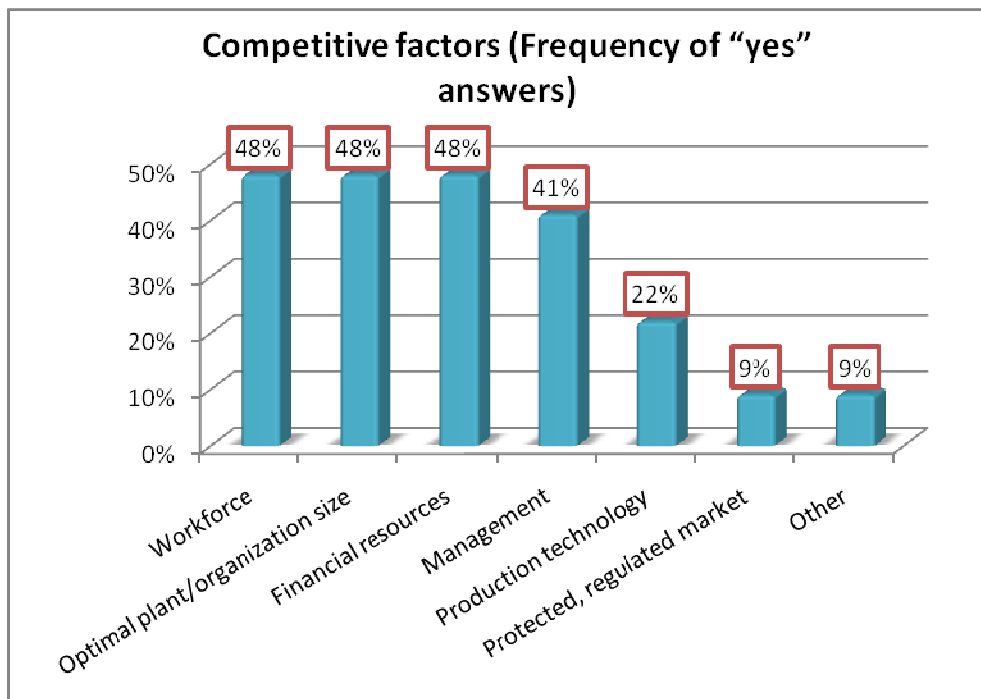
**Table 97: The importance of competitive factors (n=46)**

Competitive factors	Frequency of "yes" answers	Multiple answers possible, response
Workforce	22	48
Optimal plant/organization size	22	48
Financial resources	22	48
Management	19	41

<b>Production technology</b>	10	22
<b>Protected, regulated market</b>	4	9
<b>Other</b>	4	9

Source: Primary research by the authors.

**Figure 18: importance of competitive factors**



Source: Primary research by the authors.

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

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

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

### 6.5.1 NUMBER OF HR STAFF

In the participating companies nearly 71% of the total number of HR staff carried out administrative tasks while 24% were HR professionals.

**Table 98: Number of employees and HR staff in the participating companies (n=46)**

Year	Number of employees	HR staff			Employees per HR position (person)
		HR admin staff	HR professional	Total number of HR staff	
<b>2009</b>	16030	286	120	404	39,68

Source: Primary research by the authors.

The HR departments of the companies examined are relatively large as the number of HR staff was higher than 5 persons in the case of more than 37% of the respondents and in the case of 9% it was higher than 20 persons. Only five organizations participated in the survey that did not have a HR department, moreover they did not even employ a single HR professional.

**Table 99: Number of HR staff (person) (n=46)**

Total number of HR staff	2009	
	Frequency	% distribution
<b>None</b>	5	11%
<b>1-4 persons</b>	25	52%
<b>5-10 persons</b>	7	15%
<b>11-15 persons</b>	4	9%
<b>15-20 persons</b>	2	4%
<b>Over 20 persons</b>	4	9%
<b>Total</b>	<b>46</b>	<b>100%</b>
<b>Average</b>	<b>10,9</b>	

Source: Primary research by the authors.

## 6.6 THE MAIN INDICATORS REPRESENTING THE IMPORTANCE AND RESULTS OF THE HR ACTIVITY

### 6.6.1 LABOR COST – OPERATING COST RATIO

The labor cost – operating cost ratio is one of the frequently analyzed indicators of the importance of the HR function in the company's life. According to assumptions, the effects of HRM have a stronger and more direct influence on the company's performance

if this ratio is higher. About one third of the subsidiaries participating in the survey fell into this category (where the labor cost ratio is higher than 35%). But the vast majority (65%) of the companies operated with a relatively low (under 30%) labor cost ratio.

**Table 100: Labor cost in % of the operating cost (n=46)**

Labor cost in % of the operating cost	2009	
	Frequency	% distribution
<b>Under 5 %</b>	4	10%
<b>5-10 %</b>	10	26%
<b>10-20 %</b>	8	21%
<b>20-30 %</b>	3	8%
<b>30-40 %</b>	5	13%
<b>40-50 %</b>	3	8%
<b>Over 50 %</b>	6	15%
<b>Total</b>	<b>29</b>	<b>100%</b>

Source: Primary research by the authors.

## 6.6.2 AGE DISTRIBUTION OF THE EMPLOYEES

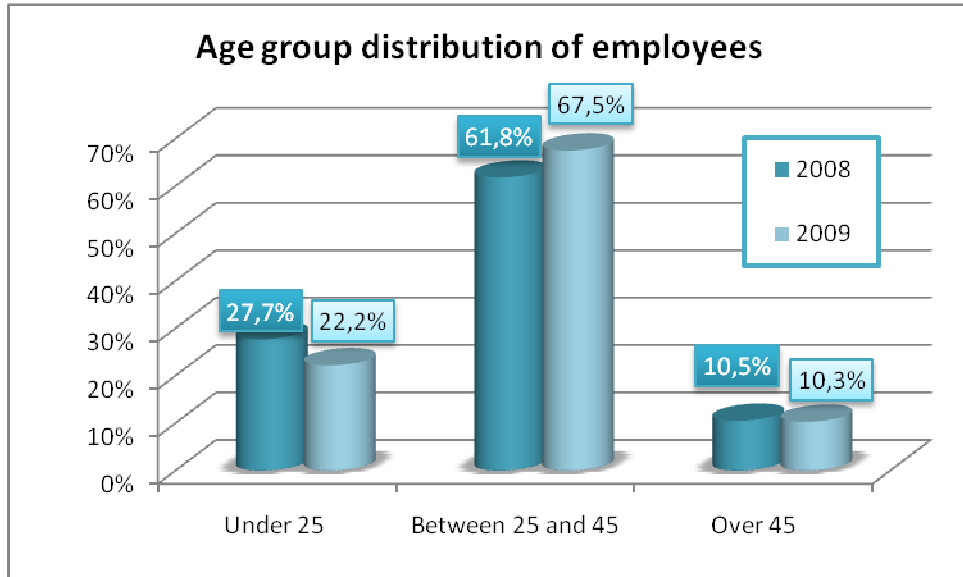
One of the results of human resource management actions is the age distribution of the labor force. The results of our survey in this respect do not confirm the common view that there is no room for employees over 45 years of age in multinational companies as more than 10% of the employees of the subsidiaries participating in the survey fell within this age group. The proportion of employees under 25 years of age was around 25% and the body consisted of the employees between 25-45 years of age – with a percentage over 60%.

**Table 101: Age group distribution of employees (%)**

Age groups	Under 25	Between 25 and 45	Over 45	Total
<b>2008</b>	27,7%	61,8%	10,5%	100%
<b>2009</b>	22,2%	67,5%	10,3%	100%

Source: Primary research by the authors.

**Figure 19: Age group distribution of employees (%)**



Source: Primary research by the authors.

### 6.6.3 THE TRAINING BUDGET

Literature considers the relative size of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity. In around 55% of the companies examined, the relative size of the training budget was under 3% of total labor costs. Only about one third of the companies examined spent 3-7% of the annual labor budget on training employees. Moreover, there were some respondents (13%), whose expenditures on trainings were higher than 7%.

**Table 102: Annual training budget in % of the entire annual labor cost (n=46)**

Annual training budget in % of the entire annual labor cost	2009	
	Frequency	% distribution
Under 1 %	15	33%
1-2 %	7	15%
2-3 %	3	7%
3-5 %	13	28%
5-7 %	2	4%
7-10 %	3	7%
10 - 20 %	1	2%
Over 20 %	2	4%
<b>Total</b>	<b>46</b>	<b>100%</b>

Source: Primary research by the authors.

## 6.7 EXPATS

### 6.7.1 FOREIGN EXPATS

Usually two types of long-term emissaries are distinguished. The ones arriving from abroad (from the parent company or from a third country) who are also called expatriates and the ones from the Estonian subsidiary appointed for a long-term deputation abroad (at the parent company or subsidiaries operating in other countries).

- Three quarters (74%) of the subsidiaries participating in the survey did not employ foreign expats in non-managerial positions. In those few companies (25%) that employed foreign expatriates in non-managerial positions permanently, the number of these expats was

typically only one to five positions. Only one respondent employed more than five such expatriates.

- The presence of expats employed in managerial positions is more significant, around 74% of the respondents employed foreign expats in such positions in the period examined. Where they were present in non-managerial positions, their number was typically (24%) between one and three positions, but five respondents employed more than five of them.

**Table 103: Number of foreign expats**

Number expats	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
<b>None</b>	34	74%	29	63%
<b>1 person</b>	5	11%	7	15%
<b>2-3 persons</b>	3	7%	4	9%
<b>4-5 persons</b>	3	7%	1	2%
<b>6-10 persons</b>	1	2%	1	2%
<b>11-15 persons</b>	0	0%	1	2%
<b>16-20 persons</b>	0	0%	1	2%
<b>Over 20 persons</b>	0	0%	2	4%
<b>Total</b>	<b>46</b>	<b>100%</b>	<b>46</b>	<b>100%</b>

(Note: It is important to indicate that companies send an increasing number of employees abroad for a short time, for different projects. Our survey did not cover this issue.)

Source: Primary research by the authors.

Some 17% of the expats from the sample work in managerial positions and 83% are subordinates in Estonia.

**Table 104: Positions of foreign expats**

Manager	Non-manager	Total
17%	83%	100%

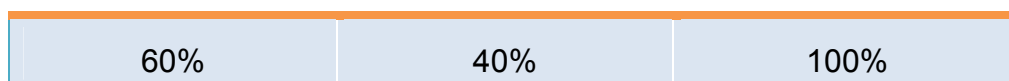
Source: Primary research by the authors.

A total of 60% of the responding organizations had foreign expatriates from the parent company. The other 40% of foreign expatriates came to Estonia from countries different from the country of the parent company.

**Table 105: Country of origin of foreign expats**

Mother country	Other countries	Total
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Source: Primary research by the authors.

### 6.7.2 ESTONIAN EXPATRIATES (INPATRIATE)

Below we outline how typically and to what positions Estonian expats were sent to foreign companies of MNCs.

**Table 106: Number and positions of Estonian expats**

Number of Estonian expats	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
<b>None</b>	41	89%	38	83%
<b>1 person</b>	2	4%	4	9%
<b>2-3 persons</b>	1	2%	4	9%
<b>4-5 persons</b>	2	4%	0	0%
<b>6-10 persons</b>	0	0%	0	0%
<b>11-15 persons</b>	0	0%	0	0%
<b>16-20 persons</b>	0	0%	0	0%
<b>Over 20 persons</b>	0	0%	0	0%
<b>Total</b>	<b>46</b>	<b>100%</b>	<b>46</b>	<b>100%</b>

Source: Primary research by the authors.

- ❑ The proportion of companies not sending employees to managerial positions is 89%.
- ❑ For non-managerial positions more respondents sent employees than received, but 83% did not send any expats at all.

## 6.8 THE OPERATION OF THE HR DEPARTMENT

### 6.8.1 THE RELATIONSHIP BETWEEN HEADQUARTERS AND LOCAL HR

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

- ❑ However, the typical solution – one that that was implemented by almost three quarters of the respondents - was that the HR department of the company’s headquarters, besides carrying out the auditing function, lays down general guidelines and provides a standard

framework for the work of HR departments of the subsidiaries and requires information and reporting from them.

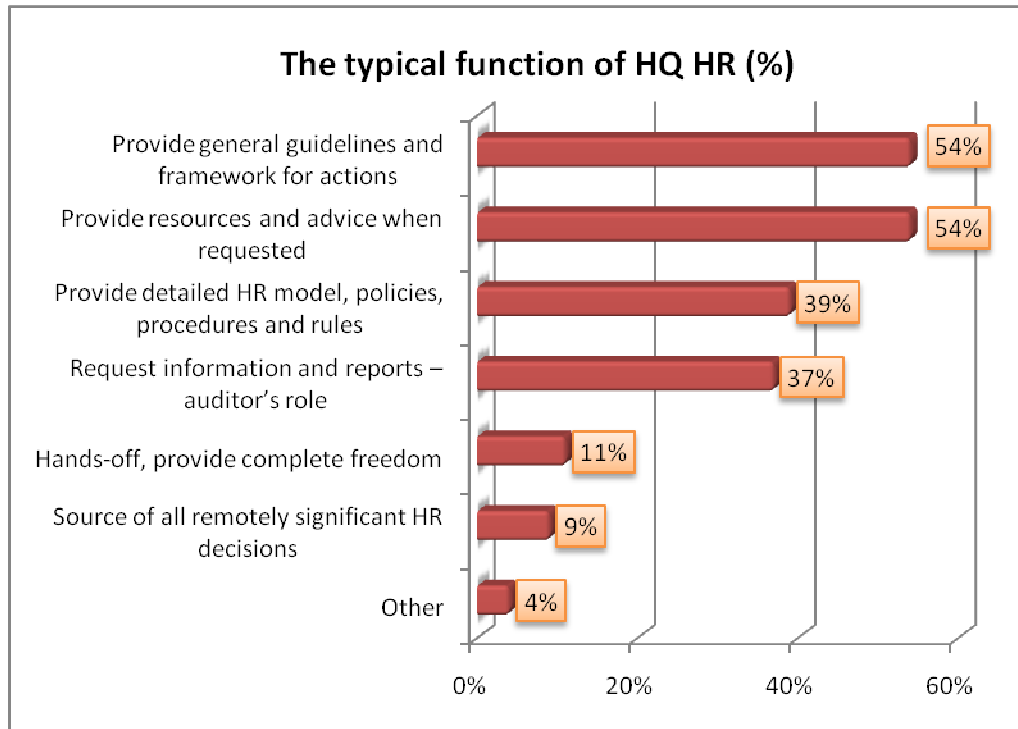
- ❑ In addition, in the case of more than one third (39%) of the companies the headquarters was also responsible for developing the detailed HR model and not only personnel guidelines but also the rules of procedures, processes were developed centrally. The operations of these global HR systems were usually supported by modern IT solutions.
- ❑ Almost 9% of the respondents marked the practically absolute centralization.
- ❑ On the other hand, about 11% of the HR departments of the responding subsidiaries reported getting hands-off, almost complete freedom from the headquarters and decentralized HR activity.

**Table 107: Typical functions of the HQ HR**

<b>Functions</b>	<b>Frequency of “yes” answers</b>	<b>Multiple answers possible, response</b>
<b>Hands-off, provide complete freedom</b>	5	11
<b>Provide resources and advice when requested</b>	25	54
<b>Provide general guidelines and framework for actions</b>	25	54
<b>Request information and reports – auditor’s role</b>	17	37
<b>Provide detailed HR model, policies, procedures and rules</b>	18	39
<b>Source of all remotely significant HR decisions</b>	4	9
<b>Other</b>	2	4

Source: Primary research by the authors.

**Figure 20: Typical functions of the HQ HR**



Source: Primary research by the authors.

### 6.8.2 CHANGES IN THE IMPORTANCE OF HR FUNCTIONS

Human resource planning was first in the ranking of HR areas considered most critical in the period examined, being a little ahead of the expected problem areas, performance evaluation and the issue of compensation and benefits. The responding subsidiaries deemed training and development, and talent management just almost as critical. The respondents regarded industrial-labor relations as the least critical area of their work. This opinion is not surprising, because the role and importance of the unions is relatively high and in the case of MNC's it is even weaker, so this is not examined in this report separately. Staffing (recruitment and selection) is one of the least critical areas despite the fact that many of them operate with quite high fluctuation rate. However, this opinion is hardly surprising, considering the high national unemployment rate during the crisis.

**Table 108: Critical areas of HR (on a 1⇒5 scale, on average)**

*(Explanation: 1=critical ⇒ 5=not at all critical)*

<b>The ranking of the areas of HRM critical in 2009</b>	<b>The average of the answers</b>
1.Human resource planning	2,24
2.Performance evaluation	2,79
3.Compensation and benefits	2,85
4.Training and development	2,98
5.Talent management	2,98
6.Employee communication	3,14
7.Recruitment and selection	3,24
8.Industrial-labor relations	3,65

Source: Primary research by the authors.

### **6.8.3 TYPICAL HR COMPETENCIES FOR SUCCESS**

From the list of HRM competency areas identified by Dave Ulrich et al. in 2009, the respondents considered the following three areas to be the most important:

- change management (64%),
- teamwork (60%)
- personal credibility (50%),

The perceived criticality of quick decision making and knowledge sharing were followed, with respect to importance, by business knowledge. The ability to provide services in traditional HR areas (from recruitment to evaluation) was positioned only behind these capabilities. In the opinion of the respondents, strategic contribution, the knowledge of foreign languages and the use of HR information systems ranked last among very important HR competencies in their companies in the period examined.

**Table 109: Ranking of the key competencies of HR managers**

Ranking of the key competencies of HR managers	Very important	
	Frequency	Multiple answers possible, response
1. Change management	27	64
2. Teamwork	25	60
3. Personal credibility <i>(effectiveness, efficient connections, communication skills)</i>	18	50
4. Quick decision making	21	50
5. Knowledge sharing	20	47
6. Business knowledge <i>(value chain, value creation)</i>	19	47
7. HR services <i>(recruitment-selection, training, performance evaluation, HR measurement, etc.)</i>	13	35
8. Strategic contribution <i>(culture management, quick changes, strategic decision making)</i>	13	34
9. Knowledge of foreign languages	15	34
10. Use of HRMIS (IT)	11	30

Source: Primary research by the authors.

#### 6.8.4 PRIMARY RESPONSIBILITY OF DECISION MAKING IN THE MAIN FUNCTIONS OF HR

Our current survey confirms the finding also established in other studies (Cranet, 2006 and Cranet 2011) that members of the management hierarchy have a greater responsibility or control for some HR decisions whereas the local employees of the HR department have responsibility for other areas.

**Table 110: Responsibility of decision making in key functions of HR**

Key functions of HR	Local line management (mgt.)	Primarily local line mgt. but in consultation with the HR department	Primarily local HR department but in consultation with local line mgt.	Local HR department
Human Resource Planning	21	17	4	3
Recruitment	20	6	12	7
Selection	17	12	10	4
Performance Evaluation	27	10	5	3
Training and Development	17	14	10	4
Compensation and Benefits	20	14	6	5
Industrial-Labor Relations	21	6	7	9
Employee Communication	22	11	7	5
HRMS/IT	16	14	2	12

Source: Primary research by the authors.

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

As the data in the table 110 shows, the majority of the respondents regard most of the interventions in the key functions of HR as the result of a joint decision in which the final decision is made by the local line management, based usually on consultation with the HR department. Far less often is the responsibility attached to HR decisions shared in

such a way that the final decision maker is the representative of the local HR department.

### 6.8.5 THE ROLE OF EXTERNAL HR SERVICE PROVIDERS

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

External service providers were most often used in training and these external providers were also often involved in recruitment and selection and in the area of compensation and benefits. Almost none of the companies used the help of external service providers in human resource planning or in performance evaluation. The practice of companies in this respect either did not change or, where it did, companies reported a decrease in the use of external partners. This decrease may be associated with decreased HR budgets in constrained economic times.

**Table 111: Role and use of external service providers in the different key functions of HR**

Key functions of HR	Increased	Decreased	Same	External providers not used
Human Resource Planning	5	4	9	27
Recruitment	8	11	14	12
Selection	8	5	9	22
Performance Evaluation	8	3	7	27
Training and Development	9	10	12	14
Compensation and Benefits	2	5	7	31
Industrial-Labor Relations	5	3	10	26
Employee Communication	9	0	5	31
HRMS/IT	9	1	14	21

Source: Primary research by the authors.

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

## 6.9 KNOWLEDGE MANAGEMENT IN HR

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

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

### 6.9.1 PERSONAL COMPETENCY DEVELOPMENT IN HR

The respondents found local training to be the most important method of professional development (from the list of methods of personal competency development in the field of HR we provided) and they thought that mobility between the parent company and its subsidiaries also play a very important role.

According to the answers, the role informal and formal learning was rated almost a grade lower in importance than the previous two methods. Respondents ranked cross-cultural training and trainings at the headquarters least important methods from the list of methods of personal HR competency development.

**Table 112: The importance of the methods of personal competency development in HR**

(Explanation: 1= critical ⇒ 5 =not critical)

Methods of gaining competencies	The average mean of response
Local training	2,52
Mobility between parent and subsidiary	2,77
Mobility between subsidiaries	2,81
Informal learning	3,05
Formal learning	3,11



<b>Training in HQ</b>	3,18
<b>Cross-cultural training</b>	3,32

Source: Primary research by the authors.

### 6.9.2 ENABLERS OF HR KNOWLEDGE FLOWS BETWEEN THE PARENT COMPANY AND THE SUBSIDIARIES

With respect to the enablers of efficient knowledge flows, i.e. the transfer of knowledge about HR practices and techniques, between the parent company and the subsidiary, the respondents considered the ability to transfer knowledge and the motivation to transfer knowledge most important factors examined.

**Table 113: Enablers of HR knowledge transfer**

(Explanation: 1= critical ⇒ 5 =not critical)

<b>Knowledge flow enablers</b>	<b>The average mean of response</b>
<b>Motivation to transfer knowledge</b>	2,36
<b>Form of knowledge transfer</b>	2,42
<b>Ability to transfer knowledge</b>	2,66
<b>Content/Kind of knowledge</b>	2,73

Source: Primary research by the authors.

### 6.9.3 HR KNOWLEDGE TRANSFER BETWEEN THE PARENT COMPANY AND THE SUBSIDIARY

The respondents ranked knowledge flows within their own subsidiaries most important when compared to the different HR knowledge flows, and knowledge flow from the parent company was only second. Many respondents pointed out that the parent company welcomed the HR experiences and action proposals coming from the subsidiaries.

**Table 114: HR knowledge flows**

(Explanation: 1= critical ⇒ 5 =not critical)

<b>Knowledge flows in HR</b>	<b>The average mean of response</b>
<b>Knowledge flows within your subsidiary</b>	2,13
<b>Knowledge flows between subsidiaries</b>	2,25

<b>Knowledge flows to parent</b>	2,77
<b>Knowledge flows from parent</b>	2,81

Source: Primary research by the authors.

## 6.10 THE FUTURE TASKS OF HR

### 6.11 THE KEY BUSINESS ISSUES, TRENDS FOR HR TO FACE

With regard to the key issues of the next 12 to 24 months, the interviewed HR managers considered improving efficiency most important. Almost all (70%) respondents thought that this business expectation is the most important tasks HR professionals will have to face. In many of the companies this is accompanied by company development or adaptation to globalization.

**Table 115: Key business challenges in the next 1-2 years**

<b>Order of priority of the key business directions, challenges</b>	<b>Very important</b>		<b>Important</b>	
	Frequency	% distribution	Frequency	% distribution
<b>1. Efficiency improvement</b>	32	70%	14	30%
<b>2. Conform to globalization</b>	25	56%	13	29%
<b>3. Company development</b>	16	36%	19	42%
<b>4. Company reorganization</b>	9	21%	13	30%
<b>5. Distribution development</b>	9	21%	24	55%
<b>6. Eastern expansion</b>	7	16%	24	56%
<b>7. EU changes</b>	4	25%	6	38%

Source: Primary research by the authors.

#### 6.11.1 INITIATIVES TO IMPROVE THE BUSINESS FOCUS OF HR PROFESSIONALS

The responding organizations have hitherto put only a limited emphasis on improving the business efficiency of HR professionals. This is also proven by the fact that training on specific areas of HR were most commonly implemented as reported by the professionals surveyed. However, according to the answers, many companies also had training related to business models and strategic execution. Other HR solutions, such as adjusting recruitment resources or criteria to this goal and encouraging this process were implemented only by relatively few companies and were planned for the future even more seldom.

**Table 116: Improving business focus among HR staff**

<b>Actions improving business focus of HR staff</b>	<b>Implemented</b>	<b>Planned</b>
<b>Offer incentives based on measures and business performance</b>	17	5
<b>Prioritize business knowledge in the selection of HR staff</b>	16	3
<b>Offer trainings on business issues</b>	13	13
<b>Hire people from outside HR (business people)</b>	12	5
<b>Offer rotation programs (outside the HR department) for HR staff</b>	11	8
<b>Offer trainings on specific areas of HR</b>	8	15

Source: Primary research by the authors.

## **6.12 CHARACTERISTICS OF THE RESPONDING INDIVIDUALS**

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

### **6.12.1 DEMOGRAPHIC CHARACTERISTICS AND QUALIFICATION**

The gender distribution of the professionals participating in the interview is almost equal (48-52%). This seemingly balanced situation is strongly influenced by the fact that the respondents are the representatives holding managerial positions of the HR profession that is otherwise dominated by women and the proportion of men among the respondents is much higher than in HR in general.

**Table 117: The gender of the responding individuals**

Gender	Frequency	% distribution
Male	13	48%
Female	14	52%
<b>Total</b>	<b>27</b>	<b>100%</b>

Source: Primary research by the authors.

Some 53% of the participating individuals are over 40 years of age, another almost 36% are between 30 and 40 and only a few (21%) of the professionals are very young.

**Table 118: Age of respondents**

Age	Frequency	% distribution
25-29 years	3	21%
30-39 years	5	36%
40-54 years	4	29%
55-59 years	2	14%
<b>Total</b>	<b>14</b>	<b>100%</b>

Source: Primary research by the authors.

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

**Table 119: Level of qualification**

Level of qualification	Frequency	% distribution
University PhD	1	2%
University (MSc)	27	61%
College (BSc)	9	20%
Other	7	16%
<b>Total</b>	<b>44</b>	<b>100%</b>

Source: Primary research by the authors.

The majority of the interviewees obtained qualifications in social sciences (52%) or engineering and natural sciences (16%).

**Table 120: Field of professional qualification**

Field of professional qualification	Frequency	% distribution
Natural sciences	1	2%
Engineering	6	14%
Social sciences	23	52%
Other	14	32%
<b>Total</b>	<b>44</b>	<b>100%</b>

Source: Primary research by the authors.

### 6.12.2 POSITION OF THE RESPONDENTS

Almost three quarter (67%) of the individuals participating in the survey are top HR managers. 24% of respondents work in HR.

**Table 121: Current position**

Current position	Frequency	% distribution
CEO	11	24%
HR Vice President	0	0%
HR Director/Manager	14	30%
HR Department Head	14	30%
HR professional	3	7%
Other	4	9%
<b>Total</b>	<b>46</b>	<b>100%</b>

Source: Primary research by the authors.

Nearly 40% of the respondents have worked in their current positions for less than three years. However, the majority have spent longer time, typically 3 to 10 years in their positions.

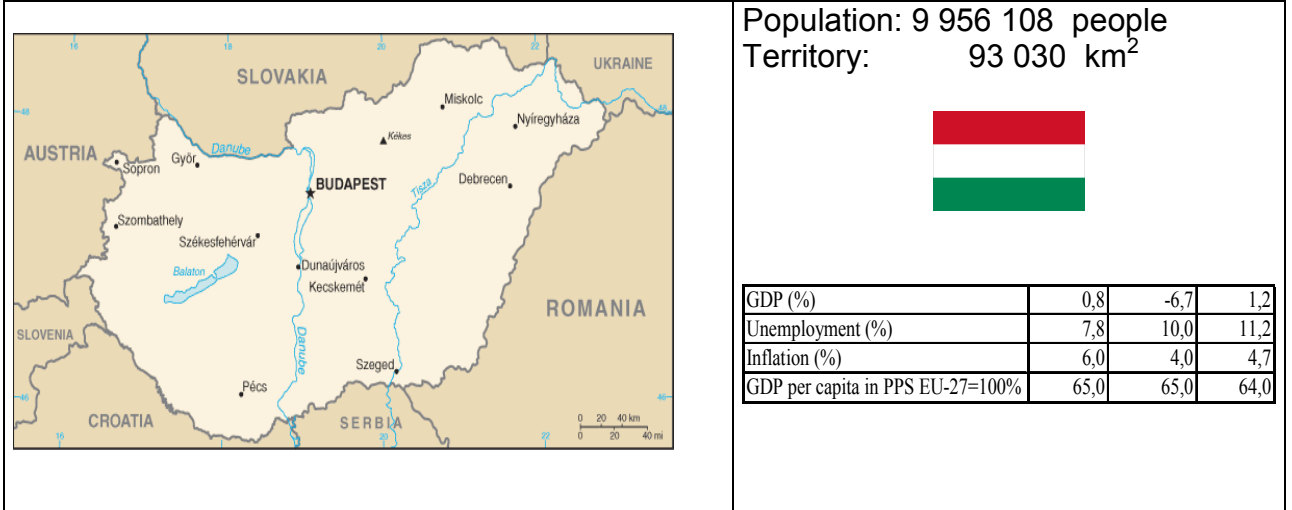
**Table 122: Time spent in current position**

<b>Time spent in current position</b>	<b>Frequency</b>	<b>% distribution</b>
<b>0-3 years</b>	18	39%
<b>3-5 years</b>	14	30%
<b>5-10 years</b>	6	13%
<b>10-15 years</b>	6	13%
<b>Over 15 years</b>	2	4%
<b>Total</b>	<b>46</b>	<b>100%</b>

Source: Primary research by the authors.

## 7 HUNGARY (JÓZSEF POÓR)

### 7.1 INTRODUCTION



## **7.2 FDI AND EMPLOYMENT IN HUNGARY**

### **7.2.1 COUNTRIES OF ORIGIN**

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

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

According to data (GMGEF-Ministry for National Economy 2010) published at the beginning of 2010, the volume of FDI that had flowed into Hungary since the beginning of the economic transformation was 64.2 billion Euros (85.9 billion USD) at the end of 2009. Other participating interests and working capital investments in the form of reinvested revenues accounted for 59.9 billion Euros, and other capital accounts for 4.3 billion Euros.

Regarding the weighted volume of the FDI invested in Hungary, according to data at the end of 2008, the order of the most significant investors has somewhat changed compared to the research of Hunya (2000). Germany retained its leading position, but Austria stepped forward. The USA somewhat fell behind. (At the same time it has to be noted that the high amount of Dutch and Luxembourg investment is in many cases the result of the fact that many companies carry out their investments through their Hungarian subsidiaries.) In total, 75% of FDI comes from the European Union (Table 123).



**Table 123: FDI by country of origin (2008)**

Order	Country	%
1	Germany	22.2
2	Austria	14.5
3	The Netherlands	13.4
4	Luxembourg	10.7
5	France	6.1
6	USA	4.1
7	Cyprus	3.2
8	Belgium	2.9
9	Japan	1.6
10	Other	21.3
	<b>Total</b>	<b>100</b>

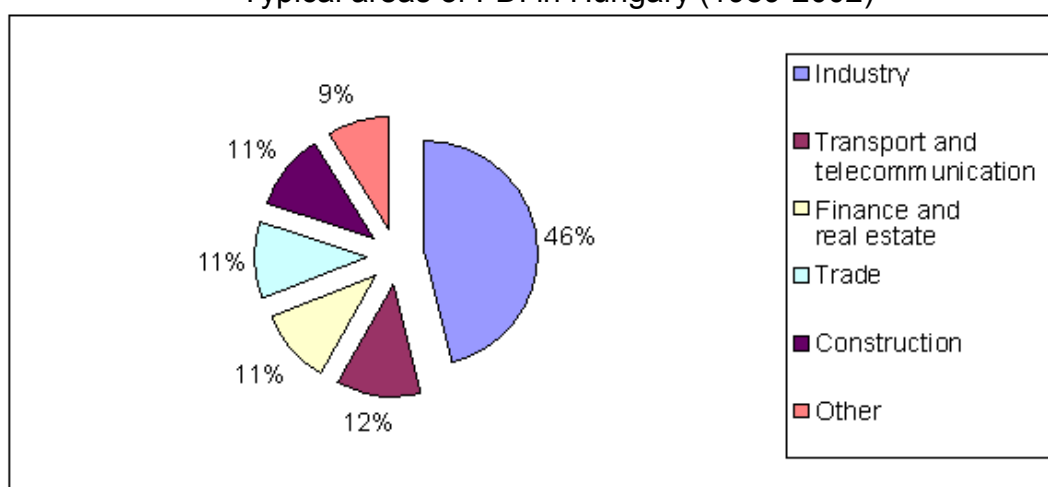
Source: GMGEF (2010). *An overview of the current FDI inflow processes.*(In Hungarian) Hungarian Ministry for National Economy, Department of Economic Policy and Analysis, Budapest., 31 March.

## 7.2.2 SECTORAL DISTRIBUTION

At the beginning of the millennium, the majority of FDI was connected to the industry (Figure 21). These days, this has changed significantly (Table 124).

**Figure 21:**

Typical areas of FDI in Hungary (1989-2002)



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

At the end of 2008, more than 60% of FDI was connected to service sectors (trade, transport and telecommunication, real estate business and banking sector). 27.7% of FDI went to the processing industry (car manufacturing, electric machinery manufacturing, and food industry, chemical and pharmaceutical industry).

**Table 124: FDI by sector (2008)**

Order	Sectors	%
1	Trade, repair	14.0
2	Transport, telecommunication	9.4
3	Real estate	9.2
4	Banking sector	8.8
5	Other processing industry	8.4
6	Car manufacturing	6.4
7	Wealth management	5.7
8	Electric machinery manufacturing	5.1
9	Energy industry	4.2
10	Food industry	2.8
11	Chemical and pharmaceutical	2.5
12	Metal industry	2.4
13	Other sectors	21.1
	<b>Total</b>	<b>100</b>

Source: GMGEF (2010). *An overview of the current FDI inflow processes.* (In Hungarian) Hungarian Ministry for National Economy, Department of Economic Policy and Analysis, Budapest:, 31 March.

Other research has also show that the characteristics of inflowing working capital investment have changed. In recent years we have observed the rise of low capital intensive, service-type investments in Hungary which in turn create many workplaces, typically for qualified workforce. This also follows the social changes in Hungary. However, this trend is independent of the economic crisis. Based on the data available, the economic crisis has no effect that causes statistically identifiable changes in the sectoral composition for the working capital inflow.

### **7.2.3 THE NUMBER OF FOREIGN ENTERPRISES**

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

**Table 125: The number of foreign owned companies operating in the Hungarian economy (1995-2008)**

No	Sectoral groups	1995	2000	2005	2008
1.	Agriculture, game farming, forestry and fishery	785	885	747	731
2.	Industry (Mining all industries)	4219	4210	3512	3583
3.	Construction industry	1192	1129	965	884
4.	Trade, hotel and transport	13961	13473	11731	11158
5.	Financial services	132	201	236	314
6.	Real estate and economic services	3466	5864	7987	11454
7.	Other	857	872	841	870
	<b>Total</b>	<b>24612</b>	<b>26634</b>	<b>26019</b>	<b>28994</b>

Source: KSH (2010b). Foreign Owned Companies in Hungary (1995–2008). (In Hungarian) , [http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat\\_eves/i\\_qpk002b.html](http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/i_qpk002b.html).

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

#### **7.2.4 EMPLOYMENT**

According to the previously quoted UNCTAD (2007) report, international companies employ more than 80 million people in their subsidiaries. It is worth examining this number more closely in two ways:

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

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

**Table 126: The number of enterprises with foreign interest by the number of staff, 2008 (based upon statistical number of staff)**

Categories	Unknown number	0-9	10-19	20-49	50-249	250-	Total
Frequency	2 809	21 480	1 568	1 391	1 307	439	28 994

Source: KSH (2010c). Foreign Owned Firms in Different Regions in Hungary. (In Hungarian) Budapest: KSH. July.

**Table 127: The number of employees at enterprises with foreign interest employing over 49 people (2008)**

	Blue-collar workers	White-collar workers	Total
Number of staff (persons)	345 045	234 588	579 633

Source: KSH (2010c). Foreign Owned Firms in Different Regions in Hungary. (In Hungarian) Budapest: KSH. July.

According to the research of the Hungarian Central Statistical Office (KSH 2010e:3) “While companies with over five staff had 157 000 less full-time employees in 2009 than a year before, the number of part-time employees increased by 27 thousand.” According to the previously quoted statistics of the Hungarian Central Statistical Office (KSH 2010e: 4), “companies forced to lay off staff usually dismissed leased labor first”.

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

A total of 74 foreign owned, legally independent subsidiaries participated in the questionnaire survey.

#### 7.3.1 COMPANY SIZE AND LEGAL FORM

According to the data shown in Table 128, the subsidiaries participating in the survey, despite the global financial and economic crisis, generated nearly constant revenue while they decreased the number of full-time employees – not significantly though – in the two years examined.

**Table 128: Number of employees and revenue of the participating companies (n=74)**

Year	Number of employees	Revenue in billion €
2008	113 415	28.722
2009	108 233	28.545
<b>Change: 2009/2008</b>	96.31%	99.38%

Source: Primary research by the authors.

(Note: 1 euro equals 270 HUF in the study for statistical purposes)

The subsidiaries examined employ 16.6% of the people employed in Hungary by foreign owned companies. (See point 7.2.4.)

Based on the following two subsections we can state that the majority of the companies are large enterprises, based on the number of their employees or on their revenue. It is important to highlight that although a minority of the subsidiaries is SMEs based on their size (number of staff and revenue), all the Hungarian companies analyzed are parts of larger international companies and thus were regarded as large enterprises from an operational and management point of view.

#### 7.3.2 TOTAL NUMBER OF EMPLOYEES

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

**Table 129: Number of staff (n=74)**

Total number of employees of the company	2008		2009	
	Frequency	Percentage distribution (%)	Frequency	Percentage distribution (%)
<b>Below 250</b>	22	29.7	22	29.7
<b>251-1000</b>	23	31.0	21	28.4
<b>1001-2000</b>	11	14.9	14	18.7
<b>2001-5000</b>	12	16.3	11	15.0
<b>Over 5000</b>	6	8.1	6	8.2
<b>Total</b>	<b>74</b>	<b>100.0</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

The number of staff employed at the companies examined decreased less than we expected due to the crisis. This can be explained with the following:

- ❑ Some companies participating in the survey had already rationalized their labor force significantly before the crisis.
- ❑ Those subsidiaries that employed a significant number of people with fixed-term contracts or leased labor force dismissed these employees as a primary course of action.
- ❑ Some over diversified companies sold or outsourced their non-core businesses.
- ❑ The number of employees didn't decrease, but rather increased during the crisis in many processing and developer companies.

**1. Case example: Different reasons for changes in the number of employees in five subsidiaries**

*“We didn't have to dismiss as many people during the crisis as other companies. Our company had leaned itself already before the crisis.” (Manufacturing company A)*

*“It was a major challenge in 2008 to sell our out-of-profile division. With this business transaction the number of our employees decreased by half.” (Manufacturing company B)*

*“We organized work in a very flexible way last year. Now it has changed, nowadays we have already extended the third shift due to the recovery from the crisis.” (Manufacturing company C)*

*“They took every opportunity provided by law to dismiss the least possible amount of people. One of these was, for example, the shortened working week. We can mention as a positive thing that the dismissed employees of a factory were provided the*

*opportunity to continue their activities and to rent the facility.” (Manufacturing company D)*

*“The number of employees in our company has grown significantly despite the crisis. This is mainly due to the fact that many branches (e.g. support and maintenance) that source globally have relocated here.” (Developer and service provider company E)*

Source: Primary research by the authors.

Note: We use random letters for indicating companies in order to ensure anonymity

### 7.3.3 REVENUE

With regard to the revenue we can state that while companies in the lower categories (5-50 billion HUF) could slightly improve their situations, the larger ones (above 50 billion HUF) were able to retain their revenue positions also during the period of the crisis.

**Table 130: Revenue of the subsidiaries participating in the research (million €) (n=74)**

Revenue of the subsidiary	2008		2009	
	Frequency	Percentage distribution (%)	Frequency	Percentage distribution (%)
<b>Under 20million €</b>	17	23.0	19	25.7
<b>20-80 million €</b>	11	14.9	10	13.5
<b>80-200 million €</b>	17	23.0	16	21.6
<b>200-400 million €</b>	7	9.5	7	9.5
<b>400-2000 million €</b>	18	24.3	18	24.3
<b>2000-4000 million €</b>	3	4.1	3	4.1
<b>Over 4000 million €</b>	1	1.4	1	1.4
<b>Total</b>	<b>74</b>	<b>100.0</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

**Table 131: Productivity index of the subsidiaries examined (€/employee) (n=74)**

Year	Number of employees	Revenue (billion €)	Average revenue per employee (€/employee)
<b>2008</b>	113 415	28.722	253,247€ /employee

<b>2009</b>	108 233	28.545	263,737€/employee
<b>Change: 2009/2008</b>	95,4%	99,4%	104,2%

Source: Primary research by the authors.

As the result of the trends in the number of employees and in the revenue reviewed above, the average productivity index has increased from a low level of 253,000 €/employee in 2008 to 263,737 €/employee in 2009 in the companies examined. The average values of the index resulted from the individual values of more than 38% of the respondents being higher than the average and the majority of the remaining two thirds belonging to the 10-60 million HUF/person/year group.

**Table 132: Revenue per employee (€/employee) (n=72)**

Revenue per employee (€/employee)	2008		2009	
	Frequency	Percentage distribution (%)	Frequency	Percentage distribution (%)
<b>Under 20 000 €</b>	1	1.4	1	1.4
<b>20-40 000€</b>	3	4.2	3	4.2
<b>40-80000€</b>	13	18.1	12	16.7
<b>80-160€€</b>	10	13.9	14	19.4
<b>160-240000€</b>	19	26.4	14	19.4
<b>240-400 000€</b>	11	15.3	14	19.4
<b>400-600 000€</b>	9	12.5	8	11.1
<b>Over 600 000€</b>	6	8.3	6	8.3
<b>Total</b>	<b>72</b>	<b>100.0</b>	<b>72</b>	<b>100.0</b>

Source: Primary research by the authors.

#### **7.3.4 LEGAL FORM**

The 74 companies examined operate in the following legal forms in Hungary:

- 53 companies (71.63%) are companies with limited liability (designated Kft in Hungarian),
- 14 subsidiaries (18.91%) are private companies limited by shares (designated Zrt In Hungarian),
- 7 subsidiaries (9.46%) are public companies limited by shares (designated Nyrt in Hungarian),



### 7.3.5 MANDATE OF THE ORGANIZATION

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

Based on the responses it can be stated that the mandates of more than half (51,3%) of the companies analyzed include development to the whole global market. This resulted from the fact that these companies maintained operations in Hungary, instead of leaving they reinforced their Hungarian subsidiaries. Furthermore, the strategic and global sourcing role of their subsidiaries increased due to their maturity.

Almost one quarter (23.97%) of the subsidiaries participating in the survey have typical local subsidiary roles (purchase, production/operation and sales/delivery). However, the remaining 19% are depositaries in Hungary of only a few stages of the entire value chain.

**Table 133: Mandates of the companies participating in the survey (n=74)**

Roles and mandates of your subsidiary	Frequency	Percentage distribution (%)
<b>Mandate 1</b>	14	18.9
<b>Mandate 2</b>	6	8.1
<b>Mandate 3</b>	16	21.6
<b>Mandate 4</b>	28	37.8
<b>Mandate 5</b>	10	13.5
<b>Total</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

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

#### 2. Case example: Possibilities to increase the role in the value chain based on the examples of three subsidiaries

*“Our company had been the Hungarian subsidiary of a medium-sized multinational company for a long time. We carried out various kinds of development even at that time. Since then, due to an acquisition, we have become part of a global company that relocated its global development centre to Hungary. We coordinate numerous projects from here.” (Manufacturing company A)*

*“In the past year, in 2009, we carried out a major reorganization. We consolidated this factory of very high professional standard where we produce components for the global market.” (Manufacturing company B)*

*“A HRMS project was launched last year on central initiative in the subsidiary participating in the survey. An international team was assembled to implement the project. Finally, the Hungarian subsidiary’s proposal was approved of the project*

*proposals submitted from different countries. This proposed solution was introduced in the entire company.” (Manufacturing company C)*

Source: Primary research by the authors.

### 7.3.6 ORIGIN OF THE PARENT COMPANY

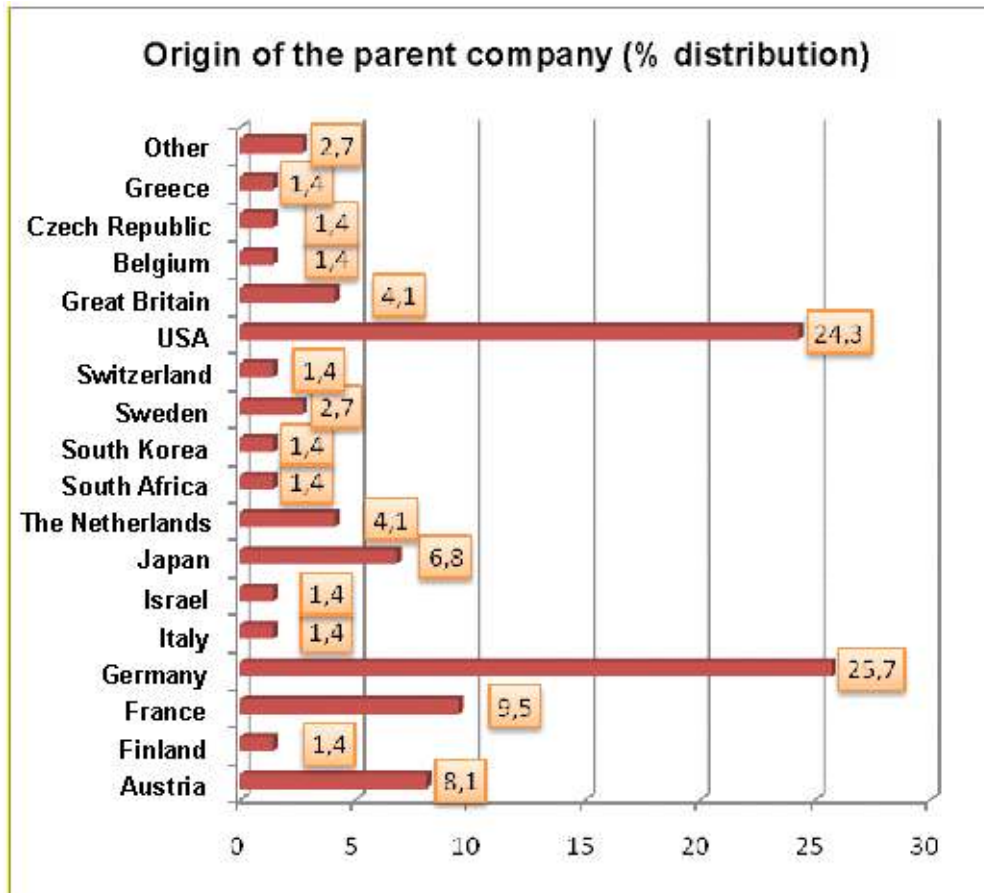
The subsidiaries participating in the survey came to Hungary from 18 different countries. Almost 80% of them from the following six countries: Germany (25.7%), USA (24.3%), France (9.5%), Austria (8.1%), Japan (6.3%), and the Netherlands (4.1%), while another 12 countries account for the remaining 20%.

**Table 134: Origin of the parent companies of the participating companies (n=74)**

Origin of the parent company	Frequency	% distribution
Austria	6	8.1
Finland	1	1.4
France	7	9.5
Germany	19	25.7
Italy	1	1.4
Israel	1	1.4
Japan	5	6.8
The Netherlands	3	4.1
South-Africa	1	1.4
South-Korea	1	1.4
Sweden	2	2.7
Switzerland	1	1.4
USA	18	24.3
Great Britain	3	4.1
Belgium	1	1.4
Czech Republic	1	1.4
Greece	1	1.4
Other	2	2.7
<b>Total</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

**Figure 22: Origin of the parent company (% distribution) of the participating companies**



Source: Primary research by the authors.

The composition described above substantially corresponds with the ranking of the statistics of the Hungarian Central Statistical Office (2010a, b c) which shows that most foreign direct investment in Hungary was made by German, Austrian, French, Dutch, Luxembourg and US companies. (See Appendix 2 of the report)

If we take a look at the management culture of the companies (Table 136), the highest proportions of companies in the sample analyzed belong to the so-called Germanic (40.5%) and the Anglo-Saxon (31.1%) management cultures. It can be found in Hungarian trends that, besides the groups of traditional MNCs (94.6%) (American, Western European and Japanese), companies from the so-called emerging and transitional countries (5.45%) have also appeared.

**Table 135: Management cultures of mother companies (n=74)**

Management cultures of mother companies	Frequency	% distribution
<b>Anglo-Saxon</b>	23	31.1

<b>Arabic</b>	0	0.0
<b>Asian</b>	6	8.1
<b>Nordic</b>	3	4.1
<b>Germanic</b>	30	40.5
<b>Eastern-European</b>	1	1.4
<b>Latino and South-European</b>	11	15
<b>Total</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

**Table 136: Participating companies by tradition**

<b>Management cultures of mother companies</b>	<b>Frequency</b>	<b>% distribution</b>
<b>Traditional MNCs (American, Western-European, Japanese etc.)</b>	70	94.6
<b>Emerging and transitional</b>	4	5.4
<b>Total</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

### **7.3.7 YEAR AND FORM OF ESTABLISHMENT OF THE SUBSIDIARIES**

The foreign owners of more than half (55,4%) of the subsidiaries examined acquired majority control or carried out the Greenfield investments before 1995. Almost one quarter of the companies settled in Hungary between 1996 and 2000 and the remaining ones (18,1%) appeared in the new millennium.<sup>13</sup>

About 42.8% of the foreign owners of the companies participating in the survey came to Hungary realizing Greenfield investments and almost 57.2% of them obtained majority control in Hungarian companies during the privatization and the following acquisitions.

**Table 137: Year and mode of entry of the participants**

<sup>13</sup> The great migration to Hungary took place in the 1990s – in contrast with for example the neighboring Slovakia where this occurred between 2002 and 2007. Many of the large multinational companies present in Hungary have been operating here continuously for about one and a half decades. However, the actors of some industries (e.g. automotive suppliers) move very fast. If the situation is not favorable, these companies exit very quickly. However, the decision that these companies stay or leave also depends largely on whether their main buyers stay in Hungary or exit. The role of "cheap manufacturing and service provider" Hungarian subsidiaries with shorter delivery times increased during the crisis.

Year of establishment of the subsidiary	Merger, acquisition	Greenfield investment	Total	% distribution
Before 1990	1	2	3	4.3 %
1990-1995	24	12	36	51.4 %
1996-2000	9	9	18	25.7 %
2001-2005	3	5	8	11.4 %
After 2005	3	2	5	7.2 %
<b>Total</b>	40	30	70	<b>100.0 %</b>
<b>% distribution</b>	<b>57.2 %</b>	<b>42.8 %</b>	<b>100.0 %</b>	

Source: Primary research by the authors.

### 7.3.8 FIELD OF OPERATION: SECTOR-INDUSTRY

The majority (52%) of the organizations examined is engaged in manufacturing while the others (48%) in trade, tangible and intangible services:

- ❑ One quarter of the respondents operate in the technical and electronic industries, mainly in fields related to car construction.
- ❑ A substantial number of the participants come from the pharmaceutical and the chemical industry.

According to the figures of the Hungarian Central Statistical Office – see point 7.2.2 – nearly 60% of the foreign investment in Hungary concentrated on the industrial sectors and the construction industry. And the output of the automotive industry plays an essential role in generating the GDP and in the export of Hungary.

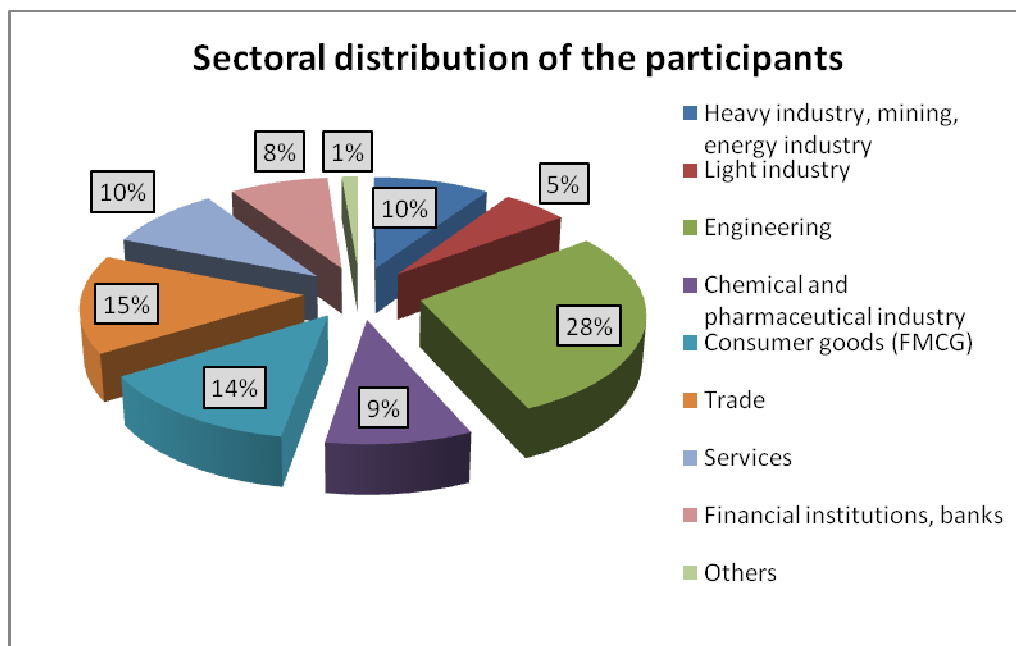
**Table 138: Sectoral distribution of the participants (n=74)**

Main sector of the subsidiary's activity	Frequency	% distribution
Heavy industry, mining, energy industry	7	9.5
Light industry	4	5.4
Engineering	21	28.4
Chemical and pharmaceutical industry	7	9.4
Consumer goods (FMCG)	10	13.5

Main sector of the subsidiary's activity	Frequency	% distribution
Trade	11	14.9
Services	7	9.5
Financial institutions, banks	6	8.1
Others	1	1.3
<b>Total</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

**Figure 23: Sectoral distribution of the participants**



Source: Primary research by the authors.

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

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

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

### 7.4.1 MAIN STRATEGIC ISSUES-ORIENTATIONS

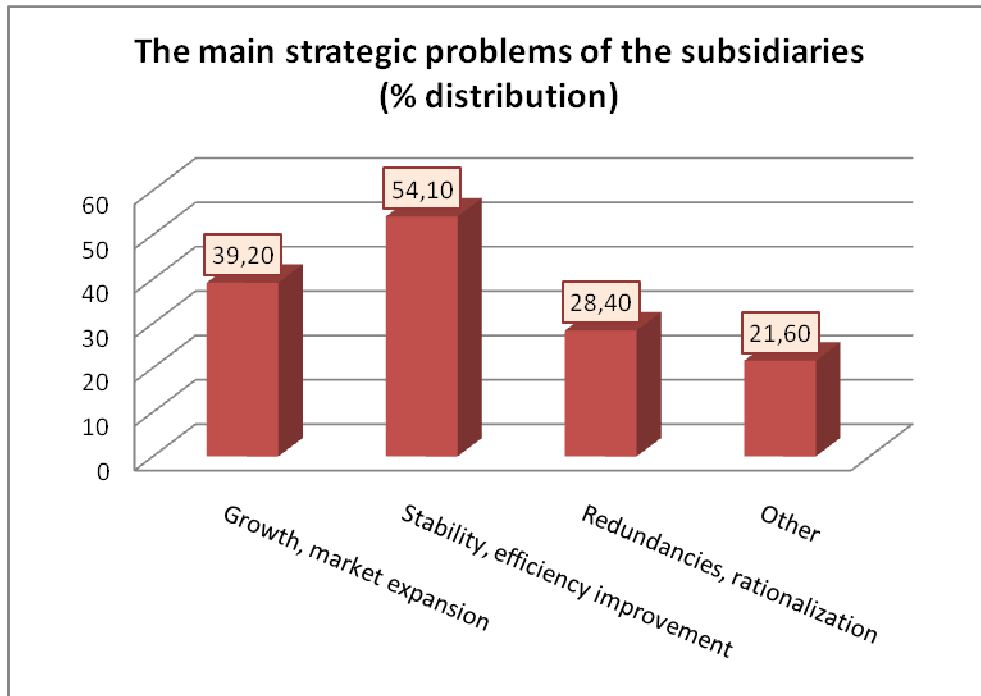
More than half (54.1%) of the respondents indicated that they were seeking stability during the period examined. Almost 40% of the companies surveyed were characterized by growth and portfolio expansion. The fact that a much lower proportion (28.4%) of the respondents chose the redundancies and rationalization option suggests a timely Hungarian recovery from the world economic crisis. Other solutions account for 21.6% of the answers.

**Table 139: Main strategic issues and orientations**

<b>Main strategic issues, orientations</b>	<b>Frequency of “yes” answers</b>	<b>Multiple answers possible, response</b>
<b>Growth, market expansion, portfolio expansion</b>	29	39.2
<b>Stability, efficiency improvement, revenue retention, adapting to the market situation</b>	40	54.1
<b>Redundancies, rationalization</b>	21	28.4
<b>Other</b>	16	21.6

Source: Primary research by the authors.

**Figure 24: Main strategic issues and orientations (%)**



Source: Primary research by the authors.

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

Optimal plant/organization size was chosen most frequently by the respondents from the provided listing of most important competitive factors of companies (more than one answer could be marked in this question). In contrast to the results of our other studies involving mainly SMEs (Fodor-Kiss-Poór, 2010), for this sample a large number (55.4%) of the respondents emphasized having ample financial resources due to the stronger financial positions of their parent multinational companies was a source of competitive advantage. The respondents also deemed workforce (48.6%), management (32.4%) and production technology (27%) to be very important competitive factors.

**Table 140: The importance of competitive factors**

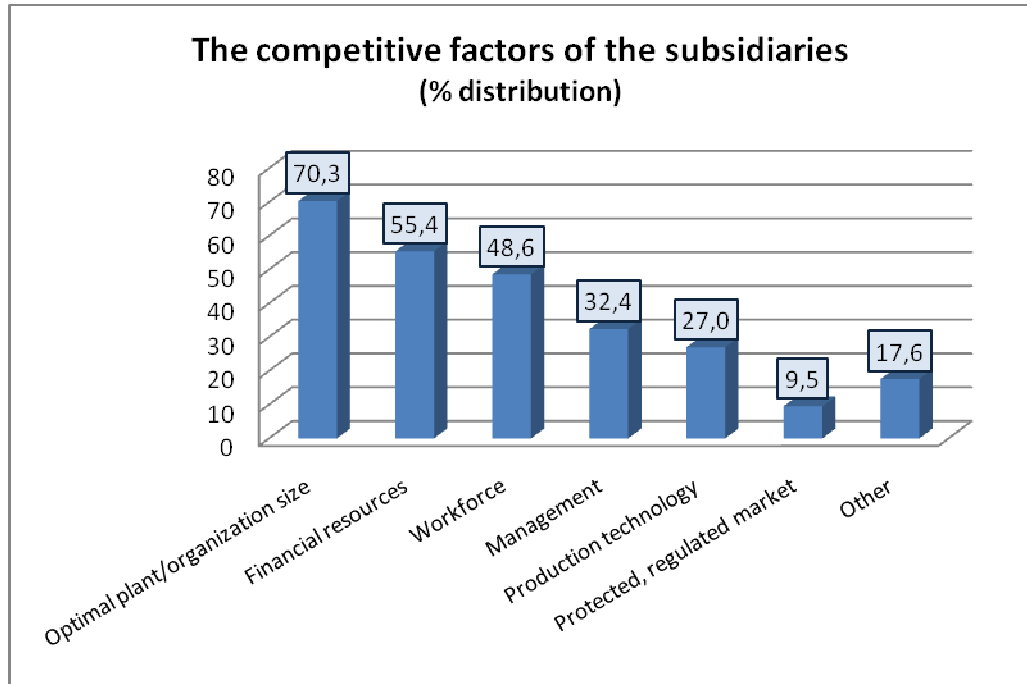
Competitive factors	Frequency of "yes" answers	Multiple answers possible, response
Optimal plant/organization size	52	70.3
Financial resources	41	55.4
Workforce	36	48.6
Management	24	32.4
Production technology	20	27.0



<b>Protected, regulated market</b>	7	9.5
<b>Other</b>	13	17.6

Source: Primary research by the authors.

**Figure 25: The importance of competitive factors**



Source: Primary research by the authors.

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

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

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

### 7.5.1 NUMBER OF HR STAFF

The average number of employees served by one HR professional increased from 76 in 2008 to 77.4 in 2009 in the companies surveyed. In these companies nearly 60% of the total number of HR staff carried out administrative tasks while 40% were HR professionals.<sup>14</sup>

<sup>14</sup> Our most recent Cranet studies show that this value compares unfavorably to the sample including both Hungarian and foreign companies (Karoliny-Farkas-Poór, 2011).

**Table 141: Number of employees and HR staff in the participating companies (n=74)**

Year	Number of employees	HR staff			Employees per HR position
		HR admin staff	HR professional	Total number of HR staff	
2009	108 233	861	607	1399	77.36 people/HR employee
2008	112 825	831	569	1468	76.86 people/HR employee

Source: Primary research by the authors.

The HR departments of the companies examined are relatively large as the number of HR staff was higher than five persons in the case of more than 65% of the respondents. Only two organizations participated in the survey that did not have a HR department, moreover these two firms did not employ a single HR professional.

**Table 142: Number of HR staff (n=74)**

Total number of HR staff	2008		2009	
	Frequency	% distribution	Frequency	% distribution
None	4	5.4	4	5.4
1-4 persons	21	28.4	22	29.7
5-10 persons	18	24.3	15	20.3
11-15 persons	7	9.5	9	12.2
15-20 persons	2	2.7	2	2.7
Over 20 persons	22	29.7	22	29.7
<b>Total</b>	<b>74</b>	<b>100.0</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

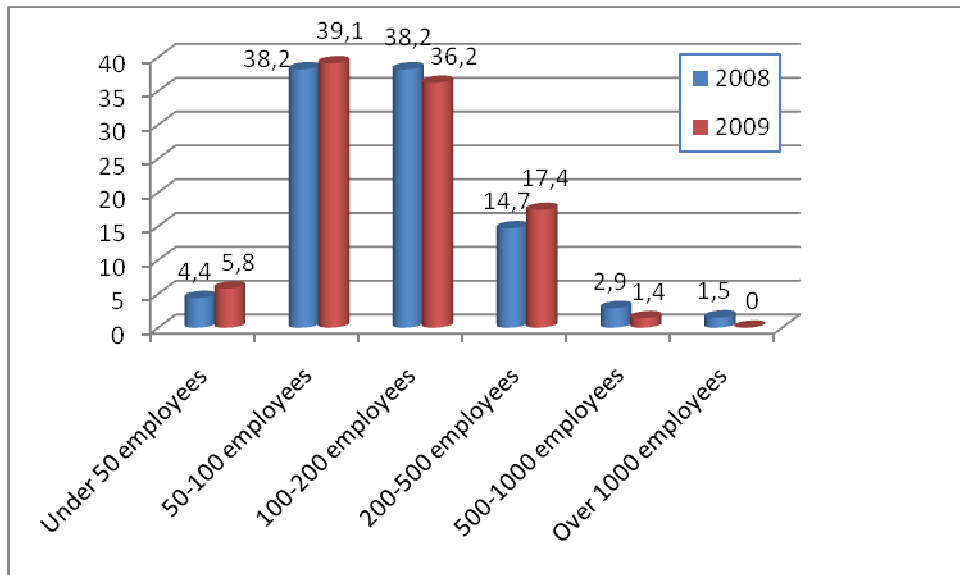
For every HR professional, there are 106 employees on average in nearly 81.1% of the organizations examined. This number is much higher in almost 18.9% of the companies (200-300 employees/HR professional).<sup>15</sup>

**Table 143: Employees per HR professional**

Number of employees per HR professional	2008		2009	
	Frequency	% distribution	Frequency	% distribution
<b>Under 50 persons</b>	3	4.4	4	5.8
<b>50-100 persons</b>	26	38.2	27	39.1
<b>100-200 persons</b>	26	38.2	25	36.2
<b>200-500 persons</b>	10	14.7	12	17.4
<b>500-1000 persons</b>	2	2.9	1	1.4
<b>Over 1000 persons</b>	1	1.5	0	0.0
<b>Total</b>	<b>68</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>

Source: Primary research by the authors.

**Figure 26: Number of employees per HR professional (% distribution)**



Source: Primary research by the authors.

<sup>15</sup> 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 (cca. 80-100 persons) within an organization. However, the actual ratio also depends on the industry and the composition of the workforce.

### 3. Case example: Forms and possibilities of changes in the number of staff based on the examples of three subsidiaries

*“So far, each plant has been treated separately. However, integration also in the field of HR is expected to increase in the future.” (Manufacturing company A)*

*“We have consolidated the HR activities of our companies operating in Hungary and thus have largely increased the utilization of our HR staff.” (Manufacturing company B)*

*“Our company implemented a very significant efficiency increase program during the crisis. Many companies were merged into it. Besides, under the HRM transformation program, we significantly decreased the use of external services, the number of contract workers and we used outsourcing.” (Service provider company C)*

Source: Primary research by the authors.

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

### 7.6.1 LABOR COST – OPERATING COST RATIO

The labor cost to operating cost ratio is one of the frequently analyzed indicators of the importance of the HR function in a company. According to this logic, the effects of HRM have a stronger and more direct influence on the company’s performance if this ratio is higher. About one third of the subsidiaries participating in the survey fell into this category (where the labor cost ratio is higher than 40%). But the vast majority (63.2%) of the companies operated with a relatively low (under 30%) labor cost ratio<sup>16</sup>.

**Table 144: Labor cost in % of the operating cost (n=60)**

Labor cost in % of the operating cost	2008		2009	
	Frequency	% distribution	Frequency	% distribution
<b>Under 5 %</b>	6	10.0	4	5.9
<b>5-10 %</b>	14	23.3	16	23.5
<b>10-20 %</b>	8	13.3	12	17.6
<b>20-30 %</b>	10	16.7	11	16.2

<sup>16</sup> In the case of the respondents participating in the already referred (Farkas-Poór-Karoliny-2007) 2005 Cranet surveys – that involved not only MNCs – the average organizational labor cost ratio in Hungary was 28% that was right in the middle of the 19-38% band calculated in the six Central Eastern European countries examined. The country with the highest average ratio (64%) within the entire sample was the Netherlands.

<b>30-40 %</b>	6	10.0	6	8.8
<b>40-50 %</b>	7	11.7	9	13.2
<b>Over 50 %</b>	9	15.0	10	14.7
<b>Total</b>	<b>60</b>	<b>100.0</b>	<b>68</b>	<b>100.0</b>

Source: Primary research by the authors.

### 7.6.2 AGE DISTRIBUTION OF THE EMPLOYEES

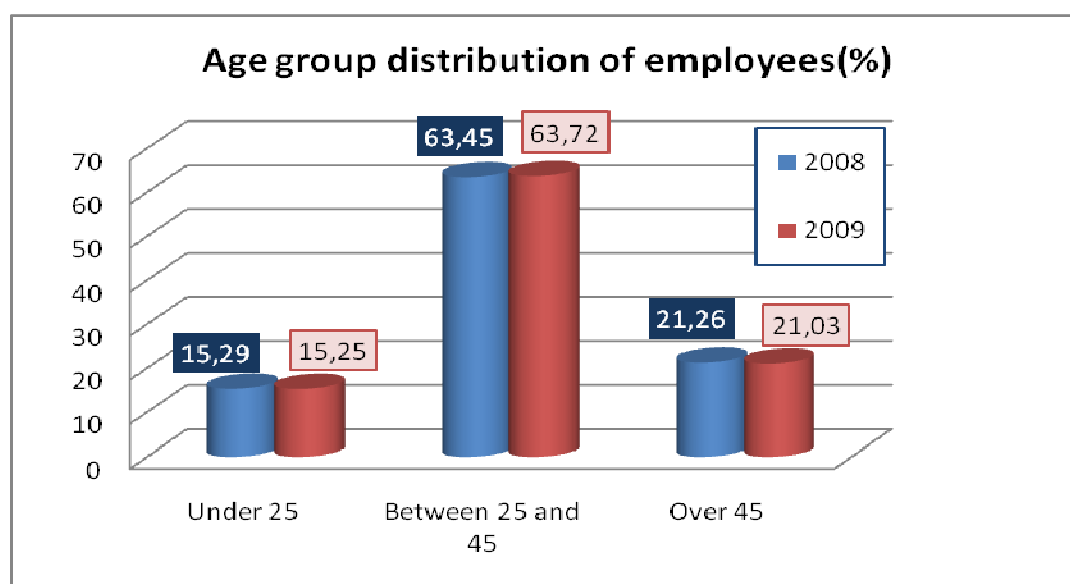
One of the results of human resource management actions is the age distribution of the labor force. The results of our survey in this respect do not confirm the common view that there is no room for employees over 45 years of age in multinational companies as more than one fifth of the employees of the subsidiaries participating in the survey fell within this age group. The proportion of employees under 25 years of age was around 15.25% and the body consisted of the employees between 25-45 years of age – with a percentage over 60%.

**Table 145: Age group distribution of employees (%)**

<b>Age groups</b>	<b>Under 25</b>	<b>Between 25 and 45</b>	<b>Over 45</b>	<b>Total</b>
<b>2008</b>	15.29	63.45	21.26	100.0
<b>2009</b>	15.25	63.72	21.03	100.0

Source: Primary research by the authors.

**Figure 27: Age group distribution of employees (%)**



Source: Primary research by the authors.

### 7.6.3 RELATIVE SIZE OF THE TRAINING BUDGET

Literature considers the relative size of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity. In more than 60% of the companies examined, the relative size of the training budget was under 3% and only about one third of the companies examined spent 3-7% of the annual labor budget on training employees.<sup>17</sup> In 2008 the typical size was between 3% and 5%, but in 2009 it was only 2-3%.

**Table 146: Annual training budget in % of the entire annual labor cost**

Annual training budget in % of the entire annual labor cost	2008		2009	
	Frequency	% distribution	Frequency	% distribution
<b>Under 1 %</b>	14	23.0	16	22.9
<b>1-2 %</b>	16	26.2	15	21.4
<b>2-3 %</b>	9	14.8	17	24.3
<b>3-5 %</b>	17	27.9	15	21.4
<b>5-7 %</b>	3	4.9	3	4.3
<b>7-10 %</b>	1	1.6	3	4.3

<sup>17</sup> The global average of this indicator calculated using the previously mentioned Cranet international comparative HR database was 3.36%, the Eastern European index was 3.15% and the Hungarian statistic was 3.54% (Karoliny-Poór, 2010).

<b>10 - 20 %</b>	0	0.0	0	0.0
<b>Over 20 %</b>	1	1.6	1	1.4
<b>Total</b>	<b>61</b>	<b>100.0</b>	<b>70</b>	<b>100.0</b>

Source: Primary research by the authors.

Low or decreasing values are partly due to the crisis. The following cases tell us how some executives refer to these changes.

#### 4. Case example: Training expenditure during the crisis based on the examples of two subsidiaries

*“Due to the crisis we were seeking to introduce more efficient training methods (e.g. e-learning, intranet). We strongly encourage the method of learning from each other. However, we expect our colleagues who return from external trainings to share their knowledge with their other colleagues.” (Manufacturing company A)*

*“It is possible to improve in the field of training-personnel development. We can choose from the global catalogue but the budget is a barrier.” (Service provider company B)*

Source: Primary research by the authors.

#### 7.6.4 LEVEL OF FLUCTUATION

The level of fluctuation in staffing was under 10% in more than half of the subsidiaries participating in the survey with many companies having barely measurable low values. On the other hand, nearly one quarter of the respondents reported rather high values, between 10 and 20%. Moreover, we found other companies with indices higher than 20 or even 40%. Due to the improvement of some companies the mean value of the fluctuation decreased from 13.2% to 10 % from 2008 to 2009.

**Table 147: Fluctuation rate (%)**

The level of fluctuation	2008		2009	
	Frequency	% distribution	Frequency	% distribution
<b>Under 1 %</b>	6	9.5	9	14.1
<b>1-3 %</b>	7	11.1	6	9.4
<b>3-5 %</b>	10	15.9	10	15.6
<b>5-10 %</b>	16	25.4	19	29.7
<b>10-20 %</b>	14	22.2	13	20.3

<b>20-30 %</b>	2	3.2	3	4.7
<b>30-40 %</b>	4	6.3	2	3.1
<b>Over 40 %</b>	4	6.3	2	3.1
<b>Total</b>	<b>63</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>

Source: Primary research by the authors.

### 7.6.5 TIME LOST DUE TO ABSENCE/SICKNESS

The average number of days lost annually due to absence was under five days in approximately 40% of the respondent companies. The most often chosen category (by about 33.3% of the subsidiaries) was the 5-10 days. A large number (11) of companies reported an average of 10-20 days. At the same time, we had several respondents who reported an average of more than 40 days of absence. The mean value of the absences increased a bit, from nine and half days to ten days.

**Table 148: The average days absent per employee per annum**

<b>Absence / sick leave</b>	<b>2008</b>		<b>2009</b>	
	Frequency	% distribution	Frequency	% distribution
<b>Less than 1 day</b>	4	6.6	4	6.3
<b>1-3 days</b>	12	19.7	11	17.5
<b>3-5 days</b>	8	13.1	9	14.3
<b>5-10 days</b>	19	31.1	21	33.3
<b>10-20 days</b>	11	18.0	11	17.5
<b>20-30 days</b>	4	6.6	4	6.3
<b>30-40 days</b>	1	1.6	0	0.0
<b>More than 40 days</b>	2	3.3	3	4.8
<b>Total</b>	<b>61</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>
<b>Mean value</b>	<b>9.5 days</b>		<b>10,1 days</b>	

Source: Primary research by the authors.



## 5. Case example: Absenteeism during the crisis based on the examples of two subsidiaries

*“A substantial proportion of the office workers are rarely absent.” (Manufacturing company A)*

*“Despite all our efforts, it still happens sometimes in our company that the number of absentees increases significantly during the time of seasonal agricultural work.” (Manufacturing company B)*

Source: Primary research by the authors.

## 7.7 EXPATRIATES

### 7.7.1 FOREIGN EXPATRIATES AND THEIR ROLES

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

- Three quarters (76.7%) of the subsidiaries participating in the survey did not employ foreign expatriates in non-managerial positions. In those few companies that employed foreign expatriates in non-managerial positions permanently, the number of these expatriates was typically only one to two positions. Only two respondents employed more than 10 such expats.
- The presence of expatriates employed in managerial positions is more significant, around 77.7% of the respondents employed foreign expatriates in such positions in the period examined. Where they were present, their number was typically between one and three expats but a few respondents employed 10 to 15 expatriates or even more than 20 of them.

(Note: It is important to indicate that companies send an increasing number of employees abroad for a short time, for different projects. Our survey did not cover this issue.)

**Table 149: Number of foreign expats (n=74)**

Number of expats	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
<b>None</b>	27	36.5	56	76.7
<b>1 person</b>	13	17.6	7	9.6
<b>2-3 persons</b>	16	21.6	3	4.1
<b>4-5 persons</b>	6	8.1	1	1.4
<b>6-10 persons</b>	5	6.8	4	5.5
<b>11-15 persons</b>	3	4.1	1	1.4
<b>16-20 persons</b>	2	2.7	1	1.4

<b>Over 20 persons</b>	2	2.7	0	0.0
<b>Total</b>	<b>74</b>	<b>100.0</b>	<b>73</b>	<b>100.0</b>

Source: Primary research by the authors.

**Table 150: Positions of foreign expats**

<b>Manager</b>	<b>Non-manager</b>	<b>Total</b>
77.7%	22.3%	100%

Source: Primary research by the authors.

**Table 151: Country of origin of foreign expats**

<b>Mother country</b>	<b>Other countries</b>	<b>Total</b>
80%	20%	100%

Source: Primary research by the authors.

Some 80% of the responding organizations had foreign expats from the parent company. The other 20% of foreign expats came to Hungary from countries different from the country of the parent company (Table 151).

## **6. Case example: Characteristics of the employment of foreign expats based on the examples of eleven companies**

*"When the plant was established, the proportion of foreigners was nearly 20%. Today barely 0.004% of the total staff is foreigners." (Manufacturing company A)*

*"The only expat of the company is now employed in a local status." (Manufacturing company B)*

*"The most important positions at the subsidiaries of the company (except one country) are held by employees coming from the mother country. However, the number of foreigners has significantly decreased here in recent years." (Manufacturing company C)*

*"Nowadays the majority of our expats come not from the parent company but from different places of the world. The Hungarian company is managed by a Southern European businessman. And the management of another Eastern European company is being taken over by a Hungarian professional." (Manufacturing company D)*

*"The number of the expats remained very high even after the establishment of the company and the launch of the manufacturing plant." (Manufacturing company E)*

*"The expensive foreign expats have started to be sent home already before the crisis."*

*Dozens of expats used to work in Hungary in previous years. Nowadays only a few foreign expats are employed here.” (Manufacturing company F)*

*“Our company supervises the dozens of foreign employees working in the European Service Centre.” (Manufacturing company G)*

*“The parent company didn’t send managers as expats and nobody came from the parent company to fill managerial positions. The owners made several brief visits at the company but they give a completely free hand to the Hungarian management.” (Light industry company H)*

*With the launch of the local trading unit of the company and as time went on, the employment of expatriates has temporarily been stopped, local managers have already learned the work processes sufficiently and there was no need for “training by foreigners” so there are still no foreign expats employed in the trading unit in the moment.” (Trading company I)*

*“Expats are usually appointed to areas where the headquarters wants to increase its influence or where the local professional team is not considered to be adequate to handle arising problems. The overwhelming majority of expats are men, many of them married and not older than 50 years of age, the length of the deputation undertaken is 1-3 years.” (Service provider company J)*

*“It is a new practice that there are a lot of expats here, especially at the outsourcing department. They are employed in local status or maximum, the education of their children is taken care of or their health insurance is paid.” (Service provider company K)*

Source: Primary research by the authors.

## 7.7.2 HUNGARIAN EXPATRIATES

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

**Table 152: Number and positions of Hungarian expatriates**

Number of Hungarian expatriates	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
<b>None</b>	44	59.5	44	59.5
<b>1 person</b>	10	13.5	10	13.5
<b>2-3 persons</b>	8	10.8	8	10.8
<b>4-5 persons</b>	7	9.5	6	8.1
<b>6-10 persons</b>	2	2.7	3	4.1
<b>11-15 persons</b>	1	1.4	1	1.4

<b>16-20 persons</b>	0	0.0	0	0.0
<b>Over 20 persons</b>	2	2.7	2	2.7
<b>Total</b>	<b>74</b>	<b>100.0</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

- ❑ Although more respondents sent to rather than received employees from abroad in non-managerial positions, there was no such foreign deputation in more than 60% of the respondents. Companies that sent employees abroad, sent usually one to three employees, but we found a maximum of 25 persons in one case.
- ❑ The proportion of companies not sending employees to managerial positions (59.5%) was the same as the proportion of those not sending employees to non-managerial positions. Of the companies that sent out employees who obtained foreign managerial positions, mostly sent between one and five persons.

## 7. Case example: The characteristics of the employment of Hungarian expatriates based on the examples of four subsidiaries

*“Meanwhile, several inpatriates and dozens of professionals sent out for projects annually from four Hungarian companies work abroad.” (Manufacturing company A)*

*“The internationally known manager of the development department of our company was appointed global coordinator but he didn’t travel abroad to the headquarters of the company due to his family bonds. He controls the global activity of his branch from the premises of the Hungarian company.” (Manufacturing company B)*

*“We are a regional centre. We coordinate the work of the subsidiaries operating in the region. Hungarian colleagues coordinate the managers of companies operating in the countries of the region.” (Manufacturing company C)*

*“The top manager of the company, a Hungarian national, who has been managing this company for a long time is a member of the central Board of the international company.” (Service provider company)*

Source: Primary research by the authors.

## 7.8 THE OPERATION OF THE HR DEPARTMENT

### 7.8.1 THE RELATIONSHIP BETWEEN HEADQUARTERS AND LOCAL HR

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

- ❑ However, the typical solution, one implemented by almost three quarters of the respondents, was that the HR department of the company’s headquarters, besides carrying out the auditing function, lays down general guidelines and provides a standard framework for the work of HR departments of the subsidiaries and requires information and reporting from them.

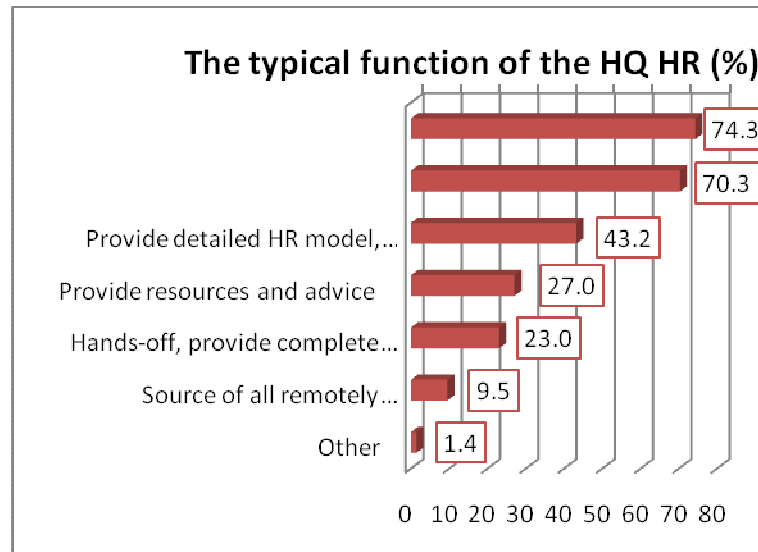
- ❑ In addition, in the case of almost half (43.2%) of the companies the headquarters was also responsible for developing the detailed HR model and not only personnel guidelines but also the rules, procedures, and HR processes were developed centrally. The operations of these global HR systems were usually supported by modern IT solutions.
- ❑ Almost 9.5% of the respondents characterized their relationship as one of absolute centralization.
- ❑ On the other hand, about one fifth of the HR departments of the responding subsidiaries reported getting hands-off, almost complete freedom from the headquarters and locally decentralized HR activity.

**Table 153: Typical functions of the HQ HR**

<b>Functions</b>	<b>Frequency of “yes” answers</b>	<b>Multiple answers possible, response</b>
<b>Hands-off, provide complete freedom</b>	17	23.0
<b>Provide resources and advice when requested</b>	20	27.0
<b>Provide general guidelines and framework for actions</b>	55	74.3
<b>Request information and reports – auditor’s role</b>	52	70.3
<b>Provide detailed HR model, policies, procedures and rules</b>	32	43.2
<b>Source of all remotely significant HR decisions</b>	7	9.5
<b>Other</b>	1	1.4

Source: Primary research by the authors.

**Figure 28: Typical functions of the HQ HR**



Source: Primary research by the authors.

## 8. Case example: Characteristics of the relationship between central and local HR organizations based on the examples of nine subsidiaries

*“The current HR management system has been applied by the company for a long time. They intervene only through the managing board. They don’t interfere with operational processes.” (Manufacturing company A)*

*“For a long time there was no need for the integration of different HR systems. However, lately efforts to standardize more the different systems of the subsidiaries have become more intense.” (Service provider company B)*

*“The company headquarters manages the local HR in a completely decentralized way. HR managers working in different countries of the region meet once or twice a year. Everybody shares their own experiences. However, it is interesting to see that besides the freedom given by the headquarters, locals require consultation. The Hungarian HR professional consults with the HR professional working in the other Eastern European country in many issues.” (Service provider company C)*

*“The company headquarters provides the frameworks of the different HR systems but it is the locals’ task to fill these with content (e.g. what is excellent, good, average and acceptable in performance evaluation).” (Manufacturing company D)*

*“We have to have everything authorized by the Eastern European regional centre. I consult the issues with the local CEO and present them to the regional HR manager. I sometimes cooperate with the HR manager of the subsidiary similar to us in the region.” (Manufacturing company E)*

*“They apply the adaptive solution in the cooperation. There is no close connection between the central and local HR. There is a high flexibility and the need for coordination is negligible. The role of the parent company is to give support and control if necessary. (Manufacturing company F)*

*“The HR of the Hungarian company is managed on a regional level from the capital of a Southeast European country. A local lady there coordinates the HR affairs of the Hungarian company.” (Service provider company G)*

*“We have several subsidiaries operating in the region. We hold regular development conferences for the HR professionals of our subsidiaries.” (Service provider company H)*

*“The parent company HR headquarters controls everything. They refuse to accept that things can be done differently than at the mother country. Methods and processes are developed in the mother country. They adopt almost nothing from the subsidiary.” (Service provider company I)*

Source: Primary research by the authors.

### 7.8.2 CHANGES IN THE IMPORTANCE OF HR FUNCTIONS

Employee communication was first in the ranking of HR areas considered most critical in the period examined, being a little ahead of that ongoing problem area, the issue of compensation and benefits. The responding subsidiaries deemed HR planning and talent management almost as critical.

The respondents regarded staffing (recruitment-selection) as the least critical area of their work, despite the fact that many of them operated with considerably high fluctuation rates. However, this opinion is hardly surprising, considering the high national unemployment rate during the crisis.

**Table 154: Critical areas of HR (on a 1⇒5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not at all critical)*

The ranking of the areas of HRM critical in 2009	The average of the answers
Employee communication	2.50
Compensation and benefits	2.51
Human resource planning	2.53
Talent management	2.69
Performance evaluation	2.89
Training and development	3.14
Industrial-labor relations	3.35
Recruitment and selection	3.41

Source: Primary research by the authors.

### 7.8.3 TYPICAL HR COMPETENCIES FOR SUCCESS

From the list of HRM competency areas (Table 155) identified by one of the most well known HR theorists, Dave Ulrich et al. in 2009, the respondents considered the following three to be the most important:

- ❑ personal credibility (effectiveness, efficient connections, communication skills) (83.8%),
- ❑ change management (67.6%),
- ❑ business knowledge (value chain, value creation) (66.2%).

Quick decision making and teamwork were followed, in respect of importance, by strategic contribution, and the ability to provide services in traditional HR areas (from recruitment to evaluation) was positioned only behind these. In the opinion of the respondents, knowledge sharing and the use of HR information systems ranked last among very important HR competencies in their companies in the period examined.



**Table 155: Ranking of the key competencies of HR managers**

Ranking of key competencies	Very important	
	Frequency	Multiple answers possible, response
<b>1. Personal credibility</b> <i>(effectiveness, efficient connections, communication skills)</i>	62	83.8
<b>2. Change management</b>	50	67.6
<b>3. Business knowledge</b> <i>(value chain, value creation)</i>	46	66.2
<b>4. Quick decision making</b>	44	59.5
<b>5. Teamwork</b>	42	56.8
<b>6. Strategic contribution</b> <i>(culture management, quick changes, strategic decision making)</i>	38	51.4
<b>7. HR services</b> <i>(recruitment-selection, training, performance evaluation, HR measurement, etc.)</i>	34	45.9
<b>8. Knowledge of foreign languages</b>	33	44.6
<b>9. Knowledge sharing</b>	20	27.0
<b>10. Use of HRMIS (IT)</b>	16	21.6

Source: Primary research by the authors.

**9. Case example: Characteristics of competencies for success based on the examples of two subsidiaries**

*“The HR manager is involved in every important business decision in our company.” (Manufacturing company A)*

*“A special version of the software system of a global software company is used in our company. This company provides the professional support needed to use this program. However, locally developed Excel solutions and programs provided by local software company is also used very often.” (Manufacturing company B)*

Source: Primary research by the authors.

**7.8.4 PRIMARY RESPONSIBILITY OF DECISION MAKING IN THE MAIN FUNCTIONS OF HR**

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

**Table 156: Responsibility of decision making in key functions of HR**

Key functions of HR	Local line management (mgt.)	Primarily local line mgt. but in consultation with the HR department	Primarily local HR department but in consultation with local line mgt.	Local HR department
Human Resource Planning	8	39	21	5
Recruitment	5	22	30	16
Selection	7	40	21	4
Performance Evaluation	27	30	15	1
Training and Development	9	28	31	5
Compensation and Benefits	10	32	22	9
Industrial-Labor Relations	5	13	19	35
Employee Communication	8	27	22	16
HRMS/IT	8	11	10	41

Source: Primary research by the authors.

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

As the responses in Table 156 reflect, the majority of the respondents regard most of the interventions in the key functions of HR as the result of a joint decision in which the final decision is made rather by the local line management based usually on consultation with the HR department. Less seldom do we see that the responsibility attached to HR decisions is shared in a way that the final decision maker is the representative of the local HR department.

### **10. Case example: The characteristics of certain HR functions based on the examples of eight subsidiaries**

#### *Recruitment*

*“During recruitment, the subsidiary tries to find the best employee for a given position as fast as possible. In doing so, it also uses the assistance of leasing companies and agencies, besides providing the opportunity for application on its own homepage. An important point of recruitment is that the company supports the redeployment of internal labor force, the moving on of its own employees.” (Manufacturing company A)*

#### *Personnel development*

*“One of the accustomed practices of the company is the Management Trainee program which has been run in Hungary for more than 13 years. Applicants can choose a field in which they become familiar with every subfield during the two-year succession-training program. Besides their own fields, chosen candidates also gain cross-functional experience. The program is open for both own employees and external applicants. 3 members of the company’s top management joined the company this way, this fact already shows the success and validity of the program.” (Manufacturing company B)*

*“The competency development process has to contribute to showing all employees which forms of behavior lead to expected performance levels. Definite requirements are set up for managers on what management practices they are expected to implement. It has to be ensured that the currently immeasurable individual goals are made measurable. Managers have to get feedback on which of their competencies they need to improve.” (Service provider company C)*

#### *Training-development*

*“Despite the crisis, the role of training and development remained very significant. The time spent on training didn’t decrease in 2009 (not including the “on the job” trainings) but training costs were successfully reduced. This is due to the fact that they focused on internal knowledge when it was possible and trainings were provided by internal experts and trainers instead of external experts.” (Manufacturing company D)*

*“The company uses external service providers (trainings, education, compensation and benefits) in order to improve the motivation of employees. It is useful to employ advisors because, following an honest diagnosis, they are able to propose solutions as outsiders without emotional attachment. In this case their approach is not influenced by emotional attachment resulting from the years spent within the organization.” (Trading company E)*  
*“They don’t pay due attention to the training of employees, it is limited only to the qualifications required by rules, regulations and ends with improving the English of managers. Employees on the central list were chosen in a way that they possess the appropriate qualifications. Presumably the “we buy, not train” slogan is in place. And everybody should take care of their own individual development themselves. There are several examples for this within the organization.” (Manufacturing company F)*

*Provision of succession*

*“Much emphasis is given to succession training; this is also reflected in the fact that they receive 50 students from higher education institutions for six month work placements during the year who are given opportunities to perform individual tasks during this period.” (Service provider company G)*

*Remuneration*

*“Members of the top management also got shares of the company until the end of 2008. In 2009, with regard to the effects of the crisis, this was not continued but the development of a new motivation program is planned for 2010.” (Manufacturing company H)*

Source: Primary research by the authors.

**7.8.5 THE ROLE OF EXTERNAL HR SERVICE PROVIDERS**

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

External service providers were most often used in the area of training and development, as reported by the respondents. They were also often involved in recruitment and selection and in the area of compensation and benefits. Almost none of the companies used the help of external service providers in human resource planning or in performance evaluation. The practice of companies in this respect either did not change or where it did, companies reported a decrease in the use of external partners.

**Table 157: Role and use of external service providers in the different key functions of HR**

Key functions of HR	Increased	Decreased	Same	External providers not used
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<b>Human Resource Planning</b>	1	3	3	67
<b>Recruitment</b>	8	28	18	19
<b>Selection</b>	7	21	17	28
<b>Performance Evaluation</b>	4	1	6	62
<b>Training and Development</b>	11	20	31	11
<b>Compensation and Benefits</b>	8	8	33	24
<b>Industrial-Labor Relations</b>	8	2	16	47
<b>Employee Communication</b>	4	3	18	48
<b>HRMS/IT</b>	9	3	23	38

Source: Primary research by the authors.

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

### 11. Case example: Characteristics of the use of external service providers based on the examples of two subsidiaries

*“An internationally known HR consulting firm had been the main service provider of our company for a long time. We moved to another global HR consulting firm in the autumn of 2009. To our surprise, we had to buy both income level studies. There was no room for objection. Actually, everything was centralized.” (Manufacturing company A)*

*“We don’t want to rely too much on external service providers. The training centre of the parent company provides almost everything. A huge amount of electronic learning material is available for us. The biggest problem is that managers don’t have enough time to participate in different the personnel development programs.” (Manufacturing company B)*

Source: Primary research by the authors.

## 7.9 KNOWLEDGE MANAGEMENT IN HR

Knowledge management means the management and sharing of the collective knowledge (know-how, skills and intellectual skills) of an organization’s employees in an integrated way. In connection with the practice of the indicated topic in the field of HR we examined the following three areas:

- ❑ methods of personal competency development in HR,
- ❑ enablers of HR knowledge flows,

- directions of HR knowledge flows.

### 7.9.1 PERSONAL COMPETENCY DEVELOPMENT IN HR

The respondents found local training to be the most important method of personal competency development in the field of HR and they thought that informal learning - that is learning from each other - as well as formal learning also plays a very important role.

According to responses, the role of training at the headquarters and mobility between the parent company and the subsidiary were rated almost a grade worse in importance than the previously mentioned two methods (Table 158). Respondents ranked mobility between subsidiaries and cross-cultural training least important from the examined tools of personal HR competency development in their companies in the period examined.

**Table 158: The importance of the methods of personal competency development in HR (on a 1-5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not critical)*

Methods of gaining competencies	The average of the answers
Local training	2.33
Informal learning	2.33
Formal learning	2.64
Training in HQ	3.38
Mobility between parent and subsidiary	3.65
Mobility between subsidiaries	3.78
Cross-cultural training	3.77

Source: Primary research by the authors.

### 7.9.2 ENABLERS OF HR KNOWLEDGE FLOWS BETWEEN THE PARENT COMPANY AND THE SUBSIDIARIES

With respect to the enablers of efficient knowledge flows, i.e. the transfer of knowledge about HR practices and techniques, between the parent company and the subsidiary, the respondents considered the ability to transfer knowledge and the motivation to transfer knowledge most important from the factors examined.

**Table 159: Enablers of HR knowledge transfer (on a 1-5 scale, on average)**

*(Explanation: 1= critical ⇒ 5 =not critical)*

Knowledge flow enablers	The average of the answers
Ability to transfer knowledge	2.56
Motivation to transfer knowledge	2.63
Form of knowledge transfer	2.71
Content/Kind of knowledge	3.08

Source: Primary research by the authors.

### 7.9.3 HR KNOWLEDGE TRANSFER BETWEEN THE PARENT COMPANY AND THE SUBSIDIARY

The respondents ranked knowledge flows within their own subsidiaries most important from the different HR knowledge flows and knowledge flow from the parent company was only second. (The latter opinion somewhat contradicts the answers received to our questions concerning the relationship between central and local HR organizations that showed rather strong centralization in many companies.) Much lower, but still considerable importance was assigned to knowledge flows between subsidiaries. Very few respondents indicated that HR experience generated in and proposals coming from subsidiaries find a responsive audience at the parent company.

**Table 160: HR knowledge flows (on a 1-5 scale, on average)**

*(Explanation: 1= critical ⇒ 5 =not critical)*

Knowledge flows in HR	The average of the answers
Knowledge flows within your subsidiary	2.56
Knowledge flows from parent	2.63
Knowledge flows between subsidiaries	2.71

<b>Knowledge flows to parent</b>	3.08
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Source: Primary research by the authors.

## 12. Case example: Knowledge management solutions in HR based on five examples in subsidiaries

<p><i>“One of the most typical ways of HR knowledge transfer in our subsidiary is that when someone comes back from a training at the parent company or elsewhere, they give a short presentation about it to their colleagues.” (Manufacturing company A)</i></p> <p><i>“We have the e-learning material developed by the Harvard Business Faculty and all our HR staff has unlimited access to it.” (Manufacturing company B)</i></p> <p><i>„The knowledge flows from the parent company and within our own subsidiaries are significant, but the knowledge flows between the subsidiaries and to the parent company are not so important.” (Manufacturing company C)</i></p> <p><i>“Unfortunately, we haven’t participated in an organized form in programmes developing intercultural skills. According to the opinion of the headquarters, this knowledge has to be obtained in everyday cooperation.” (Service provider company D)</i></p> <p><i>“We have several subsidiaries in the Eastern European region. We hold regular development conferences for the HR professionals of our subsidiaries.” (Service provider company E)</i></p>
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Source: Primary research by the authors.

## 7.10 THE FUTURE TASKS OF HR

### 7.10.1 THE KEY BUSINESS ISSUES, TRENDS FOR HR TO FACE

With regard to the key issues of the next 12 to 24 months, the interviewed HR managers considered improving efficiency the most important task before them. Almost all (89%) respondents thought that this business expectation is the most important tasks HR professionals have to face. In many of the companies this is accompanied by company development or company reorganization.

**Table 161: Key business challenges in the next 1-2 years**

Order of priority of the key business directions, challenges	Very important		Important	
	Frequency	% distribution	Frequency	% distribution
<b>Efficiency improvement</b>	65	89.0	7	9.6
<b>Company development</b>	29	39.7	36	49.3



<b>Company reorganization</b>	25	34.2	26	35.6
<b>Conform to globalization</b>	22	30.1	32	43.8
<b>Distribution development</b>	22	30.1	17	23.3
<b>EU changes</b>	11	15.1	30	41.1
<b>Eastern expansion</b>	8	11.1	11	15.3

Source: Primary research by the authors.

### 13. Case example: The future in HR based on the example of one subsidiaries

*“Eastern expansion is not the Hungarian subsidiary’s task, it is the responsibility of the parent company. Responses given to EU changes belong to the functions of the European centre, appropriate responses come from there. Implementing these is an important task of the local HR. The very important local future tasks are built around the further development of the organization.” (Manufacturing company A)*

Source: Primary research by the authors.

#### 7.11 INITIATIVES TO IMPROVE THE BUSINESS FOCUS OF HR PROFESSIONALS

The responding organizations have up until this point put little emphasis on improving the business efficiency of HR professionals. This is also proven by the fact that training on specific areas of HR were most commonly implemented as reported by the professionals surveyed. However, according to the answers, many companies also had business plan or strategically relevant training. Other HR solutions, such as adjusting recruitment resources or criteria to this goal and encouraging this process were implemented only by relatively few companies and were planned even more seldom.

**Table 162: Improving business focus among HR staff**

<b>Actions improving business focus of HR staff</b>	<b>Implemented</b>	<b>Planned</b>
<b>Offer training on specific areas of HR</b>	48	16

<b>Offer training on business issues</b>	27	5
<b>Offer incentives based on measures and business performance</b>	19	10
<b>Prioritize business knowledge in the selection of HR staff</b>	15	7
<b>Hire people from outside HR (business people)</b>	10	8
<b>Offer rotation programs (outside the HR department) for HR staff</b>	6	13

Source: Primary research by the authors.

## 7.12 CHARACTERISTICS OF THE RESPONDING INDIVIDUALS

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

### 7.12.1 DEMOGRAPHIC CHARACTERISTICS AND QUALIFICATION

The gender distribution of the professionals participating in the interview is almost equal (51.1-49.9%). This seemingly balanced situation is strongly influenced by the fact that the respondents are the representatives holding managerial positions of the HR profession that is otherwise dominated by women and the proportion of men among the respondents is much higher than in HR in general.

**Table 163: The gender of the responding individuals**

<b>Gender</b>	<b>Frequency</b>	<b>% distribution</b>
<b>Male</b>	36	49.9
<b>Female</b>	38	51.1
<b>Total</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

More than 60% of the participating individuals are over 40 years of age, another almost 27% are between 30 and 40 and only a few (13.5%) of the professionals are very young.

**Table 164: The age of the respondents**

Age	Frequency	% distribution
25-29 years	10	13.5
30-39 years	20	27.0
40-54 years	31	41.9
55-59 years	13	17.6
<b>Total</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

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

**Table 165: Level of qualification**

Level of qualification	Frequency	% distribution
University PhD	4	5.4
University (MSc)	56	75.7
College (BSc)	14	18.9
Other	0	0.0
<b>Total</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

The majority of the respondents obtained qualifications in social sciences (59.5%) or engineering (27%) but we also found professionals with qualifications in natural sciences.

**Table 166: Field of professional qualification**

Field of professional qualification	Frequency	% distribution
Natural sciences	7	9.5
Engineering	20	27.0
Social sciences	44	59.5
Other	3	4.0
<b>Total</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

### 7.12.2 POSITION OF THE RESPONDENTS

Almost three quarters (68.5%) of the individuals participating in the survey are top HR managers: with the title of HR vice president, director, manager or department head. The respondents (except for the 4 CEOs) all work in HR.

**Table 167: Current position**

Current position	Frequency	% distribution
CEO	4	5.5
HR Vice President	7	9.7
HR Director/Manager	35	47.4
HR Department Head	9	12.3
HR professional	8	10.2
Other	11	14.9
<b>Total</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

Nearly 40.5% of the respondents have worked in their current positions for less than three years. However, the majority have spent longer time, typically 3-10 years in their positions.

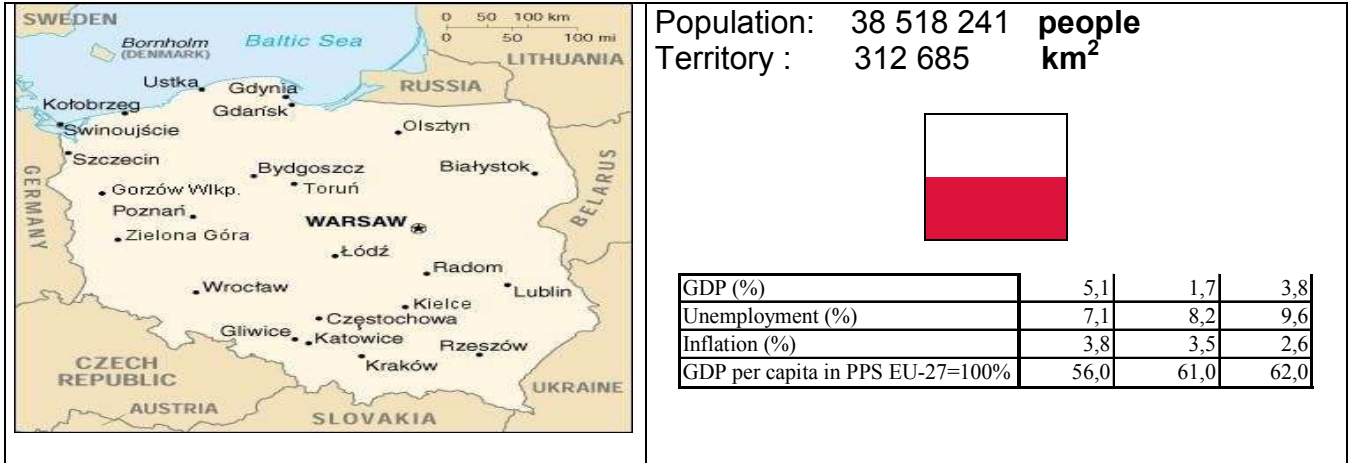
**Table 168: Time spent in current position**

Time spent in current position	Frequency	% distribution
0-3 years	30	40.5
3-5 years	16	21.6
5-10 years	18	24.3
10-15 years	8	10.8
Over 15 years	2	2.7
<b>Total</b>	<b>74</b>	<b>100.0</b>

Source: Primary research by the authors.

## 8 POLAND (MARZENA STOR, ADAM SUCHODOLSKI, JÓZSEF POÓR AND KATALIN DOBRAI)

### 8.1 INTRODUCTION



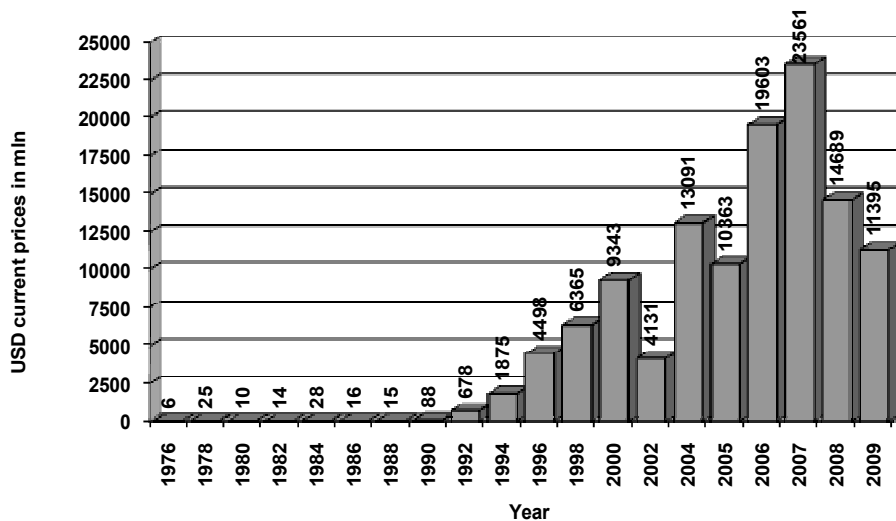
## 8.2 FDI AND EMPLOYMENT IN POLAND

### 8.2.1 THE DEVELOPMENT OF FDI INFLOW TO POLAND

After World War II Poland, together with some other central and eastern European countries, fell under the Soviet zones of influence as a consequence of the Yalta agreements. But after 45 years Poland appeared to be the first country to free itself from those fetters (in 1989) and started substantial economic reforms toward a free market economy (Stor, Listwan, 2009).

After a radical set of reforms that were launched in the late 1989 and early 1990 – that has been known as the “big bang” – the last two decades brought Poland to a new and enhanced position in the world economy. A revolution in the liberalization of international trade has increased the inflow of foreign investment in various forms (Listwan Poczowski, Stor, 2009). That’s why the beginning of the 1990s is regarded as the real starting point for international business in Poland (Figure 29).

**Figure 29: Annual inward FDI flows to Poland between 1976 and 2009 in USD at current prices and current exchange rates in millions**



Source: Major FDI Indicators, (2010), Warsaw.

Entering the European Union in 2004 has accelerated the process of globalization and internationalization of the Polish Economy. Again more FDI inflow is observable as depicted in Figure 29.

### 8.2.2 THE GENERAL OUTLINE OF INWARD FDI STOCK IN POLAND

In 2009 the foreign capital that had been invested in Poland came from 109 countries. The percentage of that capital that originated from European Union countries amounted to 87,3% of the total foreign capital in Poland (Economic Activity of Entities..., 2009).

At the end of 2009 foreign liabilities in recognition of non-residents' investments in Poland made about 97% of GDP (International Investment Position, 2010).

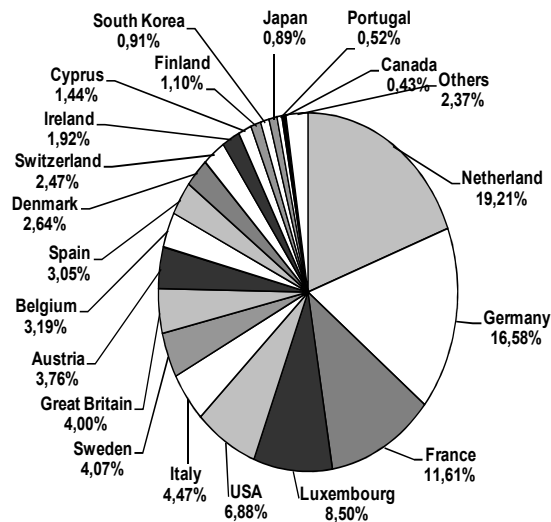
Some interesting information about the general outline of FDI in Poland may be provided by a brief analysis of the inward FDI stock. At the end of 2009 FDI stock in Poland was USD 174,969 million, or putting it in European currency - it was EUR 128,834 million. The sum consisted of:

- EUR 97.853 billion (75.9%) – share capital and reinvested earnings,
- EUR 38.305 billion (24.1%) – intercompany loans.

The vast majority came from the OECD states (93.5%), whereas the share of EU states was 85.6%. (Foreign Direct Investment, 2010).

Figure 30 presents the structure of inward FDI stock by country that was formed at the end of 2009. The data show that the biggest percentage of FDI came from Netherlands and amounted to 19,21%. Germany came in on the second position with 16,58%, and France third with 11,61%. Three other countries with a descending percentage are: Luxembourg with 8,50%, the USA with 6,88%, and Italy with 4,47%.

**Figure 30: The structure of inward FDI stock to Poland by country of the capital origin as of the end of 2009**



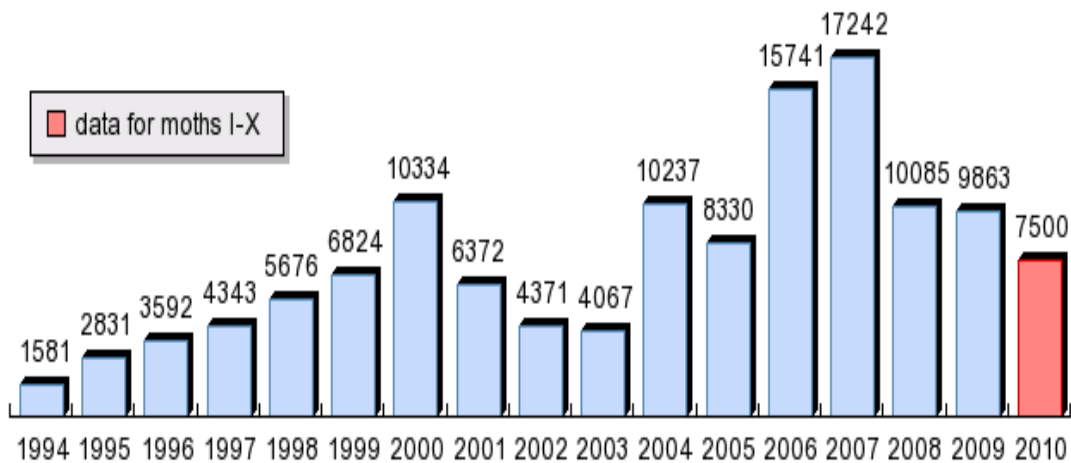
Sources: *Foreign Direct Investment* (In Polish) (2010) Warsaw. and *List of Major Foreign Investors*. (In Polish) (2010). Warsaw.

### 8.2.3 THE FDI INFLOW TO POLAND IN 2009

In 2009 FDI inflow to Poland was EUR 9.9 billion, i.e. 8% below the 2008 results. In January-October 2010 total FDI inflow was EUR 7.5 billion. The data are presented in

Figure 30 in EURO million and they can be easily compared to the data shown in figure 31 in which they were presented in USD at current process and current exchange rates in millions.

**Figure 31: FDI inflow to Poland in 1994-2010 (€ million)**



Source: *Foreign Direct Investment (2010) Warsaw.*

FDI includes the three following components:

- Equity capital – that is the foreign direct investor's purchase of shares of an enterprise in a country other than that of its residence.
- Reinvested earnings – which comprise the direct investor's share (in proportion to direct equity participation) of earnings not distributed as dividends by affiliates or earnings not remitted to the direct investor. Such retained profits by affiliates are reinvested.
- Intra-company loans or intra-company debt transactions – which refer to short- or long-term borrowing and lending of funds between direct investors (parent enterprises) and affiliate enterprises.

According to the data published by the National Bank of Poland (NBP), the value of foreign direct investment (FDI) to Poland in 2009 was EUR 9.863 billion. The amount comprised of (*Foreign Direct Investment, 2010*):

- EUR 4.099 bn - reinvested earnings,
- EUR 3.800 bn - investment in equity capital,
- EUR 1.964 bn - intercompany loans.

The most investments were located in the given sectors:

- food processing (EUR 1,711 mn),
- real estate and business services (EUR 1,644 mn),
- financial intermediation (EUR 1,617 mn),
- trade and repairs (EUR 948 mn),
- Electricity, gas and water supply (EUR 856 mn),
- Transport, equipment manufacturing (EUR 524 mn).

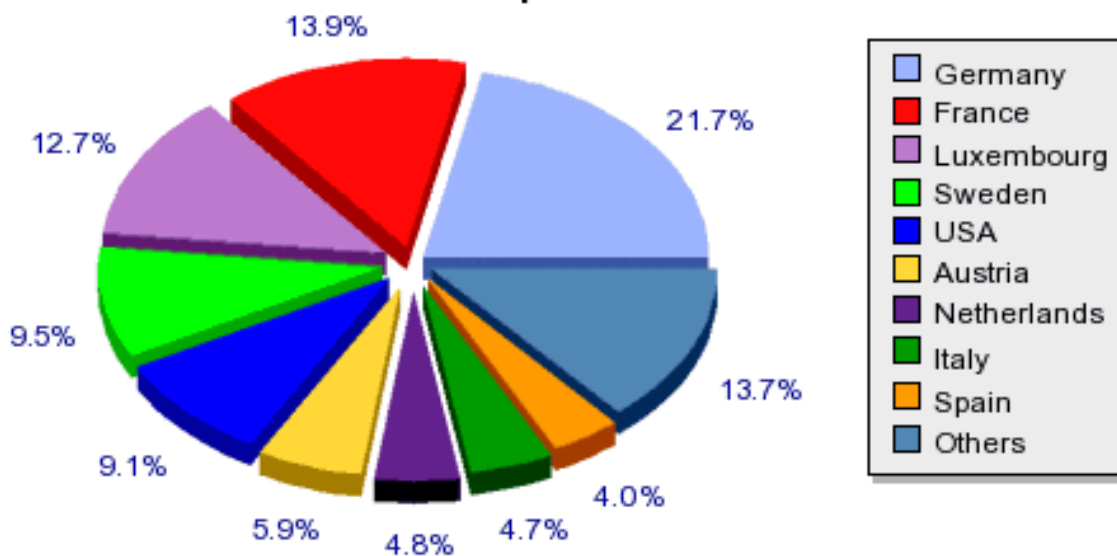


In 2009 EUR 9.863 billion (92%) came from the EU states. The main sources of FDI to Poland were Germany (EUR 2.137 bn), France (EUR 1.375 bn), Luxembourg (EUR 1.250 bn), Sweden (EUR 940 mn), the USA (EUR 895 mn), Austria (EUR 586 mn), the Netherlands (EUR 478 mn), Italy (EUR 459 mn) and Spain (EUR 393 mn). Figure 32 shows the data referring to the percentage structure of FDI inflow to Poland in 2009.

#### 8.2.4 MNC AS AN OUTCOME OF FDI: LEGAL FORMS, ORIGIN OF INVESTORS, EMPLOYMENT

The vast majority of new entities with foreign capital in Poland are greenfield (*List of Major Foreign Investors...*, 2010:4). It is worth mentioning that at the end of 2009 there were a total of 63,871 enterprises with foreign capital (*Polska w liczbach...*, 2009). Nearly 95% of these multinational companies (MNCs) were limited liabilities companies. The structure of this class of enterprises by their legal form is presented in figure 32.

**Figure 32: The structure of entities with foreign capital by their legal form at the end of 2009**



Source: *Economic Activity of Entities*, (2009). Warsaw.

At the end of 2009 MNCs in Poland employed nearly one and half million (1.460.700) people. Large enterprises that is those employing more than 249 workers, made 5, 1 % of all enterprises with foreign capital. Moreover, they were employers for 70,2% of all working people (*Economic Activity of Entities...*, 2009:20). This kind of companies makes a 60% input into the value of foreign capital on the whole.

Multi National Corporations investing in Poland were interested in various sectors of the economy. To draw a picture of the structure of entities with foreign capital by country and type of business activity it is useful to apply a business classification system which is commonly referred to as NACE. This abbreviation stands for the Statistical Classification of Economic Activities in the European Community (in French: Nomenclature statistique

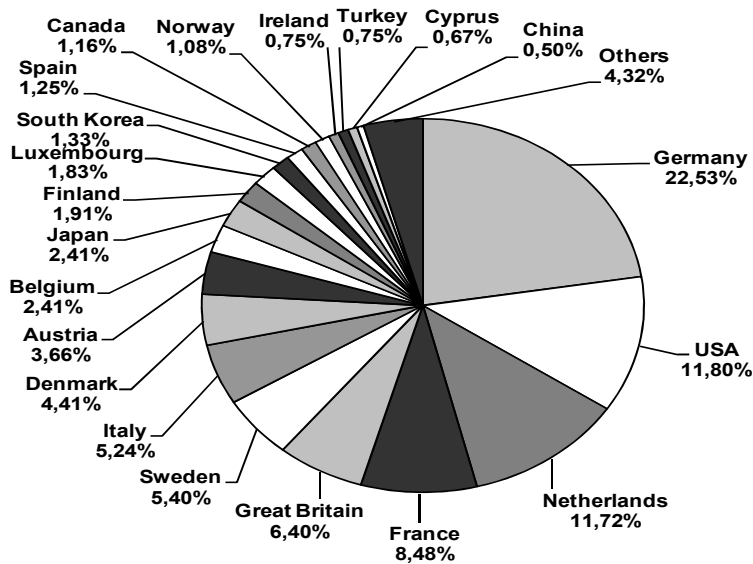
des activités économiques dans la Communauté européenne) and is a European industry standard classification system.

Then using this system it can be said that that in 2009 (*List of Major Foreign Investors...*, 2010:19):

- More than half of MNCs' capital (53,1%) invested in manufacturing generally came from four countries: the Netherlands, France, Germany and Switzerland. Among them the biggest share belonged to the Netherlands (20,7%) and Germany (15,85).
- In trade and vehicle repairs 71,8% of MNCs' capital originated from three countries: Netherlands, Germany, and France. The Dutch capital alone amounted to 39,2% of all capital invested in this type of business activity.
- The French capital of MNCs dominated in telecommunication technologies. Its share came to 62,2% of all capital located in here. The French capital together with Dutch and German sources made up 80,7% of all investment in telecommunication technologies.
- In construction the leader was capital coming from Spain. Its share was 28,0% of all foreign investment.
- In business activity connected with real estate 47,3% of investment share made the German (23,9%) and Luxembourgian (23,4%) capital.
- The capital invested by MNCs in transportation and communication in its 36% originated from the Netherlands.
- The professional activities, associated with scientific and technical ventures, in their biggest part (29,2%) were supported by the German capital.
- The business activities comprising hotels and restaurants were dominated by the French MNCs' capital whose share was 35,4%.

More detailed data are presented in Figure 33. It is worth explaining that this figure presents the number of individual MNCs exhibited as a percentage of total number of FDI investors broken into particular countries. This may be juxtaposed and compared to the data in Figure 33 which depicted the foreign investors by country and value of invested capital.

**Figure 33: The structure of inward FDI to Poland by country of the biggest number**



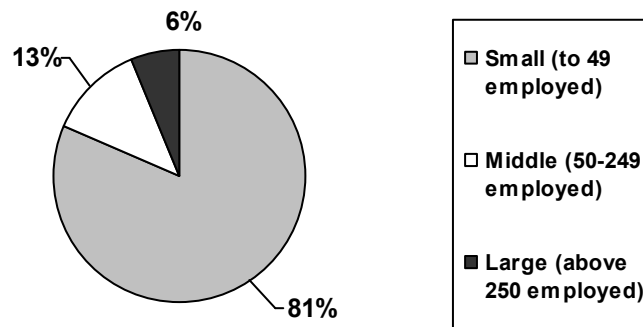
Source: *Foreign Direct Investment (In Polish) (2010)*. Warsaw. ..., 2010:14-15; *List of Major Foreign Investors*. 2010) Warsaw.

### 8.2.5 EMPLOYMENT

This section describes the structure of enterprises with foreign capital by their size and number of employed workers. We note that it is the large companies that have the biggest percentage share in employment. The employment here amounts to 72% of all people working in the Polish subsidiaries of MNC. At the same time the large companies make only 6% of all enterprises with foreign capital in Poland. The mid-sized companies make 13% of these foreign subsidiaries and employ 21% of workers. And the small companies, although they make 81% of all MNCs' subsidiaries in Poland, they employ only 7% of people working for all the enterprises with foreign capital. The data are depicted in Figure 34.

**Figure 34: The structure of companies with foreign capital by their size and employment at the end of 2009**

The structure of MNCs in Poland by their size  
(measurement: number of employees)



Source: calculated from (*Economic Activity of Entities...*, 2009:20; *List of Major Foreign Investors...*, 2010:4; *Poland in numbers*. (In Polish) (2009).Warsaw.

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

A total of 87 foreign owned, legally independent subsidiaries participated in the questionnaire survey.

#### 8.3.1 COMPANY SIZE AND LEGAL FORM

According to the data shown in Table 169, the subsidiaries participating in the survey, reached €6.9 billion annual revenue and employed more than 80,000 people in 2009.

**Table 169: Number of staff and revenue of the participating companies (n=87)**

Year	Number of employees	Revenue (million EUR)
2009	80277	6901

Source: Primary research by the authors.

Based on the following two subsections we can state that the majority of the companies are large enterprises based on the number of their employees or on their revenue. In this relation it is important to highlight that although a minority of the subsidiaries is SMEs based on their size (number of staff and revenue), all the Polish companies analyzed are parts of larger international companies and thus are regarded as large enterprises from an operational and management point of view.

##### 8.3.1.1 Total number of employees

The majority (58%) of the participants are large enterprises based on the number of their employees (above 250 persons).

**Table 170: Number of staff (n=87)**

Total number of employees of the company	2009	
	Frequency	Percentage distribution (%)
Below 250	34	42
251-1000	23	28
1001-2000	14	17
2001-5000	7	9
Over 5000	3	4

<b>Total</b>	<b>81</b>	<b>100</b>
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Source: Primary research by the authors.

### 8.3.1.2 Revenue

According to their revenues 52% of the companies examined are small and middle sized enterprises and 48% are large enterprises.

**Table 171: Revenue of the subsidiaries participating in the research (million €)**

Revenue of the subsidiary	2009	
	Frequency	Percentage distribution (%)
<b>Below 10 million €</b>	16	31
<b>10-50 million €</b>	11	21
<b>50-100 million €</b>	9	17
<b>100-300 million €</b>	10	19
<b>300-1000 million €</b>	6	12
<b>1000-2000 million €</b>	0	0
<b>Over 2000 million €</b>	0	0
<b>Total</b>	<b>52</b>	<b>100%</b>

Source: Primary research by the authors.

### 8.3.2 MANDATE OF THE ORGANIZATION

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

Some 39% of the subsidiaries participating in the survey have typical local subsidiary roles (purchase, production/operation and sales/delivery). 38% of the respondents have significant mandates. However, the remaining 22% are depositaries in Poland of only a few stages of the entire value chain.

**Table 172: Mandates of the companies participating in the survey\***

Roles and mandates of your subsidiary	Frequency	Percentage distribution (%)
Mandate 1	19	22%
Mandate 2	24	28%
Mandate 3	9	11%
Mandate 4	14	16%
Mandate 5	19	23%
<b>Total</b>	<b>85</b>	<b>100%</b>

Source: Primary research by the authors.

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

### 8.3.3 ORIGIN OF THE PARENT COMPANY

The participating companies entered Poland from 20 different countries. Almost three fourths of the companies surveyed came from the following seven countries: Germany (26%), USA (14%), France (11%), Switzerland (7%), Canada (5%), Great Britain (5%) and Ireland (5%). The remaining 27% represent another 13 countries.

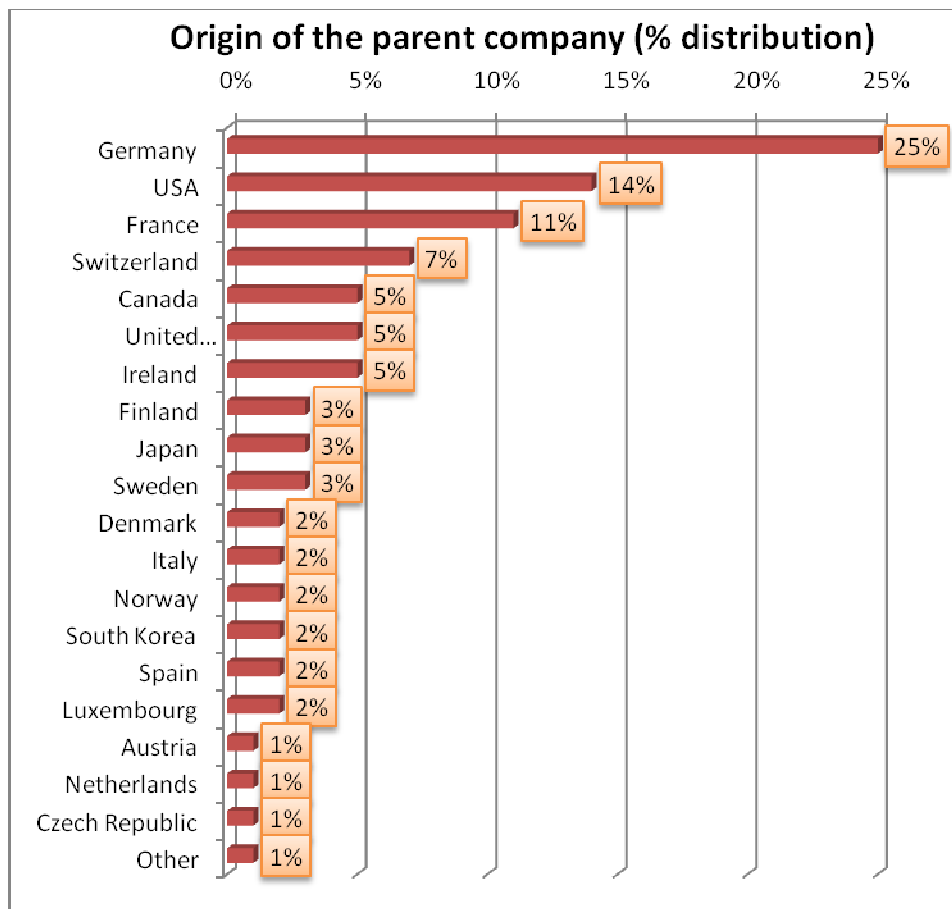
**Table 173: Origin of the parent companies of the participating companies (n=87)**

Origin of the parent company	Frequency	% distribution
Germany	22	26
USA	12	14
France	10	11
Switzerland	6	7%
Canada	4	5%
United Kingdom	4	5%
Ireland	4	5%
Finland	3	3%
Japan	3	3%
Sweden	3	3%
Denmark	2	2%

<b>Italy</b>	2	2%
<b>Norway</b>	2	2%
<b>South Korea</b>	2	2%
<b>Spain</b>	2	2%
<b>Luxembourg</b>	2	2%
<b>Austria</b>	1	1%
<b>Netherlands</b>	1	1%
<b>Czech Republic</b>	1	1%
<b>Other</b>	1	1%
<b>Total</b>	<b>87</b>	<b>100%</b>

Source: Primary research by the authors.

**Figure 35: Origin of the parent company (% distribution) of the participating companies**



Source: Primary research by the authors.

The composition described above substantially corresponds with the ranking of the statistics of the Polish Central Statistical Office which reports that most foreign direct investment was made by German, French, Luxembourgian, Swedish, US, Austrian and Dutch companies.

If we take a look at the management culture of the sample companies (Table 174), the highest proportions of companies in the sample analyzed belong to the so-called Germanic (37%) and the Anglo-Saxon (28%) management cultures. It can be found in Polish trends that, besides the groups of traditional MNCs (96%) (American, Western European and Japanese), companies from the so-called emerging and transitional countries (4%) have also appeared.

**Table 174: Management cultures of mother companies (n=87)**

Management cultures of mother companies	Frequency	% distribution
Germanic	32	37
Anglo-Saxon	24	28%
Latin and South-European	12	14%
Nordic	10	11%
Asian	5	6%
Others	3	3%
Eastern European	1	1%
Arabic	0	0%
<b>Total</b>	<b>87</b>	<b>100%</b>

Source: Primary research by the authors.

**Table 175: Participating companies by tradition (n=87)**

Management cultures of mother companies	Frequency	% distribution
Traditional MNCs (American, Western-European, Japanese etc.)	83	96%
Emerging and transitional	4	4%
<b>Total</b>	<b>87</b>	<b>100%</b>

Source: Primary research by the authors.

#### 8.3.4 YEAR AND FORM OF ESTABLISHMENT OF THE SUBSIDIARIES



Some 29% of the foreign owners of the companies analyzed acquired majority control or carried out the greenfield investments before 1995. One quarter of the companies settled in Poland between 1996 and 2000 and the remaining firms (46%) after 2000.

About 58% of the foreign owners of the companies participating in the survey came to Poland in the form of Greenfield investments and almost 42% of them obtained majority control in Polish companies during the privatization and the following acquisitions.

**Table 176: Year and mode of entry of the participants (n=83)**

Year of establishment of the subsidiary	Merger, acquisition	Greenfield investment	Total	% distribution
Before 1990	0	0	0	0%
1990-1995	8	16	24	29%
1996-2000	11	10	21	25%
2001-2005	13	14	27	33%
After 2005	3	8	11	13%
<b>Total</b>	<b>35</b>	<b>48</b>	<b>83</b>	<b>100%</b>
<b>% distribution</b>	<b>42%</b>	<b>58%</b>	<b>100%</b>	

Source: Primary research by the authors.

### 8.3.5 FIELD OF OPERATION: SECTOR-INDUSTRY

The majority (52%) of the organizations examined are engaged in manufacturing while the others (48%) operate in trade, tangible and intangible services:

- ❑ One quarter of the respondents operate in the service sectors, one fifth in the technical and electronic industries, and one fifth in the heavy industry.
- ❑ A substantial number of the participants come from the commerce and light industry.

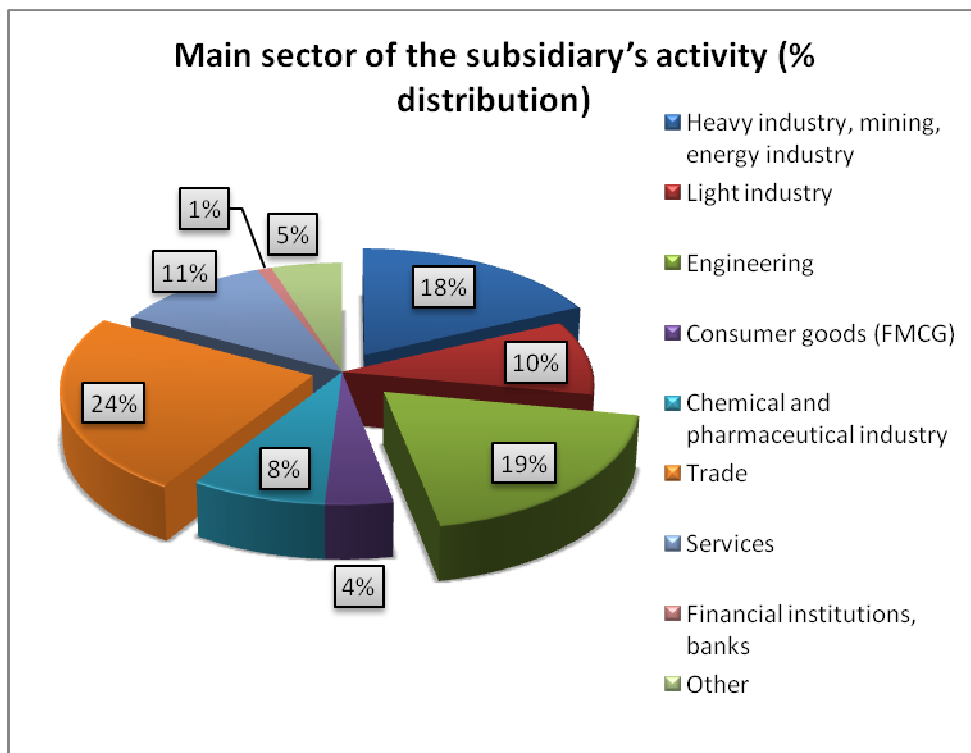
**Table 177: Sectoral distribution of the participants**

Main sector of the subsidiary's activity	Frequency	% distribution
Heavy industry, mining, energy industry	15	18%
Light industry	8	10%
Engineering	16	19%

Main sector of the subsidiary's activity	Frequency	% distribution
Consumer goods (FMCG)	3	4%
Chemical and pharmaceutical industry	1	1%
Trade	7	8%
Services	20	24%
Financial institutions, banks	9	11%
Other	4	5%
<b>Total</b>	<b>83</b>	<b>100%</b>

Source: Primary research by the authors.

**Figure 36: Sectoral distribution of the participants**



Source: Primary research by the authors.

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

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

- growth, market expansion, portfolio expansion,

- ❑ stability, efficiency improvement, revenue retention, adapting to the market situation,
- ❑ redundancies, rationalization.

#### 8.4.1 MAIN STRATEGIC ISSUES-ORIENTATIONS

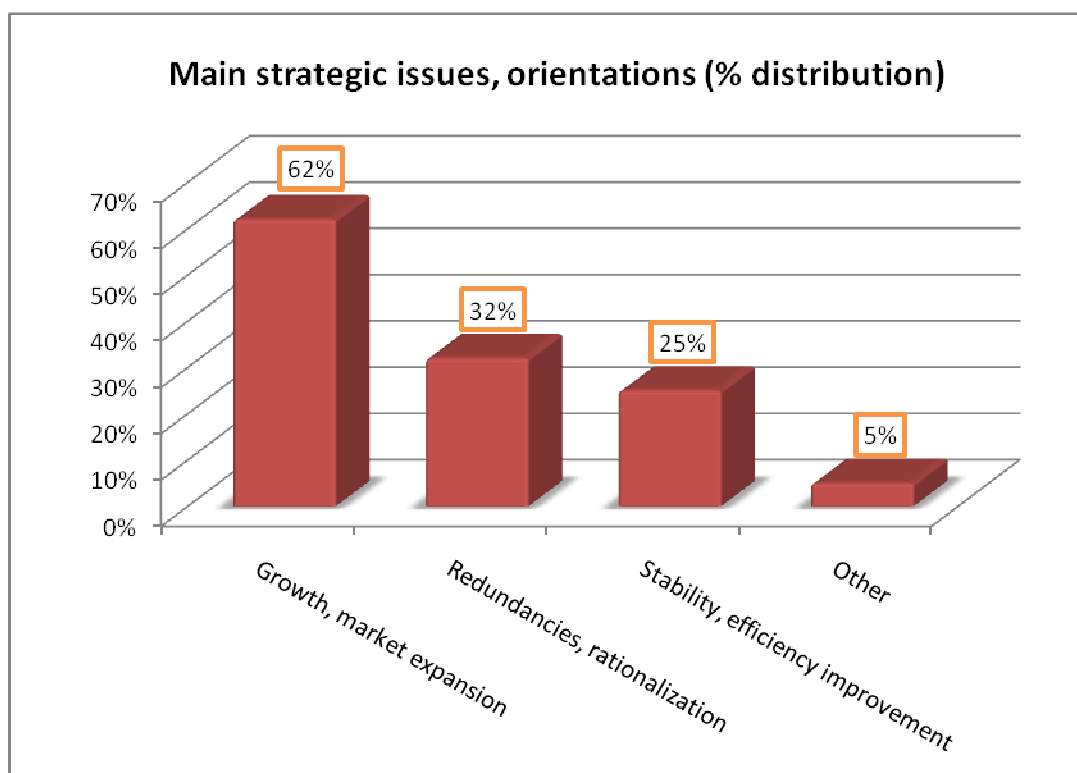
Almost two thirds (62%) of the respondents indicated that they were seeking growth and portfolio expansion during the period examined. Twenty five percent of the companies surveyed were characterized by stability and efficiency improvement. The fact that a much lower proportion (32%) of the respondents chose the redundancies and rationalization option indicates the degree of recovery from the crisis. Other solutions were chosen by 5% of the respondents (see Table 178).

**Table 178: Main strategic issues and orientations**

Main strategic issues, orientations	Frequency of “yes” answers	Multiple answers possible, response
Growth, market expansion, portfolio expansion	54	62
Stability, efficiency improvement, revenue retention, adapting to the market situation	22	25
Redundancies, rationalization	28	32
Other	4	5

Source: Primary research by the authors.

**Figure 37: Main strategic issues and orientations (%)**



Source: Primary research by the authors.

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

When asked to describe the most important competitive factors during the survey period (more than one answer could be marked in this question) the majority (67%) chose the Workforce. Optimal plant/organization size and the Production technology were chosen by 52% and 53% respectively. In contrast to the results of the Hungarian experiences, the respondents put only a small emphasis to have Financial resources (35%).

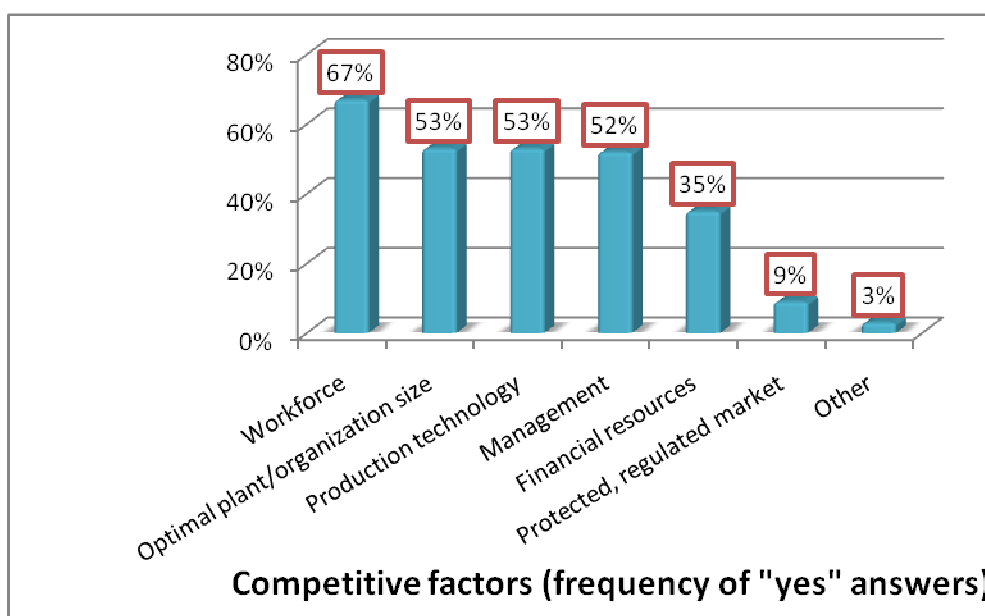
**Table 179: The importance of competitive factors**

Competitive factors	Frequency of "yes" answers	Multiple answers possible, response
Workforce	58	67
Optimal plant/organization size	46	53
Production technology	46	53
Management	45	52
Financial resources	30	35

<b>Protected, regulated market</b>	8	9
<b>Other</b>	3	3

Source: Primary research by the authors.

**Figure 38: The importance of competitive factors**



Source: Primary research by the authors.

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

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

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

### 8.5.1 NUMBER OF HR STAFF

The average number of employees served by one HR professional in the companies surveyed was 89 in 2009. In this sample nearly 31% of the total number of HR staff carried out administrative tasks while 69% were HR professionals.

**Table 180: Number of employees and HR staff in the participating companies**

Year	Number of employees	HR staff			Employees per HR position
		HR admin staff	HR professional	Total number of	

				<b>HR staff</b>	
<b>2009</b>	80277	618	286	904	89

Source: Primary research by the authors.

The HR departments of the companies examined are relatively large, as the number of HR staff was higher than 5 persons in the case of more than 59% of the respondents. Only 5% of the organizations participated in the survey did not have a HR department, moreover these firms did not employ a single HR professional.

**Table 181: Number of HR staff**

Total number of HR staff	2009	
	Frequency	% distribution
<b>None</b>	5	6%
<b>1-4 persons</b>	27	35%
<b>5-10 persons</b>	26	35%
<b>11-15 persons</b>	5	6%
<b>15-20 persons</b>	4	5%
<b>Over 20 persons</b>	10	13%
<b>Total</b>	<b>77</b>	<b>100%</b>
<b>Average</b>	<b>10,4</b>	

Source: Primary research by the authors.

## 8.6 THE MAIN INDICATORS REPRESENTING THE IMPORTANCE AND RESULTS OF THE HR ACTIVITY

### 8.6.1 RELATIVE SIZE OF THE TRAINING BUDGET

Some researchers consider the relative size of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity. In around 73% of the companies examined, the relative size of the training budget was under 3%. Only about one quarter of the companies examined spent 3-7% of the annual labor budget on training employees.

**Table 182: Annual training budget in % of the entire annual labor cost**

Annual training budget in % of the entire annual labor cost	2009	
	Frequency	% distribution
Under 1 %	9	15
1-2 %	14	23
2-3 %	22	35
3-5 %	9	15
5-7 %	1	2
7-10 %	6	10
10 - 20 %	0	0
Over 20 %	1	2
<b>Total</b>	<b>62</b>	<b>100%</b>

Source: Primary research by the authors.

### 8.6.2 TIME LOST DUE TO ABSENCE/SICKNESS

The average number of days lost annually due to absence was higher than 10 in approximately 75% of the respondent companies. Almost 30% of the respondents reported an average of more than 40 days of absence.

**Table 183: The average days absent per employee per annum**

Absence / sick leave	2009	
	Frequency	% distribution
Less than 1 day	0	0%
1-3 days	4	1
3-5 days	2	7%
5-10 days	1	4%
10-20 days	6	21%

<b>20-30 days</b>	7	25%
<b>30-40 days</b>	0	0%
<b>More than 40 days</b>	8	29%
<b>Total</b>	<b>28</b>	<b>100%</b>
<b>Mean value</b>	<b>28,7 days</b>	

Source: Primary research by the authors.

## 8.7 EXPATRIATES

### 8.7.1 FOREIGN EXPATRIATES

Usually two types of long-term emissaries are distinguished. The ones arriving from abroad (from the parent company or from a third country) who are also called expatriates and the ones from the Polish subsidiary appointed for a long-term deputation abroad (at the parent company or subsidiaries operating in other countries).

- ❑ Three quarters (71%) of the subsidiaries participating in the survey didn't employ foreign expatriates in non-managerial positions. In those few companies that employed foreign expatriates in non-managerial positions permanently, the number of these expatriates was typically only one to three. Seven respondents employed more than ten such expats.
- ❑ The presence of expatriates employed in managerial positions is more significant, around 53% of the respondents employed foreign expatriates in such positions in the period examined. Where they were present in non-managerial positions, their number was typically between one and three positions, but one respondent employed more than 20 of them.

(Note: It is important to indicate that companies send an increasing number of employees abroad for a short time, for different projects. Our survey did not cover this issue.)

**Table 184: Number of foreign expatriates (expat)**

Number of expatriates	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
<b>None</b>	46	53%	60	70%
<b>1 person</b>	10	12%	4	5%
<b>2-3 persons</b>	14	16%	8	10%
<b>4-5 persons</b>	4	5%	2	2%
<b>6-10 persons</b>	4	5%	3	4%
<b>11-15 persons</b>	5	6%	3	4%



<b>16-20 persons</b>	2	2%	1	1%
<b>Over 20 persons</b>	1	1%	3	4%
<b>Total</b>	<b>86</b>	<b>100%</b>	<b>84</b>	<b>100%</b>

Source: Primary research by the authors.

### 8.7.2 POLISH EXPATRIATES

Below we outline how typically and to what positions Polish expatriates were sent to the foreign companies of their respective MNCs.

**Table 185: Number and positions of Polish expatriates**

Number and positions of Polish expatriates	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
<b>None</b>	66	76	57	67%
<b>1 person</b>	7	8%	7	8%
<b>2-3 persons</b>	6	7%	8	9%
<b>4-5 persons</b>	3	3%	3	3%
<b>6-10 persons</b>	4	5%	8	9%
<b>11-15 persons</b>	1	1%	0	0%
<b>16-20 persons</b>	0	0%	2	2%
<b>Over 20 persons</b>	0	0%	2	2%
<b>Total</b>	<b>87</b>	<b>100%</b>	<b>87</b>	<b>100%</b>

Source: Primary research by the authors.

- ❑ Although more respondents reported sending rather than receiving employees abroad to non-managerial positions, there was no such foreign deputation in more than 66% of the respondents. Companies that sent employees abroad, sent usually one to three individuals with a maximum of 10 persons.
- ❑ The proportion of companies not sending employees to managerial positions was smaller than the proportion of those not sending employees to non-managerial positions (76%). Companies that sent out employees who obtained foreign managerial positions never sent more than 15 persons.

## 8.8 THE OPERATION OF THE HR DEPARTMENT

### 8.8.1 THE RELATIONSHIP BETWEEN HEADQUARTERS AND LOCAL HR

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

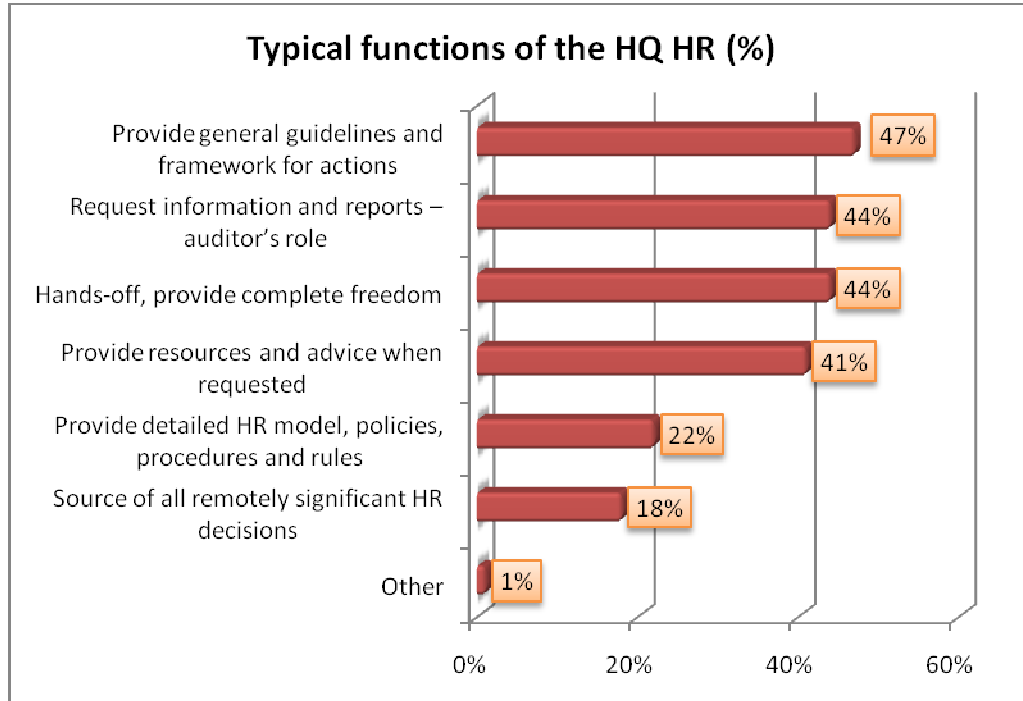
- ❑ The typical solution that was implemented by almost half (47%) of the respondents was that the HR department of the company’s headquarters, besides carrying out the auditing function, lays down general guidelines, provides a standard framework for the work of HR departments of the subsidiaries and requires information and reporting from them.
- ❑ On the other hand, about 44% of the HR departments responding reported that subsidiaries enjoyed a hands-off, almost complete freedom from the headquarters, and sub sequentially a decentralized HR activity.
- ❑ In addition, in the case of 20% of the companies the headquarters was also responsible for developing the detailed HR model and not only personnel guidelines but also the rules, procedures, and HR processes were developed centrally. The operations of these global HR systems were usually supported by modern IT solutions.
- ❑ Almost 18% of the respondents marked the practically absolute centralization.

**Table 186: Typical functions of the HQ HR**

Functions	Frequency of “yes” answers	Multiple answers possible, response
Hands-off, provide complete freedom	38	4
Provide resources and advice when requested	36	41
Provide general guidelines and framework for actions	41	47
Request information and reports – auditor’s role	38	44
Provide detailed HR model, policies, procedures and rules	19	22
Source of all remotely significant HR decisions	16	18
Other	1	1

Source: Primary research by the authors.

**Figure 39: Typical functions of the HQ HR**



Source: Primary research by the authors.

### 8.8.2 CHANGES IN THE IMPORTANCE OF HR FUNCTIONS

Recruitment and selection and employee communication were the first two areas listed in the ranking of HR areas considered most critical in the period examined, being a little ahead of the traditional problem areas of training and development and compensation and benefits. The responding subsidiaries deemed performance evaluation, and talent management as nearly as critical.

The respondents regarded industrial-labor relations as the least critical area of their work. However, this opinion is hardly surprising, considering the high unemployment rate during the economic crisis.

**Table 187: Critical areas of HR (on a 1⇒5 scale, on average)**

The ranking of the areas of HRM critical in 2009	The average of the answers
1. Recruitment and selection	2,61
2. Employee communication	2,66
3. Training and development	2,82
4. Compensation and benefits	2,84
5. Talent management	2,93

6. Performance evaluation	2,93
7. Human resource planning	3,09
8. Industrial-labor relations	3,51

Source: Primary research by the authors.

### 8.8.3 TYPICAL HR COMPETENCIES FOR SUCCESS

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

- Teamwork (59%)
- Personal credibility (effectiveness, efficient connections, communication skills) (56%)
- change management (54%),

Quick decision making and knowledge sharing were followed, in respect of importance, by strategic contribution. The use of HR information system was positioned only behind these. In the opinion of the respondents' business knowledge, the ability to provide services in traditional HR areas (from recruitment to evaluation) and the knowledge of foreign languages were ranked last among very important HR competencies in their companies in the period examined.

**Table 188: Ranking of the key competencies of HR managers**

Ranking of key competencies	Very important	
	Frequency	Multiple answers possible, response
<b>1. Teamwork</b>	50	59
<b>2. Personal credibility (effectiveness, efficient connections, communication skills)</b>	27	56
<b>3. Change management</b>	46	54
<b>4. Quick decision making</b>	43	51
<b>5. Knowledge sharing</b>	38	46

<b>6. Strategic contribution (culture management, quick changes, strategic decision making)</b>	21	45
<b>7. Use of HRMIS (IT)</b>	20	42
<b>8. Business knowledge (value chain, value creation)</b>	35	41
<b>9. HR services (recruitment-selection, training, performance evaluation, HR measurement, etc.)</b>	19	40
<b>10. Knowledge of foreign languages</b>	27	32

Source: Primary research by the authors.

#### 8.8.4 PRIMARY RESPONSIBILITY OF DECISION MAKING IN THE MAIN FUNCTIONS OF HR

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

**Table 189: Responsibility of decision making in key functions of HR**

<b>Key functions of HR</b>	<b>Local line management (mgt.)</b>	<b>Primarily local line mgt. but in consultation with the HR department</b>	<b>Primarily local HR department but in consultation with local line mgt.</b>	<b>Local HR department</b>
<b>Human Resource Planning</b>	18	12	10	3
<b>Recruitment</b>	33	30	15	3
<b>Selection</b>	7	9	9	4
<b>Performance Evaluation</b>	7	9	10	3
<b>Training and Development</b>	18	38	18	8

<b>Compensation and Benefits</b>	18	32	18	15
<b>Industrial-Labor Relations</b>	12	16	12	22
<b>Employee Communication</b>	8	11	3	8
<b>HRMS/IT</b>	7	9	2	7

Source: Primary research by the authors.

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

As the data in Table 189 represents, the majority of the respondents regard most of the interventions in the key functions of HR as the result of a joint decision in which the final decision is made by the local line management, based on consultation with the HR department. Less often do we find the responsibility attached to HR decisions is shared in a way that the final decision maker is the representative of the local HR department. The local HR department has more latitude in cases of labor relations.

### 8.8.5 THE ROLE OF EXTERNAL HR SERVICE PROVIDERS

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

External service providers were most often used in training and development (Table 190). They were also often involved in recruitment and selection and in the area of compensation and benefits. Almost none of the companies used the help of external service providers in human resource planning and in performance evaluation. The practice of companies in this respect either did not change or where it did, companies reported a decrease in the use of external partners.

**Table 190: Role and use of external service providers in the different key functions of HR**

<b>Key functions of HR</b>	<b>Increased</b>	<b>Decreased</b>	<b>Same</b>	<b>External providers not used</b>
<b>Human Resource Planning</b>	9	5	13	53
<b>Recruitment</b>	17	12	18	35
<b>Selection</b>	19	7	26	32

<b>Performance Evaluation</b>	13	1	24	46
<b>Training and Development</b>	28	8	18	29
<b>Compensation and Benefits</b>	15	7	26	35
<b>Industrial-Labor Relations</b>	10	6	20	47
<b>Employee Communication</b>	12	2	24	45
<b>HRMS/IT</b>	7	1	6	38

Source: Primary research by the authors.

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

## 8.9 KNOWLEDGE MANAGEMENT IN HR

Knowledge management means the management and sharing of the collective knowledge (know-how, skills and intellectual skills) of an organization’s employees in an integrated way. In connection with the practice of the indicated topic in the field of HR we examined the following three areas:

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

### 8.9.1 PERSONAL COMPETENCY DEVELOPMENT IN HR

The respondents found mobility between subsidiaries to be the most important method for developing personal competency in the field of HR and they thought that cross-cultural trainings also play a very important role in the development of these competencies.

According to the answers, the role informal and formal and the trainings at corporate headquarters are less important methods of personal HR competency development in their companies.

**Table 191: The importance of the methods of personal competency development in HR**

(Explanation: 1= critical ⇒ 5 =not critical)

<b>Methods of gaining competencies</b>	<b>The average of the answers</b>
--	-----------------------------------

<b>Mobility between subsidiaries</b>	2,66
<b>Cross-cultural training</b>	2,84
<b>Mobility between parent and subsidiary</b>	2,93
<b>Training in HQ</b>	3,20
<b>Informal learning</b>	3,21
<b>Formal learning</b>	3,70
<b>Local training</b>	3,85

Source: Primary research by the authors.

### 8.9.2 ENABLERS OF HR KNOWLEDGE FLOWS BETWEEN THE PARENT COMPANY AND THE SUBSIDIARIES

In respect of the enablers of efficient knowledge flows, i.e. the transfer of knowledge about HR practices and techniques, between the parent company and the subsidiary, the respondents considered the ability to transfer knowledge and the motivation to transfer knowledge most important from the factors examined.

**Table 192: Enablers of HR knowledge transfer**

(Explanation: 1= critical ⇒ 5 =not critical)

<b>Knowledge flow enablers</b>	<b>The average of the answers</b>
<b>Motivation to transfer knowledge</b>	3,70
<b>Content/Kind of knowledge</b>	3,74
<b>Form of knowledge transfer</b>	3,78
<b>Ability to transfer knowledge</b>	3,91

Source: Primary research by the authors.

### 8.9.3 HR KNOWLEDGE TRANSFER BETWEEN THE PARENT COMPANY AND THE SUBSIDIARY

The respondents ranked the knowledge flows from the parent company and the knowledge flows within their own subsidiaries as the most important knowledge transfer methods.

**Table 193: HR knowledge flows (on a 1-5 scale, on average)**

(Explanation: 1= critical ⇒ 5 =not critical)



Knowledge flows in HR	The average of the answers
Knowledge flows from parent	2,91
Knowledge flows to parent	2,97
Knowledge flows between subsidiaries	3,53
Knowledge flows within your subsidiary	4,08

Source: Primary research by the authors.

## 8.10 THE FUTURE TASKS OF HR

### 8.10.1 THE KEY BUSINESS ISSUES, TRENDS FOR HR TO FACE

With regard to the key issues of the next 12 to 24 months, the interviewed HR managers considered improving efficiency the most important issue faced. Almost all (71%) respondents thought that this business expectation is the most important tasks HR professionals have to face. In many of the companies this is accompanied by company development or adaptation to globalization.

**Table 194: Key business challenges in the next 1-2 years**

Order of priority of the key business directions, challenges	Very important		Important	
	Frequency	% distribution	Frequency	% distribution
1. Efficiency improvement	62	71%	22	25%
2. Company development	50	58%	30	35%
3. Conform to globalization	32	37%	33	38%
4. Distribution development	29	33%	27	31%
5. Company reorganization	22	25%	19	22%
6. EU changes	13	15%	41	50%

<b>7. Eastern expansion</b>	8	9%	20	23%
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Source: Primary research by the authors.

### 8.10.2 INITIATIVES TO IMPROVE THE BUSINESS FOCUS OF HR PROFESSIONALS

The responding organizations have hitherto put emphasis on offering incentives based on measures and business performance, which is followed by the training on specific areas of HR and trainings on strategic business issues.

**Table 195: Improving business focus among HR staff**

<b>Actions improving business focus of HR staff</b>	<b>Implemented</b>	<b>Planned</b>
<b>Offer incentives based on measures and business performance</b>	10	2
<b>Offer trainings on specific areas of HR</b>	7	9
<b>Offer trainings on business issues</b>	7	7
<b>Hire people from outside HR (business people)</b>	5	6
<b>Prioritize business knowledge in the selection of HR staff</b>	3	6
<b>Offer rotation programmes (outside the HR department) for HR staff</b>	3	5

Source: Primary research by the authors.

### 8.11 CHARACTERISTICS OF THE RESPONDING INDIVIDUALS

Almost all the respondents to the survey have university, college or equivalent qualifications, some of them also have PhDs.

**Table 196: Level of qualification (n=87)**

<b>Level of qualification</b>	<b>Frequency</b>	<b>% distribution</b>
-------------------------------	------------------	-----------------------

<b>University PhD</b>	5	6%
<b>University (MSc)</b>	74	85%
<b>College (BSc)</b>	6	7%
<b>Other</b>	2	2%
<b>Total</b>	<b>87</b>	<b>100%</b>

Source: Primary research by the authors.

The majority of the interviewees obtained qualifications in engineering (41%), but we also found professionals with qualifications in natural sciences.

**Table 197: Field of professional qualification (n=87)**

<b>Field of professional qualification</b>	<b>Frequency</b>	<b>% distribution</b>
<b>Natural sciences</b>	7	8%
<b>Engineering</b>	36	41%
<b>Social sciences</b>	25	29%
<b>Other</b>	19	22%
<b>Total</b>	<b>87</b>	<b>100%</b>

Source: Primary research by the authors.

Nearly 25% of the respondents have worked in their current positions for less than five, and half of them less than three years. However, the majority (45%) have spent longer time, typically 3 to 10 years in their positions.

**Table 198: Time spent in current position**

<b>Time spent in current position</b>	<b>Frequency</b>	<b>% distribution</b>
<b>0-3 years</b>	43	49%
<b>3-5 years</b>	22	26%
<b>5-10 years</b>	16	19%
<b>10-15 years</b>	4	5%
<b>Over 15 years</b>	1	1%
<b>Total</b>	<b>86</b>	<b>100%</b>

Source: Primary research by the authors.

## 9 ROMANIA (KINGA KERÉKES, GEORGE PLEȘOIANU, FERENC FARKAS AND JÓZSEF POÓR)

### 9.1 INTRODUCTION



### 9.2 FDI AND EMPLOYMENT IN ROMANIA

#### 9.2.1 FDI

In the Romanian economy foreign investments had a stimulant role in the process of national development. The volume of the FDI increased year by year. Between 2005 and 2006 a more significant growth took place when the FDI increased by 73.8% (from 5213 billion Euros to 9059 billion Euros). The volume of the FDI in Romania was 49.984 billion Euros at the end of 2009. This result was 2.4% higher than the year before (2008) (BNR-National Bank of Romania, 2010:7).

Fully 50.8% of the whole FDI volume was realized by greenfield investments. (BNR, 2010:13)

By the end of 2009 the majority of FDI was connected to the processing industry (31.1%), financial intermediation and insurances (19%), constructions and real estate (12.9%), trade (12.3%) and info- and telecommunication (6.5%). (BNR, 2010:8)

**Table 199: The regional distribution of the FDI in Romania**

Region	Billion Euros	% distribution
Bucharest	31 699	63.4%
Middle	3 703	7.4%
South	3 576	7.2%
West	3 095	6.2%
South-East	2 938	5.9%
South-West	2 058	4.1%
North-West	1 940	3.9%
North-East	975	1.9%
<b>Total</b>	<b>49 984</b>	<b>100%</b>

Source: National Bank of Romania (BNR) (In Romanian) (2010), Bucharest.

Some 63.4% of the FDI was concentrated in the Bucharest-Ilfov Region and the smallest investment in the North-East Region. In the analysis of the FDI distribution we have to take into consideration that the investments are classified by the head offices of the companies which is sometimes not the same place where the companies actually operate.

The first five countries originating the FDI were the Netherlands (21.8%), Austria (18.1%), Germany (13.4%), France (8.5), and Greece (6.6%). (BNR, 2010:11)

The registration of the companies having foreign investments varied somewhat between 1991 and 2009. After the uncertainty of the early 1990s between 1992 and 1994 more than 10,000 companies having foreign investments were registered every year. After that period the pace of the registration slowed down and just after 2004 registrations expanded again. The majority of the companies having foreign investments were registered in 2007. By 2008 there was a slow down again while in 2009 the number of the registered companies with foreign investments fell to the half of the number of the previous periods. This was seen one of the effects of the global economic crisis.

**Table 200: The number and equity capital of enterprises with foreign interest between 1991-2009**

Year	Number of companies	Equity capital (thousand Euros)
1991	5 499	817 976
1992	11 765	443 106
1993	10 583	322 970
1994	11 053	681 484
1995	3 400	183 742
1996	3 630	443 356
1997	5 251	278 192
1998	8 801	583 940
1999	7 383	729 941
2000	8 567	648 611
2001	7 175	1190 959
2002	7 518	833 810
2003	6 609	996 235
2004	10 167	2 343 733
2005	11 719	2 434 525
2006	12 823	2 417 237
2007	15 720	2 389 392
2008	12 264	3 984 433
2009	6 801	3 512 611
<b>1991 - 2009</b>	<b>166 728</b>	<b>25 236 251</b>

Source: Romanian Registration Agency (ONRC). (In Romanian) (2010).Bucharest.

## 9.2.2 EMPLOYMENT AT FOREIGN SUBSIDIARIES

Some 8.5% of all people working in Romania worked for foreign-owned companies in 2009. The total number of registered employees was 4,879,480 in the end of that year. Some 426,487 persons of them worked for foreign-owned companies.

**Table 201: The proportion of the employees employed by foreigners**

Year	All employees	Number of people employed by foreigners	
		number	in percentage
1995	6 160 442	4 533	0.1%
1995	5 938 652	10 486	0.2%
1997	5 597 025	29 432	0.5%
1998	5 368 673	52 619	1.0%
1999	4 760 525	69 024	1.4%
2000	4 623 026	103 939	2.2%
2001	4 618 988	216 316	4.7%
2002	4 567 820	233 145	5.1%
2003	4 590 876	194 523	4.2%
2004	4 468 837	249 727	5.6%
2005	4 558 910	291 603	6.4%
2006	4 667 254	321 450	6.9%
2007	4 885 319	374 266	7.7%
2008	5 046 317	454 203	9.0%
2009	4 774 263	408 189	8.5%

Source: TEMPO\_FOM104B\_28\_2\_2011

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

A total of 16 foreign owned, legally independent subsidiaries participated in the questionnaire survey.

#### 9.3.1 COMPANY SIZE AND LEGAL FORM

According to the data shown in Table 202, the subsidiaries participating in the survey, despite the global financial and economic crisis, generated nearly constant revenue while they decreased the number of full-time employees.

**Table 202: Number of employees of the participating companies (n=16)**

Year	Number of employees
2009	20 570
2008	23 418

Source: Primary research by the authors.

The subsidiaries examined employ 5% of the people employed in Romania by foreign owned companies.

The majority of the companies are large enterprises based on the number of their employees or on their revenue. In this relation it is important to highlight that although a minority of the subsidiaries is SMEs based on their size (number of staff and revenue), all the Romanian companies analyzed are parts of larger international companies and thus are regarded as large enterprises from an operational and management point of view.

### 9.3.2 TOTAL NUMBER OF EMPLOYEES

Based on the number of their employees (above 250 persons) six companies from the participant list belong to the category of large enterprises.

The total number of the employees employed by the participating companies decreased by 12.2% due to the crisis.

**Table 203: Number of staff (n=16)**

Total number of employees of the company	2008		2009	
	Frequency	Percentage distribution (%)	Frequency	Percentage distribution (%)
<b>Below 250</b>	10	62.5%	10	62.5%
<b>251-1000</b>	4	25%	4	25%
<b>1001-2000</b>	0	0%	0	0%
<b>2001-5000</b>	0	0%	0	0%
<b>Over 5000</b>	2	12.5%	2	12.5%
<b>Total</b>	<b>16</b>	<b>100</b>	<b>16</b>	<b>100</b>

Source: Primary research by the authors.

### 9.3.3 LEGAL FORM

The 16 companies examined operate in the following legal forms in Romania:

- 11 companies (68.75%) are companies with limited liability (known in Romanian as SRL)
- 5 companies (31.25%) are public limited companies (known in Romanian as SA).

### 9.3.4 MANDATE OF THE ORGANIZATION

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

Based on the responses it can be stated that the mandates of more than half of the companies analyzed include development to the whole global market. Almost one quarter of the subsidiaries participating in the survey have typical local subsidiary roles (purchase, production/operation and sales/delivery). The remaining 25% function in Romania in only a few stages of the entire value chain.

**Table 204: Mandates of the companies participating in the survey**

Roles and mandates of your subsidiary	Frequency	Percentage distribution (%)
Mandate 1	4	25%
Mandate 2	3	18.75%
Mandate 3	1	6.25%
Mandate 4	5	31.25%
Mandate 5	3	18.75%
<b>Total</b>	<b>16</b>	<b>100,0</b>

Source: Primary research by the authors.

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

### 9.3.5 ORIGIN OF THE PARENT COMPANY

The subsidiaries participating in the survey came to Romania from seven different countries: Germany (7), Hungary (3), Great Britain (2), Italy (1), USA (1), Spain (1) and the Netherlands (1).

**Table 205: Origin of the parent companies of the participating companies**

Origin of the parent company	Frequency	% distribution
Germany	7	43.75%
Hungary	3	18.75%
Italy	1	6.25%
Netherland	1	6.25%
Spain	1	6.25%
USA	1	6.25%
Great Britain	2	12.5%
<b>Total</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

**Table 206: Management cultures of mother companies**

Management cultures of mother companies	Frequency	% distribution
Anglo-Saxon	3	18.75%
Arabic	0	0
Asian	0	0
Nordic	0	0



<b>Germanic</b>	8	50%
<b>Eastern-European</b>	3	18.75%
<b>Latino and South-European</b>	2	12.5%
<b>Others</b>	0	0
<b>Total</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

**Table 207: Participating companies by tradition**

<b>Management cultures of mother companies</b>	<b>Frequency</b>	<b>% distribution</b>
<b>Traditional MNCs (American, Western-European, Japanese etc.)</b>	13	81.25%
<b>Emerging and transitional</b>	3	18.75%
<b>Total</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

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

The foreign owners of more than half (56.25%) of the subsidiaries examined acquired majority control or carried out the greenfield investments between 2001 and 2005. One quarter of the companies settled in Romania before 2000 and the remaining firms (18.75%) arrived after 2005.

About 68.75% of the foreign owners of the companies participating in the survey came to Romania to set up greenfield investments and almost 31.25% of them obtained majority control in Romanian companies with acquisitions.

Eleven of the participating companies set up greenfield investments (two in 2008, one each year in 2007, in 2005 and in 2003, four in 2001 and another one each year in 1999 and 1998). Five of the foreign owners of the companies obtained majority control with acquisition, one annually in each of the following years: 2005, 2004, 2002, 1998, and 1991.

**Table 208: Year and mode of entry of the participants**

<b>Year of establishment of the subsidiary</b>	<b>Merger, acquisition</b>	<b>Greenfield investment</b>	<b>Other</b>	<b>Total</b>	<b>% distribution</b>
<b>Before 1990</b>	0	0	0	0	0
<b>1990-1995</b>	1	0	0	1	6.25%
<b>1996-2000</b>	1	2	0	3	18.75%

<b>2001-2005</b>	3	6	0	9	56.25%
<b>After 2005</b>	0	3	0	3	18.75%
<b>Total</b>	5	11	0	16	100%
<b>% distribution</b>	<b>31.25%</b>	<b>68.75%</b>	<b>0%</b>	<b>100%</b>	

Source: Primary research by the authors.

### 9.3.7 FIELD OF OPERATION: SECTOR-INDUSTRY

Six of the companies (37.5%) examined in the survey are engaged in trade, another six in tangible and intangible services and two in light industry. One company represents heavy industry and one is active in engineering.

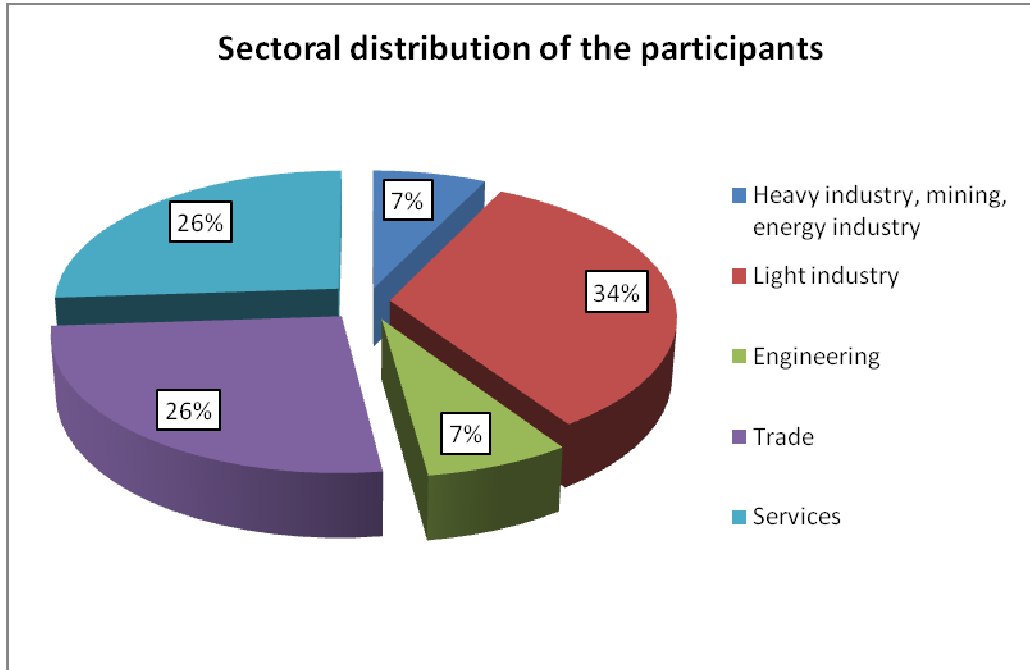
According to the figures of the Romanian National Bank, nearly 31.1% of the foreign investment in Romania concentrated on the processing industry, 19% in the financial intermediation and insurance sector, 12.9% on constructions and property sales, 12.3% on trade, and 6.5% on information and telecommunication. (BNR, 2010:8)

**Table 209: Sectoral distribution of the participants**

<b>Main sector of the subsidiary's activity</b>	<b>Frequency</b>	<b>% distribution</b>
<b>Trade</b>	6	37.5%
<b>Services</b>	6	37.5%
<b>Light industry</b>	2	12.5%
<b>Heavy industry, mining, energy industry</b>	1	6.25%
<b>Engineering</b>	1	6.25%
<b>Total</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

**Figure 40: Sectoral distribution of the participants**



Source: Primary research by the authors.

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

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

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

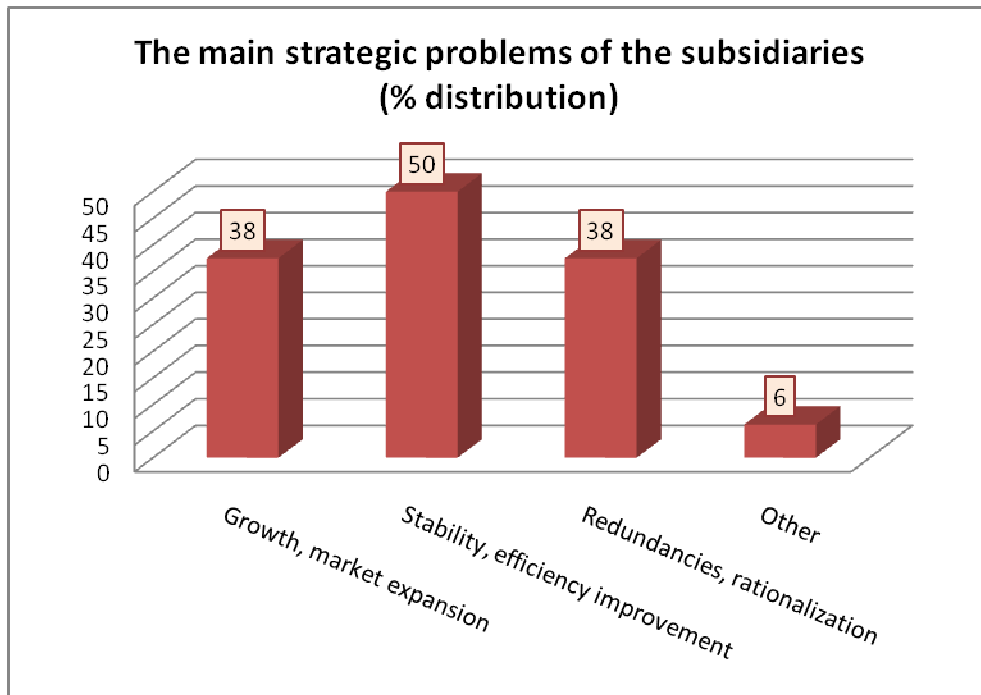
##### 9.4.1 MAIN STRATEGIC ISSUES-ORIENTATIONS

Table 210: Main strategic issues and orientations (%)

Main strategic issues, orientations	Frequency of “yes” answers	Multiple answers possible, response
Stability, efficiency improvement, revenue retention, adapting to the market situation	8	50
Growth, market expansion, portfolio expansion	6	37.5
Redundancies, rationalization	6	37.5
Other	1	6.25

Source: Primary research by the authors.

**Figure 41: The main strategic problems of the subsidiaries (%)**



Source: Primary research by the authors.

Half of the respondents indicated that they were seeking stability during the period examined. 37.5% of the companies surveyed were characterized by growth and portfolio expansion and another 37.5% of respondents answers were characterized by redundancies and rationalization strategies. Other solutions account for 6.25% of the answers.

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

Management was chosen most frequently (50%) by the respondents from the most important competitive factors of companies (more than one answer could be marked in this question). Optimal plant/organization size was chosen by the 43.75% of the subsidiaries. 37.5% of the respondents emphasized having ample financial resources and production technology. The respondents also deemed workforce (31.25%), to be very important competitive factor.

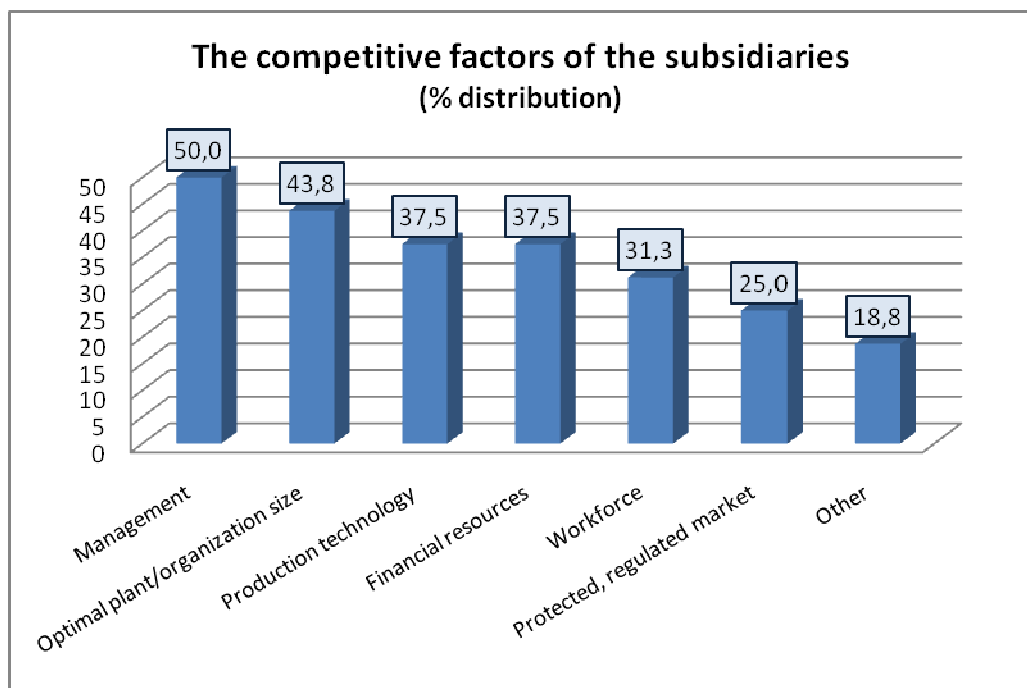
**Table 211: The importance of competitive factors**

Competitive factors	Frequency of "yes" answers	Multiple answers possible, response
Management	8	50
Optimal plant/organization size	7	43.75

<b>Financial resources</b>	6	37.5
<b>Production technology</b>	6	37.5
<b>Workforce</b>	5	31.25
<b>Protected, regulated market</b>	4	25
<b>Other</b>	3	18.75

Source: Primary research by the authors.

**Figure 42: The competitive factors of the subsidiaries**



Source: Primary research by the authors.

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

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

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

### 9.5.1 NUMBER OF HR STAFF

The average number of employees served by one HR professional increased from 57 in 2008 to 61 in 2009. In these companies nearly 42% of the total number of HR staff carried out administrative tasks while 58% were HR professionals.

**Table 212: Number of employees and HR staff in the participating companies (n=16)**

Year	Number of employees	HR staff			Employees per HR position
		HR professional	HR admin staff	Total number of HR staff	
2009	20 570	194	144	338	61 people/HR employee
2008	23 418	238	173	411	57 people/HR employee

Source: Primary research by the authors.

The size of the HR departments in the companies examined in the survey are different: five firms (31.25%) have more than 30 members, six (37.5%) have one to four members while in the case of four firms (25%) the subsidiaries did not have a HR department.

**Table 213: Number of HR staff**

Total number of HR staff)	2008		2009	
	Frequency	% distribution	Frequency	% distribution
None	5	31.25%	4	25%
1-4 persons	4	25%	6	37.5%
5-10 persons	2	12.5%	1	6.25%
11-15 persons	0	0%	0	0%
15-20 persons	0	0%	0	0%
Over 20 persons	5	31.25%	5	31.25%
<b>Total</b>	<b>16</b>	<b>100%</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

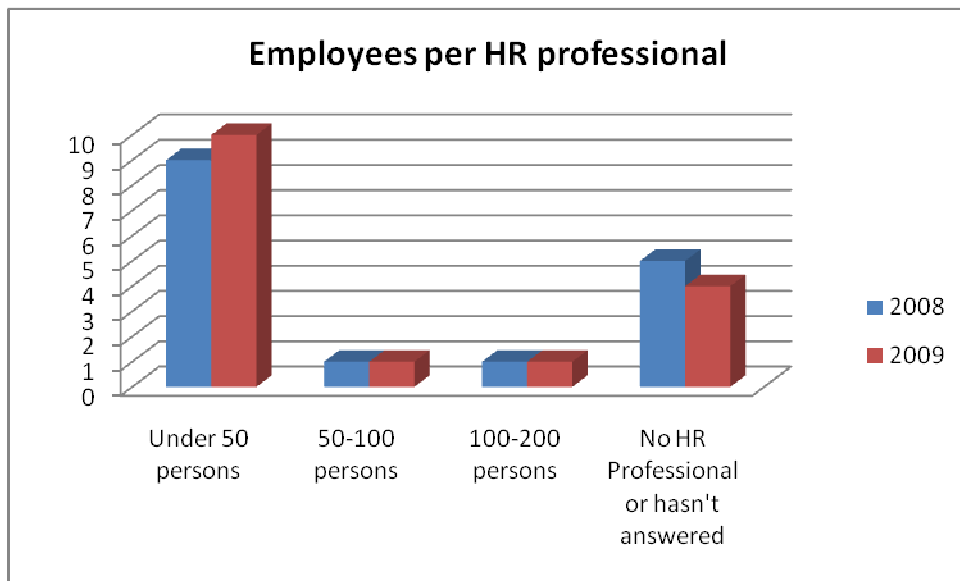
In 62.5% of the subsidiaries there were less than 50 persons on average for every HR professional.

**Table 214: Employees per HR professional**

Number of employees per HR professional	2008		2009	
	Frequency	% distribution	Frequency	% distribution
Under 50 persons	9	56.25%	10	62.5%
50-100 persons	1	6.25%	1	6.25%
100-200 persons	1	6.25%	1	6.25%
No HR professional or hasn't answered	5	31.25%	4	25%
<b>Total</b>	<b>16</b>	<b>100%</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

**Figure 43: Employees per HR professional**



Source: Primary research by the authors.

**Table 215: Correlation indexes in the sample regarding the company size**

	Number of staff	Revenue of the company	Size of the HR department	Number of HR admin.	Number of HR professionals
Number of staff	1	0.948	0.605	0.467	0.621
Revenue of the company	0.948	1	0.507	0.404	0.512
Size of HR department	0.605	0.507	1	0.883	0.957
Number of HR	0.467	0.404	0.883	1	0.709

admin.					
Number of HR professionals	0.621	0.512	0.957	0.709	1

Source: Primary research by the authors.

### 9.5.2 LABOR COST – OPERATING COST RATIO

The labor cost – operating cost ratio is one of the frequently analyzed indicators of the importance of the HR function in the company’s life. According to some researchers, the effects of HRM have a stronger and more direct influence on the company’s performance if this ratio is higher. About one half of the subsidiaries participating in the survey fell into this category (where the labor cost ratio is higher than 40%) in 2008 (Table 216). This proportion fell to 25% in 2009 when nearly the half of the respondents operated with a relatively low (under 30%) labor cost ratio.

**Table 216: Labor cost in % of the operating cost**

Labor cost in % of the operating cost	2008		2009	
	Frequency	% distribution	Frequency	% distribution
<b>Under 5 %</b>	1	6.25%	1	6.25%
<b>5-10 %</b>	2	12.5%	2	12.5%
<b>10-20 %</b>	2	12.5%	2	12.5%
<b>20-30 %</b>	0	0%	2	12.5%
<b>30-40 %</b>	2	12.5%	4	25%
<b>40-50 %</b>	4	25%	0	0%
<b>Over 50 %</b>	4	25%	4	25%
<b>No answer</b>	1	6.25%	1	6.25%
<b>Total</b>	<b>16</b>	<b>100%</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

### 9.5.3 AGE DISTRIBUTION OF THE EMPLOYEES

One of the results of human resource management actions is the age distribution of the labor force. The results of our survey in this respect confirm the common view that there is no room for employees over 45 years of age in multinational companies as less than 10% of the employees of the subsidiaries participating in the survey fell within this age group. The proportion of employees under 25 years of age was around 18% and the



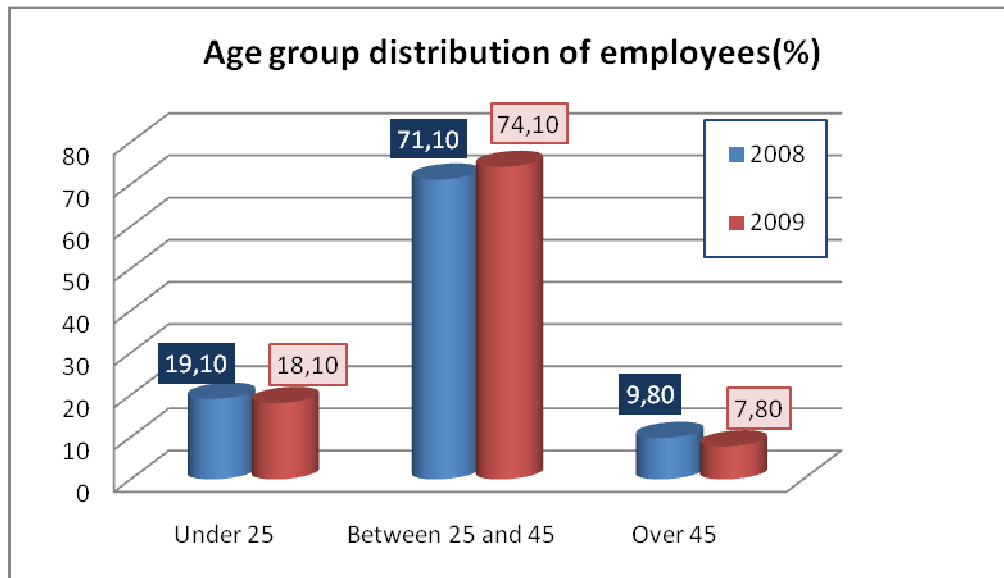
bulk of responses (more than 70%) consisted of employees between 25 and 45 years of age. As we can see the reduction of the staff disproportionately impacted the senior age group between 2008 and 2009.

**Table 217: Age group distribution of employees (%)**

Age groups	Under 25	Between 25 and 45	Over 45	Total
<b>2008</b>	19.1	71.1	9.8%	100%
<b>2009</b>	18.1%	74.1%	7.8%	100%

Source: Primary research by the authors.

**Figure 44: Age group distribution of employees (%)**



Source: Primary research by the authors.

#### 9.5.4 TRAINING BUDGET

Literature considers the relative size of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity. In the majority of the companies examined, the relative size of the training budget was under 2% and only 12.5% of the companies examined spent more than 10% of the annual labor budget on training employees. Low or decreasing values are partly due to the economic crisis.

**Table 218: Annual training budget in % of the entire annual labor cost**

Annual training budget in % of	2008	2009

the entire annual labor cost	2008		2009	
	Frequency	% distribution	Frequency	% distribution
Under 1 %	5	31.25%	5	31.25%
1-2 %	4	25%	8	50%
2-3 %	2	12.5%	0	0%
3-5 %	0	0%	0	0%
5-7 %	1	6.25%	1	6.25%
7-10 %	0	0%	0	0%
10 - 20 %	1	6.25%	1	6.25%
Over 20 %	1	6.25%	1	6.25%
No answer	2	12.5%	0	0%
<b>Total</b>	<b>16</b>	<b>100%</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

### 9.5.5 EMPLOYEE TURNOVER

The level of staffing fluctuation was under 10% in more than half (56.25%) of the subsidiaries participating in the survey with three companies having barely measurable low values. We found companies which reported about values in the categories of 20%, 30% or even 40%.

**Table 219: Fluctuation rate (%)**

The level of fluctuation	2008		2009	
	Frequency	% distribution	Frequency	% distribution
Under 1 %	4	25%	3	18.75%
1-3 %	1	6.25%	0	0%
3-5 %	2	12.5%	3	18.75%
5-10 %	3	18.75%	3	18.75%
10-20 %	2	12.5%	5	31.25%
20-30 %	0	12.5%	1	6.25%
30-40 %	0	6.25%	1	6.25%

<b>Over 40 %</b>	2	6.25%	0	0%
<b>No answer</b>	2	12.5%	0	0%
<b>Total</b>	<b>16</b>	<b>100%</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

### 9.5.6 TIME LOST DUE TO ABSENCE/SICKNESS

The average number of days lost annually due to absence was under 10 days in about 31.25% of the respondent companies. The most often chosen category (by about 31.25% of the subsidiaries) was the 10 to 20 day period. At the same time, we had several respondents who reported an average of more than 40 days of absence.

**Table 220: Average days absent per employee per annum**

<b>Absence / sick leave</b>	<b>2008</b>		<b>2009</b>	
	Frequency	% distribution	Frequency	% distribution
<b>Less than 1 day</b>	0	0%	0	0%
<b>1-3 days</b>	0	0%	0	0%
<b>3-5 days</b>	2	12.5%	2	12.5%
<b>5-10 days</b>	4	25%	3	18.75%
<b>10-20 days</b>	5	31.25%	5	31.25%
<b>20-30 days</b>	1	6.25%	1	6.25%
<b>30-40 days</b>	1	6.25%	2	12.5%
<b>More than 40 days</b>	1	6.25%	1	6.25%
<b>No answer</b>	2	12.5%	2	12.5%
<b>Total</b>	<b>16</b>	<b>100%</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

## 9.6 EXPATRIATES

### 9.6.1 FOREIGN EXPATRIATES

Usually two types of long-term emissaries are distinguished. The ones arriving from abroad (from the parent company or from a third country) who are also called expatriates

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

- ❑ Some 68.75% of the subsidiaries participating in the survey didn't employ foreign expatriates in non-managerial positions. Only two respondents employed more than 20 such expatriates.
- ❑ The presence of expats employed in managerial positions is more significant; two respondents employed more than 20 of them.

**Table 221: Number of foreign expatriates**

Number of expatriates	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
<b>None</b>	10	62.5%	11	68.75%
<b>1 person</b>	1	6.25%	2	12.5%
<b>2-3 persons</b>	1	6.25%	0	0%
<b>4-5 persons</b>	0	0%	1	6.25%
<b>6-10 persons</b>	2	0%	0	0%
<b>11-15 persons</b>	0	0%	0	0%
<b>16-20 persons</b>	0	0%	0	0%
<b>Over 20 persons</b>	2	12.5%	2	12.5%
<b>Total</b>	<b>16</b>	<b>100%</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

(Note: It is important to indicate that companies send an increasing number of employees abroad for a short time, for different projects. Our survey did not cover this issue.)

**Table 222: Positions of foreign expatriates (n=16)**

Manager	Non-manager	Total
50.4%	49.6%	100%

Source: Primary research by the authors.

Three quarter of the companies had foreign expatriates from the parent company.

**Table 223: Country of origin of foreign expatriates**

Parent country	Other countries	Total
92.5%	7.5%	100%

Source: Primary research by the authors.

## 9.6.2 ROMANIAN EXPATRIATES

Below we will outline how typically and to what positions Romanian expatriates were sent to foreign companies of MNCs. Managerial and non-managerial results are remarkably similar as three of the respondents sent employees abroad while 81.25% of the companies participating in the survey didn't send expatriates abroad.

**Table 224: Number and positions of Romanian expatriates**

Number of Romanian expatriates	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
<b>None</b>	13	81.25%	13	81.25%
<b>1 person</b>	0	0%	0	0%
<b>2-3 persons</b>	0	0%	0	0%
<b>4-5 persons</b>	1	6.25%	1	6.25%
<b>6-10 persons</b>	2	12.5%	0	0%
<b>11-15 persons</b>	0	0%	0	0%
<b>16-20 persons</b>	0	0%	2	12.5%
<b>Over 20 persons</b>	0	0%	0	0%
<b>Total</b>	<b>16</b>	<b>100%</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

## 9.7 THE OPERATION OF THE HR DEPARTMENT

### 9.7.1 THE RELATIONSHIP BETWEEN HEADQUARTERS AND LOCAL HR

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

- The typical solution, one that was implemented by the majority of the respondents, was that the HR department of the company's headquarters, besides carrying out the auditing function, laying down general guidelines and providing a standard framework for the work of HR departments of the subsidiaries also requires information and reporting from the subsidiaries.
- In addition, in the case of almost half (43.2%) of the companies, the headquarters was also responsible for developing the detailed HR model and not only personnel guidelines but also the rules, procedures, and HR processes were developed centrally. The operations of these global HR systems were usually supported by modern IT solutions.

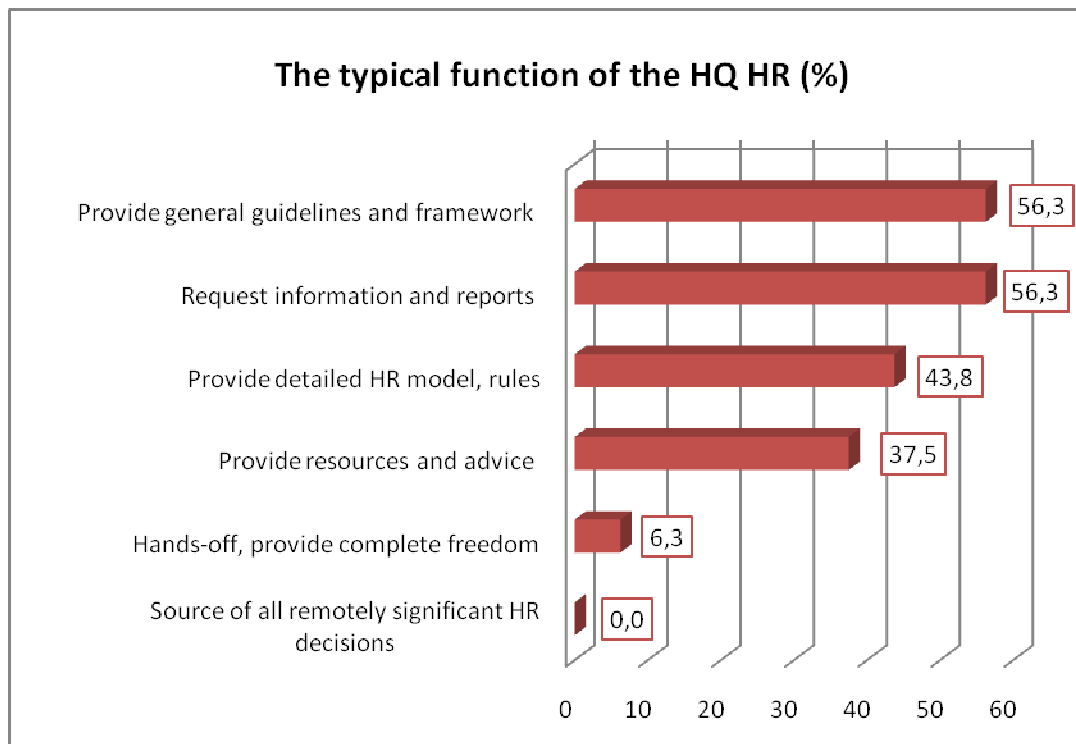
- More than one third of the responding subsidiaries reported that the HR department operates in a decentralized manner, wherein the HQ provides resources and advice when these are requested by the subsidiary.

**Table 225: Typical functions of the HQ HR**

Functions	Frequency of “yes” answers	Multiple answers possible, response
Hands-off, provide complete freedom	1	6.25
Provide resources and advice when requested	6	37.50
Provide general guidelines and framework for actions	9	56.25
Request information and reports – auditor’s role	9	56.25
Provide detailed HR model, policies, procedures and rules	7	43.75
Source of all remotely significant HR decisions	0	0

Source: Primary research by the authors.

**Figure 45: The typical function of the HQ HR**



Source: Primary research by the authors.

### 9.7.2 CHANGES IN THE IMPORTANCE OF HR FUNCTIONS

Employee communication was first in the ranking of HR areas considered most critical in the period examined, being a little ahead of recruiting and selection. The responding subsidiaries deemed HR planning and industrial-labor relations almost as critical. The respondents regarded HRM strategy and information technology as the least critical area of their work

**Table 226: Critical areas of HR (on a 1⇒5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not at all critical)*

The ranking of the areas of HRM critical in 2009	The average of the answers
Employee communication	2.64
Recruitment and selection	2.93
Human resource planning	3.00
Industrial-labor relations	3.08
Compensation and benefits	3.33
Performance evaluation	3.33
Training and development	3.40
Talent management	3.60
HRMS/IT	4.00

Source: Primary research by the authors.

### 9.7.3 TYPICAL HR COMPETENCIES FOR SUCCESS

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

- ❑ personal credibility (effectiveness, efficient connections, communication skills) (81.25%),
- ❑ strategic contribution (75%),
- ❑ teamwork (68.75%).

They were followed by use of HRMIS and change management capabilities, such as quick decision making. The traditional HRM capabilities were chosen only by three of the respondents as being very important competency, while the other respondents reported that those services are important.

**Table 227: Ranking of the key competencies of HR managers**

Ranking of key competencies	Frequency
<b>1. Personal credibility</b> <i>(effectiveness, efficient connections, communication skills)</i>	13
<b>2. Strategic contribution</b> <i>(culture management, quick changes, strategic decision making)</i>	12
<b>3. Teamwork</b>	11
<b>4. Use of HRMIS (IT)</b>	8
<b>5. Change management</b>	7
<b>6. Quick decision making</b>	6
<b>7. Knowledge of foreign languages</b>	5
<b>8. Knowledge sharing</b>	5
<b>9. Business knowledge</b> <i>(value chain, value creation)</i>	4
<b>10. HR services</b> <i>(recruitment-selection, training, performance evaluation, HR measurement, etc.)</i>	3

Source: Primary research by the authors.

#### **9.7.4 PRIMARY RESPONSIBILITY OF DECISION MAKING IN THE MAIN FUNCTIONS OF HR**

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

**Table 228: Responsibility of decision making in key functions of HR**

Key functions of HR	Local line management (mgt.)	Primarily local line mgt. but in consultation with the HR department	Primarily local HR department but in consultation with local line mgt.	Local HR department	No answer
---------------------	------------------------------	--	--	---------------------	-----------



<b>Human Resource Planning</b>	5	5	4	1	1
<b>Recruitment</b>	3	3	6	4	0
<b>Selection</b>	5	4	2	5	0
<b>Performance Evaluation</b>	5	2	4	4	1
<b>Training and Development</b>	3	6	5	2	0
<b>Compensation and Benefits</b>	5	4	6	1	0
<b>Industrial-Labor Relations</b>	4	3	5	4	0
<b>Employee Communication</b>	5	2	5	4	0
<b>HRMS/IT</b>	6	3	3	4	0

Source: Primary research by the authors.

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

The majority of the respondents regard most of the interventions in the key functions of HR as the result of a joint decision in which the final decision is made by the local line management, usually based on consultation with the HR department. More seldom the responsibility attached to HR decisions is shared in a way that the final decision maker is the representative of the local HR department.

### 9.7.5 THE ROLE OF EXTERNAL HR SERVICE PROVIDERS

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

External service providers were most often used in the functional area of training and development. They were also often involved in organizational communication, industrial-labor relations and in the field as HRMS/IT. They are less involved in human resource planning and recruiting. These specific results are inconsistent with more general worldwide practice.

**Table 229: Role and use of external service providers in the different key functions of HR**

Key functions of HR	Increased	Decreased	Same	External providers not used
---------------------	-----------	-----------	------	-----------------------------

<b>Human Resource Planning</b>	2	3	2	9
<b>Recruitment</b>	3	3	2	8
<b>Selection</b>	4	1	5	6
<b>Performance Evaluation</b>	4	1	5	6
<b>Training and Development</b>	5	5	4	2
<b>Compensation and Benefits</b>	3	4	4	5
<b>Industrial-Labor Relations</b>	3	1	8	4
<b>Employee Communication</b>	4	0	9	3
<b>HRMS/IT</b>	4	1	7	4

Source: Primary research by the authors.

## 9.8 KNOWLEDGE MANAGEMENT IN HR

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

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

### 9.8.1 PERSONAL COMPETENCY DEVELOPMENT IN HR

The respondents found mobility between the parent firm and subsidiaries to be the most important method of personal competency development in the field of HR, but they also set a high value on informal learning. These two methods were closely followed by mobility between the subsidiaries and formal learning.

The subsidiaries ranked cross-cultural training and HQ training least important techniques of personal HR competency development in their companies.

**Table 230: The importance of the methods of personal competency development in HR (on a 1-5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not critical)*

Methods of gaining competencies	The average of the answers
Mobility between parent and subsidiary	2.69
Informal learning	3.00
Local training	3.06
Mobility between subsidiaries	3.13
Formal learning	3.19
Training in HQ	3.75
Cross-cultural training	3.63

Source: Primary research by the authors.

### 9.8.2 ENABLERS OF HR KNOWLEDGE FLOWS BETWEEN THE PARENT COMPANY AND THE SUBSIDIARIES

With respect to the enablers of efficient knowledge flows, i.e. the transfer of knowledge about HR practices and techniques between the parent company and the subsidiary, the respondents considered the motivation to transfer knowledge a most important enabler from the factors examined.

**Table 231: Enablers of HR knowledge transfer (on a 1-5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not critical)*

Knowledge flow enablers	The average of the answers
Motivation to transfer knowledge	2.38
Ability to transfer knowledge	2.63
Content/Kind of knowledge	2.94
Form of knowledge transfer	3.19

Source: Primary research by the authors.

### 9.8.3 HR KNOWLEDGE TRANSFER BETWEEN THE PARENT COMPANY AND THE SUBSIDIARY

The respondents ranked knowledge flows within their own subsidiaries as most important from the different knowledge flows and ranked the knowledge flows from the parent company just to the second place. (The latter opinion somewhat contradicts the

answers received to our questions concerning the relationship between central and local HR organizations that showed rather strong centralization in many companies.) A lower importance was assigned to knowledge flows to the parent company and between the subsidiaries.

**Table 232: HR knowledge flows (on a 1-5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not critical)*

Knowledge flows in HR	The average of the answers
Knowledge flows within your subsidiary	2.44
Knowledge flows from parent	2.50
Knowledge flows to parent	3.13
Knowledge flows between subsidiaries	3.25

Source: Primary research by the authors.

## 9.9 THE FUTURE TASKS OF HR

### 9.9.1 THE KEY BUSINESS ISSUES, TRENDS FOR HR TO FACE

With regard to the key issues of the next 12 to 24 months, the interviewed HR managers considered improving efficiency most important. Almost all (87.5%) respondents thought that this business expectation is the most important tasks HR professionals have to face. In many of the companies this was accompanied by EU changes and company development.

**Table 233: Key business challenges in the next 1-2 years**

Order of priority of the key business directions, challenges	Very important	Important
	Frequency	Frequency
Efficiency improvement	14	2
Company development	11	5
EU changes	7	7

<b>Distribution development</b>	7	6
<b>Conform to globalization</b>	5	6
<b>Company reorganization</b>	4	7
<b>Eastern expansion</b>	1	3

Source: Primary research by the authors.

### 9.9.2 INITIATIVES TO IMPROVE THE BUSINESS FOCUS OF HR PROFESSIONALS

The responding organizations have up until this point put little emphasis on improving the business efficiency of HR professionals. This conclusion is also supported by the fact that training on specific areas of HR was almost the only implemented action as reported by the professionals surveyed. Other actions were not even planned.

**Table 234: Improving business focus among HR staff**

<b>Actions improving business focus of HR staff</b>	<b>Implemented</b>	<b>Planned</b>
<b>Offer training on specific areas of HR</b>	14	0
<b>Offer training on business issues</b>	0	0
<b>Offer incentives based on measures and business performance</b>	0	0
<b>Prioritize business knowledge in the selection of HR staff</b>	0	0
<b>Hire people from outside HR (business people)</b>	0	0
<b>Offer rotation programs (outside the HR department) for HR staff</b>	0	0

Source: Primary research by the authors.

### 9.10 CHARACTERISTICS OF THE RESPONDING INDIVIDUALS

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

### 9.10.1 DEMOGRAPHIC CHARACTERISTICS AND QUALIFICATION

In terms of gender distribution we can find a female dominance among the respondents (female: 56.25%, male: 43.75%).

**Table 235: The gender of the responding individuals**

Gender	Frequency	% distribution
Male	7	43.75%
Female	9	56.25
<b>Total</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

Some 43.75% of the respondents are in the age between 30 and 39, another 37,5% are between 20 and 29 while only a few persons are above 40.

**Table 236: The age of the respondents**

Age	Frequency	% distribution
25-29 years	6	37.5%
30-39 years	7	43.75%
40-54 years	2	12.5%
55-59 years	1	6.25%
<b>Total</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

With two exceptions all the interviewees in the survey have university, college or equivalent qualifications.

**Table 237: Level of qualification**

Level of qualification	Frequency	% distribution
------------------------	-----------	----------------

<b>University PhD</b>	0	0%
<b>University (MSc)</b>	10	62.5%
<b>College (BSc)</b>	4	25%
<b>Other</b>	2	12.5%
<b>Total</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

The majority of the interviewees obtained qualifications in social sciences (43.75%) but we also found professionals with qualifications in engineering (12.5%) or natural sciences (6.25%).

**Table 238: Field of professional qualification**

<b>Field of professional qualification</b>	<b>Frequency</b>	<b>% distribution</b>
<b>Natural sciences</b>	1	6.25%
<b>Engineering</b>	2	12.5%
<b>Social sciences</b>	7	43.75%
<b>Other</b>	6	37.5%
<b>Total</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

### 9.10.2 POSITION OF THE RESPONDENTS

Some 43.75% of the individuals participating in the survey are top HR managers with Director or Department Head rank. The half of the respondents doesn't work in HR field (CEO, sales director, quality manager, accounts clerk).

**Table 239: Current position**

<b>Current position</b>	<b>Frequency</b>	<b>% distribution</b>
<b>CEO</b>	0	0%
<b>HR Vice President</b>	0	0%
<b>HR Director/Manager</b>	6	37.5%
<b>HR Department Head</b>	1	6.25%
<b>HR professional</b>	1	6.25%

<b>Other</b>	<b>8</b>	<b>50%</b>
<b>Total</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.

Some 31.25% of the respondents have worked in their current positions for less than three years. However, the majority have spent longer time, typically 3-5 years in their positions.

**Table 240: Time spent in current position**



<b>Time spent in current position</b>	<b>Frequency</b>	<b>% distribution</b>
<b>0-3 years</b>	<b>5</b>	<b>31.25%</b>
<b>3-5 years</b>	<b>7</b>	<b>43.75%</b>
<b>5-10 years</b>	<b>3</b>	<b>18.75%</b>
<b>10-15 years</b>	<b>1</b>	<b>6.25%</b>
<b>Over 15 years</b>	<b>0</b>	<b>0%</b>
<b>Total</b>	<b>16</b>	<b>100%</b>

Source: Primary research by the authors.



## 10 SERBIA (MILAN NIKOLIĆ, ÁGNES SZLÁVICZ, GIZELLA SUSNYÁR STANGL AND JÓZSEF POÓR)

### 10.1 INTRODUCTION

	Population:	10 150 265 people															
	Territory :	88 361 km <sup>2</sup>															
																	
<table border="1" data-bbox="858 757 1476 869"><tr><td>GDP (%)</td><td>3,8</td><td>-3,5</td><td>1,8</td></tr><tr><td>Unemployment (%)</td><td>13,6</td><td>16,1</td><td>19,2</td></tr><tr><td>Inflation (%)</td><td>10,8</td><td>3,6</td><td>8,6</td></tr><tr><td>GDP per capita in PPS EU-27=100%</td><td>52,0</td><td>53,0</td><td>54,0</td></tr></table>		GDP (%)	3,8	-3,5	1,8	Unemployment (%)	13,6	16,1	19,2	Inflation (%)	10,8	3,6	8,6	GDP per capita in PPS EU-27=100%	52,0	53,0	54,0
GDP (%)	3,8	-3,5	1,8														
Unemployment (%)	13,6	16,1	19,2														
Inflation (%)	10,8	3,6	8,6														
GDP per capita in PPS EU-27=100%	52,0	53,0	54,0														

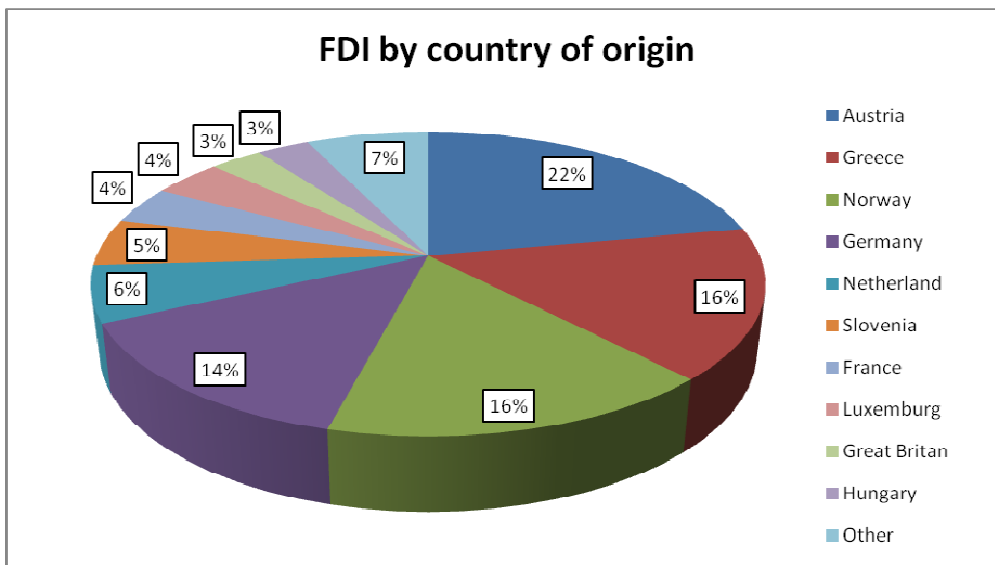
## 10.2 FDI IN SERBIA

According to data published in December 2010 the volume of FDI that flowed into Serbia was 14 762 million Euros. Similarly to the result for the overall region the majority of volume of the FDI was invested in Serbian in 2006 mostly by the company Mobtel.

### 10.2.1 COUNTRIES OF ORIGIN

Most of the volume of the FDI flowed into Serbia between 2000 and 2007 came from the following countries: Austria, Greece, Norway, Germany and the Netherlands.

**Figure 46: FDI by country of origin (2000-2007)**

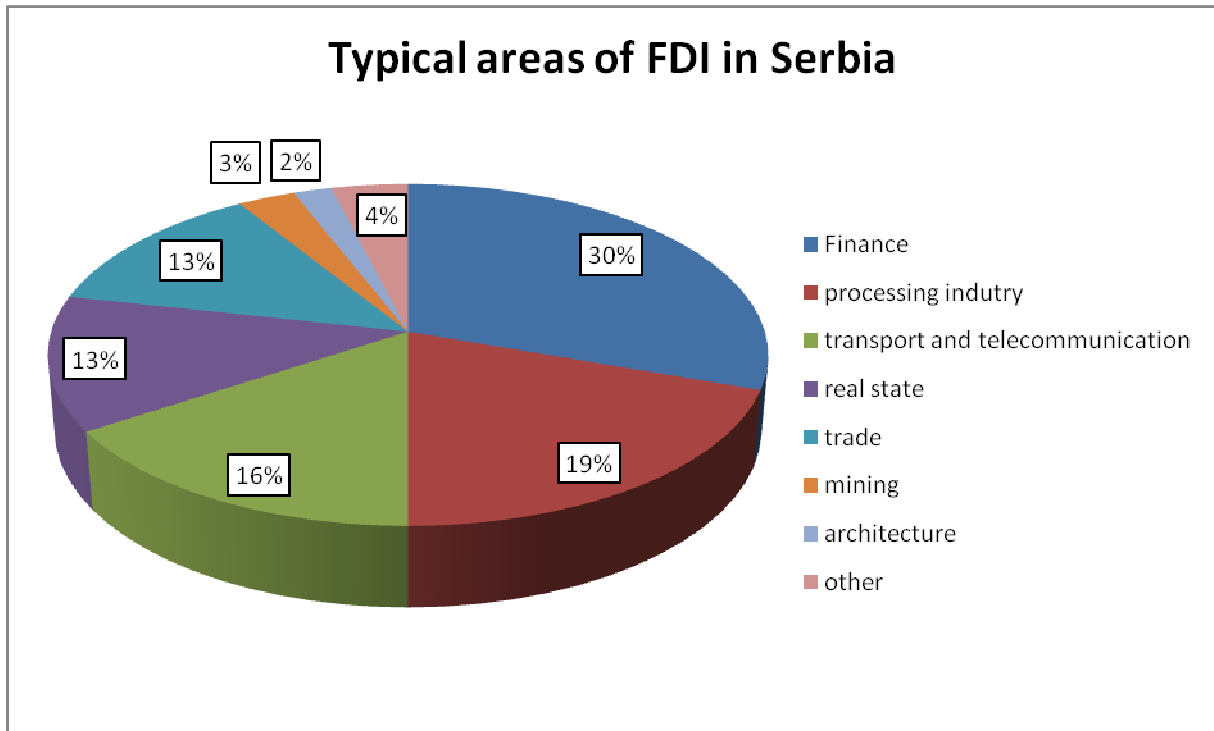


Source: National Bank of Serbia (2010). Beograd.

### 10.2.2 SECTORAL DISTRIBUTION

According to this data, between 2005 and 2009 the majority of the FDI was connected to finance (31%) and processing industry (20%). Beside those areas a considerable part of the FDI was connected to transport and telecommunication (16%), trade (13%) and the business field of real estate.

**Figure 47: Typical areas of FDI in Serbia (2005-2009)**



Source: National Bank of Serbia (2010). Beograd.

### 10.3 CHARACTERISTICS OF THE COMPANIES PARTICIPATING IN THE SURVEY

A total of 20 foreign owned, legally independent subsidiaries participated in the questionnaire survey.

#### 10.3.1 COMPANY SIZE

The 20 subsidiaries participating in CEEIRT research in Serbia employ 23,389 persons in 2009.

Some 60 % of the examined Serbian companies employ 250 persons or less , one quarter had employees between 250 and 1000 employees. The remaining 15% belong to the typical large enterprises with more than 1000 employees. We can state from these results that the majority of the companies belong to the small and medium sized companies. Despite the fact that the local subsidiary may be considered a small firm, these firms largely were subsidiaries of large international companies.

**Table 241: Number of staff**

Total number of employees of the	2009
----------------------------------	------

<b>company</b>	<b>Frequency</b>	<b>Percentage distribution (%)</b>
<b>Below 250</b>	12	60
<b>251-1000</b>	5	25
<b>1001-2000</b>	1	5
<b>2001-5000</b>	1	5
<b>Over 5000</b>	1	5
<b>Total</b>	<b>20</b>	<b>100</b>

Source: Primary research by the authors.

### 10.3.2 MANDATE OF THE ORGANIZATION

We also examined how much control these organizations have over the entire value chain. Based on the responses it can be stated that the mandates of more than 30% of the sample are under mandate 4 and 5, with complete control of the value chain world-wide.

One quarter of the subsidiaries is depositaries of only a few stages of the entire value chain. In the remaining sample we can find equally subsidiaries which are imitations of their parent companies, while others that are responsible for the developing and putting into circulation one certain product chain for global markets, as well as subsidiaries that are allowed unconstrained access to global markets.

**Table 242: Mandates of the companies participating in the survey (n=20)**

<b>Roles and mandates of your subsidiary</b>	<b>Frequency</b>	<b>Percentage distribution (%)</b>
<b>Mandate 1</b>	3	15
<b>Mandate 2</b>	6	30
<b>Mandate 3</b>	5	25
<b>Mandate 4</b>	3	15
<b>Mandate 5</b>	3	15
<b>Total</b>	<b>20</b>	<b>100,0</b>

Source: Primary research by the authors.

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

### 10.3.3 ORIGIN OF THE PARENT COMPANY

The subsidiaries participating in the survey came to Serbia from 11 different countries. One quarter from Austria, 20% from Germany, 15% from Hungary and 10% from Italy. The remaining 30% came from France, Sweden, USA, Norway, Russia and Croatia.

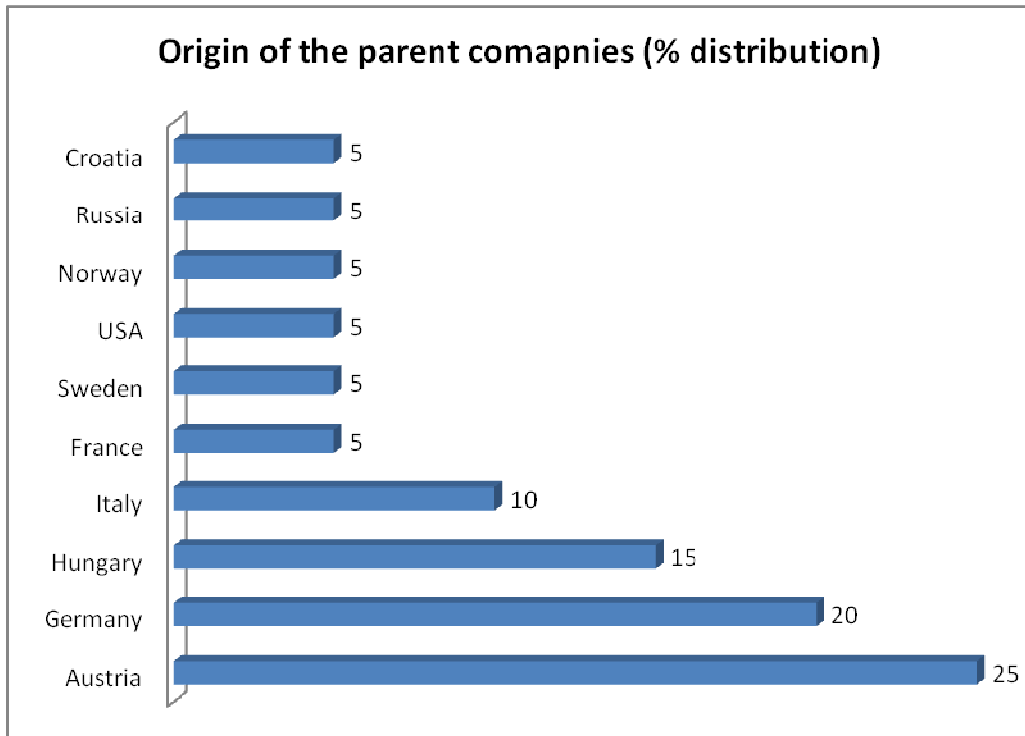
**Table 243: Origin of the parent companies of the participating companies**

Origin of the parent company	Frequency	% distribution
Austria	5	25
Germany	4	20
Hungary	3	15
Italy	2	10
France	1	5
Sweden	1	5
USA	1	5
Norway	1	5
Russia	1	5
Croatia	1	5
<b>Total</b>	<b>20</b>	<b>100</b>

Source: Primary research by the authors.

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

**Figure 48: Origin of the parent companies**



Source: Primary research by the authors.

From Table 244 we can see that most (79%) of the respondents are traditional MNCs while the remaining 21% are emerging companies.

**Table 244: Participating companies by tradition**

Management cultures of parent companies	Frequency	% distribution
	Traditional MNCs	15
Emerging and transitional	5	21%
<b>Total</b>	<b>20</b>	<b>100</b>

Source: Primary research by the authors.

### 10.3.4 EASTABLISHMENT YEAR AND FORM OF SUBSIDIARY

The subsidiaries examined acquired majority control or carried out greenfield investments after 1996. Some 15% of the companies settled in Serbia between 1996 and 2000 while the remaining 85% came only after 2000. Most of the foreign owners of the companies participating in the survey obtained majority control in Serbian companies during the privatization combined with acquisition or with the following acquisitions.

**Table 245: Year and mode of entry of the participants**

Year of establishment of the subsidiary	Merger, acquisition	Greenfield investment	Total	% distribution
Before 1990	0	0	0	0
1990-1995	0	0	0	0
1996-2000	3	0	3	15
2001-2005	7	0	7	35
After 2005	7	3	10	50
<b>Total</b>	<b>12</b>	<b>3</b>	<b>20</b>	<b>100</b>
<b>% distribution</b>	<b>85</b>	<b>15</b>	<b>100</b>	<b>100</b>

Source: Primary research by the authors.

### 10.3.5 FIELD OF OPERATION: SECTOR-INDUSTRY

One quarter of the examined companies are engaged in light industry and another quarter of them in financial institutions and banks. Some 15% of the respondents operate in trade while another 15% produce consumer goods. The remaining companies belong to heavy industry, engineering, services and other fields of operation at 5% levels for these fields.

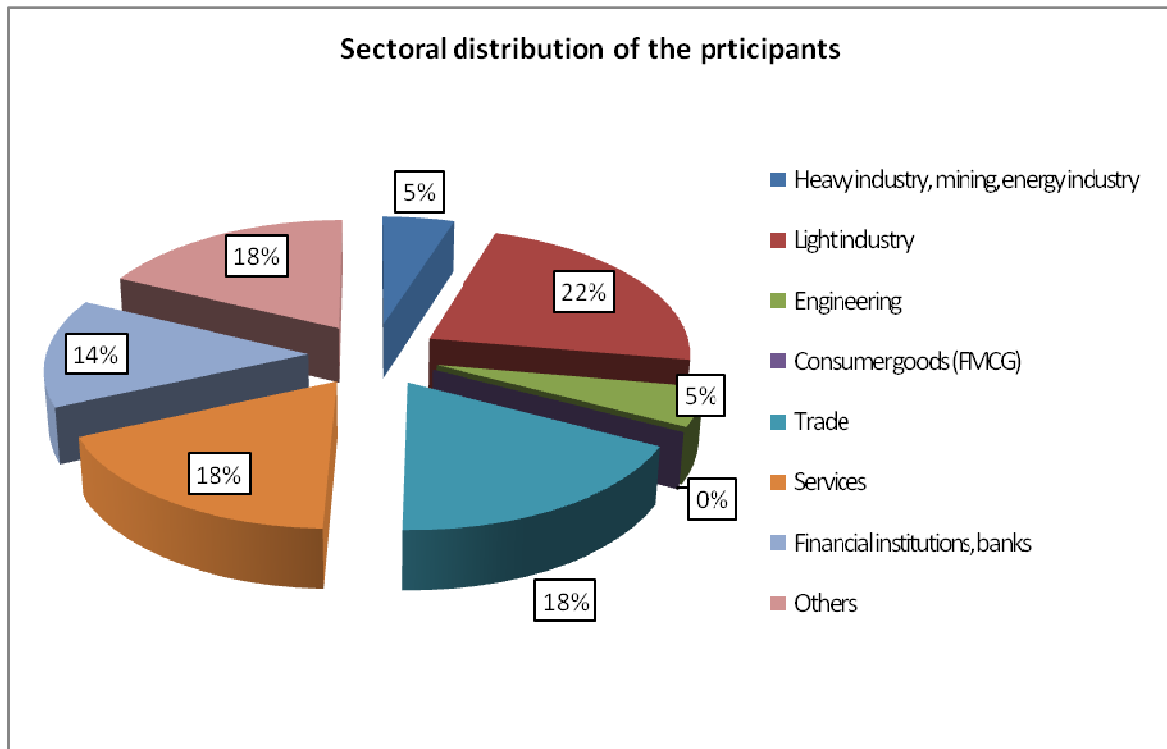
**Table 246: Sectoral distribution of the participants**

Main sector of the subsidiary's activity	Frequency	% distribution
Heavy industry, mining, energy industry	1	5
Light industry	5	25
Engineering	1	5
Consumer goods (FMCG)	3	15
Trade	3	15
Services	1	5
Financial institutions, banks	5	25
Others	1	5
<b>Total</b>	<b>20</b>	<b>100</b>

Source: Primary research by the authors.

Figure 49 shows us the sectoral distribution of the companies examined in the survey.

**Figure 49: Sectoral distribution of the participants**



Source: Primary research by the authors.

## 10.4 MAIN DIRECTIONS OF DEVELOPMENT OF THE COMPANIES IN THE PERIOD EXAMINED

### 10.4.1 MAIN STRATEGIC ISSUES-ORIENTATIONS

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

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

Most (80%) of the respondents indicated that they were seeking stability during the period examined. The half of the companies surveyed was characterized by growth and portfolio expansion and the remainder of the respondents presented rationalization and reorganization as strategic goals for the period.



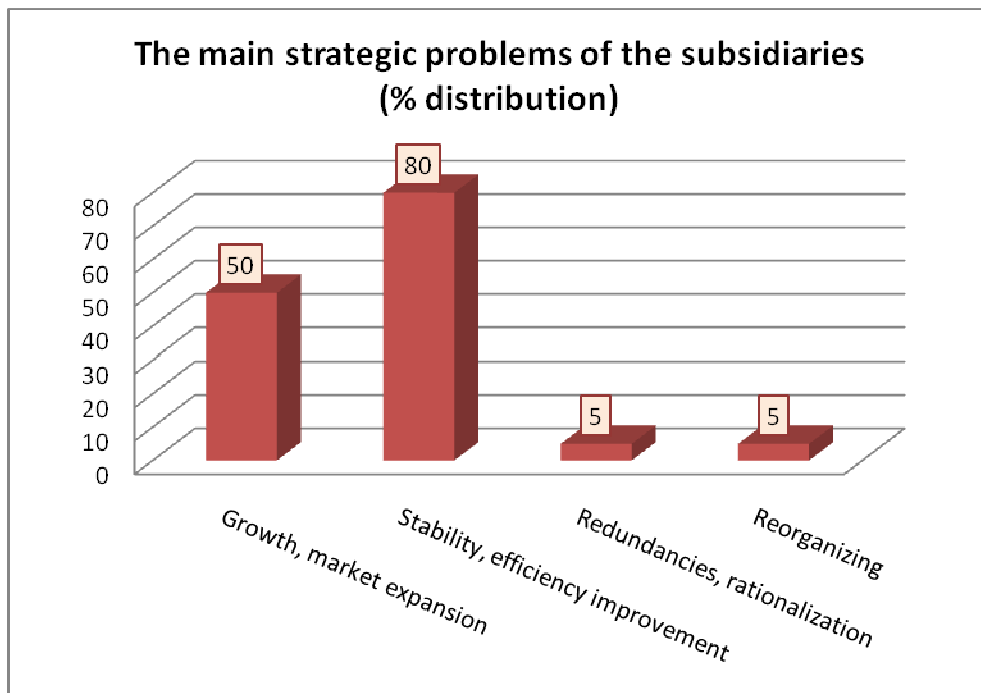
**Table 247: Main strategic issues and orientations**

Main strategic issues, orientations	Frequency of “yes” answers	Multiple answers possible, response
Growth, market expansion, portfolio expansion	10	50
Stability, efficiency improvement, revenue retention, adapting to the market situation	16	80
Redundancies, rationalization	1	5
Reorganizing	1	5

Source: Primary research by the authors.

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

**Figure 50: Main strategic problems (%)**



Source: Primary research by the authors.

### 10.4.2 MAIN COMPETITIVE FACTORS IN THE PERIOD EXAMINED

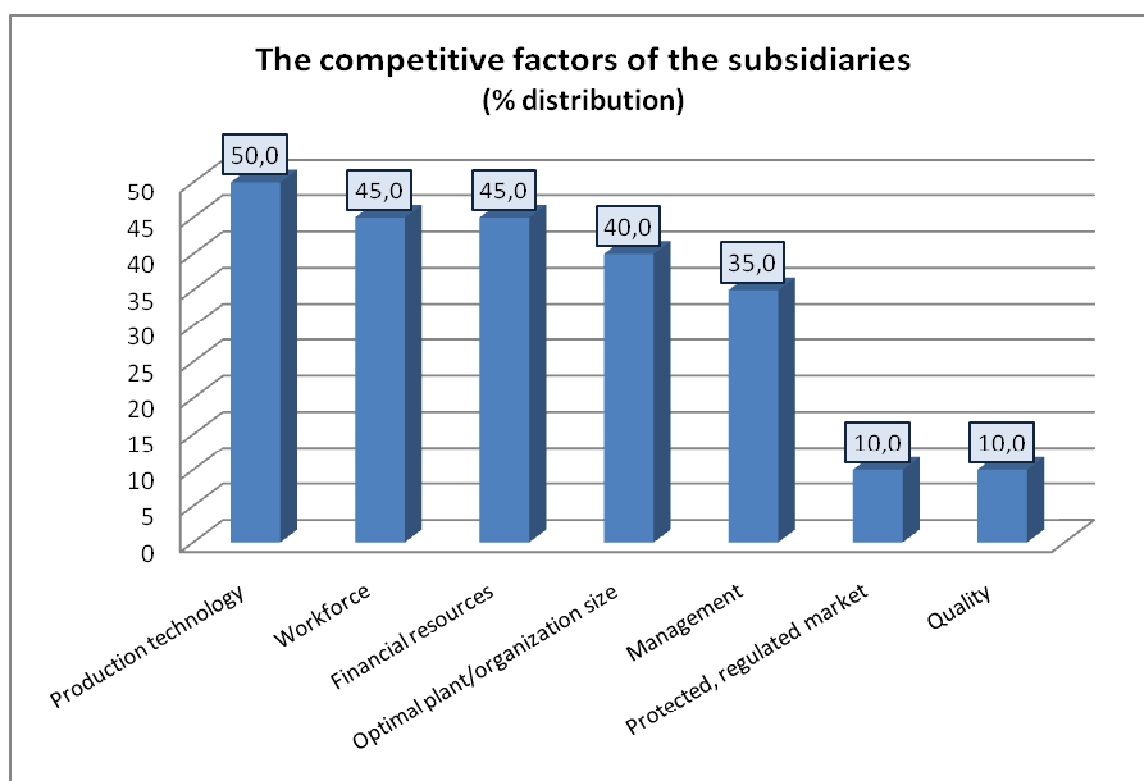
Half of the companies chose production technology as the most important competitive factor. Some 45% of the respondents pointed out the importance of the workforce and financial sources. Optimal organization size and management were chosen by 40% and 35% of the subsidiaries respectively. A total of 10% of the companies chose the quality and protected markets. (More than one answer could be chosen in this question also.)

**Table 248: The importance of competitive factors**

<b>Competitive factors</b>	<b>Frequency of “yes” answers</b>	<b>Multiple answers possible, response</b>
<b>Production technology</b>	10	50
<b>Workforce</b>	9	45
<b>Financial resources</b>	9	45
<b>Optimal plant/organization size</b>	8	40
<b>Management</b>	7	35
<b>Protected, regulated market</b>	2	10
<b>Quality</b>	2	10

Source: Primary research by the authors.

**Figure 51: The importance of the competitive factors of the subsidiaries**



Source: Primary research by the authors.

## 10.5 CHARACTERISTICS OF THE KEY INDICATORS OF THE HR FUNCTION

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

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

### 10.5.1 NUMBER OF HR STAFF

The average number of employees served by one HR professional increased from 70 in 2008 to 88 in 2009 in the companies surveyed. In these companies nearly the half of the total number of HR staff carried out administrative tasks while a bit more than a half was HR professionals.

**Table 249: Number of employees and HR staff in the participating companies (n=20)**

Year	Number of employees	HR staff			Employees per HR position
		HR professional	HR admin staff	Total number of HR staff	
2009	23389	137	128	265	88

					people/HR employee
<b>2008</b>	20203	160	129	289	70 people/HR employee

Source: Primary research by the authors.

Half of the HR departments of the companies examined employ one to four persons. Some 20% of the respondents employ five to ten persons while 20% of the HR departments examined in the survey have more than 20 employees. Five percent of the firms employed either 11-15 or 15-20 HR staff. All the subsidiaries in the survey have a HR department.

**Table 250: Number of HR staff**

Total number of HR staff	2009	
	Frequency	% distribution
<b>None</b>	0	0
<b>1-4 persons</b>	10	50
<b>5-10 persons</b>	4	20
<b>11-15 persons</b>	1	5
<b>15-20 persons</b>	1	5
<b>Over 20 persons</b>	4	20
<b>Total</b>	<b>20</b>	<b>100</b>

Source: Primary research by the authors.

For every HR professional, there are 50 employees on average in nearly 40% of the organizations examined. In 35% of the subsidiaries there are 100-200 persons for one HR professional while in one quarter of them there are between 50 and 100 employees per HR staff person.

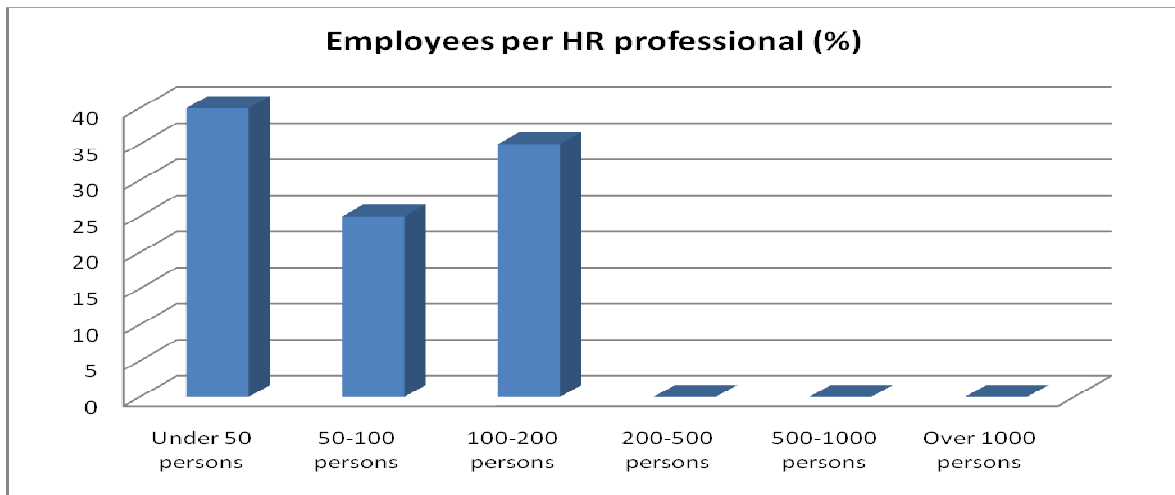
**Table 251: Employees per HR professional**

Number of employees	2009
---------------------	------

per HR professional	Frequency	% distribution
<b>Under 50 persons</b>	8	40
<b>50-100 persons</b>	5	25
<b>100-200 persons</b>	7	35
<b>200-500 persons</b>	0	0
<b>500-1000 persons</b>	0	0
<b>Over 1000 persons</b>	0	0
<b>Total</b>	<b>20</b>	<b>100</b>

Source: Primary research by the authors.

**Figure 52: Employees per HR professional (%)**



Source: Primary research by the authors.

### 10.5.2 LABOR COST – OPERATING COST RATIO

The labor cost – operating cost ratio is one of the frequently analyzed indicators of the importance of the HR function in the company’s life. According to some researchers, the effects of HRM have a stronger and more direct influence on the company’s performance if this ratio is higher. About 23.5% of the subsidiaries participating in the survey fell into this category (where the labor cost ratio is higher than 40%). But the vast majority (76.5%) of the companies operated with a relatively low (under 30%) typically with 10-30 labor cost ratio.

**Table 252: Labor cost in % of the operating cost**

Labor cost in % of the operating cost	2009	
	Frequency	% distribution
Under 5 %	1	5,9
5-10 %	2	11,8
10-20 %	4	23,5
20-30 %	4	23,5
30-40 %	2	11,8
40-50 %	3	17,6
Over 50 %	1	5.9
<b>Total</b>	<b>17</b>	<b>100</b>

Source: Primary research by the authors.

### 10.5.3 AGE DISTRIBUTION OF THE EMPLOYEES

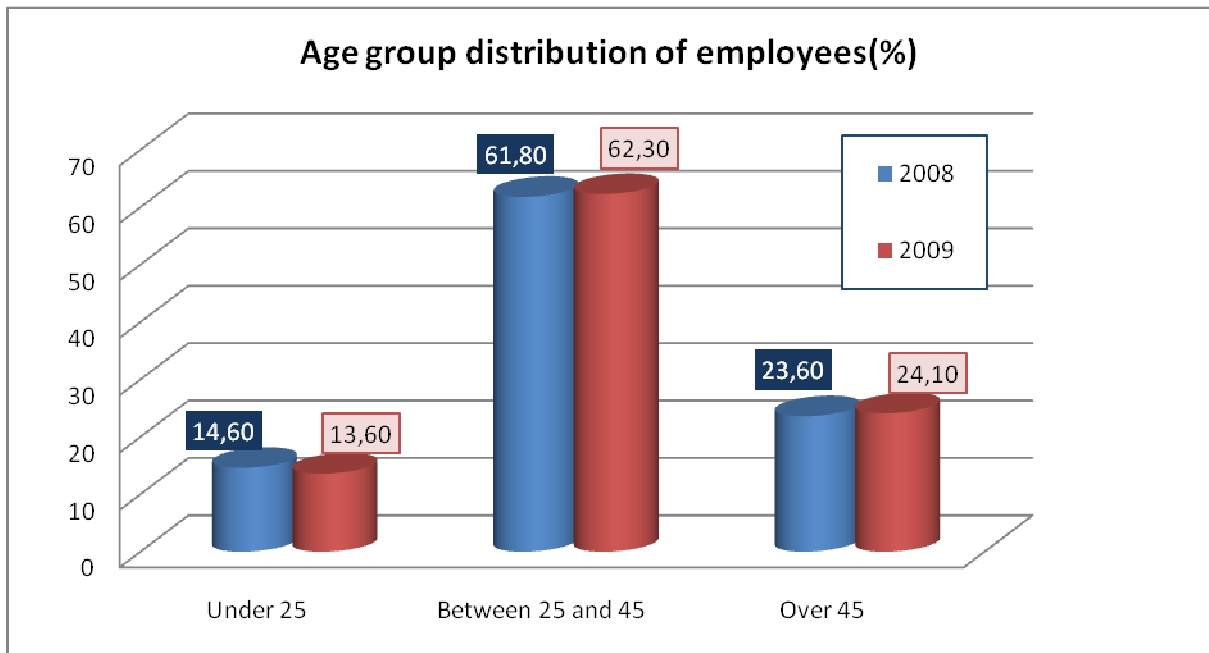
One of the results of human resource management actions is the age distribution of the labor force. The results of our survey in this respect do not confirm the common view that there is no room for employees over 45 years of age in multinational companies as almost the half (24.1%) of the employees of the subsidiaries participating in the survey fell within this age group. The proportion of the employees under 25 years was around 15% and the bulk of the employed sample consisted of the employees between 25-45 years of age – with more than 60% in 2009. The age distribution of the subsidiaries showed us a very similar view.

**Table 253: Age group distribution of employees (%)**

Age groups	Under 25	Between 25 and 45	Over 45	Total
<b>2008</b>	14,6	61,8	23,6	100
<b>2009</b>	13,6	62,3	24,1	100

Source: Primary research by the authors.

**Figure 53: Age group distribution of the employees (%)**



Source: Primary research by the authors.

#### 10.5.4 TRAINING BUDGET

Many researchers consider the relative size of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity. In more than 60% of the companies examined, the relative size of the training budget was under 3% and only about one third of the companies examined spent 7-20% of the annual labor budget on training employees.

**Table 254: Annual training budget in % of the entire annual labor cost**

Annual training budget in % of the entire annual labor cost	2009	
	Frequency	% distribution
Under 1 %	0	0
1-2 %	10	56
2-3 %	1	5.6
3-5 %	1	5.6

<b>5-7 %</b>	0	0
<b>7-10 %</b>	3	16.7
<b>10 - 20 %</b>	3	16.7
<b>Over 20 %</b>	0	0
<b>Total</b>	<b>18</b>	<b>100</b>

Source: Primary research by the authors.

### 10.5.5 LEVEL OF TURNOVER

The employee turnover rate was under 10% in more than half of the subsidiaries participating in the survey with many companies having barely measurable low values. One quarter of the respondents had problems with the turnover because the level of the fluctuation was around 10-30%. 9% of the companies reported higher than 40% values.

**Table 255: Turnover rate (%)**

<b>The level of fluctuation</b>	<b>2009</b>	
	Frequency	% distribution
<b>Under 1 %</b>	2	18
<b>1-3 %</b>	1	9
<b>3-5 %</b>	1	9
<b>5-10 %</b>	2	18
<b>10-20 %</b>	2	18
<b>20-30 %</b>	2	18
<b>30-40 %</b>	0	0
<b>Over 40 %</b>	1	9
<b>Total</b>	<b>11</b>	<b>100</b>

Source: Primary research by the authors.

### 10.5.6 TIME LOST DUE TO ABSENCE/SICKNESS



The average number of days lost annually due to absence was between six and ten days in one third of the companies. Another third of them chose the category 21-30 days. The mean value of absence was under one day and between 10-20 days by 11 per cent of the respondents.

**Table 256: The average days absent per employee per annum**

Absence / sick leave	2009	
	Frequency	% distribution
Less than 1 day	0	0
1-3 days	2	22.2
4-5 days	0	0
6-10 days	3	33.35
11-20 days	1	11.1
21-30 days	3	33.35
31-40 days	0	0
More than 40 days	0	0
<b>Total</b>	<b>9</b>	<b>100</b>

Source: Primary research by the authors.

## 10.6 EXPATRIATES

### 10.6.1 FOREIGN EXPATRIATES

Usually two types of long-term emissaries are distinguished. The ones arriving from abroad (from the parent company or from a third country) who are also called expatriates and the ones from the Serbian subsidiary appointed for a long-term deputation abroad (at the parent company or subsidiaries operating in other countries)..

- Some 65% of the subsidiaries participating in the survey did not employ foreign expatriates in non-managerial positions. In those few companies that employed foreign expatriates in non-managerial positions permanently, the number of these expatriates was typically only one or two positions.
- One quarter of the examined companies employed foreign expatriates in managerial positions. The number was typically two to three positions. Some 40% of the companies did not employ foreign expatriates in managerial positions. Some 15% of the companies have six to ten persons and some of the respondents reported about four to five persons with a maximum of 20 persons reported for this position.

**Table 257: Number of foreign expatriates**

Number of expatriates	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	%
<b>None</b>	8	40	13	65
<b>1 person</b>	2	10	1	5
<b>2-3 persons</b>	5	25	2	10
<b>4-5 persons</b>	1	5	2	10
<b>6-10 persons</b>	3	15	2	10
<b>11-15 persons</b>	0	0	0	0
<b>16-20 persons</b>	0	0	0	0
<b>Over 20 persons</b>	1	5	0	0
<b>Total</b>	<b>20</b>	<b>100,0</b>	<b>20</b>	<b>100,0</b>

Source: Primary research by the authors.

Some 85% of the foreign expatriates work in managerial position while the remaining 15% are found in non-managerial positions in the Serbian companies.

**Table 258: Positions of foreign expatriates (n=20)**

Manager	Non-manager	Total
84.4	15.6	100

Source: Primary research by the authors.

Fully 72.5% of the responding organizations had foreign expatriates from the parent company. The other 17.5% of foreign expatriates came to Serbia from countries different from the country of the parent company.

**Table 259: Country of origin of foreign expatriates**

Parent country	Other countries	Total
82.5	17.5	100

Source: Primary research by the authors.

### 10.6.2 SERBIAN EXPATRIATES

Below we outline how typically and to what positions Serbian expats were sent to foreign companies of MNCs. Most (80%) of the Serbian subsidiaries did not send employees to foreign companies of MNCs. In those companies that sent employees abroad, the number was typically two to three Serbs both in the managerial and in the non-managerial positions.

**Table 260: Number and positions of Serbian expatriates**

Number of Serbian expatriates	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
<b>None</b>	16	80	16	80
<b>1 person</b>	1	5	0	0
<b>2-3 persons</b>	3	15	3	15
<b>4-5 persons</b>	0	0	1	5
<b>6-10 persons</b>	0	0	0	0
<b>11-15 persons</b>	0	0	0	0
<b>16-20 persons</b>	0	0	0	0
<b>Over 20 persons</b>	0	0	0	0
<b>Total</b>	<b>20</b>	<b>100</b>	<b>20</b>	<b>100</b>

Source: Primary research by the authors.

## 10.7 THE OPERATION OF THE HR DEPARTMENT

### 10.7.1 THE RELATIONSHIP BETWEEN HEADQUARTERS AND LOCAL HR

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

- ❑ However, the typical solution, one that was implemented by almost three quarters (73.7%) of the respondents, was that the HR department of the company's headquarters, besides carrying out the auditing function, lays down general guidelines, provides a standard framework for the work of HR departments of the subsidiaries, and requires information and reporting from them.
- ❑ In almost two thirds (63,2%) of the companies the typical function of the HR department is providing sources and advise when it is requested.
- ❑ In almost the half (42.1%) of the companies it also has auditing function.
- ❑ A strong third (36.8%) of the respondents reported that the local HR department has complete freedom.
- ❑ Decentralized work is characteristic in 31.6% of the subsidiaries.
- ❑ In one quarter (26.3%) of the companies the headquarters was responsible for developing the detailed HR model and not only personnel guidelines but also the rules of procedures, processes were developed centrally. The operations of these global HR systems were usually supported by modern IT solutions.
- ❑ Almost 10% of the respondents marked the practically absolute centralization.
- ❑ 5% of the HR departments of the subsidiaries participating in the survey were involved in strategic issues.

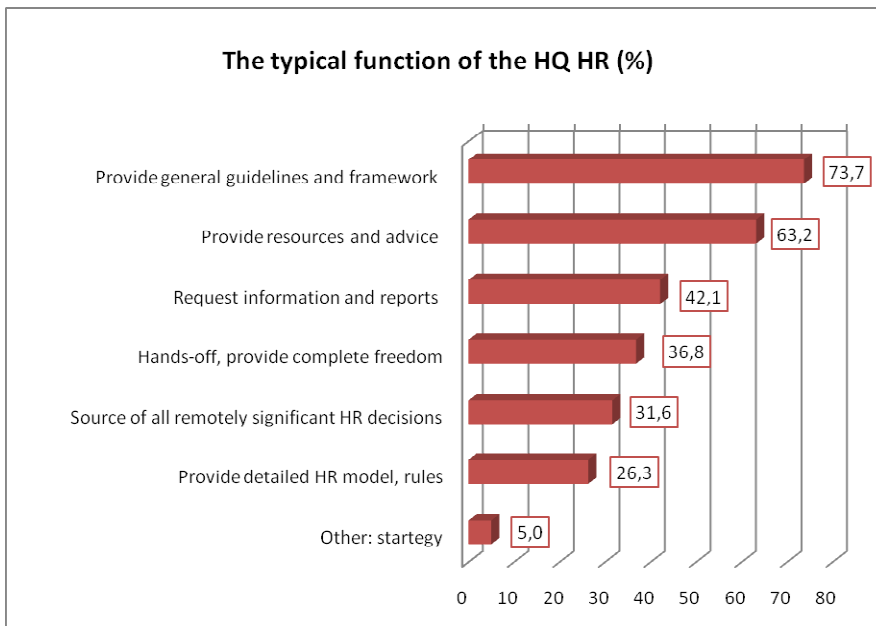
**Table 261: Typical functions of the HQ HR**

Functions	Frequency of "yes" answers	Multiple answers possible, response
Hands-off, provide complete freedom	7	36.8
Provide resources and advice when requested	12	63.2
Provide general guidelines and framework for actions	14	73.7
Request information and reports – auditor's role	8	42.1
Provide detailed HR model, policies, procedures and rules	5	26.3
Source of all remotely significant HR decisions	6	31.6

Functions	Frequency of “yes” answers	Multiple answers possible, response
Others: strategy	1	5

Source: Primary research by the authors.

**Figure 54: The typical function if the HQ HR (%)**



Source: Primary research by the authors.

### 10.7.2 CHANGES IN THE IMPORTANCE OF HR FUNCTIONS

Human resource planning, recruitment and staffing were first in the ranking of HR areas considered most critical in the period examined, being a little ahead of the ongoing problem area of compensation and benefits. The subsidiaries participating in the survey also chose performance evaluation, critical areas of their responsibility sets. Industrial labor relations, Employee communication and HR and IT were chosen as the least critical areas of HR functionality.

**Table 262: Critical areas of HR (on a 1⇒5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not at all critical)*

The ranking of the areas of HRM critical in 2009	The average of the answers
Human resource planning	1.9
Recruitment and selection	2.8
Performance evaluation	3.1
Training and development	3
Talent management	3.2
Compensation and benefits	3
Industrial-labor relations	3.2
Communication with the employees	3.2
HR and IT	2.9
Other	2.9

Source: Primary research by the authors.

### 10.7.3 TYPICAL HR COMPETENCIES FOR SUCCESS

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

- ❑ personal credibility (effectiveness, efficient connections, communication skills) (70%),
- ❑ change management (60%),
- ❑ quick decision making and team work (55%).

In the opinion of 35 to 45 per cent of the respondents knowledge sharing and using of HRMIS belongs to the very important key competencies. Knowledge of foreign languages, business knowledge and strategic contribution were prioritized much lower in the list.

**Table 263: Ranking of the key competencies of HR managers**

Ranking of key competencies	Very important	
	Frequency	Multiple answers possible, response
1. Personal credibility <i>(effectiveness, efficient connections, communication skills)</i>	14	70
2. Change management	12	60
3. Quick decision making	11	55
4. Teamwork	11	55
5. Knowledge sharing	9	45
6. Use of HRMIS (IT)	8	40
7. Business knowledge <i>(value chain, value creation)</i>	7	35
8. Knowledge of foreign languages	7	35
9. HR services <i>(recruitment-selection, training, performance evaluation, HR measurement, etc.)</i>	7	35
10. Strategic contribution <i>(culture management, quick changes, strategic decision making)</i>	6	30

Source: Primary research by the authors.

### 10.7.4 PRIMARY RESPONSIBILITY OF DECISION MAKING IN THE MAIN FUNCTIONS OF HR

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

**Table 264: Responsibility of decision making in key functions of HR**

Key functions of HR	Local line management (mgt.)	Primarily local line mgt. but in consultation with the HR department	Primarily local HR department but in consultation with local line mgt.	Local HR department
Human Resource Planning	25%	45%	15%	15%
Recruitment	25%	15%	45%	15%
Selection	15%	20%	50%	15%
Performance Evaluation	20%	30%	25%	25%
Training and Development	20%	30%	40%	10%
Compensation and Benefits	32%	32%	26%	11%
Industrial-Labor Relations	25%	25%	25%	25%
Employee Communication	25%	30%	40%	5%
HRMS/IT	10%	25%	25%	40%
Other fields of HR	5%	5%	45%	45%

Source: Primary research by the authors.

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

As the data in Table 264 shows, the majority of the respondents regard most of the interventions in the key functions of HR as the result of a joint decision in which the final decision is made rather by the local line management based usually on consultation with



the HR department. This result was measured in the function of selection (50%), recruiting (40%) and in training and development (40%). Some 40% of the companies reported that the local HR department has complete freedom in decision making in the HR and IT and other HR fields. Human resource planning is the function in which the local management can decide with complete freedom according to 45% of the participants. In general we can say that in the Serbian subsidiaries the local HR department is involved in decision making.

### 10.7.5 THE ROLE OF EXTERNAL HR SERVICE PROVIDERS

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

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

**Table 265: Role and use of external service providers in the different key functions of HR**

Key functions of HR	Increased	Decreased	Same	External providers not used
1. Human Resource Planning	10 %	5%	5%	90%
2. Recruitment	10%	15%	25%	50%
3. Selection	10%	15%	30%	45%
4. Performance Evaluation	20%	5%	25%	50%
5. Training and Development	25%	10%	35%	30%
6. Compensation and Benefits	0%	15%	30%	55%
7. Industrial-Labor Relations	5%	5%	30%	60%
8. Employee Communication	10%	5%	10%	75%

<b>9. HRMS/IT</b>	10%	5%	20%	65%
<b>10. Other</b>	0%	20%	25%	55%

Source: Primary research by the authors.

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

### 10.8 KNOWLEDGE MANAGEMENT IN HR

Knowledge management means the management and sharing of the collective knowledge (know-how, skills and intellectual skills) of an organization’s employees in an integrated way. In connection with the practice of this topic in the field of HR we examined the following three areas:

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

#### 10.8.1 PERSONAL COMPETENCY DEVELOPMENT IN HR

The respondents found mobility between the subsidiaries and cross-cultural training to be the most important methods of personal competency development in the field of HR. Furthermore, they thought that informal learning - that is learning from each other and - formal learning also play very important roles in professional development of HR competencies.

According to the responses, the role of trainings at the headquarters and mobility between the parent company and the subsidiary were rated almost a half grade lower in importance than the previously mentioned methods. This means that these methods are deemed to be far less important for the development of HR competencies.

**Table 266: The importance of the methods of personal competency development in HR (on a 1-5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not critical)*

<b>Methods of gaining competencies</b>	<b>The average of the answers</b>
<b>Local training</b>	2.8
<b>Mobility between parent and subsidiary</b>	2.9
<b>Training in parent companies</b>	2.9
<b>Formal learning</b>	3.3

<b>Informal learning</b>	3.3
<b>Mobility between subsidiaries</b>	3.4
<b>Cross-cultural training</b>	3.4

Source: Primary research by the authors.

### 10.8.2 ENABLERS OF HR KNOWLEDGE FLOWS BETWEEN THE PARENT COMPANY AND THE SUBSIDIARIES

With respect to the enablers of efficient knowledge flows, i.e. the transfer of knowledge about HR practices and techniques, between the parent company and the subsidiary, the respondents considered the kind of knowledge transfer and the ability to transfer knowledge most important from the factors examined (Table 267).

**Table 267: Enablers of HR knowledge transfer (on a 1-5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not critical)*

<b>Knowledge flow enablers</b>	<b>The average of the answers</b>
<b>Form of knowledge transfer</b>	2.8
<b>Content/Kind of knowledge</b>	2.9
<b>Ability to transfer knowledge</b>	2.9
<b>Motivation to transfer knowledge</b>	3.4

Source: Primary research by the authors.

### 10.8.3 HR KNOWLEDGE TRANSFER BETWEEN THE PARENT COMPANY AND THE SUBSIDIARY

The respondents ranked knowledge flows from the parent company most important form or direction of HR knowledge flows. For the second place they chose the knowledge flows within their own company. Much lower, but still considerable, importance was assigned to knowledge flows to the parent companies. The knowledge flows between the subsidiaries was chosen as the least important HR knowledge flow.

**Table 268: HR knowledge flows (on a 1-5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not critical)*

<b>Knowledge flows in HR</b>	<b>The average of the answers</b>
<b>Knowledge flows from parent</b>	2.6

<b>Knowledge flows to parent</b>	3.2
<b>Knowledge flows between subsidiaries</b>	3.6
<b>Knowledge flows within your subsidiary</b>	2.9

Source: Primary research by the authors.

## 10.9 THE FUTURE TASKS OF HR

### 10.9.1 THE KEY BUSINESS ISSUES, TRENDS FOR HR TO FACE

With regard to the key issues of the next 12 to 24 months, the interviewed HR managers considered improving efficiency most important (68%). Half (55%) of the respondents put the challenge of company development beside the first challenge. Some 20% of the companies chose conforming to globalization as a very important challenge for the future, and Eastern expansion was chosen by 20% of the respondents.

**Table 269: Key business challenges in the next 1-2 years**

<b>Order of priority of the key business directions, challenges</b>	Very important	Important
	Frequency	Frequency
<b>Conform to globalization</b>	4	10
<b>Efficiency improvement</b>	13	4
<b>Company development</b>	11	6
<b>Company reorganization</b>	2	10
<b>Eastern expansion</b>	4	6
<b>Distribution development</b>	3	9
<b>EU changes</b>	2	6

Source: Primary research by the authors.

### 10.9.2 INITIATIVES TO IMPROVE THE BUSINESS FOCUS OF HR PROFESSIONALS

The responding organizations have until now put little emphasis on improving the business efficiency of HR professionals. This conclusion is reinforced by the fact that in selecting HR staff business knowledge became an important factor. Training in specific HR areas of HR was offered in many companies. In the “planned action” category training on specific areas of HR and offering incentives based on measures and business performance were chosen as an upcoming initiative.

**Table 270: Improving business focus among HR staff**

<b>Actions improving business focus of HR staff</b>	<b>Implemented</b>	<b>Planned</b>
<b>Offer training on specific areas of HR</b>	7	8
<b>Offer training on business issues</b>	5	10
<b>Offer incentives based on measures and business performance</b>	4	8
<b>Prioritize business knowledge in the selection of HR staff</b>	10	5
<b>Hire people from outside HR (business people)</b>	12	3
<b>Offer rotation programs (outside the HR department) for HR staff</b>	4	6

Source: Primary research by the authors.

### 10.10 CHARACTERISTICS OF THE RESPONDING INDIVIDUALS

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

#### 10.10.1 DEMOGRAPHIC CHARACTERISTICS AND QUALIFICATION

By way of the gender distribution of the professionals participating in the interview, the male respondents dominated - with their 60% and the proportion of the female respondents was 40%. This situation is strongly influenced by the fact that the respondents are the representatives holding managerial positions of the HR profession

that is otherwise dominated by women and the proportion of men among the respondents is much higher than in HR in general.

**Table 271: The gender of the responding individuals**

Gender	Frequency	% distribution
Male	12	60
Female	8	40
<b>Total</b>	<b>20</b>	<b>100</b>

Source: Primary research by the authors.

Fully half of those interviewed were between the age of 30 and 39 while the 40% of them are between 40 and 54. The younger generation (below 30 years old) and the older generation (above 55 years old) were represented by one person only.

**Table 272: The age of the respondents**

Age	Frequency	% distribution
25-29 years	1	5
30-39 years	10	50
40-54 years	8	40
55-59 years	1	5
<b>Total</b>	<b>20</b>	<b>100</b>

Source: Primary research by the authors.

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

**Table 273: Level of qualification**

Level of qualification	Frequency	% distribution
University PhD	1	5
University (MSc)	11	55

<b>College (BSc)</b>	7	35
<b>Other</b>	1	5
<b>Total</b>	<b>20</b>	<b>100</b>

Source: Primary research by the authors.

The majority of the interviewees obtained qualifications in social sciences (40%) or engineering (40%) but we also found professionals with qualifications in natural sciences

**Table 274: Field of professional qualification**

<b>Field of professional qualification</b>	<b>Frequency</b>	<b>% distribution</b>
<b>Natural sciences</b>	1	5
<b>Engineering</b>	8	40
<b>Social sciences</b>	8	40
<b>Other</b>	3	15
<b>Total</b>	<b>20</b>	<b>100</b>

Source: Primary research by the authors.

### 10.10.2 POSITION OF THE RESPONDENTS

More than the half (55%) of the individuals participating in the survey are top HR managers: with the title of HR Vice president, Director, Manager or Department Head. 30% of the respondents are HR professionals while 15% of them work in other fields of work.

**Table 275: Current position**

<b>Current position</b>	<b>Frequency</b>	<b>% distribution</b>
<b>CEO</b>	0	0
<b>HR Vice President</b>	2	10
<b>HR Director/Manager</b>	5	25

<b>HR Department Head</b>	4	20
<b>HR professional</b>	6	30
<b>Other</b>	3	15
<b>Total</b>	<b>20</b>	<b>100</b>

Source: Primary research by the authors.

Some 35% of the respondents have worked in their current positions for less than three years, 30% of them for 3-5 years and 35% of them more than 5 years.

**Table 276: Time spent in current position**

<b>Time spent in current position</b>	<b>Frequency</b>	<b>% distribution</b>
<b>0-3 years</b>	7	35
<b>3-5 years</b>	6	30
<b>5-10 years</b>	3	15
<b>10-15 years</b>	2	10
<b>Over 15 years</b>	2	10
<b>Total</b>	<b>20</b>	<b>100</b>

Source: Primary research by the authors.



# 11 SLOVAKIA (MARTIN VOLOŠIN, JÓZSEF POÓR, MÁRTONNÉ KAROLINY, ZOLTÁN ŠEBEN AND SZILVIA KOSÁR)

## 11.1 INTRODUCTION



Population: 5.455.000 people  
Territory : 49.000 km<sup>2</sup>



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

## 11.2 FDI AND EMPLOYMENT IN SLOVAKIA

### 11.2.1 FDI VOLUME

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

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

Preliminary flow and status FDI data classified after the country of investor is published annually, and flow FDI data from 2009 is reported quarterly, in the section PRELIMINARY DATA, classification after the country. The FDI growth is presented by Table 277 and Figure 55.

**Table 277: Development of the volume of FDI in Slovakia in 1998 – 2007**

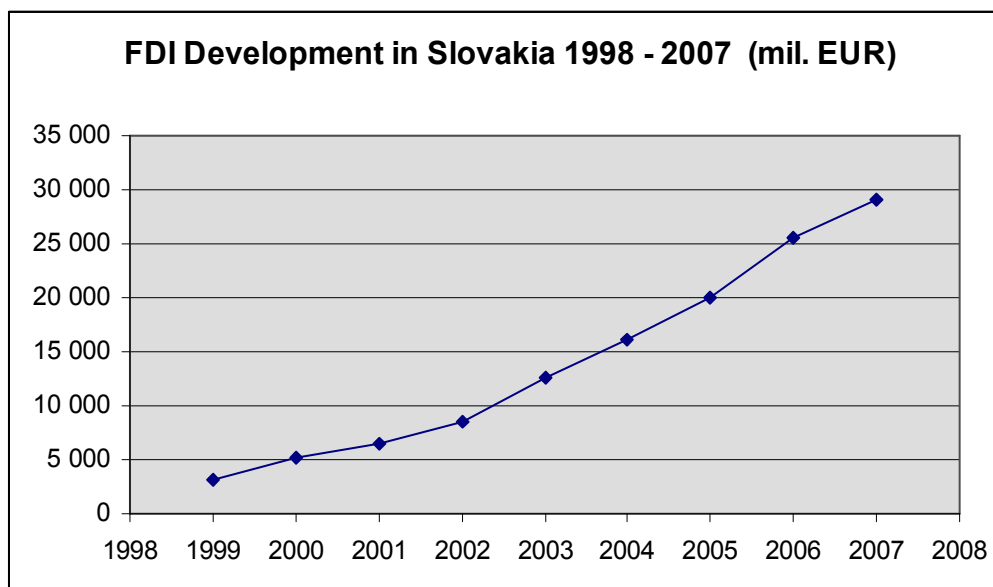
Year	FDI (million EUR)
1998	(not available)
1999	3 213
2000	5 129
2001	6 495
2002	8 563
2003	12 617
2004	16 068
2005	19 968
2006	25 517
2007	29 058

Source: *Foreign direct investment data*. (2010). Bratislava: National Bank of Slovakia.

Gyurián and Kútna (2010) state in overall, that over the entire 1995-2008 period, Slovakia stands out as the Member State which has done the most profound restructuring of its tax system, with the tax ratio declining by one quarter.

The Slovak Republic introduced a major tax reform that came into force on the 1st of January in 2004. The main goal of the reform was achievement of competitive tax system. The main objectives of the reform was to ensure establishment of the business and investment and creating a friendly environment for both individuals and companies, the reduction of the distortionary effects of tax legislation and the introduction of equal taxation of all income types.

**Figure 55: FDI in Slovakia (1998-2007)**



Source: *Foreign direct investment data*. (2010). Bratislava: National Bank of Slovakia.

## 11.2.2 COUNTRIES OF ORIGIN

According to data from the NBS (National Bank of Slovakia) published at the beginning of 2011, the volume of FDI that had flowed into Slovakia since the beginning of the economic transition was about 27.6 billion EUR (about 37.3 billion USD) by the end of 2009. The partial slow-down of the FDI inflow is evident but there is still a great potential for foreign investments in Slovakia, especially in the central and eastern regions of the country.

With respect to the majority of the FDI invested in Slovakia, according to data at the end of 2008, the order of most significant investors has somewhat changed compared to the previous year. The Netherlands and Austria retained its leading position but Italy stepped forward. Previous ranking positions were lost by Germany and the Czech Republic. The USA, France and UK somewhat fell behind as well.

**Table 278: FDI in Slovakia by country of origin (2008)**

Order	Country	%
1	Netherlands	20.0
2	Austria	14.3
3	Italy	13.6
4	Germany	13.0
5	Hungary	7.8
6	Czech Republic	7.7

7	Cyprus	5.0
8	Luxembourg	3.6
9	South Korea	2.7
10	USA	2.7
11	France	2.0
12	UK	1.5
13	Other	6.0
<b>Total</b>		<b>100</b>

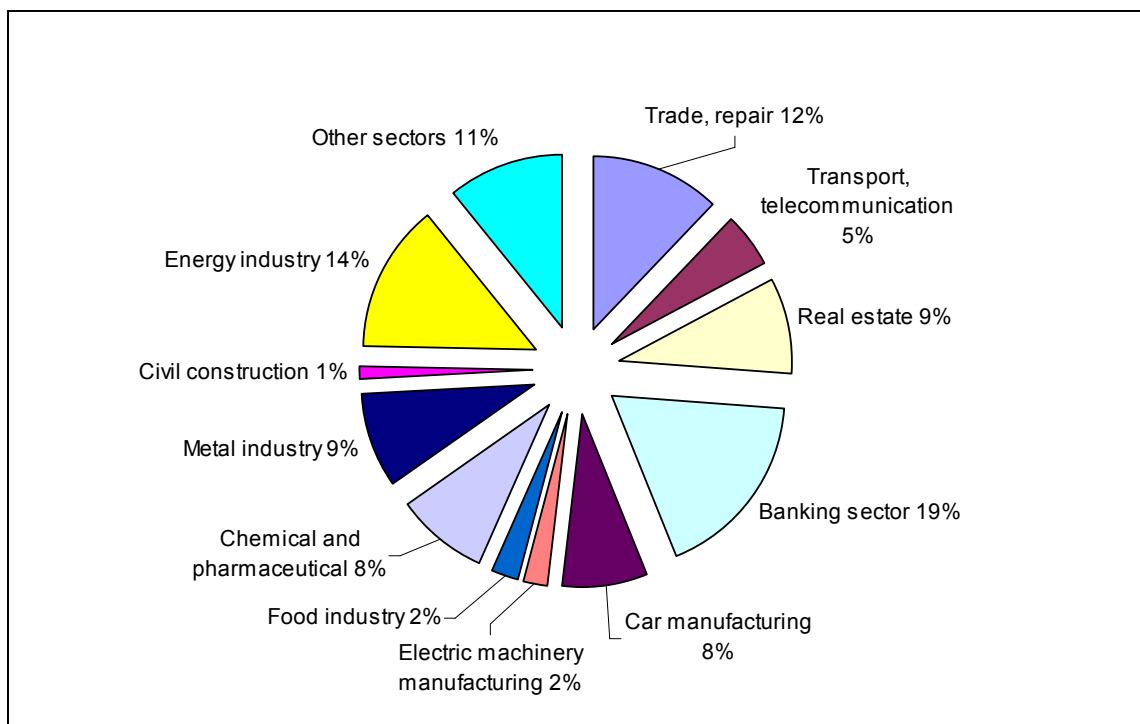
Source: *Foreign direct investment data*. (2009). Bratislava: National Bank of Slovakia.

By the end of the observed period 57 countries from around the world invested in the Slovak Republic. In total, fully 92% of FDI in Slovakia comes from member states of the European Union. The investment from other geographical zones is relatively small.

### 11.2.3 SECTORAL DISTRIBUTION OF FDI

Sectoral distribution and inflow of FDI in the Slovak Republic significantly changed especially after joining the European Union in 2004. This structure is illustrated by Figure 56.

**Figure 56: Sectoral structure of FDI in Slovakia**



Source: *Foreign direct investment data*. (2010). Bratislava: National Bank of Slovakia.

At the end of 2008, the greatest part of FDI in Slovakia (nearly 45%) was connected to the sector of services, especially the banking and trade. Industrial sectors received about 40% of FDI (car manufacturing, chemical and pharmaceutical industry, energy and metal industry). In past several years Slovakia became the most intensive world car producer with the biggest number of cars produced yearly per capita. This rapid growth of car production was caused by huge investment by three multinationals: Volkswagen Group, PSA Peugeot – Citroën and Kia Motors. The growth of car production stimulated investments of other world producers of automotive parts and accessories with positive impact on the whole economy and employment.

**Table 279: Structure of FDI in Slovakia by sector in thousands EUR (2008)**

Order	Sectors	FDI Volume	%
1	Trade, repair	3 526 095	12.1
2	Transport, telecommunication	1 502 270	5.2
3	Real estate	2 584 632	8.9
4	Financial services	5 124 852	17.6
5	Subtotal – Services	12 976 315	44.7
6	Car manufacturing	2 354 909	8.1
7	Electric machinery manufacturing	680 397	2.3
8	Food industry	706 015	2.4
9	Chemical and pharmaceutical	2 465 482	8.5
10	Metal industry	2 635 772	9.1
11	Subtotal – Industrial production	11 314 083	38.9
12	Civil construction	332 664	1.1
13	Energy industry	4 045 113	13.9
14	Other sectors	389 811	1.3
	<b>Total</b>	<b>29 057 987</b>	<b>100</b>

Source: *Foreign direct investment data*. (2010). Bratislava: National Bank of Slovakia.

The highest concentration of foreign capital relatively to the number of companies is observed in Slovak financial sector, the second is the energy industry and third in manufacturing industry. Also such sectors as telecommunications, civil construction,

trade sector and real estate are highly saturated by foreign capital and controlled by foreign firms.

#### 11.2.4 THE NUMBER OF FOREIGN ENTERPRISES

The total number of firms operating in Slovak economy and their sectoral structure is shown in Table 280.

**Table 280: The sectoral structure of firms operating in Slovakia (2009)**

No.	Sectoral groups	Number of firms	%
1.	Agriculture, forestry and fishing	4 859	3,8
2.	Manufacturing industry	12 273	9,6
3.	Mining	158	0,1
4.	Energy and water industry	926	0,7
5.	Civil construction	9 748	7,7
6.	Trade and repair	41 911	32,9
7.	Transport	4 397	3,5
8.	Information and communication	5 458	4,3
9.	Hotel and catering services	4 437	3,5
10.	Financial services	826	0,6
11.	Real estate	7 816	6,1
12.	Technical and professional services	18 800	14,8
13.	Health and education	5 180	4,1
14.	Administrative services	8 221	6,5
15.	Other services	2 399	1,9
	<b>Total</b>	<b>127 409</b>	<b>100,0</b>

Source: *Organizational statistics. Regional statistics*. Bratislava.: Slovak Statistical Office (2010).

From the total number of 127 409 firms almost 19% are foreign owned companies. According to the database of Slovak Statistical Office (2010) the number of foreign owned firms in Slovakia counts more than 24 thousands in 2009 (Table 281).

**Table 281: The number of foreign owned companies operating in the Slovak economy (by 31.12.2009)**

No.	County	Total number of enterprises	Foreign enterprises	International firms	Foreign and International
1.	Bratislava	43 034	8 456	2 721	11 177
2.	Trnava	11 886	1 695	717	2 412
3.	Trenčín	11 107	1 147	602	1 749
4.	Nitra	12 422	2 273	636	2 909
5.	Žilina	12 246	731	499	1 230
6.	Banská Bystrica	11 341	818	611	1 429
7.	Prešov	12 077	678	622	1 300
8.	Košice	13 296	1 213	739	1 952
	<b>Total</b>	<b>127 409</b>	<b>17 011</b>	<b>7 147</b>	<b>24 158</b>

Source: *Organizational statistics. Regional statistics*. Bratislava: : Slovak Statistical Office (2010).

This number is spread unevenly from the regional aspect. More than 75% of foreign firms are located in Western Slovakia, 11% in Central Slovakia and 14% in Eastern Slovakia.

### 11.2.5 EMPLOYMENT IN FOREIGN FIRMS

Foreign direct investment was very important for economic development, employment and economic growth of Central European countries on their way to a free market economy. Slovakia, which is the smallest economy among the four Visegrad countries, (Czech Republic, Hungary, Poland and Slovakia) recorded very rapid economic growth over the past years, thanks its economic reform and relatively high level of FDI inflow. This growth had a positive impact on the rate of unemployment, but it is still a problem which has a number of historical sources: In Slovakia there is still high rate of unemployment of certain socially weak groups of population, investment is not evenly spread in the country and economic recovery after the crisis is still rather slow.

From the global point of view, international companies employ more than 80 million people in their subsidiaries all over the world (UNCTAD data 2010). Therefore it is worth examining this employment effect more closely in two ways:

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

Foreign-owned companies employed about 600 thousand people in Slovakia in 2010. This number equals to one fourth of the people employed in the Slovak national economy and about 35% of the people employed in the competitive sector. The next table 284 is illustrating the new jobs creation in Slovakia between 2002 and 2009.

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

**Table 282: The number of employees in Slovakia at enterprises with foreign interest (2010) in thousands**

	Number of employees	%	Employees in foreign firms	% of the total number
<b>Production</b>	932,8	40	408,566	43,8
<b>Services</b>	806	35	192,634	23,9
<b>Public sector</b>	571,2	25	-	-
<b>Total</b>	2310	100	601,2	26

Source: *Organizational statistics. Regional statistics.* Bratislava: Slovak Statistical Office (2010).

We can see that from the point of view of employment, the number of new jobs created by FDI is very important. The Slovak Government and the Slovak Agency for Development of Investment and Trade have plans to steer the FDI to less developed regions of Slovakia. Despite this, the most of FDI has historically gone to the western part of the country.

Foreign direct investment created more than 60 000 of new jobs in recent years. The figures are presented in Table 283.

**Table 283: Number of new jobs created by FDI in Slovakia between 2002 and 2009**

No.	County	Number of new jobs	%
1.	Banská Bystrica	4939	8
2.	Bratislava	4564	7
3.	Košice	8030	13
4.	Nitra	10772	17
5.	Prešov	3654	6



6.	Trenčín	12273	20
7.	Trnava	11403	18
8.	Žilina	6883	11
	<b>Total</b>	<b>62518</b>	<b>100,0</b>

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

These figures clearly illustrate the uneven regional spreading of new jobs. In Western Slovakia (counties Bratislava, Trnava, Nitra, Trenčín) together 62% of new jobs was created, in Central Slovakia (counties Banská Bystrica and Žilina) only 19%, the same in Eastern Slovakia (Košice, Prešov) 19%. This disproportion is caused partially by asymmetric model of the state organization (the capital Bratislava is located right on the western boundary of the state only 60 km from Vienna). Another reason is the mountainous geographical character of the country and rudimentary highway network, which complicates transport between the Eastern and Western Slovakia.

### 11.3 CHARACTERISTICS OF THE COMPANIES PARTICIPATING IN THE SURVEY

A total of 22 foreign owned, legally independent subsidiaries participated in the questionnaire survey.

#### 11.3.1 COMPANY SIZE AND LEGAL FORM

According to the data shown in Table 285, the subsidiaries participating in the survey generated 8% less revenue while they decreased the number of full-time employees – by 5% – in the two years examined. This decrease may be attributed to the Slovakian consequences of the global financial and economic crisis.

**Table 284: Number of employees and revenue of the participating companies (n=22)**

Year	Number of employees	Revenue (billion euro)
<b>2008</b>	21.685	1.144
<b>2009</b>	20.487	1.049
<b>Change: 2009/2008</b>	95%	92%

Source: Primary research by the authors.

(Note: 1 euro equals 30 SKK in the study for statistical purposes)

#### 11.3.2 TOTAL NUMBER OF EMPLOYEES

The majority of the participants have less than 250 employees in Slovakia. Although the number of the smaller companies increased in the last two years one third of the

respondents belong to the large enterprises. Despite the fact that the local subsidiary may be considered a small firm, these firms largely were subsidiaries of large international companies.

**Table 285: Number of staff (n=22)**

Total number of employees of the company	2008		2009	
	Frequency	Percentage distribution (%)	Frequency	Percentage distribution (%)
<b>Below 250</b>	13	59	15	68
<b>251-1000</b>	6	27	4	18
<b>1001-2000</b>	2	9	2	9
<b>2001-5000</b>	1	5	1	5
<b>Total</b>	<b>22</b>	<b>100</b>	<b>22</b>	<b>100</b>

Source: Primary research by the authors.

#### 14. Case-description: Methods to avoid the effects of the crisis

„In 2009 the world wide crisis reached our company too. From January 2009 we decreased the working hours from 8 to 6. The reduction of the working hours was one the methods to minimize the effects of the crisis to the automobile industry. In case the situation changes our company is flexible enough to react to the changed circumstances with increasing or decreasing the intensity of the production. First of all we will react on the needs of the demand which means we will manufacture the cars after we receive an order.”(Engineering company A)

„On the Autumn of 2008 our company dismisses the hired labour force of the company because we thought we can fulfill the requirements with our own employees. The unemployment rate increase to 7.54% that time in Slovakia. After the layoff of the hired employees (500-800 persons) we cut the high expenses of the company such as the expensive company programmes, business trips and travelling to business conferences to be able to keep our own employees. Beside that in January of 2009 we ordered a one-week long holiday for all the employees. In this period they received the 60% percent of their salary. From February we started the work with four days long weeks. After all these arrangements if any of our employees gave their notice we paid the 15-fold (15×1.200 Euros) of their salary as a redundancy pay.” (Manufacturing company B)

„The crisis reached our company too but our CEO is not pessimistic. He has a good attitude to the situation. This is natural after our revenue increased from 45 million Euros to 48 million Euros from 2008 to 2009 and we are expecting an even better result for the

year of 2010. We need significant reserves and bright, considered, well thought-out steps to reach our goal. Some of this well thought-out decision was that we completed the new part of our premise in South-Slovakia and started to develop one of our premises on the North part of the country.”(Shipping company C)

„We try to lie emphasize on motivating our employees to do their job efficient while they still can be satisfied with the company therefore they won't have the need to leave the company. This retaining strategy is important for the company because with this strategy we can avoid the expenses on recruiting and hiring of new workers. The loyalty of the employees is an important factor because it gives a strong basis for the company.” (Agricultural company D)

„With the approval from the board of directors our new CEO reorganized the company. Some of the positions were cancelled in the company and the deputy managerial positions as well. We haven't prolonged the contracts of the employees on probation and for a definite period. After all these arrangements we centralized the background works.” (Service provider company E)

Source: Primary research by the authors.

Note: We use random letters for indicating companies in order to ensure anonymity

### 11.3.3 REVENUE

Regarding the revenue we can state that most of the participants' revenue decreased and we can find just a few companies which could increase its revenue.

**Table 286: Revenue of the subsidiaries participating in the (million EUR) (n=22)**

Revenue of the subsidiary	2008		2009	
	Frequency	Percentage distribution (%)	Frequency	Percentage distribution (%)
<b>Under 18,5</b>	10	48	11	52
<b>18,5-74</b>	9	43	8	38
<b>74-185</b>	1	5	1	5
<b>185-370</b>	0	0	0	0
<b>370-1851</b>	1	5	1	5
<b>Total</b>	<b>21</b>	<b>100</b>	<b>21</b>	<b>100</b>

Source: Primary research by the authors.

**Table 287: : Productivity index of the subsidiaries examined (EUR/person)**

Year	Number of employees	Revenue (million €)	Average revenue per employee (€/person)
2008	21.685	1.144	52.755
2009	20.487	1.049	51.203
<b>Change: 2009/2008</b>	95%	92%	97%

Source: Primary research by the authors.

In the examined period both the revenue and the number of employees decreased. As the revenue decreased at a greater rate than employment decreases the average productivity index decreased 3% as well.

### **15. Case-description: Despite the crisis there is a lack of proper workforce**

„The new competitors make a problem for our company; the competition for the well qualified labor force is getting more and more intense. The fluctuation of the employees is getting to be too high. We hope that the aim of the government is to make the Labor Law more flexible. One of the weaknesses of the labor force in Slovakia is the low level of mobility. People don't want to travel or move to regions where they can find more opportunities from the regions where the labor market offers just a few possibility.”  
(Engineering company A)

Source: Primary research by the authors.

#### **11.3.4 LEGAL FORM**

The 22 companies examined operate in the following legal forms in Slovakia:

- 12 companies (63%) are companies with limited liability (known in Slovakia as “s.r.o.”),
- 7 subsidiaries (37%) are public limited companies (known in Slovakia as “a. s.”)

#### **11.3.5 MANDATE OF THE ORGANIZATION**

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

Based on the responses it can be stated that almost 40% of the subsidiaries sales its products on the local markets. More than one quarter (27%) of the participants has control just on a part of the value chain but almost one third (32%) controls most of the processes of the value chain.

**Table 288: Mandates of the companies participating in the survey (n=22)**

Roles and mandates of your subsidiary	Frequency	Percentage distribution (%)
Mandate 1	5	23
Mandate 2	4	18
Mandate 3	6	27
Mandate 4	5	23
Mandate 5	2	9
<b>Total</b>	<b>22</b>	<b>100</b>

Source: Primary research by the authors.

(As a reminder of the five mandates, see Section 2.2.4 earlier.)

### 11.3.6 ORIGIN OF THE PARENT COMPANY

The subsidiaries participating in the survey came to Slovakia from 12 different countries. More than two thirds (68%) of them from the following five countries: The Czech Republic (27%), Germany (14%), Sweden (9%), USA (9%), and Hungary (9%), while another 7 countries account for the remaining 32%.

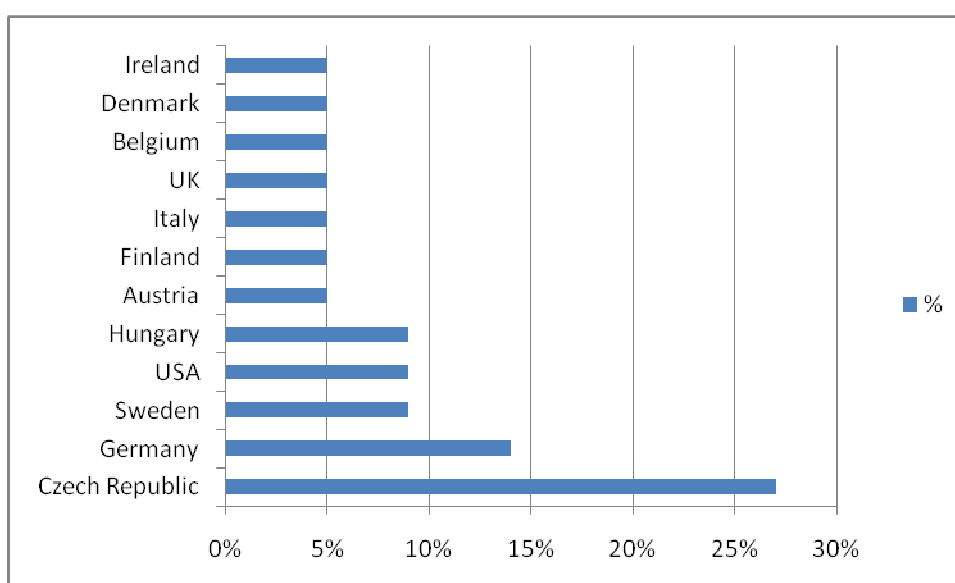
**Table 289: Origin of the parent companies of the participating companies (n=22)**

Origin of the parent company	Frequency	% distribution
Czech Republic	6	27
Germany	3	14
Sweden	2	9
USA	2	9
Hungary	2	9
Austria	1	5
Finland	1	5
Italy	1	5
Great Britain	1	5
Belgium	1	5

<b>Denmark</b>	1	5
<b>Ireland</b>	1	5
<b>Total</b>	<b>22</b>	<b>100</b>

Source: Primary research by the authors.

**Figure 57: Origin of the parent company (% distribution) of the participating companies**



Source: Primary research by the authors.

**Table 290: Management cultures of parent companies**

<b>Management cultures of parent companies</b>	<b>Frequency</b>	<b>% distribution</b>
<b>Anglo-Saxon</b>	4	18
<b>Nordic</b>	4	18
<b>Germanic</b>	5	23
<b>Eastern-European</b>	8	36
<b>Latino and South-European</b>	1	5
<b>Other</b>	0	0
<b>Total</b>	<b>22</b>	<b>100</b>

Source: Primary research by the authors.

### 11.3.7 YEAR AND FORM OF ESTABLISHMENT OF THE SUBSIDIARIES

The half of the examined subsidiaries came to Slovakia between 2000 and 2009. More than a third of them (36%) acquired majority control or carried out greenfield investments before 1995, the remaining ones (14%) settled in Slovakia between 1996 and 2000.

The foreign owners of more than half of the companies participating in the survey came to Slovakia in pursuit of greenfield investments and 45% of them obtained majority control in Slovakian companies during the privatization and the following acquisitions.

**Table 291: Year and mode of entry of the participants**

Year of establishment of the subsidiary	Merger, acquisition	Greenfield investment	Total	% distribution
Before 1990	2	0	2	9
1990-1995	1	5	6	27
1996-2000	0	3	3	14
2001-2005	4	2	6	27
After 2005	3	2	5	23
<b>Total</b>	<b>10</b>	<b>12</b>	<b>22</b>	<b>100</b>
<b>% distribution</b>	<b>45</b>	<b>55</b>	<b>100</b>	

Source: Primary research by the authors.

### 11.3.8 FIELD OF OPERATION: SECTOR-INDUSTRY

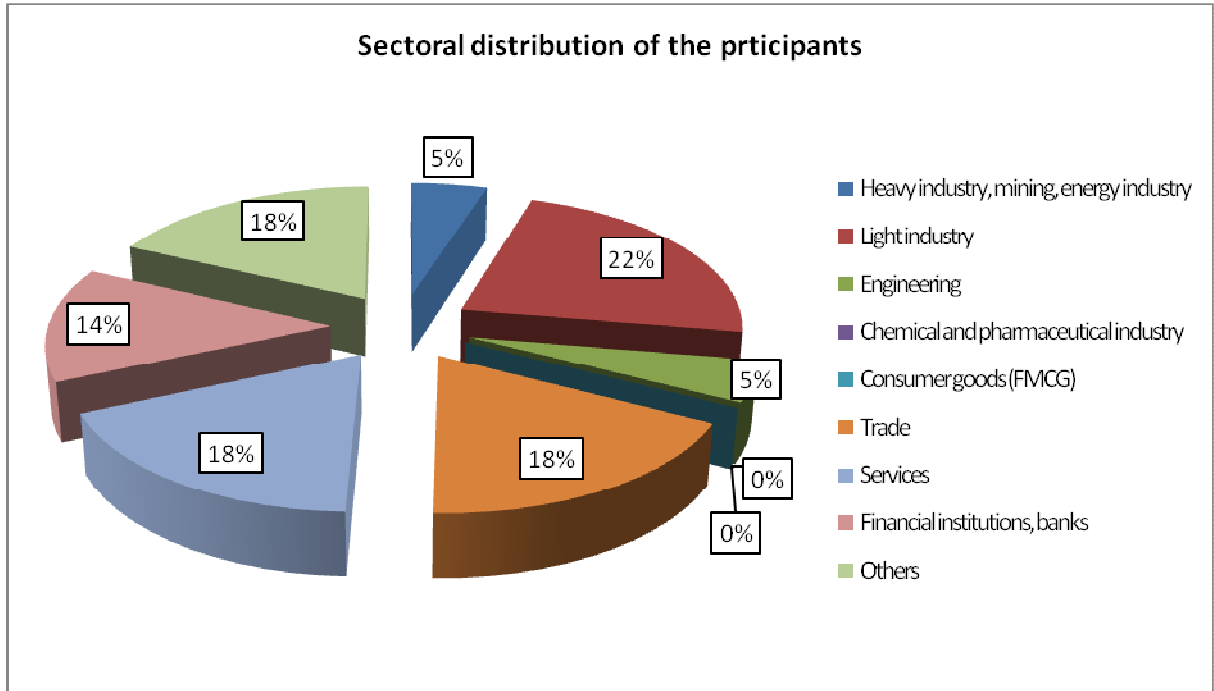
In terms of the sectoral distribution of the subsidiaries we can state the following: The majority of the organizations (68%) are engaged in trade and services while the remaining 32% in traditional manufacturing activities, typically in the light industry. The other companies operate in manufacturing and sales, agriculture and software developing.

**Table 292: Sectoral distribution of the participants**

Main sector of the subsidiary's activity	Frequency	% distribution
Heavy industry, mining, energy industry	1	5
Light industry	5	23
Engineering	1	5
Chemical and pharmaceutical industry	0	0
Consumer goods (FMCG)	0	0
Trade	4	18
Services	4	18
Financial institutions, banks	3	14
Others	4	18
<b>Total</b>	<b>22</b>	<b>100</b>

Source: Primary research by the authors.

**Figure 58: The sectoral distribution of the participant**



Source: Primary research by the authors.

#### 11.4 MAIN DIRECTIONS OF DEVELOPMENT OF THE COMPANIES IN THE PERIOD EXAMINED

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

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

##### 11.4.1 MAIN STRATEGIC ISSUES-ORIENTATIONS

Half (50%) of the respondents indicated that they were seeking growth and portfolio expansion during the period examined. Stability and revenue retention were also important for more than a half (55%) of the subsidiaries. Only a quarter (27%) of the organizations chose the redundancies and rationalization option.

**Table 293: Main strategic issues and orientations**

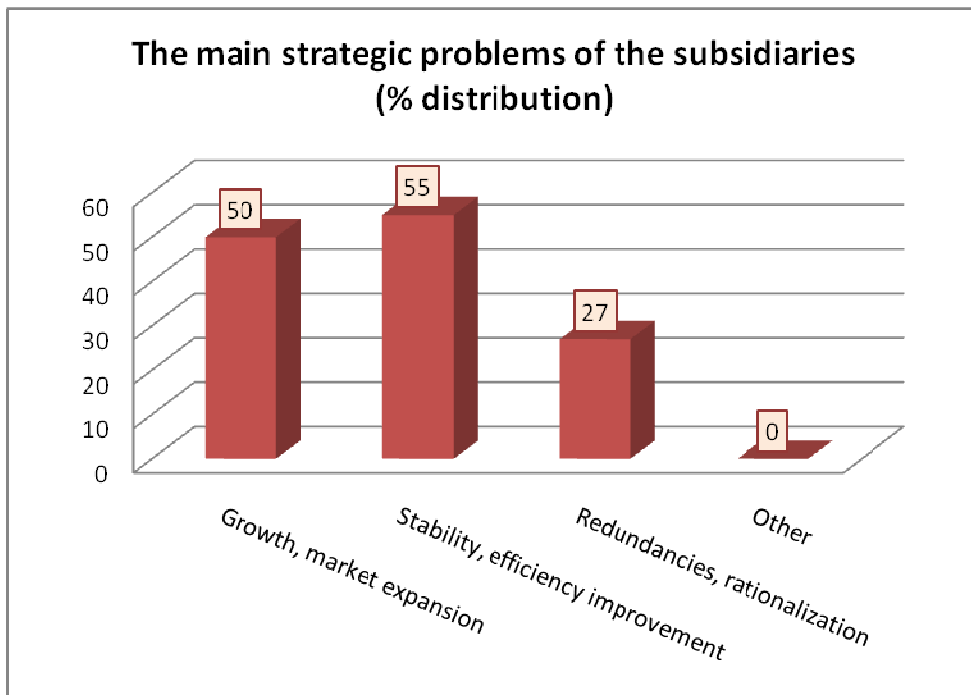
Main strategic issues, orientations	Frequency of "yes" answers	Multiple answers possible,
-------------------------------------	----------------------------	----------------------------



		response
<b>Stability, efficiency improvement, revenue retention, adapting to the market situation</b>	12	55
<b>Growth, market expansion, portfolio expansion</b>	11	50
<b>Redundancies, rationalization</b>	6	27
<b>Other</b>	<b>0</b>	<b>0</b>

Source: Primary research by the authors.

**Figure 59: The main strategic problem and orientations (%)**



Source: Primary research by the authors.

#### 11.4.2 MAIN COMPETITIVE FACTORS IN THE PERIOD EXAMINED

Optimal plant/organization size and the quality of workforce were chosen most frequently (both at 50%) by the respondents from amongst the most important competitive factors of companies (more than one answer could be marked in this question). Financial

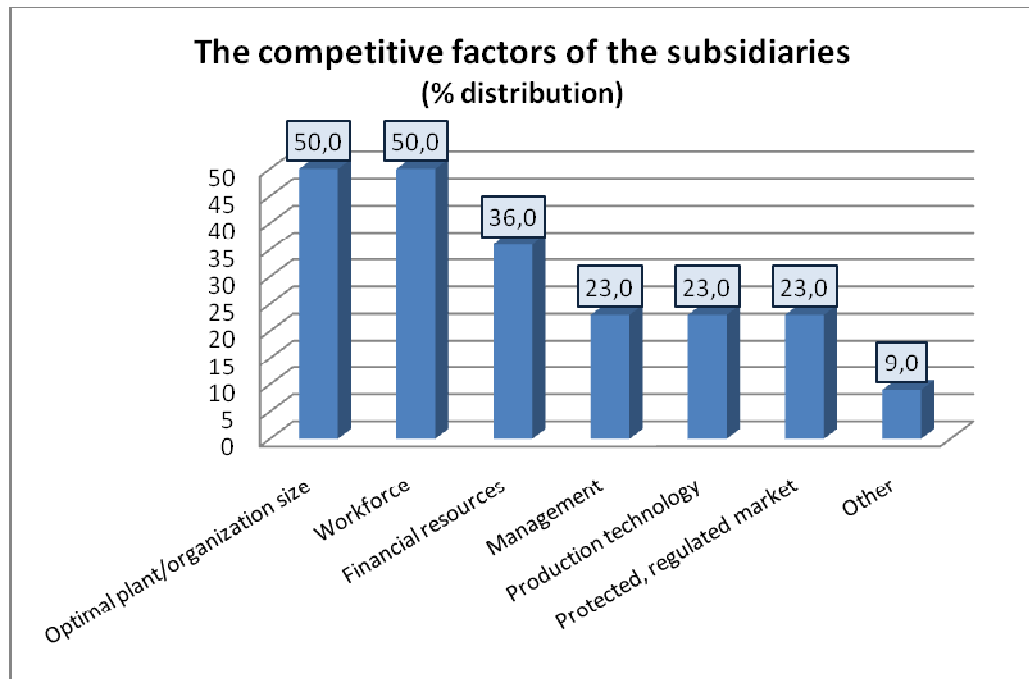
resources was deemed as the third most important (36%) factor which was followed by management, production technology and protected regulated market with 23% each.

**Table 294: The importance of competitive factors**

Competitive factors	Frequency of “yes” answers	Multiple answers possible, response
Optimal plant/organization size	11	50
Workforce	11	50
Financial resources	8	36
Management	5	23
Production technology	5	23
Protected, regulated market	5	23
Others	2	9

Source: Primary research by the authors.

**Figure 60: The importance of the competitive factors for the subsidiaries (%)**



Source: Primary research by the authors.

## 11.5 CHARACTERISTICS OF THE KEY INDICATORS OF THE HR FUNCTION

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

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

### 11.5.1 NUMBER OF HR STAFF

The average number of employees served by one HR professional increased from 148 in 2008 to 152 in 2009. In these companies nearly 60% of the total number of HR staff carried out administrative tasks while 40% were HR professionals. Even with these trends, this ratio was one of the smallest found in the overall regional survey results.

**Table 295: Number of employees and HR staff in the participating companies (n=22)**

Year	Number of employees	HR staff			Employees per HR position
		HR professional	HR admin staff	Total number of HR staff	
2008	21.685	60	87	147	148
2009	20.487	59	76	135	152
2009/2008	95%	98%	87%	92%	103%

Source: Primary research by the authors.

The HR departments of the companies examined are relatively small as the number of HR staff was less than five persons in the case of more than 65% of the respondents, while there has not been any organization among the subsidiaries which has no HR staff. With the decreasing of the number of HR staff (mainly the administrative staff) the size of the HR departments also decreased in the last two years (the average changed from 6.6 to 6.1).

**Table 296: Number of HR staff**

Total number of HR staff	2008		2009	
	Frequency	% distribution	Frequency	% distribution
None	0	0	0	0

<b>1-4 persons</b>	14	64	15	68
<b>5-10 persons</b>	3	14	3	14
<b>11-15 persons</b>	2	9	2	9
<b>15-20 persons</b>	2	9	1	5
<b>Over 20 persons</b>	1	5	1	5
<b>Total</b>	<b>22</b>	<b>100</b>	<b>22</b>	<b>100</b>
<b>Average</b>	<b>6.6 persons</b>		<b>6.1 persons</b>	

Source: Primary research by the authors.

## 16. Case-description: Structure of the HR department

„Our company doesn't have a HR manager. One of our colleagues manages all the regarding tasks to HRM. The HR manager of the cluster works in Budapest, the cooperation with the top management is very close.” (Manufacturing company A)

Source: Primary research by the authors.

### 11.5.2 LABOR COST – OPERATING COST RATIO

The labor cost – operating cost ratio is one of the frequently analyzed indicators of the importance of the HR function in the company's life. According to many researchers, the effects of HRM have a stronger and more direct influence on the company's performance if this ratio is higher. About one third of the subsidiaries participating in the survey fell into this category (where the labor cost ratio is higher than 40%). But the vast majority (63.2%) of the companies operated with a relatively low (under 30%) labor cost ratio.

**Table 297: Labor cost in % of the operating cost**

<b>Labor cost in % of the operating cost</b>	<b>2008</b>		<b>2009</b>	
	Frequency	% distribution	Frequency	% distribution
<b>Under 5 %</b>	0	0	0	0
<b>5-10 %</b>	5	31	5	24

<b>10-20 %</b>	4	25	4	19
<b>20-30 %</b>	2	13	1	5
<b>30-40 %</b>	1	6	4	19
<b>40-50 %</b>	2	13	4	19
<b>Over 50 %</b>	2	13	3	14
<b>Total</b>	<b>16</b>	<b>100</b>	<b>21</b>	<b>100</b>

Source: Primary research by the authors.

### 11.5.3 AGE DISTRIBUTION OF THE EMPLOYEES

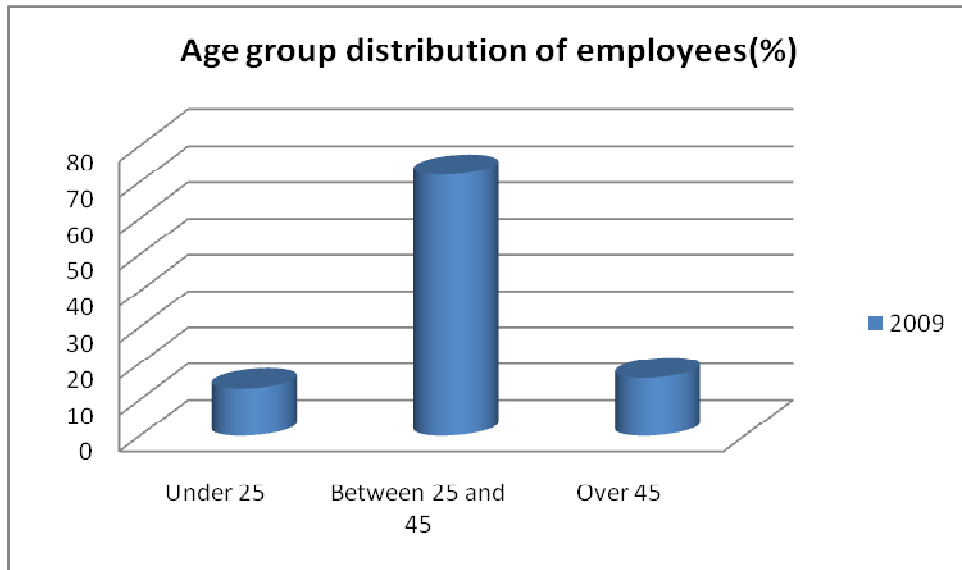
One of the results of human resource management actions is the age distribution of the labor force. The results of our survey in this respect confirm the common view that multinational companies prefer to employ the younger generations. The majority (84%) of employees are under the age of 45.

**Table 298: Age group distribution of employees (%)**

<b>Age groups</b>	<b>2009</b>
<b>Under 25</b>	13
<b>Between 25 and 45</b>	72
<b>Over 45</b>	16
<b>Total</b>	<b>100</b>

Source: Primary research by the authors.

**Figure 61: Age group distribution of employees (%)**



Source: Primary research by the authors.

#### 11.5.4 TRAINING BUDGET

Many HRM researchers consider the relative size of the training budget (compared to the entire annual labor cost) as an important indicator of modern and effective HR activity. In the half of the companies examined, the relative size of the training budget was under 2% in 2008. We also found a quite high proportion where the companies spent 10-20% or even more of the annual labor budget on training employees. In 2009 the companies with higher rates decreased this number.

**Table 299: Annual training budget in % of the entire annual labour cost**

Annual training budget in % of the entire annual labor cost	2008		2009	
	Frequency	% distribution	Frequency	% distribution
<b>Under 1 %</b>	4	25	1	5
<b>1-2 %</b>	3	19	10	48
<b>2,1-3 %</b>	1	6	4	19
<b>3,1-5 %</b>	0	0	3	14
<b>5,1-7 %</b>	2	13	3	14
<b>7,1-10 %</b>	0	0	0	0
<b>10,1 – 20 %</b>	4	25	0	0
<b>Over 20 %</b>	2	13	0	0

<b>Total</b>	<b>16</b>	<b>100</b>	<b>21</b>	<b>100</b>
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Source: Primary research by the authors.

### 11.5.5 EMPLOYEE TURNOVER

In 2008 the level of employment fluctuation was fairly high in the majority of the subsidiaries participating in the survey. One third of them have 20-30% and two of them had over 40%. In 2009 the extreme values haven't changed but the mean value of the fluctuation decreased. The mean value of the last two years show us that the value of the fluctuation decreased to 2009.

**Table 300: Fluctuation rate (%)**

The level of fluctuation	2008		2009	
	Frequency	% distribution	Frequency	% distribution
<b>Under 1 %</b>	0	0	0	0
<b>1,1-3 %</b>	2	13	2	13
<b>3,1-5 %</b>	0	0	3	19
<b>5,1-10 %</b>	5	31	2	13
<b>10,1-20 %</b>	2	13	4	25
<b>20,1-30 %</b>	5	31	3	19
<b>30,1-40 %</b>	0	0	0	0
<b>Over 40 %</b>	2	13	2	13
<b>Total</b>	<b>16</b>	<b>100</b>	<b>16</b>	<b>100</b>
<b>Mean value</b>	<b>18,89%</b>		<b>15,80%</b>	

Source: Primary research by the authors.

### 11.5.6 TIME LOST DUE TO ABSENCE/SICKNESS

The average number of days lost annually due to absence was under five days in approximately 30% of the responding companies. The most often chosen category (by about 44% of the subsidiaries) was six to ten days and a significant number (some 20%)

of companies reported an average of 10 to 20 days. Only one of the respondents reported an average of more than 40 days of absence. From the mean values of the last two years we can state that in 2008 the employees needed more days because of sick leave than in 2009 (Table 301).

**Table 301: The average days absent per employee per annum**

Absence / sick leave	2008		2009	
	Frequency	% distribution	Frequency	% distribution
Less than 1 day	0	0	0	0
1-2 days	3	19	3	19
3-5 days	2	13	3	19
6-10 days	7	44	5	31
11-20 days	3	19	4	25
21-30 days	0	0	0	0
31-40 days	0	0	1	6
More than 40 days	1	6	0	0
<b>Total</b>	<b>16</b>	<b>100</b>	<b>16</b>	<b>100</b>
<b>Mean value</b>	<b>9.06 days</b>		<b>8.49 days</b>	

Source: Primary research by the authors.

## 11.6 EXPATRIATES

### 11.6.1 FOREIGN EXPATRIATES

Usually two types of long-term emissaries are distinguished. The ones arriving from abroad (from the parent company or from a third country) who are also called expatriates and the ones from the Slovakian subsidiary appointed for a long-term deputation abroad (at the parent company or subsidiaries operating in other countries)

- ❑ Almost the half (45%) of the subsidiaries participating in the survey did not employ foreign expatriates in non-managerial positions. In those few companies that employed foreign expatriates in non-managerial positions permanently, the number of these expatriates was typically only four to five positions. Only one respondent employed more than ten such expatriates.
- ❑ The presence of expatriates employed in managerial positions is more significant but only the 30% of the respondents employed foreign expatriates in such positions in the period



examined. Where they were present, their number was typically between one and five expatriate positions (Table 302).

(Note: It is important to indicate that companies send an increasing number of employees abroad for a short time, for different projects. Our survey did not cover this issue.)

**Table 302: Number of foreign expatriates**

Number of expatriates	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
None	7	32	10	45
1 person	4	18	3	14
2-3 persons	6	27	2	9
4-5 persons	3	14	5	22
6-10 persons	2	9	1	5
11-15 persons	0	0	1	5
16-20 persons	0	0	0	0
Over 20 persons	0	0	0	0
<b>Total</b>	<b>22</b>	<b>100</b>	<b>22</b>	<b>100</b>

Source: Primary research by the authors.

From the examined sample we can say that half of the foreign expatriates are employed in managerial position and half of them in non-managerial position.

**Table 303: Positions of foreign expatriates**

Manager	Non-manager	Total
51%	49%	100%

Source: Primary research by the authors.

More than the half (53%) of the responding organizations had foreign expatriates from the parent company while the others came from countries different from the country of the parent company.

**Table 304: Country of origin of foreign expatriates**

Parent country	Other countries	Total
53%	48%	100%

Source: Primary research by the authors.

## 11.6.2 SLOVAK EXPATRIATES

Below we outline how typically and to what positions Slovak expatriates were sent to foreign companies of MNCs.

**Table 305: Number and positions of Slovak expatriates**

Number of Slovak expatriates	In managerial position		In non-managerial position	
	Frequency	% distribution	Frequency	% distribution
None	15	68	14	64
1 person	1	5	0	0
2-3 persons	5	23	3	14
4-5 persons	1	5	1	5
6-10 persons	0	0	2	9
11-15 persons	0	0	0	0
16-20 persons	0	0	0	0
Over 20 persons	0	0	2	9
<b>Total</b>	<b>22</b>	<b>100</b>	<b>22</b>	<b>100</b>

Source: Primary research by the authors.

- ❑ More respondents sent than received employees abroad to non-managerial positions, there was no such foreign deputation in more than 60% of the respondents. Companies that sent Slovakian employees abroad, usually sent two to three persons. But we had two companies in the sample which sent more than 20 people to foreign MNCs for a longer period.
- ❑ The proportion of companies not sending employees to managerial positions was higher (68%) than the proportion of those not sending employees to non-managerial positions. Of the companies that sent out employees to foreign managerial positions, mostly sent between one and three persons.

## 11.7 THE OPERATION OF THE HR DEPARTMENT

### 11.7.1 THE RELATIONSHIP BETWEEN HEADQUARTERS AND LOCAL HR

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

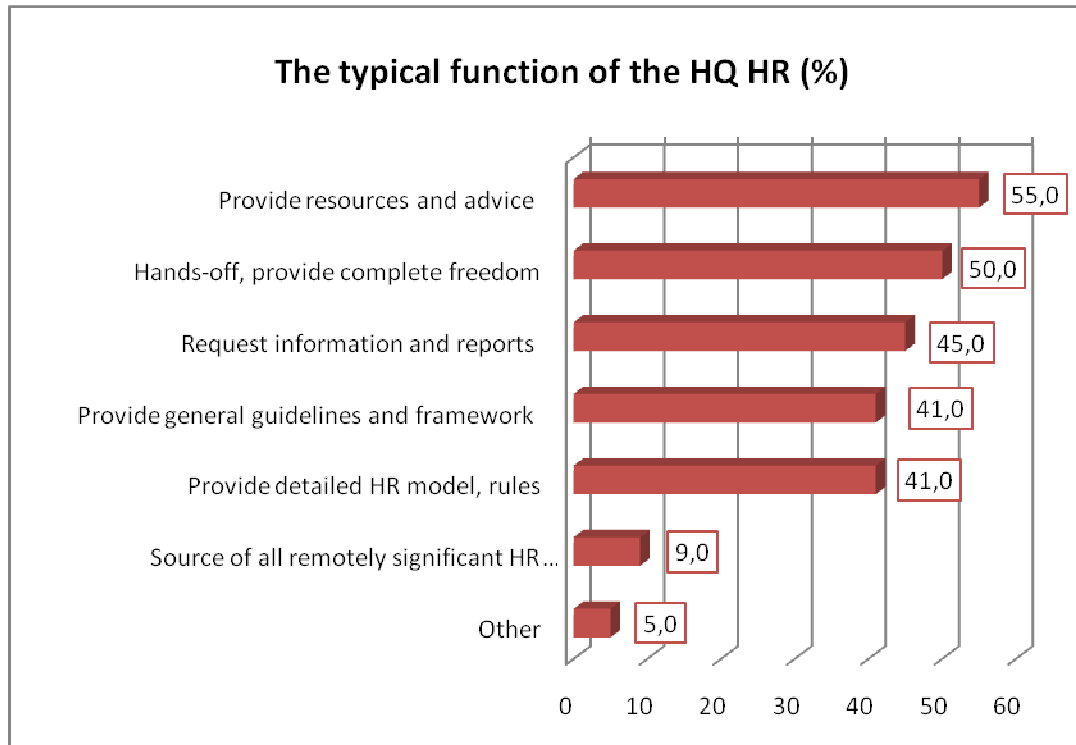
- ❑ For almost all typical functions HQ HR was chosen as the source of final authority with the same frequency by the subsidiaries (Table 306).
- ❑ The least typical situation characterizing the relationship between the HQ and the local HR unit is “absolute centralization” which means that even the less important decisions are made by the HQ .
- ❑ The highest level of decentralization occurs when the HQ provides complete freedom to the subsidiaries. With this form of hands-off the subsidiaries have to send only reports and information to the HQ HR.

**Table 306: Typical functions of the HQ HR**

Functions	Frequency of “yes” answers	Multiple answers possible, response
Provide resources and advice when requested	12	55
Hands-off, provide complete freedom	11	50
Request information and reports – auditor’s role	10	45
Provide general guidelines and framework for actions	9	41
Provide detailed HR model, policies, procedures and rules	9	41
Source of all remotely significant HR decisions	2	9
Other	1	5

Source: Primary research by the authors.

**Figure 62: The typical functions of the HQ HR**



Source: Primary research by the authors.

### 11.7.2 CHANGES IN THE IMPORTANCE OF HR FUNCTIONS

Human resource planning was first in the ranking of HR areas considered most critical in the period examined. Industrial-labor relations were chosen as the least important area of HR by the subsidiaries. This de-emphasis for industrial labor relations follows a broader regional pattern of findings.

**Table 307: Critical areas of HR (on a 1⇒5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not at all critical)*

The ranking of the critical areas of HRM in 2009	The average of the answers
1. Employee communication	3,09
2. Compensation and benefits	3,05
3. Human resource planning	2,41
4. Talent management	3,14
5. Performance evaluation	3,18
6. Training and development	3,18
7. Industrial-labor relations	3,73
8. Recruitment and selection	3,05
9. Information System (IS) of HRM	3,43

Source: Primary research by the authors.

### 11.7.3 TYPICAL HR COMPETENCIES FOR SUCCESS

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

- ❑ In the first rank (55%) we find business knowledge (value chain, value creation) was chosen, but teamwork and the knowledge of foreign languages have almost the same importance (45-45%),
- ❑ personal credibility, change management and quick decision making with knowledge sharing were sorted out with the same frequency (41%) by the respondents,
- ❑ the least important competencies for success in 2009 were strategic contribution, HRMIS and the area of HR services (Table 308).

Šeben (2011) also confirmed in his own research placed in Bratislava autonomous region the language readiness, ability to reflect and act, to make career decisions, or to have appropriate attitudes and personal culture as crucial equipment of successful job candidate. The language readiness of the respondents was most often presented as English, second place belonged to German, which was then followed by French. Less fluency was evident for the French language. The overall language readiness was also characterized by multi-linguistic skills. Half of the respondents confirmed two foreign languages and 27% moreover the third language.

**Table 308: Ranking of the key competencies of HR managers**

Ranking of key competencies	Very important	
	Frequency	Multiple answers possible, response
<b>1. Business knowledge</b> <i>(value chain, value creation)</i>	12	55
<b>2. Teamwork</b>	10	45
<b>3. Knowledge of foreign languages</b>	10	45
<b>4. Personal credibility</b> <i>(effectiveness, efficient connections, communication skills)</i>	9	41
<b>5. Change management</b>	9	41
<b>6. Quick decision making</b>	9	41
<b>7. Knowledge sharing</b>	9	41

<b>8. Strategic contribution</b> <i>(culture management, quick changes, strategic decision making)</i>	5	23
<b>9. Use of HRMIS (IT)</b>	5	23
<b>10. HR services</b> <i>(recruitment-selection, training, performance evaluation, HR measurement, etc.)</i>	4	18

Source: Primary research by the authors.

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

#### 11.7.4 PRIMARY RESPONSIBILITY OF DECISION MAKING IN THE MAIN FUNCTIONS OF HR

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

**Table 309: Responsibility of decision making in key functions of HR**

<b>Key functions of HR</b>	<b>Local line management (mgt.)</b>	<b>Primarily local line mgt. but in consultation with the HR department</b>	<b>Primarily local HR department but in consultation with local line mgt.</b>	<b>Local HR department</b>
<b>Human Resource Planning</b>	9	10	3	0
<b>Recruitment</b>	6	10	2	4
<b>Selection</b>	8	9	4	1
<b>Performance Evaluation</b>	10	10	0	2
<b>Training and Development</b>	6	10	3	3
<b>Compensation and Benefits</b>	10	11	0	1
<b>Industrial-Labor Relations</b>	8	7	4	3

<b>Employee Communication</b>	4	11	4	3
<b>HRMS/IT</b>	4	9	5	4

Source: Primary research by the authors.

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

As the data in Table 309 reflects, the majority of the respondents regard most of the interventions in the key functions of HR as the result of a joint decision in which the final decision is made rather by the local line management based usually on consultation with the HR department but in some cases only by the local management. Less often the responsibility attached to HR decisions is shared in such a way that the final decision maker is the representative of the local HR department.

### 17. Case-description: HR functions - Selection

„The recruiting and selection are the tasks of the HR too. The interviews flow in the presence of the future superior and the HR manager. For senior positions we use the help of recruiting companies in the selection. To fill the vacant positions we use regrouping or sometimes a high potential employee can occupy a higher position.” (Manufacturing company A)

Source: Primary research by the authors.

### 18. Case-description: HR functions – Compensation and benefits

„In the end of the year and in Summer there is a bonus paid if the results give a ground for it. The members of the sales group and the leaders can use the company car which they can use even for private trips. Because the leaders and the members of the sales group travel a lot they manage the administrative tasks with their note books and the mobile phones are part of their everyday tools.” (Manufacturing company A)

„Our company evaluates performance in every year. The Board of Directors organizes an entertaining meeting where they evaluate the results from the last year. The best business sales and administrative employees are rewarded with symbolic gifts. Further evaluation is held by the parent company with a large-scale meeting where the CEOs of the most successful subsidiaries are evaluated. This result plays a big role in the changing of the salaries in the next year and from observations we can say that it motivates the employees to reach their goals. The motivation packages of the sales group and the managers contain company car, company phone and notebook. They have a big role in motivating those groups”. (Sales company B)



Source: Primary research by the authors.

### 11.7.5 THE ROLE OF EXTERNAL HR SERVICE PROVIDERS

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

External service providers were most often used in the area of training and development. They were also often involved in recruitment and selection and in the area of compensation and benefits. The practice of companies in this respect either did not change or where it did, companies reported a marginal decrease in the use of external partners.

**Table 310: Role and use of external service providers in the different key functions of HR**

Key functions of HR	Increased	Decreased	Same	External providers not used
Human Resource Planning	0	4	6	12
Recruitment	1	4	5	12
Selection	2	4	3	13
Performance Evaluation	2	1	8	11
Training and Development	4	6	7	5
Compensation and Benefits	0	5	5	12
Industrial-Labor Relations	1	6	9	6
Employee Communication	5	3	4	10
HRMS/IT	2	3	10	7

Source: Primary research by the authors.

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



## 11.8 KNOWLEDGE MANAGEMENT IN HR

Knowledge management means the management and sharing of the collective knowledge (know-how, skills and intellectual skills) of an organization’s employees in an integrated way. In connection with the practice of the indicated topic in the field of HR we examined the following three areas:

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

### 11.8.1 PERSONAL COMPETENCY DEVELOPMENT IN HR

The respondents found local training to be the most important method of personal competency development in the field of HR. They thought that informal learning - that is learning from each other - and formal learning also play a very important role in HR professional development. Cross-cultural training was chosen as the least important method of competency of development in HR.

**Table 311: The importance of the methods of personal competency development in HR (on a 1-5 scale, on average)**

*(Explanation: 1 = critical ⇒ 5 = not critical)*

Methods of gaining competencies	The average of the answers
Local training	1,91
Informal learning	2,68
Formal learning	2,59
Training in HQ	2,91
Mobility between parent and subsidiary	2,77
Mobility between subsidiaries	3,23
Cross-cultural training	3,52

Source: Primary research by the authors.

### 11.8.2 ENABLERS OF HR KNOWLEDGE FLOWS BETWEEN THE PARENT COMPANY AND THE SUBSIDIARIES

With respect to the enablers of efficient knowledge flows, i.e. the transfer of knowledge about HR practices and techniques between the parent company and the subsidiary, the respondents considered the ability to transfer knowledge and the motivation to transfer

knowledge, along with the content of knowledge as the most important aspects of knowledge flows.

**Table 312: Enablers of HR knowledge transfer**

(Explanation: 1= critical ⇒ 5 =not critical)

Knowledge flow enablers	The average of the answers
Ability to transfer knowledge	2,59
Motivation to transfer knowledge	2,59
Content/Kind of knowledge	2,59
Form of knowledge transfer	2,77

Source: Primary research by the authors.

### 11.8.3 HR KNOWLEDGE TRANSFER BETWEEN THE PARENT COMPANY AND THE SUBSIDIARY

The respondents ranked knowledge flows within their own subsidiaries as the most important forms of the different HR knowledge flows. Knowledge flow from the parent company to the local operation was rated only second. (The latter opinion somewhat contradicts the answers received to our questions concerning the relationship between central and local HR organizations that showed rather strong centralization in many companies.) A much lower value, but still considerable importance, was assigned to knowledge flows between subsidiaries. Very few respondents indicated that HR experience generated in local sites and proposals coming from subsidiaries find acceptance at the parent company.

**Table 313: HR knowledge flows (on a 1-5 scale, on average)**

(Explanation: 1= critical ⇒ 5 =not critical)

Knowledge flows in HR	The average of the answers
Knowledge flows within your subsidiary	1,95
Knowledge flows from parent	2,27
Knowledge flows to parent	2,59
Knowledge flows between subsidiaries	2,68

Source: Primary research by the authors.

## 19. Case-description: Knowledge management - HR

„The knowledge flows come from the parent company to the subsidiaries and the knowledge flows between the subsidiaries are also significant. By launching the subsidiary in Russia they asked our company for helping in the training of the employees.” (Service provider company A)

Source: Primary research by the authors.

### 11.9 THE FUTURE TASKS OF HR

#### 11.10 THE KEY BUSINESS ISSUES, TRENDS FOR HR TO FACE

With regard to the key issues of the next 12 to 24 months, the responding HR managers considered improving efficiency the most important issue. Almost all (91%) respondents thought that this business expectation is the most important tasks HR professionals have to face. In many of the companies this is accompanied by company development or distribution development. Except for the challenge of eastern expansion all key challenge was chosen by one third of respondents as a very important issue or trend.

**Table 314: Key business challenges in the next 1-2 years**

Order of priority of the key business directions, challenges	Very important	Important
	Frequency	Frequency
Efficiency improvement	20	2
Company development	12	9
Distribution development	11	7
Company reorganization	8	6
Conform to globalization	8	13
EU changes	8	10
Eastern expansion	2	12

Source: Primary research by the authors.

### 11.11 INITIATIVES TO IMPROVE THE BUSINESS FOCUS OF HR PROFESSIONALS

In terms of improving business focus among HR staff, offered incentives based on measures and business performance had the priority. One third of the responding organizations reported that the business knowledge of HR staff plays a role in their selection processes of the company and one third of them said they plan to adjust these criteria to the goals. We can state from these answers that the least prioritized areas (training on business issues, rotation) in the past are the solutions which companies were planned to have in the future.

**Table 315: Improving business focus among HR staff**

<b>Actions improving business focus of HR staff</b>	<b>Implemented</b>	<b>Planned</b>
<b>Offer incentives based on measures and business performance</b>	12	4
<b>Offer training on specific areas of HR</b>	9	5
<b>Prioritize business knowledge in the selection of HR staff</b>	8	8
<b>Hire people from outside HR (business people)</b>	7	6
<b>Offer training on business issues</b>	5	9
<b>Offer rotation programs (outside the HR department) for HR staff</b>	4	10

Source: Primary research by the authors.

### 11.12 CHARACTERISTICS OF THE RESPONDING INDIVIDUALS

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

#### 11.12.1 DEMOGRAPHIC CHARACTERISTICS AND QUALIFICATION

The gender distribution of the professionals participating in the interview is almost equal (50-50%). This seemingly balanced situation is strongly influenced by the fact that the respondents are the representatives holding managerial positions of the HR profession that is otherwise dominated by women and the proportion of men among the respondents is much higher than in HR in general.

**Table 316: The gender of the responding individuals**

Gender	Frequency	% distribution
Male	11	50
Female	11	50
<b>Total</b>	<b>22</b>	<b>100</b>

Source: Primary research by the authors.

Some 68% of the participating individuals are between the age of 30 and 39. Almost 30% of them are over 40 years of age and only one person belongs to the younger generation (below 30 years old).

**Table 317: The age of the respondents**

Age	Frequency	% distribution
25-29 years	1	5
30-39 years	15	68
40-54 years	4	18
Over 55 years	2	9
<b>Total</b>	<b>22</b>	<b>100</b>

Source: Primary research by the authors.

Almost all the interviewees participating in the survey have university, college or equivalent qualifications. The individuals in "Other" group have not got university qualification.

**Table 318: Level of qualification**

Level of qualification	Frequency	% distribution
University PhD	0	0
University (MSc)	2	9
College (BSc)	16	73
Other	4	18

<b>Total</b>	<b>22</b>	<b>100</b>
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Source: Primary research by the authors.

The majority of the respondents obtained qualifications in social sciences (63%) and the remaining part has in engineering (14%) or has not provided the field of their qualification.

**Table 319: Field of professional qualification**

Field of professional qualification	Frequency	% distribution
Natural sciences	0	0
Engineering	3	14
Social sciences	14	63
Other	5	23
<b>Total</b>	<b>22</b>	<b>100</b>

Source: Primary research by the authors.

### 11.12.2 POSITION OF THE RESPONDENTS

Almost one fifth of the individuals participating in the survey are top HR managers: with the title of HR Vice President, Director, Manager or Department Head. Three respondents were CEOs. More than the half of the respondents belongs to the “Other” group, five of them have not admitted their position, but we have classified them according to our records as an economist, an accountant, two office managers, a financial administrator and a medical and a security manager.

**Table 320: Current position**

Current position	Frequency	% distribution
CEO	3	14
HR Vice President	0	0
HR Director/Manager	2	9
HR Department Head	3	14
HR professional	2	9
Other	12	55
<b>Total</b>	<b>22</b>	<b>100 %</b>

Source: Primary research by the authors.

One quarter of the respondents has worked in their current positions for less than three years. However, the majority have spent longer time, typically five to ten years in their positions.

**Table 321: Time spent in current position**

<b>Time spent in current position</b>	<b>Frequency</b>	<b>% distribution</b>
<b>0-3 years</b>	5	23
<b>3-5 years</b>	3	14
<b>5-10 years</b>	13	59
<b>10-15 years</b>	0	0
<b>Over 15 years</b>	1	5
<b>Total</b>	<b>22</b>	<b>100,00</b>

Source: Primary research by the authors.

## 12 APPENDICES (JÓZSEF POÓR)

### 12.1 APPENDIX- COMPANIES PARTICIPATING IN SURVEY

#### 12.1.1 CROATIA

Some ten foreign owned companies participated in the current survey.

**Table 322: The list of the companies participating in the survey**

No.	Name of the company
1.	Emerson d.o.o
2.	Erste&steiermarkische Bank d.d.
3.	GRAWE Hrvatska d.d.
4.	Karlovacka Pivovara d.d.
5.	L'oreal Adria d.o.o.
6.	MEGGLE HRVATSKA d.o.o
7.	SWIETELSKY d.o.o
8.	T & MC d.o.o.
9.	Triglav Osiguranije DD
10.	WER LIEFERT WAS d.o.o

Source: Primary research by the authors.

#### 12.1.2 ESTONIA

A total of 46 foreign owned companies participated in the current survey. 14 companies remain anonymous.

**Table 323: The list of the companies participating in the survey**

No.	Name of the company	No.	Name of the company
1.	3 Step IT OÜ	15.	ISS
2.	AMPHENOL CONNECUS OÜ	16.	MEDIFILES OÜ
3.	AS PÖYRY ENTEC	17.	MUSTAKIVI AUTO AS
4.	AS TV3	18.	NEW VISION AS
5.	AS WIENERBERGER	19.	NISSAN NORDIC EUROPE OY EESTI FILIAAL
6.	AUTOTANK OÜ	20.	Pedersen and Partners
7.	Balti Veski AS	21.	RAPALA EESTI OÜ



No.	Name of the company	No.	Name of the company
8.	Blue Travel Services OÜ	22.	RIMIBALTIC
9.	COMPLUS CONSULTING OÜ	23.	Samsung Electronics Baltic SIA - Eesti kontor
10.	D.A.S Iigusabikulude Kindlustuse AS	24.	SAPA PROFILID AS
11.	Eden Springs Estonia OÜ	25.	SCHIEDEL MOODULKORSTNAD OÜ
12.	ELION ETTEVITTED AS	26.	Skype Technologies OÜ
13.	Farm Plant Eesti AS	27.	STOCKMANN AS
14.	INT2000 OY	28.	TRANSCOM EESTI OÜ

Source: Primary research by the authors.

### 12.1.3 HUNGARY

Some 74 foreign owned companies participated in the current survey. Two companies remain anonymous.

**Table 324: The list of the companies participating in the survey**

No.	Name of the company	No.	Name of the company
1.	Aegon Magyarország Zrt.	39.	Hewlett-Packard Hungary Kft..
2.	AGC Autóipari Magyarország Kft.	40.	H-TPA Kft.
3.	Alcoa-Köfém Kft.	41.	H-Product Kft.
4.	Auchan Magyarország Kft.	42.	Immergas Hungária Kft.
5.	Audi Hungaria Motor Kft.	43.	Lear Corporation Hungary Kft.
6.	Balluf Elektronikai Kft.	44.	Legrand Zrt.
7.	BAT Pécsi Dohánygyár Kft.	45.	Levi Strauss Magyarország Kft.
8.	Beiersdorf Kft.	46.	MACHALA Kft.
9.	Bookline Nyrt.	47.	Magyar Telekom Nyrt.
10.	BorgWarner Turbo-Emissions System Kft.	48.	Mátravidéki Erőmű Zrt.
11.	BOS Kft.	49.	McDonald's Magyarországi Étterem Hálózat Kft.
12.	Brunswick Magyarország Kft.	50.	Media –Markt magyarország Kft.
13.	Budapest Bank Nyrt.	51.	Mediaedge-Hungary Kft.
14.	Canon Hungaria Kft.	52.	Michelin Hungária Kft.

No.	Name of the company	No.	Name of the company
15.	Carl Zeiss Vision Hungary Kft.	53.	MKB Bank Zrt.
16.	CCE Hungary Kft.	54.	Nestlé Hungária Kft.
17.	Cemex Hungária Kft.	55.	Nokia Komárom Kft.
18.	Chinoín Zrt.	56.	Océ-Hungária Kft.
19.	Citibank Europe plc Magyarországi Fióktelepe	57.	Porsche Inter Auto Hungaria Kft.
20.	Coca-Cola Beverages Magyarország Kft.	58.	Quintiles Magyarország Kft.
21.	Colgate Palmolive Magyarország Kft.	59.	Raabersped Hungary Kft.
22.	Convergys Hungary Kft.	60.	Remy Automative Hungary Kft.
23.	DEKRA Arbeit Magyarország Kft,	61.	Robert Bosch Elektronika Kft.
24.	Dreher Sörgyárak Zrt.	62.	Ryowa Hungary Kft.
25.	Duna-Dráva Cement Kft.	63.	Sanyo Magyarország Kft.
26.	Edf Démász Zrt.	64.	SAP Hungary Kft.
27.	EGIS Gyógyszergyár Nyrt.	65.	Siemens Zrt.
28.	Electrolux Lehel Kft.	66.	Stanley Electric Hungary Kft.
29.	EON Hungária Zrt.	67.	TEVA Gyógyszergyár Zrt.
30.	Ericsson Magyarország Kft.	68.	Unilever Magyarország Kft.
31.	Erste Bank Hungary Nyrt.	69.	Visteon Hungary Kft.
32.	Fővárosi Gázművek Rt.	70.	Vodafone Magyarország Zrt.
33.	Fressnapf-Hungária Kft.	71.	Zwack Unicum Nyrt.
34.	Friesland Campina Kft.	72.	Volksbank Zrt.
35.	GE Water - Zenon Europe Kft.	73.	n.a.*
36.	GE Hungary Zrt.	74.	n.a.*
37.	GlaxoSmithKline Biologicals Kft.		
38.	HankookTire Magyarország Kft.		

Source: Primary research by the authors.

#### 12.1.4 POLAND

A total of 87 foreign owned companies participated in the current survey. Some twenty one of them remains anonymous.

**Table 325: The list of the companies participating in the survey**

No.	Name of the company	No.	Name of the company
1	ABB	34	KRKA
2	Adecco	35	Lafarge
3	Alois Dallmayr	36	LG Electronics
4	Bank Zachodni WBK S.A.	37	Lumen
5	Bombardier Transportation	38	Medicover
6	Bosch	39	Motorola
7	Brenntag	40	Nippon
8	Broen DZT	41	Nordea
9	Capgemini	42	NSK
10	CEDEO Digital Media Innovation	43	NSK Steering Systems Europe
11	Cognitive Safety Systems –TRW	44	Nutricia
12	CTL Express	45	Orsay
13	Daimler	46	Parker Hannifin
14	Danrol	47	Partner Serwis
15	Deloitte	48	Pratt&Whitney
16	Delphi	49	Pro Media
17	Draexlmaier	50	Radisson
18	Ernst&Young	51	Saint-Gobail Sekurit
19	Ester Lincoln Electric	52	Scania
20	Euro Bank S.A.	53	Siemens
21	FagorMastercook	54	Sitech
22	Faurecia	55	Skanska S.A.
23	Ferratum	56	Takata Petri Parts
24	Flexmen International	57	ThyssenKrupp Energostal Stainless
25	Fortis bank	58	Toi-Toi
26	General Electric	59	Toyota
27	Giorgio Armani	60	TP EmiTel
28	Hewlett Packard	61	Vissmann
29	IBM	62	Volkswagen
30	IKEA	63	Volvo
31	ING Insurance	64	Wabco
32	ISE Industries	65	Wago Elwag
33	Karmann-Ghia	66	Whirlpool

Source: Primary research by the authors.

### 12.1.5 ROMANIA

Some 16 foreign owned companies participated in the current survey.

**Table 326: The list of the companies participating in the survey**

No.	Name of the company
1.	Cambridge SRL
2.	Eon Gaz Romania SA
3.	Forever Living Products Romania SRL
4.	Goodwill Consulting SRL

5.	ISDC Romania SRL
6.	Penny Market (REWE Group)
7.	Romtelecom SA
8.	Sanirom SRL
9.	Contitech Fluid Automotive Rom SRL
10.	Fornetti Romania SRL
11.	Leineweber RO SRL
12.	Rewe Romania SRL
13.	Toplita SA
14.	URSA Romania SRL
15.	Vodafone Romania SA
16.	Webeye International SRL

Source: Primary research by the authors.

### 12.1.6 SERBIA

Some 20 foreign owned companies participated in the current survey. One company remains anonymous.

**Table 327: The list of the companies participating in the survey**

Serial No.	Name of the company
1.	A.D. Potisje Kaniza
2.	Banca Intesa Beograd
3.	DAD Automotive Draxmaier. D.o.
4.	Dijamant AD, Zrenjanin
5.	Direct Group
6.	Ericsson Srbija
7.	Erste Banka
8.	Geze doo
9.	Mehler Protective System doo
10.	Mlekoproduct a.d. Zrenjanin
11.	NIS Oil Company
12.	OMEGA Martonos doo
13.	OTP Banca Srbija a.d. Novi Sad
14.	OTP banka Srbija
15.	Pompea Zrenjanin
16.	Telenor doo
17.	Tom Ferr doo
18.	van drunen farms evropa doo
19.	Wiener Stadtische osiguranje

Source: Primary research by the authors.

### 12.1.7 SLOVAKIA

A total of 22 foreign owned companies participated in the current survey. Three companies remain anonymous.

**Table 328: The list of the companies participating in the survey**

No.	Name of the company	No.	Name of the company
1.	Autoklub Szlovakia Assistance, s.r.o.	13.	RIEKER OBUV s.r.o.
2.	Azet s. r. o.	14.	SCA Packaging Slovensko s.r.o.
3.	Dan-Slovakia Agrar, a.s.	15.	Schetelig CE s.r.o.
4.	DBS Bank a. s.	16.	Slovenské Elektrarne a.s. – Tepelné elektrárne Vojany
5.	Dometic <i>Slovakia</i> s.r.o	17.	Smurfit Kappa Obaly Sturovo a.s.
6.	GREEN POINT, spol. s r.o	18.	Tom-Ferr Jug DOO a. s.
7.	Gumotex a.s.	19.	Trans Holding Group Slovakia s. r. o.
8.	IDS SCHEER SDC s. r. o.	20.	U. S. Steel Košice, s.r.o
9.	n.a.	21.	n.a.
10.	<i>Lidl</i> Holding Slovenská republika s.r.o.	22.	n.a.
11.	OLYMPS DOOR spol. s r.o.		
12.	OTP Banka Slovensko a.s.		

Source: Primary research by the authors.

s. r. o. companies with limited liability (spoločnosť s ručením obmedzeným)

a. s. public limited companies (akciová spoločnosť)

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