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**INTERNATIONAL HUMAN RESOURCE MANAGEMENT IN
MULTINATIONAL COMPANIES**

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1. INTRODUCTION

1.1 Relevance and significance of the topic

The explosive development of technology, the breakdown of trade barriers and the growth of political and economic power of multinational companies play a prominent role in the economy of our time. The globalization of the world economy is mainly the result of strongly rising capital flows which goes back to the growing involvement of international companies. After World War II Central and Eastern European countries left the mainstream of the world economy development, they can not establish direct international business relationships as well. After the fall of the 40 years of the communist economic experiment came the shock therapy. The developed Western interpreted Central and Eastern Europe's transition to a market economy as a belated, or rather delayed earlier form of Western economic and political development model (Inotai, 1993). FDI began to flow there in the 1990s in the region. The local subsidiaries of multinational companies are also dominant players in this process, and they have a significant impact on employment, on the quality of the labor, on social, economic and political relations to the present day. Their appearance redrawn the map of the labor market in the former socialist countries. They brought not only capital, but – in addition to technical know-how – they brought knowledge about how to manage a company, and about what kind of legal system and behavioural norms are requirements for the operation of a capitalist economy (Kornai, 2005). In my dissertation I examined in the evolution of international human resource management in the conceptual framework of internationalization and globalization. Within the independent European human resource management existence the Central and Eastern European practice shows a specific image.

In my PhD thesis I have undertaken to demonstrate the human resource management issues of the marked region in historical perspective. Due to the past of Central and Eastern European countries, their level of economic development and centralization used in socialism human resource management practices and methods developed differently. Before the political change human resources management, or in this period rather personnel management matched in the approach of the scientific management, after the transition functional approaches of modern management sciences dominate. In the middle of this period it appears as a new paradigm the effect of the post-industrial economy and post-modern culture in the company's theory. The personnel management profession under close state control benefited not a lot of the operations of a purely administrative nature. The new and modern called approach of human resources management spread quickly due to multinational companies, but the ideas often been applied only in catchwords. In my dissertation, as a Central and Eastern European researcher I am looking for the answer, that 25 years after the transition what factors influence international human resource management practices and methodology in the region. It is hard to be grasped the relationships between human resource management and business success, some of the authors of the theory of human resource management mentioned it as a black box of HR. There is a growing expectation to demonstrate the relationship between human resource management and corporate performance. In the empirical research 254 multinational companies participated, which employ more than 245 000 people.

1.2 Objectives of research

In my dissertation I examine subsidiaries of human resource management practices established in Central and Eastern European countries from a new view, and based on the results I would like to serve a deeper understanding. In my research I formulated the following objectives:

O₁: Exploration of the influencing factors of international human resources management practices used by subsidiaries established in the region.

O₂: Examination of the structure of expatriates and inpatriates.

O₃: Examination and description the relationship between human resource management and organizational performance.

In order to answer the objectives the thesis includes the following subtasks, which are shown in Figure 1. In my dissertation I carried out extensive literature processing by studying of domestic and primarily international works of research reports, scientific articles, and books related to my research area. My main goal was the interpretation and clarifying of concepts, the presentation their historical changes, and the detailed discussion of international human resource management aspects, the presentation of human resources management models published so far, and their confrontation. My hypothesis was evaluated on the basis of theories and empirical research, after then I formulated based on research analysis my scientific results.

Objectives		Hypotheses	Method		
O ₁	Overview of literature	H ₁ : The origin of the parent companies affects the HR activities and characteristics of the subsidiaries.	Analysis of literature	→	Results
		H ₂ : The year and form of establishment affect HR characteristics and activities of subsidiaries.	Questionnaire survey	→	
		H ₃ : The strategic orientation affects the HR characteristics and activities of subsidiaries.	Chi-square test	→	
		H ₄ : The role of subsidiaries affects the HR characteristics and activities of subsidiaries.	Cramer's association coefficient	→	
		H ₅ : The role of central HR affects the HR characteristics and activities of subsidiaries, in particularly in view of primary responsibilities in HR issues.	Kruskal-Wallis test	→	
O ₂		H ₆ : The structure of expatriates and inpatriates has changed significantly.	Pearson's linear correlation	→	
		O ₃	H ₇ : HR competencies, competency development, knowledge transfer and role of local HR in the area of decision making in HR issues affect the performance of the subsidiaries.	Spearman's rank correlation	
Creating indexes					
Cluster analysis					

Figure 1. Context of objectives, hypotheses and methods

Source: Own edition

2. MATERIAL AND METHOD

2.1 Hypotheses

H₁: *The origin of the parent companies affects the HR activities and characteristics of the subsidiaries.*

According to Hazing and Sorge (2003) the methods used by management of the parent company are determining in the practice of subsidiaries also. Fatehi (1996) highlights as an important factor which cultural approach is followed by management of the mother country. Perlmutter's work from 1969 included ethno-, poli-, regio- and geocentric orientations. I analyse the affect of origin of parent company on HR practice in the surveyed subsidiaries.

H₂: *The year and form of establishment affect HR characteristics and activities of subsidiaries.*

International companies arrived late in Central and Eastern European region, but after the political changes the events has accelerated. Motives of Central and Eastern Europe have raised foreign investors' interest and started with the privatization combined acquisitions or greenfield investments.

H₃: *The strategic orientation affects the HR characteristics and activities of subsidiaries.*

Based on Barlett and Ghoshal (2002) researches, business strategy significantly affect the HRM strategy of an international company. The basic strategic orientation are growth, stability, and size reduction, in all three cases HR professionals are faced with other challenges.

H₄: *The role of subsidiaries affects the HR characteristics and activities of subsidiaries.*

White-Poynter (1984) classified the subsidiaries into five groups based on how much of the value chain is covered by the range of activities of the local subsidiary.

H₅: *The role of central HR affects the HR characteristics and activities of subsidiaries, in particular in view of primary responsibilities in HR issues.*

According to Taylor et. al. (1996) it is typical the full takeover of HR systems in the exporting relation. In adapting relation local subsidiaries receive HR system from the parent company, but they are adjusting to their needs. The relationship between the headquarter of parent company and the local HR affect the local HR practices and methods.

H₆: *The structure of expatriates and inpatriates has changed significantly.*

Localization involves the removal or absence of an assignee's „expatriate” status from a policy standpoint, including benefits and allowances. This process has been observed in the developed world, and in Western Europe firstly.

H₇: *HR competencies, competency development, knowledge transfer and role of local HR in the area of decision making in HR issues affect the performance of the subsidiaries.*

The pledge of success on global market is the possession and transfer of key competencies and skills. The qualitative form of knowledge transfer is essential for international companies according to Davenport and Prusak (2001). As a result of the globalization, in the past decades has

seen a significantly changes in knowledge transfer mechanisms (Sveiby, 1997; Davenport and Prusak, 2001) the process accelerated.

2.2 The empirical research

I joined the Central and Eastern European International Research Team (CEEIRT) which is headed by my supervisor, Dr. József Poór. The research project is part of a long-term cooperative research consortium 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 multinational companies' subsidiaries. The main aim is 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. It coincides with my research area. I joined the research team in the autumn of 2011, then began the new wave of CEEIRT (2011-2013), in which I collaborated actively at every stage of research, from the preparation to Hungarian, English-language version of the research reports.

2.3 The methods of empirical research

The questionnaire method is quantitative research method that allows to do interfaces and causal connection between data. The questionnaire for collecting data in 2011 was under revision. During reconstruction I paid special attention for topics of my research objectives. The majority of the responses (2/3) come from interviews with HR professionals, small part of responses (1/3) by www.ceeirt-hrm.eu. The CEEIRT (2011-2013) of the survey included the following question groups in form of closed / structured, half-open / half-structured and open / unstructured questions:

- ***Characteristics of the surveyed subsidiaries:*** 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, 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, relative weight of the training budget).
- ***Most important HR characteristics of the examined period:*** 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.
- ***The use of external service providers*** in the examined period.
- ***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.

The collected responses were coded to the Statistical Package for the Social Sciences (SPSS) statistical program and analyzed using the following methods. **Descriptive statistics** were calculated to summarize the received responses which also contributed to the results. I examined the frequency distribution of various HR variable. The number of evaluable responses were different, therefore in these cases the total evaluable responses were considered as 100%.

Correlation tests were carried out to reveal relations between quality features. In case of cross tabla analysis I took into account the standardized residuals values. The statistical significance of the association relationships I checked by **Pearson's X^2 (Chi-square) tests**. I examined the strength of the relationship between two variables by **Cramer's association coefficient**.

To evaluate the closeness of the relationship between metric variables I used the linear **Pearson's correlation coefficient** (r). **Kruskal-Wallis tests** were carried out to explore relationships between variables measured on an ordinal scale. I created complex **indicates** to aggregate and compress the received informations. I measured the closeness of relationship between the indexes by **Spearman's (ρ) rank correlation** coefficient. The cluster analysis was used to make relatively homogeneous clusters based on the performance evaluation of subsidiaries. I chosen the non-hierarchical **K-means cluster** method.

3. RESULTS

3.1 Analysis of the origin

The 254 subsidiaries originated in 34 countries, 67% of them have their parent company in Germany, USA, France, Austria and Switzerland, while another 29 countries account for the remaining 23%. If we take a look at the management culture of the companies (Table 1), the highest proportions of companies in the sample analyzed belong to the so-called German (44.9%) and the Anglo-Saxon (23.2%) management cultures. It can be found besides the groups of traditional MNC's (American, Western European and Japanese), companies from the so-called emerging and transitional countries have also appeared. In the trends it can be found that among the respondents 6.3% is headquartered in emerging or transitional countries.

Table 1. Management cultures of parent companies

Management cultures of mother companies	HU		PO		RO		SRB		SK		Total	
	f _i	%	f _i	%	f _i	%	f _i	%	f _i	%	f _i	%
Nordic	5	4,2	6	11,3	1	2,9	4	21,1	2	6,7	18	7,1
German	61	51,7	22	41,5	12	35,3	7	36,8	12	40,0	114	44,9
Southern Europe and Latin	12	10,2	12	22,6	5	14,7	3	15,8	4	13,3	36	14,2
Anglo-Saxon	33	28,0	12	22,6	7	20,6	2	10,5	5	16,7	59	23,2
Eastern Europe	2	1,7	0	0,0	4	11,8	3	15,8	7	23,3	16	6,3
Asian	4	3,4	1	1,9	5	14,7	0	0,0	0	0,0	10	3,9
Other	1	0,8	0	0,0	0	0,0	0	0,0	0	0,0	1	0,4
Total	118	100	53	24,5	34	100	19	100	30	100	254	100

Source: Own edition

Effect of origin of subsidiaries participating in the survey

- Between the origin variable and the strengthening the business partner role of HR variable the relation is weak ($V=0,182$), but there is a tendential connection ($p=0,085$). In case of Nordic and Anglo-Saxon companies the strengthening the Business Partner role of HR was implemented to a greater extent.
- On the relationship between the employee self service deployment and the origin variables Chi-squared test shows connection ($p=0,027$) at the 5% signification level, the relation is weak ($V=0,211$). Similarly to the previous, the Nordic and the Anglo-Saxon companies come into the foreground in this survey, the German origin companies come by small after them.
- Regarding the evaluation of the significant of competencies and the origin, Chi-squared test shows connection in case of two competencies. At the 10% signification level the HR services (recruitment, selection, training and development, performance management, etc.) variable ($p=0,059$, $V=0,175$) and at 5% signification level the foreign languages skills variable ($p=0,020$, $V=0,192$). Reliable connection cannot be observed between the origin and the use of external providers (consultants and third party outsourcing firms) in the area of the recruitment but I concluded based on the standardised residuums that the use of

external providers was growing in case of German companies and the use of external providers was decreasing or not using at all in case of the Anglo-Saxon companies. The Anglo-Saxon firms considered the HR services competencies more important compared to the others.

- In case of the origin and the knowledge transfer in the field of HRM variables, the result of the Chi-squared test is significant ($p=0,011$), and the relation is weak ($V=0,204$). This variant of the knowledge transfer at the Anglo-Saxon firms are more powerful while in case of the Latin and Southern European companies this variant of knowledge transfer was not typical at all or in a lower extent.
- According to the Chi-squared test ($p> 0,05$) the connection is can not examined between the origin and the number of HR staff, the role of the Headquarter HR and the number of the expatriates variables.

Based on my analysis the first hypothesis that the origin of the parent companies affects the HR activities and characteristics of the subsidarie is partly accepted.

3.2 Analysis of the way and the time of establishment

More than 27% of the examined subsidiary companies were merged or established as a green-field investment in the years before 1995. The other quarter of the companies arrived into our region between 1995 and 2000. The 40% of companies were established after 2000. Some 51% of the respondents were established via a green-field project and 49% through acquisition (Table 2).

Table 2. Year and way of establishment of the subsidiaries

Year and way of establishment of the subsidiaries	Magyarország				Total (CEEIRT)			
	Merger, acquisition	Greenfield investment	Total	%	Merger, acquisition	Greenfield investment	Total	%
before 1995	27	23	60	43,5%	34	35	69	27,7%
1995-2000	16	13	29	25,2%	34	33	67	26,9%
2001-2005	9	12	21	18,3%	31	27	58	23,3%
2006-2010	9	5	14	12,2%	25	23	48	19,3%
after 2010	1	0	1	,9%	3	4	7	2,8%
Total	62	53	115	100,0%	127	122	249	100,0%
%	53,9%	46,1%	100%	-	51,0%	49,0%	100%	-

Source: Own edition

Effect of way of establishment of subsidiaries participating in the survey

- Based on the result of the Chi-squared test between the form of establishment of subsidiary variable and number of employees variable is a significant connection ($p=0,021$), the relation is weak ($V=0,178$). According to the standardized residuums it can be verifiable that the number of the employees exceed the 1000 capita in a greater ratio in which the companies established via merger, while in case of green field investment companies this number of the employees exceed in a lower extent.

- According to the analysis the form of establishment of subsidiaries affect the number of HRM staff. Between the two variables there is a connection ($p=0,048$, $V=0,181$) at 5% signification level. Newly established firms are characterized by a lower number of HR employees while in the case of firms gained by acquisition this number is mostly higher.
- The Chi-squared test shows additional connection between the way of establishment and the primary decision making responsibility:
 - Human Resource Planning ($p=0,017$, $V=0,205$),
 - Recruitment ($p=0,049$, $V=0,179$),
 - Performance evaluation ($p=0,000$, $V=0,271$),
 - Employee Relations ($p=0,038$, $V=0,187$)
 - Communication ($p=0,076$, $V=0,168$)
- In the area of internal communication there is a tendential connection at 10% significant level, in case of performance evaluation the connection is interpretable in all significant level. For the rest of the variables the connection can be determined at 5% significant level. In general, according to the cross table analysis the primary decision making responsibility for the HR areas were basically supported by shared responsibility of the local HR and the local line management, but based on the result of statistical test there is a difference between mergers and greenfield investments. The role of line management in primary decision-making is lower in case of mergers or acquisition than greenfield investments.
- Between the reorganisation of HR and the form of establishment there is a connection according to the analysis. In the period of after the crisis devolving HR tasks and functions to management was observed in a greater extent in greenfield companies ($p=0,009$, $V=0,169$). Therefore it can be concluded, that the initiating the HR business partner role ($p=0,040$, $V=0,132$) and the strengthening the business partner role of HR ($p=0,017$, $V=0,154$) was statistically shown in case of acquired companies in a greater extent. There is a tendential connection between the form of entering and establishing the local HRSSC ($p=0,096$, $V=0,107$).
- In case of greenfield investment subsidiaries the usage of the external providers have increased in a greater extent in the area of human resource planning ($p=0,078$, $V=0,167$). This is a tendential connection based on the analysis.
- Between the HR issues and conditions variables and the way of establishment there is a connection at 5% significant level in the area of retaining talent ($p=0,010$, $V=0,218$). Any level of significance it can be determined the relationship in case of competitive income ($p=0,004$, $V=0,235$) and the influence of the trade unions ($p=0,000$, $V=0,281$). In case of green-field companies the talent retention and ensuring a competitive income are judged in a more positive way. In general, the influence of trade unions is slight, but in the case of greenfield investments is slighter.
- According to the analysis between the way of establishment and the major HR competencies there is tendential connection at the 10% level of significance ($p=0,082$, $V=0,144$) in the case of the foreign language communication. Among the acquired subsidiaries it is less important competency.

Effect of time of establishment of subsidiaries participating in the survey

- The connection between the time of establishment and the primary decision making responsibility is significant at 5% and 10% significance level:
 - Selection ($p=0,086$, $V=0,152$),
 - Performance evaluation ($p=0,058$, $V=0,160$),
 - Employee relations ($p=0,015$, $V=0,181$),
- In the case of the previously established companies the primary responsibility for HR decision-making of local HR is stronger in addition to the shared decision-making.
- Between the strengthening of the business partner role of HR and the time of establishment the connection is significant at 5% level based on the Chi-square test ($p=0,013$, $V=0,191$). In the examined period the HR transformation and the business partner role of HR were typical for those companies which established before 1995.
- According to Chi square test I get the opposite result in case of external service providers and time of establishment variables. The relationship between the two variables is significant in the area of training and development ($p=0,028$, $V=0,171$). Use of external providers in the area of training and development is more typical in subsidiaries established after 2000.
- The multinational subsidiaries which founded before 1995 consider that retaining of the talent is easier, while the companies which established after 2000 consider this issue as a bigger problem ($p=0,093$, $V=0,151$).
- Between the time of establishment and the HR knowledge transfer (among subsidiary companies) the connection can be shown at 5% significant level ($p=0,012$, $V=0,187$).

In the light of the above, the second hypothesis that the year and form of establishment affect HR characteristics and activities of subsidiaries is partly accepted.

3.3 Analysis of strategic orientation

In relation to the topic indicated in the subtitle the classical strategic orientations were for the respondents: (1) growth, market expansion, portfolio expansion, (2) stability, efficiency improvement, revenue retention, adapting to the market situation, (3) redundancies, rationalization. The self-proclaimed strategic orientation is growth / market expansion for the majority of the respondents (59.1%), while the priority for 36.9% of respondents is to maintain stability (Table 3). Only 3.2% of the respondents indicated reduction of capacities, which is an improvement compared to the 2008-2009 survey, when 23.2% considered reduction in force and rationalization of capacity, 35% was to maintain stability and 39.7% followed growth strategy (Poór, 2013). The crisis recovery has started clearly.

Table 3. Main strategic orientations of respondents

Strategic orientations	HU		PO		RO		SRB		SK		Total	
	f _i	%	f _i	%	f _i	%	f _i	%	f _i	%	f _i	%
Growth, market expansion	65	55,6	33	62,3	24	72,7	12	63,2	15	50,0	149	59,1
Stability, revenue retention	47	40,2	17	32,1	8	24,2	6	31,6	15	50,0	93	36,9
Redundancies, rationalization	4	3,4	3	5,7	1	3,0	0	0,0	0	0,0	8	3,2
Other	1	,9	0	0,0	0	0,0	1	5,3	0	0,0	2	0,8
Total	117	100	53	100	33	100	19	100	30	100	252	100

Source: Own edition

Effect of strategic orientation of subsidiaries participating in the survey

- Significant result cannot be detected between the strategic orientation and the usage of external providers, but according to the cross table analysis the usage of external providers increased in case of growth strategic direction among respondents.
- The connection is significant between the strategic orientation and the HR reorganization (in case of management self service deployment) at 5% level ($p=0,018$, $V=0,182$). This way of reorganization was more prevalent among the growth strategy adopters.
- The strategic orientation has impact on the numbers of national and foreign delegates. The companies who have growth and portfolio expansion strategy apply greater numbers of expats and delegate greater number of local workers for expatriation. In both cases at 5% significant level the connection is interpreted: for expats ($p=0,033$, $V=0,195$), and for inputs ($p=0,020$, $V=0,205$).
- In case of growth strategy the respondents consider HR training and development more typical contrast to other subsidiaries with maintaining stability strategy. The connection is significant basen on statistical test ($p=0,043$, $V=0,167$).

On the basis of analysis the third hypothesis that the strategic orientation affects the HR characteristics and activities of subsidiaries is partly accepted.

3.4 Analysis of mandate

During the analysis, as per White-Poynter (1984), the participants were classified into five groups based on how much of the value chain is covered by the range of activities of the local subsidiary. Some 74.2% of the respondents have a more limited downstream subsidiary role, responsible only for purchasing, production/operation and sales/distribution (Table 4). On the basis of analysis there is not significant connections between the role of the subsidiaries and the characteristics of HR.

Table 4. Mandates of the subsidiary companies participating in the survey

Role of subsidiary	HU		PO		RO		SRB		SK		Total	
	f _i	%	f _i	%	f _i	%	f _i	%	f _i	%	f _i	%
Research and Development	32	27,1	18	34,0	7	30,4	3	15,8	8	26,7	68	28,0
Purchasing	35	29,7	10	18,9	4	13,8	3	15,8	12	40,0	64	25,7
Production and Service	96	81,4	30	56,6	23	71,9	15	78,9	23	76,7	187	74,2
Marketing	28	23,7	19	35,8	11	37,9	3	15,8	8	26,7	69	27,7
Sales	55	46,6	19	35,8	13	44,8	9	47,4	11	36,7	107	43,0

Source: Own edition

- The Chi-square test did not lead to a reliable connection between the time of establishment and mandate, but according to the cross table analysis it can be read that the subsidiaries which have a larger amount of mandates established before 1995 and between 1995 and 2000.
- Tendential connection can be observed between the role of subsidiaries and annual training budget at 10% significant level ($p=0,064$, $V=0,166$). The companies with one mandate spend below 1% on trainings, while the companies with more mandates (at least 3 mandates) spend on trainings to a greater extent.
- According to Chi-squared test tendential connection can be concluded between the mandate and the numbers of HR staff ($p=0,060$, $V=0,163$).

On the basis of analysis the fourth hypothesis that the role of subsidiaries affects the HR characteristics and activities of subsidiaries is not accepted, so I rejected this hypothesis.

3.5 Analysis of central HR

There are several models to describe how roles and accountability are shared between the corporate center and the local HR unit (Table 5):

- A majority of the respondents (47.5%) indicated that the central HR function issues general guidelines and frameworks and subsidiary HR staff implement their practices within these frameworks.
- Some 25.2% of the respondents have detailed HR model and policies issued by the center.
- 19.8% of respondents reported that the center gives them full authority and performs some audit and expects regular reports.
- Some 7.4 % of the respondents characterized their relationship as one of absolute centralization.

Table 5. The relationship between headquarter's and local HR

Role of central HR	HU (%)	PO (%)	RO (%)	SRB (%)	SK (%)	Total (%)
Hands-off, provide complete freedom	19,8	16,0	24,1	5,6	31,0	19,8
Provide general guidelines and framework for actions	53,4	48,0	34,5	44,4	37,9	47,5
Provide detailed HR model, policies, procedures and rules	20,7	24,0	34,5	44,4	24,1	25,2
Source of all remotely significant HR decisions	6,0	12,0	6,9	5,6	6,9	7,4
Total	100	100	100	100	100	100

Source: Own edition

Effect of role of headquarter's HR of subsidiaries participating in the survey

- The role of headquarter's HR has influence on the decision-making responsibility of local HR of the subsidiaries. The statistical test shows connection in the following cases:
 - Recruitment ($p=0,064$, $V=0,150$),
 - Selection ($p=0,011$, $V=0,173$),
 - Training and Development ($p=0,004$, $V=0,184$),
 - Talent Management ($p=0,012$, $V=0,173$),
 - HRIS ($p=0,004$, $V=0,149$).
- The Kruskal-Wallis test also lead to similar results. The biggest difference is between the the general guidelines and framework and centralized decision-making with tight control. If central HR provide autonomy than there shows up better the autonomy and role of local HR in decision-makings. The more the central HR regulate, the the local HR is weaker (Table 6)

Table 6. Kruskal-Wallis test (central HR – responsibility for decisions)

	Selection	Training and Development	Talent Management	Compensation and Benefits	Employee Relations	Communication	HRIS
Chi-Square	8,233	8,662	12,479	7,219	19,099	7,132	9,632
df	3	3	3	3	3	3	3
Asymp. Sig.	0,041	0,034	0,065	0,065	0,000	0,068	0,022

Kruskal-Wallis Test

Grouping Variable: Role of central HR (HQ)

Source: Own edition

- On the basis of Chi-square test the connection can be found between the role of the headquarter HR and way of HR reorganisation:
 - Strengthening the business partner role of HR ($p=0,008$, $V=0,223$) is typical in case of headquarters providing guideline and framework.

- Growth of the usage of external providers can be observed in case of subsidiaries which have bigger autonomy in HR issues. The connection can be concluded at 5% significant level.
 - Recruitment ($p=0,039$, $V=0,157$),
 - Selection ($p=0,025$, $V=0,163$).
- On the basis of Chi-square test there is a connection between the role of headquarter's HR and the HR core competencies. What clear from the cross tables is that the different HR competences are less more important in case of subsidiaries with centralized HR.
 - Personal credibility (communication) ($p=0,081$, $V=0,154$),
 - HR services ($p=0,011$, $V=0,187$),
 - Foreign languages skill ($p=0,093$, $V=0,151$).
- At 10% and 5% significant level the headquarter's HR affects the methods of gaining competencies in the field of HRM:
 - Informal learning at the HR department of another subsidiary ($p=0,094$, $V=0,154$),
 - Informal learning at the parent company ($p=0,016$, $V=0,181$),
 - Local HR-training and development ($p=0,002$, $V=0,210$).
- The gained experiences and the absorption of knowledge at the parent company receive a larger emphasis in case of the predominance of the role of central HR. The Kruskal-Wallis test proves that the difference can be observed between the groups with different central roles on the basis of the average of ranking numbers (Table 7).

Table 7. Kruskal-Wallis test (central HR – methods of gaining competencies)

	Informal learning at the HR department of your subsidiary	Informal learning at the HR department of another subsidiary	Informal learning at the parent company	Local HR training and development	HR training and development at the parent company
Chi-Square	12,115	7,415	12,325	18,598	7,810
df	3	3	3	3	3
Asymp. Sig.	0,007	0,060	0,006	0,000	0,050

Kruskal-Wallis Test

Grouping Variable: Role of central HR (HQ)

Source: Own edition

- There is a significant connection between the method of the knowledge transfer and the central role categories at the 10% level:
 - HR-training and development at the parent company ($p=0,095$, $V=0,152$),
 - Knowledge flows from the subsidiary to the parent company ($p=0,080$, $V=0,154$),
 - Knowledge flows from the parent company to the subsidiary ($p=0,080$, $V=0,154$),
 - HR-related knowledge flows within the HR department at your subsidiary ($p=0,05$, $V=0,199$),
 - HR-related knowledge flows at your subsidiary between the HR department and other organizational units ($p=0,010$, $V=0,190$).

- I did the Kruskal Wallis test similarly to the previous test and it lead to the result that the various methods of knowledge transfer are different depending on the role of central HR (Table 8).

Table 8. Kruskal-Wallis test (central HR – knowledge transfer)

	Knowledge flows from the parent company to the subsidiary	Knowledge flows from the subsidiary to the parent company	Knowledge flows between subsidiaries	HRrelated knowledge flows between the HR department and other organizational units
Chi-Square	18,641	7,617	14,456	18,074
df	3	3	3	3
Asymp. Sig.	0,000	0,055	0,002	0,000

Kruskal-Wallis Test

Grouping Variable: Role of central HR (HQ)

Source: Own edition

On the basis of my evaluation my fifth hypothesis that the role of central HR affects the HR characteristics and activities of subsidiaries, in particularly in view of primary responsibilities in HR issues is accepted. My expectation was proved based on my analysis.

3.6 Analysis of 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).

- 77.7% of the subsidiaries participating in the survey (Table 9) 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 three positions. Only 3.6% of respondents employed more than 10 such expats.

Table 9. Distribution of number of foreign expats

Foreign expats	HU (%)		PO (%)		RO (%)		SRB (%)		SK (%)		Total (%)	
	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial
None	55,3	71,9	66,0	83,0	64,5	74,2	57,9	78,9	66,7	93,3	60,3	77,7
1 person	15,8	10,5	9,4	5,7	3,2	3,2	21,1	5,3	20,0	0,0	13,8	6,9
2-3 person	9,6	4,4	9,4	1,9	16,1	9,7	5,3	0,0	13,3	6,7	10,5	4,5
4-5 person	7,9	3,5	9,4	3,8	6,5	3,2	5,3	10,5	0,0	0,0	6,9	3,6
6-10 person	1,8	4,4	3,8	1,9	3,2	0,0	5,3	5,3	0,0	0,0	2,4	2,8
11-15 person	,9	,9	0,0	0,0	0,0	3,2	5,3	0,0	0,0	0,0	,8	,8
16-20 person	1,8	0,0	0,0	0,0	3,2	0,0	0,0	0,0	0,0	0,0	1,2	0,0
over 20 person	7,0	4,4	1,9	3,8	3,2	6,5	0,0	0,0	0,0	0,0	4,0	3,6
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Own edition

- The presence of expatriates employed in managerial positions is more significant, around 29.7% of the respondents employed foreign expatriates in such positions in the period examined. Where they were present, their number was typically between one and five expats.

I outline how typically and to what positions domestic expatriates were sent to foreign companies of MNCs (Table 10):

- Although more respondents sent to rather than received employees from abroad in non-managerial positions, there was no such foreign deputation in more than 73.9% of the respondents. Companies that sent employees abroad, sent usually one to ten employees.
- The proportion of companies not sending employees “out” to managerial positions (74.7%) was the same as the proportion of those not sending employees to non-managerial positions. Of the companies that sent out employees (9.4%) who obtained foreign managerial positions, mostly sent one-one person, in two cases over 20 persons.

Table 10. Distribution of number of domestic expats

Domestic expats	HU (%)		PO (%)		RO (%)		SRB (%)		SK (%)		Total (%)	
	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial	Managerial	Non-managerial
None	71,4	66,1	77,4	77,4	66,7	75,8	73,7	78,9	92,9	92,9	74,7	73,9
1 person	10,7	8,9	7,5	5,7	12,1	0,0	10,5	0,0	3,6	3,6	9,4	5,7
2-3 person	7,1	5,4	5,7	3,8	9,1	9,1	0,0	10,5	0,0	0,0	5,7	5,3
4-5 person	1,8	2,7	3,8	5,7	6,1	0,0	10,5	5,3	0,0	0,0	3,3	2,9
6-10 person	4,5	7,1	3,8	1,9	3,0	6,1	5,3	5,3	0,0	3,6	3,7	5,3
11-15 person	0,0	,9	0,0	3,8	3,0	6,1	0,0	0,0	0,0	0,0	0,4	2,0
16-20 person	3,6	2,7	0,0	0,0	0,0	0,0	0,0	0,0	3,6	0,0	2,0	1,2
over 20 person	0,9	6,3	1,9	1,9	0,0	3,0	0,0	0,0	0,0	0,0	0,8	3,7
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Own edition

Table 11. Structure of expatriates

	Expats (person) Total	Inpats (pesrson) Total
CEEIRT 2011-2013	818	1528
CEEIRT 2008-2009	1690	658

Source: Own edition

The structure of the expatriates (Table 11) shows a significant change based on the participated companies. The direction turned compared with the result of previous research. Nowadays the local employees got more assignments abroad and the expensive expat is less.

Linear correlation ($p=0,027$; $r=0,173$) can be observed between the number of foreign expatriates and number of HR staff. The correlation is positive and weak according to the Person correlation

coefficients. Linear connection ($p=0,036$; $r=0,162$) can be detected between the number of local expatriates and number of HR staff where its relation is positive and weak (Table 12). In case of the number of employment there is positive, and weak correlation.

- domestic expatriates ($p=0,001$; $r=0,255$),
- foreign expatriates ($p=0,001$; $r=0,248$).

Table 12. Pearson's correlation test

Correlations					
		Number of HR staff	Number of employment	Number of foreign expats	Number of domestic expats
Number of HR staff	Pearson Correlation	1	,378**	,173*	,162*
	Sig. (2-tailed)		,000	,027	,036
Number of employment	Pearson Correlation	,378**	1	,248**	,255**
	Sig. (2-tailed)	,000		,001	,001
Number of foreign expats	Pearson Correlation	,173*	,248**	1	,389**
	Sig. (2-tailed)	,027	,001		,000
Number of domestic expats	Pearson Correlation	,162*	,255**	,389**	1
	Sig. (2-tailed)	,036	,001	,000	
**. 1 %					
*. 5 %-					

Source: Own edition

On the basis of my evaluation the sixth hypothesis that the structure of expatriates and in-patriates has changed significantly is accepted. Based on research the localization was strengthened powerfully, the ratio of the foreign and local expatriates turned round.

3.7 Analysis of link between HRM and performance

Pfeffer (1994) and Ulrich (1997) argue strongly that an appropriate level of human resources management plays a prominent role in the organization's competitive advantage. Ulrich and Brockbank (2005) identified five major value-creating HR key competencies. Foreign languages communication competency is important as well in case of international human resource management. According to Davenport and Prusak (2001) the knowledge transfer is essential element of success. I created standardized indexes in case of competencies, modes of gaining competencies, methods of knowledge transfer and role of local HR in responsibilities variables to aggregate the data. Respondents evaluated their performance in four aspects, so I created from the 4 view one performance index. By Guest (1987) described HR results can be achieved with high skilled HR professionals, developing competencies that has impact on organizational performance as well. I carried out K-means cluster analysis with the created indexes, and finally I formed three groups on the basis of professional considerations (Table 13).

Table 13. Results of Cluster analysis

Clusters	1	45 subsidiaries	23,08%
	2	69 subsidiaries	35,38%
	3	81 subsidiaries	41,54%
Total		195 subsidiaries	100,00%

Source: Own edition

Graphic representation of the generated clusters (Figure 2) illustrates the major differences between groups. (I tried to indentify the cluster, but the analysis did not led to results.)

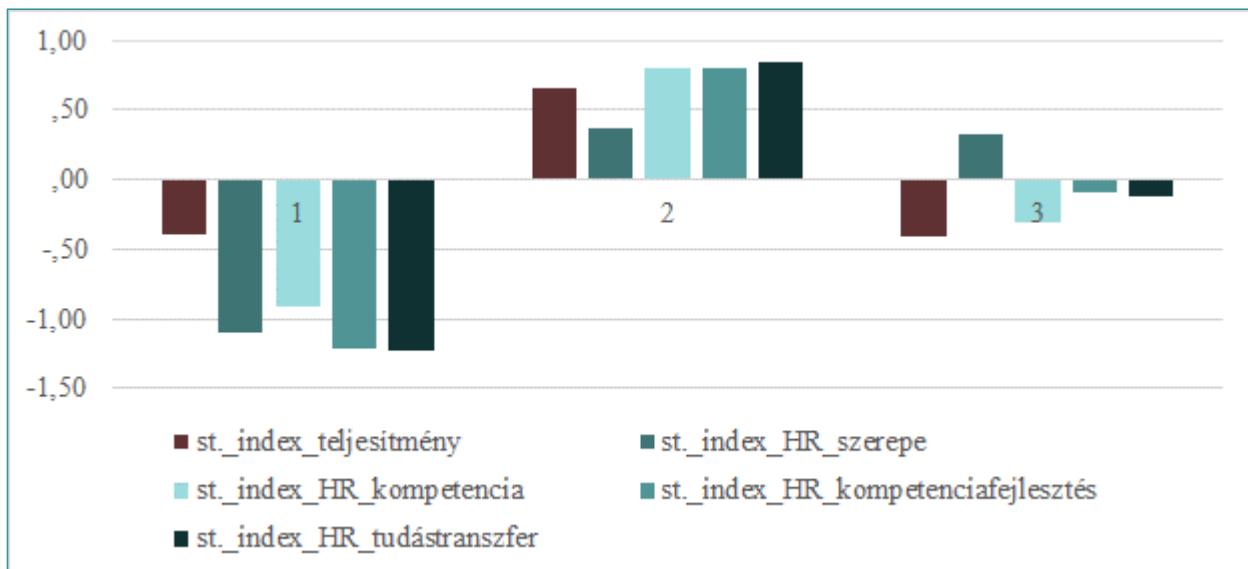


Figure 2. Clusters

Source: Own edition

The HR indexes of first cluster (23.08%) are entirely in the negative range, and it can be observed that these subsidiaries evaluated weaker their performance. The performance of first and third cluster are almost the same in negative, although the HR indexes of third cluster (41.54%) are a little better. In my opinion here is the idea according to Bokor (2009) proven that every element is needed to get HR results. The second cluster (35.38%) stand out definitely, all of its values are in the positive range. Subsidiaries which have high HR indexes, evaluate their performance more positive. It can be observed that role of HR is more prominent in this cluster, Responsibility of local HR for decision in HR issues contribute to performance. I carried out Spearman's correlation analysis to confirm the connection between HR indexes and organisational performance (Table 14). It can be found tendential connection in case of role of HR and performance, but in any other cases the tests lead to significant results. There is positive, weak correlation in case of modes of gaining competencies and knowledge transfer indexes. According to the analysis the link between HR competencies and performance is more positive, there is a middle strongly correlation.

Table 14. Spearman correlation

		st._index_ performance	st._index_ role of HR	st._index_HR_ competency	st._index_HR_ gaining competencies	st._index_ HR knowledge transfer
st._index_ performance	Correlation Coefficient	1,000	,117	,369**	,230**	,242**
	Sig. (2-tailed)		,084	,000	,001	,000
	N	246	220	233	223	229
st._index_ role of HR	Correlation Coefficient	,117	1,000	,229**	,253**	,251**
	Sig. (2-tailed)	,084		,001	,000	,000
	N	220	225	217	208	212
st._index_ HR_competency	Correlation Coefficient	,369**	,229**	1,000	,426**	,521**
	Sig. (2-tailed)	,000	,001		,000	,000
	N	233	217	238	219	225
st._index_HR_ modes of gaining competencies	Correlation Coefficient	,230**	,253**	,426**	1,000	,706**
	Sig. (2-tailed)	,001	,000	,000		,000
	N	223	208	219	228	220
st._index_ methods of HR knowledge transfer	Correlation Coefficient	,242**	,251**	,521**	,706**	1,000
	Sig. (2-tailed)	,000	,000	,000	,000	
	N	229	212	225	220	233
**, 1%						

Source: Own edition

Comprehensive HRM models of the literature do not include the HR inputs itemized way that are necessary for the development of good HR practices. The debate is taking place among the "best practice" and "best fit practices", but in my opinion good HR practices can be achieved by the core HR competencies. The key of success on global market is the possession and transfer of key competencies and skills. The qualitative form of knowledge transfer is essential for international companies. As a result of the globalization, in the past decades has seen a significantly changes in knowledge transfer mechanisms, the process accelerated. HR practitioners need to be skilled in five main areas of HR work: strategic contributions, business knowledge, personal credibility, HR delivery and HR technology. Based on my analysis they influence the performance of the companies. To have foreign language skill is basic expectation in multinational companies. On the basis of the key findings I completed Guest et al. (2000) model of link between HRM and performance in light of soft approach with the core competencies, which in my opinion constitute the main HR inputs to the outcomes of HR and companies (Figure 3). Current and future HR managers should be skilled all in these areas. The start position on the road of performance is the HR strategy derived from business strategy which can be implemented by a variety of HR activities. The condition of good HR practices is the high level of acquisition and application of HR skills.

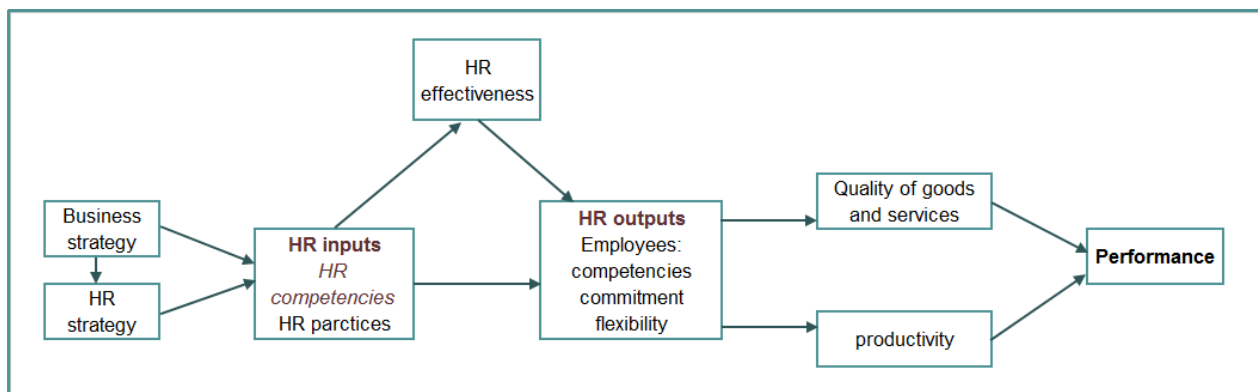


Figure 3. Competency based link between HRM and performance

Source: Own edition

According to my analysis the seventh hypothesis that HR competencies, competency development, knowledge transfer and role of local HR in the area of decision making in HR issues affect the performance of the subsidiaries is accepted.

3.8 New and novel scientific results

E₁: According to the Chi-squared test I confirmed that the origin and management culture of parent company affect the HR activities and characteristics of the subsidiaries which interfere the concept of adapting locally global HR trends. The parent company's control elements:

E₂: According to the Chi-squared test I confirmed that the year and form of establishment affect HR characteristics and activities of subsidiaries.

E₃: According to the Chi-squared test I confirmed that the strategic orientation affects the HR characteristics and activities of subsidiaries.

E₄: According to the Chi-squared and Kruskal-Wallis tests I confirmed that the role of central HR affects the HR characteristics and activities of subsidiaries, in particular in view of primary responsibilities in HR issues and largely determines the power of the local HR in HR issues.

E₅: The localization process is reflected in the Central and Eastern European sample. The structure of the expatriates shows a significant change. According to my analysis the direction turned. Nowadays the local employees got more assignments abroad and the expensive expat is less.

E₆: According to my analysis I confirmed the link between HRM and organisational performance based on competencies. I concluded on the basis of the cluster and Spearman correlation analysis that the knowledge and use of high level HR competencies increase performance. Core competencies as strategic contributions, business knowledge, personal credibility, HR delivery and HR technology are determinants of business performance. On the basis of the key findings I completed Guest et al. (2000) model of link between HRM and performance in light of soft approach with the core competencies. I completed inputs with them which ensure the required HR

practices. The successful HR activities result HR outputs, and the expected HR results are commitment, flexibility and employee competencies.

4. CONCLUSION, RECOMMENDATIONS

The political changes in Central and Eastern Europe reinforced the interest of the academic's sphere and many discussions started about the being and the nature of capitalism in transitional countries. Despite the fact that the European Union opened its doors widely and has 28 member countries by now, there are significant differences between European nations: cultural, institutional, commercial structures of the state, legal regulation of labour relations and economic differences (Poór, 2013). Twenty-five years after the expansion of the market economy, there are many questions about the transformation of the former socialist countries. In Europe it can be rightly talked about the existence of an individual European HRM because of the differences (Brewster, 1994). In the last 15-20 years it is also outlined that even between geographically close countries it can be observed significant differences in the management practices. Among the first culture creators, firstly Gupta et al. (2002) demonstrated empirically the existence of an Eastern European cluster. In my dissertation I undertook the demonstration of the historical perspective of HR practices in the region. According to Brewster, in the previous system the modern HRM could be found only in trace amounts in these countries (Brewster et al., 2010). The events accelerated after the regime, but the modern HRM approach in many cases prevailed in only parts of more segments of the economy.

In my dissertation I analyzed the data of five countries (Hungary, Poland, Romania, Serbia, and Slovakia) where 254 foreign owned subsidiaries took part in the research, employing total 245 thousand people. Multinational companies have an essential role in the region's employment. My conclusions are explained along the hypothesis, and based on my analysis of literature and the results of empirical research.

H₁: The origin of the parent companies affects the HR activities and characteristics of the subsidiaries.

Based on the Chi-squared test it can be demonstrated a significant connection in many cases between the origin and the HR practices (HR competencies and organizational transformation, knowledge transfer in Hungary). In many cases failed the test which may be due to the low number of sample in the category. So overall, I evaluate that **the first hypothesis is partly accepted**. Accordingly it is necessary to have HR professionals an adequate knowledge of the country of the parent company and its management culture.

H₂: The year and form of establishment affect HR characteristics and activities of subsidiaries.

The time of establishment of the subsidiaries affects the HR role, namely the shared decision-making between the local HR and the local management. In case of some HR issues (selection, performance evaluation, and labour relations) the primary responsibility for HR decision-making of local HR is stronger in addition to the shared decision-making by previously established companies. According to the Chi-squared test led to a weak, but tendential connection between the time of establishment, strengthening the business partner role of HR, use of external providers (personnel), the HR knowledge transfer (within the subsidiaries) and the retention of talents variables.

The results of the Chi-squared test show that the form of establishment affects the number of employment and the number of HR staff. The number of the employees exceed the 1000 capita and the number of HR staff exceed the 20 capita in a greater ratio in which the companies established via merger. The statistical test showed more connection in the primary decision-making responsibility (human resource planning, recruitment, performance appraisal, staff relations, internal communication), the HR reorganisation (HR functions when reverting to the management, HR business partner role, HRSSC). The role of line management in primary decision-making is lower in case of mergers or acquisition than greenfield investments. In case of greenfield investment subsidiaries the usage of the external providers have increased in a greater extent in the area of human resource planning. In case of green-field companies the talent retention and ensuring a competitive income are judged in a more positive way. In general, the influence of trade unions is slight, but in the case of greenfield investments is slighter. According to the analysis between the way of establishment and the major HR competencies there is tendential connection in the case of the foreign language communication. On the basis of the results **the second hypothesis is partly accepted.**

H₃: The strategic orientation affects the HR characteristics and activities of subsidiaries.

The self-proclaimed strategic orientation is growth / market expansion for the majority of the respondents (59.1%), while the priority for 36.9% of respondents is to maintain stability (Table 3). Only 3.2% of the respondents indicated reduction of capacities. The crisis recovery has started clearly. On the basis of statistical analysis the connection is significant between the strategic orientation and the HR reorganization (in case of management self service deployment).

The strategic orientation of the subsidiaries has impact on the numbers of domestic and foreign expatriations. The companies who have growth and portfolio expansion strategy apply greater numbers of expats and delegate greater number of local workers for expatriation. In addition, Chi-squared test shows the significant correlation in case of the foreign-language communication competency. In the light of these results, **the third hypothesis has been partly verified.** The research also confirms that it is necessary the harmony of the HR strategy and the corporate strategy of the subsidiaries. HR professionals can face different challenges in a variety of strategic guidelines, their practices and methods are recommended to adapt to the appointed direction.

H₄: The role of subsidiaries affects the HR characteristics and activities of subsidiaries.

The Chi-squared tests have not led to significant connection among the examined variables, therefore **I have rejected the four hypothesis.**

H₅: The role of central HR affects the HR characteristics and activities of subsidiaries, in particularly in view of primary responsibilities in HR issues.

Among the participant subsidiaries there are several models to describe how roles and accountability are shared between the corporate center and the local HR unit. Nearly half of the respondents (47.5%) indicated that the central HR function issues general guidelines and frameworks and subsidiary HR staff implement their practices within these frameworks. About quarter of the respondents have detailed HR model and policies issued by the center. Nearly fifth of respondents reported that the center gives them full authority and performs some audit and

expects regular reports. The rest of the respondents characterized their relationship as one of absolute centralization. The role of headquarter's HR has influence on the responsibility for decision of local HR of the subsidiaries (recruitment, selection, training and development, talent management, HRIS). The significant connection was verified by the Chi-square test and Kruskal-Wallis test as well. Additional connection can be found between the role of the headquarter HR and way of HR reorganisation (strengthening the business partner role of HR), the usage of external providers (recruitment, selection), competencies (personal credibility, HR services, foreign-language communication), as well as modes of gaining competencies (another subsidiary, parent company, local HR training and development) variables. On the basis of my results, **the fifth hypothesis is accepted**. The standardization processes of the parent company have adversely impact on the processes of glocalization, so those ones hinder the local adaptation of global trends.

H₆: The structure of expatriates and inpatriates has changed significantly.

The localization process is reflected based on the analysis of Central and Eastern European sample. According to the resposes there is a significant change in the structure of domestic and foreign expatriates, the direction turned compared with previous researches. Nowadays the local employees got more assignments abroad and the expensive expat is less. Therefore **the sixth hypothesis is completely accepted**.

H₇: HR competencies, competency development, knowledge transfer and role of local HR in the area of decision making in HR issues affect the performance of the subsidiaries.

According to responses the following ranking can be set up from the groups of competencies: t

1. personal credibility,
2. foreign language skills
3. HR services
4. strategic contribution,
5. business knowledge
6. the usage of HRIS

The result of the research partly is consistent with the literature that the successful HR-managers do not have enough to know the HRM method and practice, they must have also business, strategy, communication skills as well. However, the results reflect the fact that not all competencies are evaluated not enough important in the subsidiaries of the examined region, for example strategic contribution went to the fourth place within the key competencies. The seventh and final hypothesis, I have verified ba cluster analysis and Spearman's correlation.

During the analysis three cluster were formed, I created indexes from answers regarding the corporate performance, the HR decision-making role, the HR competencies, mode of gaining competencies and methods of knowledge transfer. It can be seen very well with the help of representation of clusters that subsidiaries achieved higher organization performance who evaluated the indicated fields more important. There is significant correlation between the organizational performance and examined created HR idexes. The strongest connection can be detected between the performance and HR competencies. In the lighth of that, **the seventh hypothesis is accepted**.

The pledge of success on global market is the possession and transfer of key competencies and skills. The qualitative form of knowledge transfer is essential for international companies. As a result of the globalization, in the past decades has seen a significantly changes in knowledge transfer mechanisms, the process accelerated. HR practitioners need to be skilled in five main areas of HR work: strategic contributions, business knowledge, personal credibility, HR delivery and HR technology. Based on my analysis they influence the performance of the companies. To have foreign language skill is basic expectation in multinational companies. On the basis of the key findings I completed Guest et al. (2000) model of link between HRM and performance in light of soft approach with the core competencies, which in my opinion constitute the main HR inputs to the outcomes of HR and companies. Current and future HR managers should be skilled all in these areas. The high level application of this knowledge enhances HR's reputation within the HR organization and helps HR activities to improve business results. The development needs of available knowledge is eternal, and therefore should be pursued continuous training and development, as well as all possible ways of exploiting knowledge transfer. According to Prahalad and Hamel (1990) the basic competencies determined success of companies which can be interpreted in the area of human resource management in my opinion. The possession of above mentioned HR key competencies enable the global efficiency and local responsiveness.

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5. LIST OF PUBLICATIONS RELATED TO THE DISSERTATION

Scientific Journals

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Poór József, Antalík Imrich, Kollár Péter, Alas Ruth, ***Szabó Katalin***, Kerekes Kinga, Slavic Ágnes (2014): ***Fókuszban észak- dél és kelet-közép európai összehasonlítások.*** SELYE E-STUDIES 5:(1) 51-61. pp. (ISSN: 1338-1598)

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