

HUMAN RESOURCE MANAGEMENT AT MULTINATIONAL COMPANIES IN LIGHT OF CENTRAL AND EASTERN EUROPEAN RESEARCHES

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Abstract

The human resource management is very important in the multinational companies (MNC), because of the high differences of economics and cultures in different regions. It is very essential to choose the right person for the managerial positions. This decision can have a high impact on the success of the company. Not only the managerial positions need to be hired or filled with the right employee, but also the low level jobs in the companies requires skilled people, who have the proper knowledge. This scientific paper will be based on two empirical researches, which was made (in 2008-2009) and (2011-2013). This paper will deal with some problems, in the decision making of the human resource management. It is significant for a company to choose the right strategy in their subsidiaries to hiring the right workers in the managerial positions. They must choose between a local and an expatriate manager sending to the subsidiary from the mother company. Also they need to solve different problems and consider many factors before they decide. One of the biggest problems can be cultural differences between the region of the mother company and the subsidiary.

Key words: Human resource management, multinational company, subsidiary, expatriates

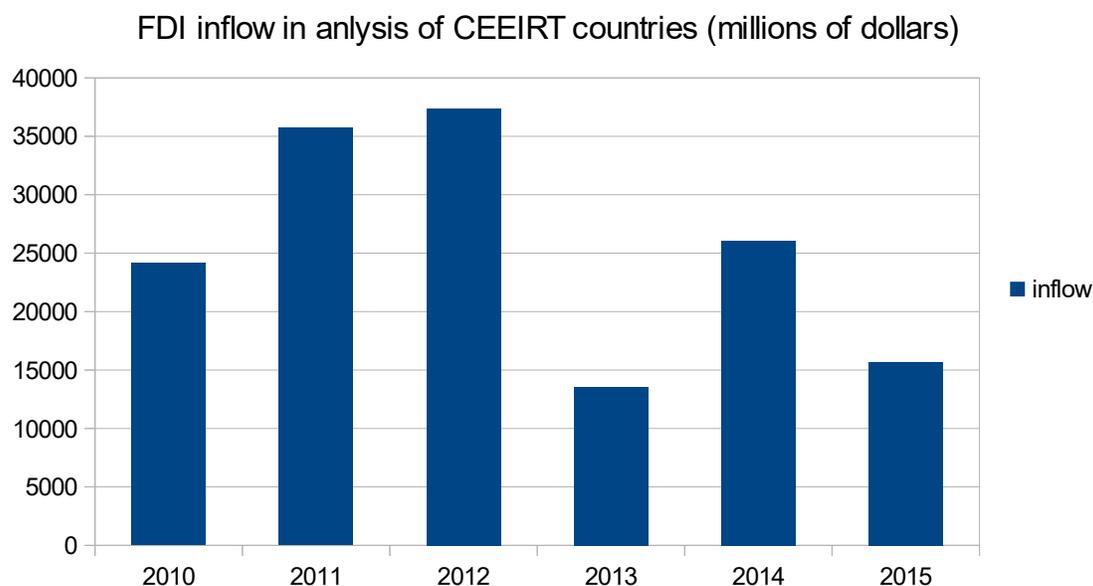
JEL Code: O15, F23

Introduction

In the past decades the globalization had a very important role in the global economy. It allowed for companies to expand and establish subsidiaries in different countries and regions. This expansion had a significant impact on the countries, in which the subsidiary was established. For these countries the foreign direct investment (FDI) became a very important element in the local economic development. Firstly in the late 1980s, there was a speedy growth in the global FDI flows. (Chakrabarti, 2001). But in the past years there was a fall in the FDI flows. According the report of UNCTAD (2016), there was a significant fall in the

volume of FDI since the 2007. This fall reflected on different macroeconomic indicators like foreign trade balance or GDP.

Fig. 1: FDI inflow in CEEIRT countries



Source: UNCTAD (2016): World Investment Report, 2013. United Nations, Geneva

The FDI in this region was growing until 2008. After the world crisis there was a fall in the inflow, but slowly started to grow again. We can see on figure 1, that until 2012 it was growing, but after that year was a big drop in the inflow. This paper provides an insight into our empirical research taken place in the Central and Eastern Europe. It is essential to talk about the FDI inflow in this region (UNCTAD 2016) (See Fig.1) and its impact on employment of foreign expats.

1 International Human resource management (HRM)

Every company and organization needs human resources, without them they cannot exist. That is why the HRM is a very important function for every company. By these days the human resource management has been become as an independent profession (Torrington et al., 2014 and Ulrich, 2014). The international human resource management (IHRM) has a

very crucial role at the MNCs (Dowling et al., 2013). Multinational companies have subsidiaries in different countries. In every country the HRM can differ in their policies and practices. Also transferring HR strategies can be problematic and difficult to other countries as well (Bartlett and Beamish, 2011).

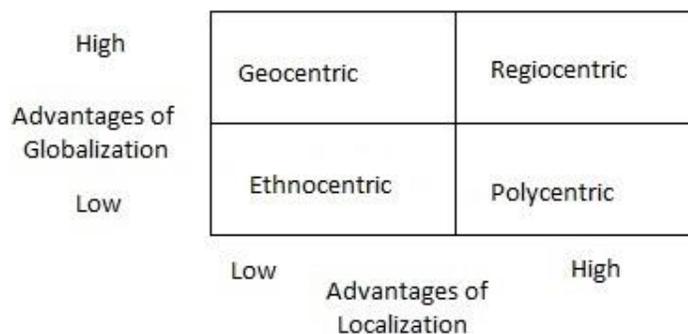
1.1 Cross-cultural management

Nowdays the number of the multinational companies have been increasing, because of that the internalization of the employment became significant question in management of the MNCs. A key factor is the cultural differences between the countries. We can find these contrasts in national values and attitudes. The perception of the cultural differences is a significant part of the International human resource management brief. The cultural values may affect the normal HRM activities like training and development, recruitment and selection, etc.... The result is, that the multinational companies need to be careful when they are choosing the managerial strategies, or adapt the standardized HRM practices and policies around de regions. (Bewster et al., 2012 and Morely et al., 2008).

1.2 Personnel politics (staffing and sourcing)

Choosing the right staffing strategy is very essential for a MNC. It can affect the success of the company. There are "four different approaches ethnocentric, polycentric, geocentric, regiocentric" (Strach 2009: 78). (See Fig. 2)

Fig. 2: Strategic typology of internationalism



Source: Pearlmutter, H.V. The tortuous evolution of the multinational corporation. *Columbia Journal of World Business*, vol.4, January – February, 1969: 9-18

In the geocentric approach the company chooses employees into the managerial positions according to the quality of the job. The nationality of the employee doesn't matter. The regiocentric approach is different from the geocentric one. Due to this type of strategy managerial positions of the subsidiaries are covered by people from the region, where the subsidiary is located, but they have a low chance to get into the international managerial positions (Briscoe et al., 2009). In the ethnocentric approach the company prioritises the employees from the country of origin. The polycentric approach is similar with the regiocentric, but in this case the employees from the country, where the subsidiary is located, have a higher chance to get into the international managerial positions (Fayaz, 2012).

1.3 Expatriates

In the MNCs there are two types of employees as follows:

- Locals – They are coming from the country, in which the subsidiary is located
- Expatriates - Are emissaries who are arriving from abroad to a company to work at a foreign owned subsidiary. They can come from the parent company or from a third country

There are advantages and disadvantages of hiring expats. The management of MNCs need to consider the pros and cons of employing these people before they make their final decision.

Advantages of hiring an expatriate are the following:

- Experienced or skilled worker: it usually affects the subsidiaries, when there are not enough skilled workers in the region.
- Controlling: the role of the expatriates is to check on the subsidiary and on the local employees. In that case they are in an advisor position.
- Leadership development: in that scenario the expatriates are responsible for staff development.

Disadvantages of hiring an expatriate are the following:

- Hiring an expat can be expensive and also problematic for a company. The company can pay up to two or five times more on an expatriate than on a local employee
- High burn out rate: they can experience a lot of stress during their period of working abroad and that can cause burn out

- Legal risk: hiring expatriates can cause legal problems with the government of the local country (Poór et al., 2014).

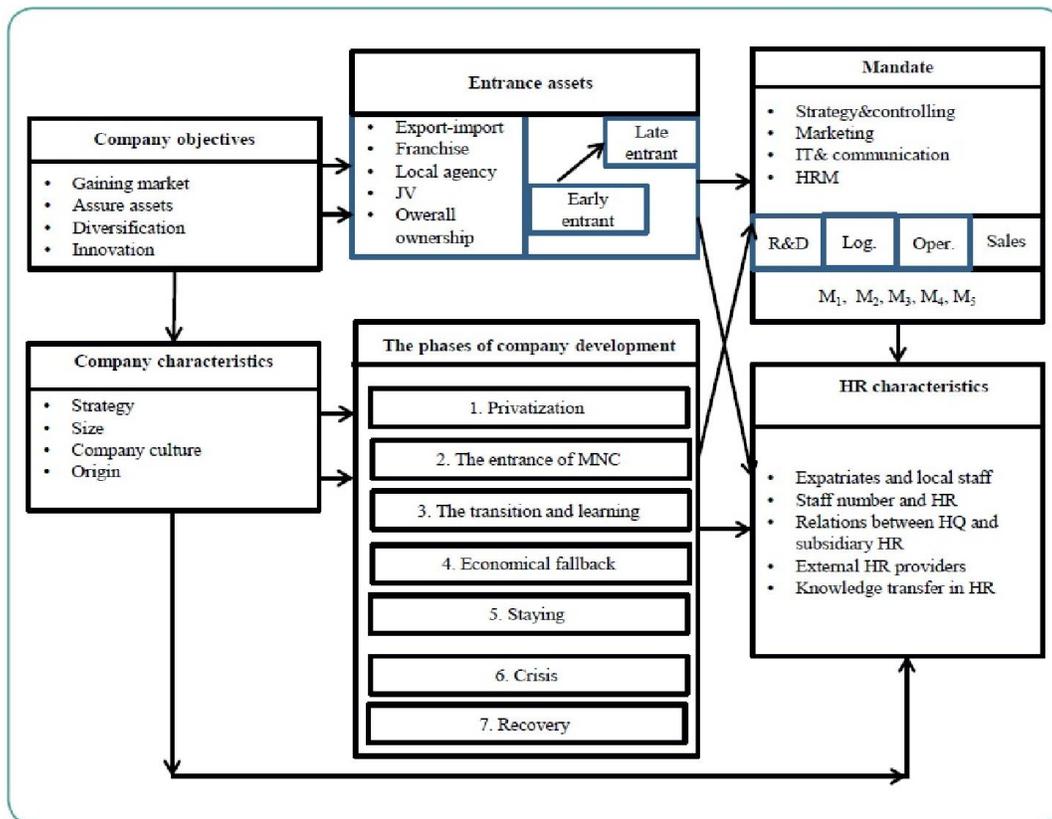
2 Empirical research

Our research will be based on Ceeirt databases¹. The following model (See Fig.3) highlights influencing factor and critical HR variables, including our key items (expats and HR policies).

2.1 Objectives

Our main goal is to present the impact of the globalisation in the human resource management, narrowed on expatriates in the our CEE (Central and Eastern European) region. Other aims of the research is to analyse the FDI, HR variables in the analysed region.

Fig. 3: Research model



¹ „The Central and Eastern European International Research Team (hereafter CEEIRT) – composed of researchers from different universities from the Central and Eastern European (CEE) Region - has begun a long-term research project investigating the transition of HR practices and roles in Multinational Company (MNC) subsidiaries, as these challenges occur in our countries“. (www.ceeirt-hrm.eu)

2.1 Samples

For our empirical research we are using two databases, which was made in between 2008/2009 and 2011/2013. In these researches the authors are focusing on the human resource management of subsidiaries different Central and Eastern European countries, but in this paper we will focus on the expatriates of these subsidiaries. We will analyse 220 companies from first database (2008/2009), while 209 companies from the second database (2011/2013). These subsidiaries are located in the following countries from Central and Eastern Europe: Poland, Romania, Serbia, Slovakia, Hungary, Estonia, Croatia. Also it is important to know, where the parent company is situated in the world. That is why we divided the countries of the parent companies into 5 main groups:

- 1) Anglo-Saxon countries: Canada, USA, Republic of south Africa
- 2) Northern European countries: Denmark, Finland, Norway, Sweden
- 3) Western European countries: Austria, France, Germany, Netherlands
- 4) Southern European countries: Spain, Italy
- 5) Asian countries: Japan, Israel, South Korea

Table 1 summarizes the origin and the number of subsidiaries in our samples according the two databases:.

Tab. 1: Number of subsidiaries according the managerial cultures

Country groups	2008- 2009	2011-2013
Anglo-Saxon	44	51
Northern European	46	18
Western European	103	123
Southern European	12	9
Asiaan	15	8

Source: Authors own research

Table 2 summarizes the number of expatriates due to different managerial cultures. There was a significant grow in the number of expatriates from the Western European countries, on the other hand the number of expatriates in Asian region decreased.

Tab. 2: Number of expatriates in the subsidiaries

	2008- 2009	2011-2013
Anglo-Saxon	192	317
Northern Europe	206	204
Western Europe	497	1046
Southern Europe	71	20
Asia	116	66

Source: Authors own research

Table 3 highlights number of HR employees according the different regions.

Tab. 3: Number of HR employees in the subsidiaries

	2008-2009	2011-2013
Anglo-Saxon	462	1031
Northern Europe	386	111
Western Europe	1458	1721
Southern Europe	190	46
Asia	212	60

Source: Authors own research

On table three we can see the number of HR employees according the different regions.

Results and conclusion

Through these years the number of expatriates has grown according these databases. We can assume that they are getting the important roles in the managerial positions. While there are more employees in the managerial positions, the companies are sending more expatriates into their subsidiaries too. This decision can have good and also bad impact on the multinational company. In order to prove this tendency onward, we need to collect more data in the near future. According our calculation there is tight connection between the number of HR employees and the number of expatriates in both years.

Fig. 4: Correlation analysis 2008-2009

Managerial Cultures	Number of expatriates	Number of HR employees	dX	dY	dXdY	d2X	d2Y
Anglo-Saxon	192	462	-24.40	-80	1942.24	595.36	6336.16
Northern Europe	206	386	-10.40	-156	1618.24	108.16	24211.36
Western Europe	497	1458	280.60	916	257141.84	78736.36	839788.96
Southern Europe	71	190	-145.40	-352	51122.64	21141.16	123622.56
Asia	116	212	-100.40	-330	33091.84	10080.16	108636.16
Sum	1082	2708	0.00	0	344916.80	110661.20	1102595.20
Average	216.400	541.600					
The linear correlation coefficient							
r	0.9874						

Source: Authors own research

On figure 4 we can see the correlation analysis of the two variables. The linear correlation coefficient is 0,9874. This number indicates strong connection between these variables. This connection is also specific on our second database, where the correlation coefficient is 0,9322.

Future thoughts

Our goal is to analyze this area further in the near future. We will focus on the international human resource management, FDI and the expatriates of CEE region. To reach our goals, we can use the newest database from Ceeirt, which contains data from 2016. This database is bigger than the previous ones. It contains more information, so we can make more precise analysis in this field.

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