

## **HRM in Transition Practices of MNC-Subsidiary Mandates in Hungary - 2010**

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*Majority of companies in the competitive sector in Central and Eastern European (CEE) economies including Hungary have largely completed those major legal, strategic and structural modifications that followed privatization. They have more or less left the reconstruction of different company functions behind. With intensification of competition continuous renewal is now being emphasized. In this situation, the role of human resources becomes particularly important in the private and public sectors of these countries. There is a lack in HRM (Human Resource Management) literature to identify new patterns of Multinational Company (hereafter MNC) involvement and its impact on HR/HRM activities of these firms. Therefore we have begun a long-term research project investigating the transition of HR practices and roles in MNC subsidiaries, as these challenges occur in 2009. 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. Our purpose in writing this contribution is to assist people across Eastern Europe and Hungary to recognize and honour the differences we are all experiencing people management at local subsidiaries of MNCs in this part of the world.*

*This contribution has two goals. First, we outline our conceptual model with five major issues including eight HR items (critical HR issues, expatriates, localization, relationship between HQ and local HR, HR headcount, HR executives' competencies and external resources). Second, we will report first preliminary results of our HR research, done at 74 major local subsidiaries of foreign MNCs in Hungary in 2010.*

**Key words:** multinational companies, human resource management, local subsidiaries and Hungary

## Introduction

Since the importance of human resources has been acknowledged in the Western world, more and more companies make considerable efforts to improve effectiveness of human resource management. It is widely believed that the *conventional* sources of competitiveness (including protected markets, technology, access to financial resources, and economies of scale) are insufficient for maintaining a competitive advantage in today's competitive markets (Pfeffer, 1994; Brewster et al., 2004 and Ulrich et al., 2009). Many authors think that the human factor (knowledge, skills, and behaviour) is the key to sustaining long-term competitiveness. The careful, but not extravagant, management of our human resources must become increasingly important in the lives of both local and foreign organisations alike.

Many authors believe that multinationals generally operate their management functions (Szalavetz, 2010 and Bekes et al., 2011) including HRM (Hiltrop, 1991; Dowling, Festing and Engle, 2008; Chikán and Czakó, 2009) at a higher level than do local companies, and they apply highly efficient methods in fields of performance management, communication, training of new entrants and career management, whilst local companies tend to focus on collective agreements and staffing issues related to strikes.

The advanced capitalist world, large companies, including multinationals first reaction was typical of recent crisis occurs, immediately scaled down to the contracted workers (employee contracting). A quick cost savings, the cash flow has been absolutely critical in these companies. Only to support training, which help companies resolve current problems. In case of full-time workers - where possible - they took over assignments of the contracted workers (Chara, 2009).

## Foreign Direct Investment

### Values

According to UNCTAD and Hungarian Central Statistical Office (2010:2) data, nearly 486 billion US dollars of foreign investment flowed into the 12 new EU member countries until 2009. From this investment Hungary had a share of 18%.

According to data (GMFFO, 2010) published at the beginning of 2010, the volume of FDI that had flowed into Hungary since the beginning of economic transformation was 64.2 billion Euros (85.9 billion USD) at the end of 2009.

Exhibit One : FDI in new and old EU member countries (2009) (in billion US dollars)

No.	Countrys	Volume of investment (billion USD)	Ratio to the GDP	Population (million people)	Amount per inhabitant (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

Sources: EUROSTAT 2010 and UNCTAD (2010): World Investment Report, 2010. Geneva: United Nations.

### ***Origin of the FDI***

In his work Hunya (2000) draws the attention to the importance of origin of companies. Typical distributional order was the following in Hungary at the beginning of the millennium: (1) Germany, (2) USA, (3) The Netherlands, (4) Austria, (5) UK, (6) France

In respect of the majority of the 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 (Borsi et al., 2009).

### ***Sectoral distribution***

At the beginning of the millennium, majority of FDI was connected to industry. These days, this has changed significantly. 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). 28 of FDI went to the processing industry (car manufacturing, electric machinery manufacturing, food industry, chemical and pharmaceutical industry).

### ***Number and size of foreign enterprises***

The Central Statistical Office (2010) examined a number of international companies operating in Hungary (in 2008: 28,994), in 1988 there were only a few dozen of them. There are 900 large companies in Hungary. Majority of large enterprises are owned by foreign companies in Hungary.

### ***Employment***

According to the previously quoted UNCTAD (2008) report, international companies employ more than 80 million people in their subsidiaries. It is worth to examine them in two ways:

- It varies significantly between countries, what proportion this value represents the people employed in business in the given country. According to the representative data of the report, 50.6% of 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 people employed in Hungarian national economy and one third of people employed in the competitive sector. (KSH, 2010c and 2010d).

Exhibit Two: Proportion of people employed by MNCs in different countries of the world

No.	Country	Year of survey	Employees		
			Number of people employed by foreigners	All employees in the private sector	In percentage of total (%)
1.	Austria	2004	232,800	3,266,500	7.1%
2.	China (PRC)	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.

According to the research of Hungarian Central Statistical Office (KSH 2010e:3) “While companies with over 5 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 Hungarian Central Statistical Office (KSH 2010e: 4), “companies forced downsizing usually dismissed leased labour first”.

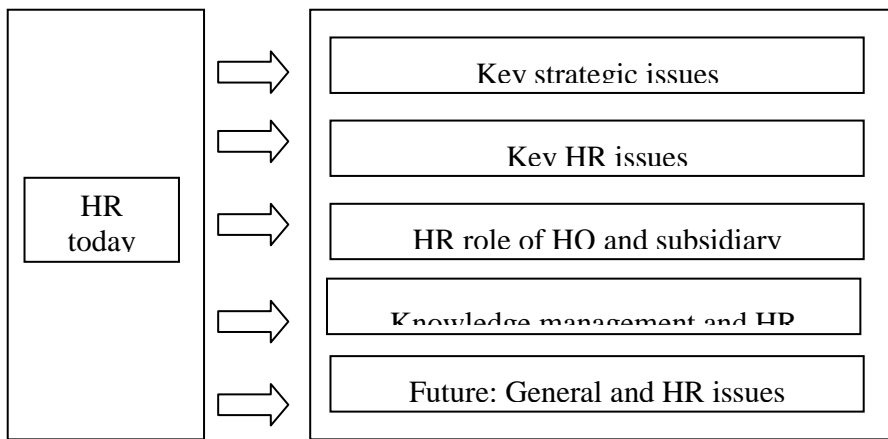
## Research Approach

### *Model and variables*

Undertaking a study of HR practices in the subsidiaries of MNC in CEE region and specifically in Hungary, we begin our examination with the model shown in Exhibit Three.

Exhibit Three: Research model

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



Developing the research model shown in the Exhibit Three 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 researches 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, Engle and Gross, 2009).
- Our domestic and international experience gained during Cranet<sup>1</sup>(2006 and 2011) HR researches being carried out at our department (Karoliny, Farkas and Poór, 2009; Karoliny and Poór, 2010).
- Results of our collected and published recent theoretical and empirical examinations in the field of knowledge management such as Bartlett and Goshal, 1989; Boyacigler and Adler, 1991; Kamoche, 1997; Farkas et al. 2005; Dobrai-Farkas 2007; Dobrai-Farkas 2010, 2008 and Dobrai 2008.
- Research experience we gained over recent years during our analyses in the field of organizational (Farkas, 2010) and national culture (Hofstede, 1980 and Jarjabka, 2009).
- In addition, the most recent HR researches we conducted in relation to global economic crisis in 2008 (Fodor-Kiss-Poór, 2010; Courtney, 2008 and Balázs and Veress, 2009).

In the research we covered the following areas:

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

<sup>1</sup> CRANET is a non-profit HR research network involving 42 countries and our department is a member since 2004.

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

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

The analysis was descriptive, it revealed objective data in all cases. In order to facilitate statistical analysis, we used the same questionnaire during personal interviews at companies and during online surveying, we coded gathered data and analyzed coded answers.

The appropriate sample size for a population-based survey is determined largely by three factors; confidence level, size of population and confidence interval. In this survey, there are 1746 foreign owned firms of 49 employees or more in Hungary. The confidence level amounts 95% and the confidence interval being 10-11. Due these figures, the sample size is occurred between 76-91, We are fully that if the sample is not representative of the sample size it depends on the sample selection method (Párniczky and Koves, 1973).

In this summary we give an overview of the most significant experience gained in the 74 MNC subsidiaries in Hungary participating (62 through personal interviews, 12 through web-surveying) in survey until 15 December 2010, the closing of research.

### ***Hypotheses***

We will now select elements of the model and present a series of more concrete hypotheses for analysis. Given wide scope of conceptual framework we chose to select elements across the model for investigation. Our hypotheses were as follows:

H#1: Due to the global economic crisis, local subsidiaries of international companies are much less downsized their full-time staff in comparison with contracted employees.

H#2: Effectiveness of HR department at foreign-owned firms is much above work efficiency of local companies. Our claims will be interpreted by the following indicators: *number of HR staff, labour cost – operating cost ratio, relative weight of training budget.*

H#3: After having finished initial phases of development (merging&acquisition or firm establishment, reconstruction, training&development will continuously decrease, and number of Hungarian inpatriates will increase.

H#4: HR departments of local subsidiaries manage their relationships with HQ-HR in different ways. The complete centralization is very seldom among the surveyed firms.

H#5: With growing people management awareness amongst line management, HR will lose its primary role and authority will be shared by HR and line management.

H#6: Training and development activities will be more likely than other areas of HR to be outsourced to external providers.

## **Methodology**

### ***Population characteristics and the sample***

General characteristics of participating companies:

- ❑ 74 local subsidiaries of different foreign owned companies registered in Hungary participated in the survey.
- ❑ The majority of participating companies are large enterprises according to the new EU classification based on the number of their employees (above 250 employees) or on their revenue (above 40 million Euros).
- ❑ The companies examined carry out very significant manufacturing and service providing activities in Hungary and they employ 16.5% of people employed by foreign owned companies.
- ❑ 66% of the surveyed companies are engaged in the productive sector and 34% provide tangible and intangible services.
- ❑ 80% of the surveyed companies came from the following six countries: Germany (26%), USA (24 %), France (9%), Austria (8%), Japan (6%), and the Netherlands (4%). The remaining 23% represent another 12 countries.
- ❑ Foreign owners of 55% of the companies analyzed acquired majority control or carried out greenfield investments before 1995. 25% of the companies settled in Hungary between 1996 and 2000 and the remaining ones (18%) after 2000.
- ❑ More than half (54 %) of the respondents indicated that they were seeking stability during the examined period. Almost 40% of the surveyed companies were characterized by growth and portfolio expansion. The fact that a much lower proportion (28%) of the respondents chose the redundancies and rationalization option indicates the recovery from the crisis. Other solutions account for 22% of the answers.
- ❑ More than half (51%) of the companies participating in the survey operate in Hungary with a mandate to carry out development to the whole global market. (Comments: During the analysis, after 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.)
- ❑ Optimal plant/organization size was chosen most frequently (70%) by the respondents from the 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, a large number (55%) of the respondents emphasized having ample financial resources due to stronger financial positions of multinational companies. Respondents also deemed workforce (49%), management (32%) and production technology (27%) to be very important competitive factors.
- ❑ If we take a look at the management culture of the companies (Brewster et al, 2004), the highest proportions of companies in the sample analyzed belong to the so-called

Germanic (41%) and the Anglo-Saxon (31%) management cultures. In Hungarian trends besides groups of traditional MNCs (95%) (American, Western European and Japanese), companies from the so-called emerging and transitional countries (5%) have also appeared.

### ***Responding individuals***

General characteristics of responding individuals:

- ❑ Almost 80% of interviewees were top managers or top HR managers with the majority (59.5%) of them having spent at least 3 years in their current positions.
- ❑ Men (49%) and women (51%) were equally represented among the respondents and all of them had third level degrees.

## **Result - Characteristics of the key indicators of HR function**

### ***Staff numbers***

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

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

Exhibit Four: Number of staff of participating companies (n=74)

Year	Number of employees (people)
2009	113 415
2008	108 233

### ***Number of HR staff ratio***

The companies interviewed for, an HR staff served the average number of employees in 2008, just over 81 people . In 2009 this indicator dropped below 74, because while the total number of employees decreased by 4%, staff in HR increased by 5%. Nearly 60 % of the total number of HR staff was professional and 40 % belonged to the administrative categories in the examined companies.

HR departments of the examined companies are relatively large as the number of HR staff was higher than 5 persons in the case of more than 65% of the respondents. Only two organizations participated in the survey that didn't have an HR department, moreover not even employed a single HR professional. It is well known from management theory (Torrington et al., 2005) 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.

### ***Labour cost – operating cost ratio***

The labour cost – operating cost ratio is one of the frequently analyzed indicators of the importance of HR function in company's life. According to assumptions, effects of HRM have a stronger and more direct influence on company's performance if this ratio is higher. About one third of subsidiaries participating in the survey fell into this category (where labour cost ratio is higher than 40%). But the vast majority (63%) of the companies operated with a relatively low (under 30%) labour cost ratio.

### ***Relative weight of training budget***

Literature considers the relative weight of training budget (compared to the entire annual labour cost) as an important indicator of modern and effective HR activity. In more than 60% of the examined companies, the relative weight of training budget was under 3% and only about one third of the examined companies spent 3-7% of annual labour budget on training employees. The global average of this indicator calculated using the formerly mentioned Cranet (2006) international comparative HR database was 3.36%, Eastern European index was 3.15% and the Hungarian was 3.54% .

## **Result - expats and their roles**

The belief that management practices are universal has spread widely along with globalisation. The assumption is if you have succeeded in one culture, you are likely to be successful in another. Hofstede (1980) argues that, although management practices may be universal, they have to be adapted to local cultures.

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

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

### **Foreign expats**

Number of expatriates decreases according to level of maturity of subsidiaries (Shenkar and Nyaw, 1995; Simai and Gál, 2000 and Peterson (2003). Expatriate managers are most frequently seen during acquisition or firm reconstruction of subsidiaries. During global crisis there are fewer expatriates.

- 77% of subsidiaries participating in the survey didn't employ foreign expats in non-managerial positions. In those few companies that employed foreign expats in non-managerial positions permanently, the number of these expats was typically only 1-2. Only two respondents employed more than 10 such expats.

- The presence of expats employed in managerial positions is more significant, around 77% of the respondents employed foreign expats in such positions in the period examined. Where they were present, their number was typically between 1-3 but a few respondents employed 10-15 or even more than 20 of them.

### **Hungarian expats - inpatriates**

Impatriation “involves the transfer of subsidiary managers to headquarters for a specific period of time” (Harzing and Ruysseveldt, 2004: 266). Below we outline how typically and to what positions Hungarian expats were sent to foreign companies of MNCs:

- Although 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 employees abroad, sent usually 2-3 but maximum 15 persons.
- The proportion of companies not sending employees to managerial positions (60%) was the same as the proportion of those not sending employees to non-managerial positions. Companies that sent out employees who obtained foreign managerial positions, mostly sent 1-5 persons.

## **Result - The operation of the HR department**

### **The relationship between HQ and local HR**

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

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

Lawler (2006) concluded from his research conducted among American subsidiaries operating in Asia and Europe, that the most dominant deciding factor in 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 above mentioned authors say that the system to be implemented depends on the sum of the impacts of internal and external factors that form, influence the organization. In certain cases national culture of host country and legal, regulatory environment are considered influencing factors.

We found several approaches among the companies examined as follows:

- However, typical solution that was implemented by almost 75% of respondents was that HR department of the company’s headquarters, besides carrying out 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%) of the companies the headquarters was also responsible for developing detailed HR model and not only personnel policies but

also rules and procedures were developed centrally. Operations of these global HR systems were usually supported by modern IT solutions.

- ❑ Almost 10% of respondents marked practically absolute centralization.
- ❑ On the other hand, about one fifth of HR departments of responding subsidiaries reported getting hands-off, almost complete freedom from headquarters and decentralized HR activity.

### ***Changes in importance of HR functions***

Employee communication was first in ranking of HR areas considered most critical in the period examined, being a little ahead of the evergreen problem area, the issue of compensation and benefits. Responding subsidiaries deemed HR planning and talent management just almost as critical.

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 high unemployment rate during the crisis.

Exhibit Five: Critical areas of HR (on a 1⇒5 scale, on average)

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

Ranking of HRM areas critical in 2009	Average of answers
1. Employee communication	2.50
2. Compensation and benefits	2.51
3. Human resource planning	2.53
4. Talent management	2.69
5. Performance evaluation	2.89
6. Training and development	3.14
7. Industrial-labour relations	3.35
8. Recruitment and selection	3.41

### ***Typical HR competencies for success***

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

- ❑ personal credibility (effectiveness, efficient connections, communication skills) (84%),

- change management (68%),
- business knowledge (value chain, value creation) (66%).

Quick decision making and teamwork were followed, in respect of importance, by strategic contribution and ability providing 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.

### ***Primary responsibility of decision making in main functions of HR***

Ulrich et al (2009:126) assume that a successful process of HR transformation „depends on the quality of HR professionals and their relationships with line managers”. Our current survey confirms the finding also established in other studies (Cranet, 2006) that the line management has larger responsibility or control in some HR decisions and local employees of HR department have in others.

As data of our survey show, majority of respondents regard most of interventions in key functions of HR as result of a joint decision in which the final decision is made rather by local line management based usually on consultation with HR department. It is more seldom that responsibility attached to HR decisions is shared in a way that the final decision maker is the representative of the local HR department.

### ***The role of external HR service providers***

Nowadays human resources are managed in many organizations with 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. labour leasing, outsourcing, interim managers, etc.).

External service providers were most often used in training and development from key HR functions as reported by 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 and in performance evaluation. The practice of companies in this respect either didn't change or where it did, companies reported a decrease in use of external partners

## **Conclusions**

This explanatory survey supports the contention that larger, foreign owned Hungarian subsidiaries are in process of implementing a higher level of HR practice. In this section of the paper we present preliminary results for six hypotheses:

Hypothesis #1 was verified by this descriptive research. In the case of the majority of 74 investigated large subsidiaries of MNCs, the number of full-time employees has hardly changed at all. In most cases, firms either dramatically decreased the number of contractual employees or they totally abandoned this form of employment. This can be one reason for the fact that while the number of unemployed in Hungary has increased on average by almost 6 % (KSH 2010e) in the private sector, we have not experienced the same phenomenon at the majority of the examined organizations. Moreover, in few industries (e.g. pharmaceutical industry), the number of employees has even increased.

Hypothesis #2 was partly verified by present descriptive analysis. Regarding the number of employees working in the field of HR, the situation has worsened. Our other investigations (Cranet 2006 and Cranet 2011) showed higher numbers. This may be explained by the fact that HR departments of large multinational subsidiaries in Hungary have regional tasks as well. The majority of the examined firms operate with a highly effective and relatively low living labour ratio. In most cases training and cost ratio is under the global average of Cranet (2006) survey which was used for comparison.

**H#3:** This examination has proved our assumption that at large multinational subsidiaries in Hungary, the number of foreign expatriates has been continuously decreasing; and that in line with that the number of Hungarian permanent expatriates has been increasing.

**H#4:** Our investigation has confirmed that local subsidiaries are managed in various ways. Excessive centralization could be observed only in case of few organizations.

**H#5:** In their various personnel decisions, the majority of HR departments at examined firms cooperate with line management. Only exceptions are labour union relations and HR administration.

**H#6:** As an effect of the crisis, local subsidiaries of multinational companies used the services of external consultants much less than before. Examined companies used external service providers mainly in the field of training and development.

### **Limitations and directions for future research**

This study is an intermediate output of research, which was once conducted in 2004-2005 with similar methodology and restarted at the end of 2009. As we have indicated in our article before, the number of samples is relatively small (n=74), however, it can fairly well represent the practice of large multinational subsidiaries in Hungary. In case of SME-sized multinational subsidiaries our results can be viewed as fewer representatives.

We intend to develop our research in three different directions:

- These recent descriptive statistics will be completed with correlation and regression analyses.
- In the meantime our research concerning several CEE countries (Estonia, Croatia, Romania, Slovakia and Serbia) has been conducted. Connected to it, Hungarian data will be compared with these regional data on the basis of both descriptive and correlation and regression analyses.
- We intend to examine cultural similarities and differences in HR practice at organizations with different cultural background (American, German, Latin, etc.)

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