

Similarities and differences of the HR practices in foreign-owned subsidiaries in the post-Soviet region in comparison to Central and Eastern European countries

Сличности и разлике у пракси управљања људским ресурсима у подружницама компанија у страном власништву у постсовјетском региону у поређењу са државама Централне и Источне Европе

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Abstract:

The purpose of this study is to determine interrelations between the characteristics of HRM in local subsidiaries in six focal countries in the light of different organizational variables: year of establishment, sector of MNC, mode of entry and origin of MNCs in selected post-Soviet countries in comparison to Central and Eastern European countries. We profile the HRM practices of almost 234 foreign owned subsidiaries located in Kyrgyzstan, Kazakhstan, Hungary, Russia, Slovakia and Poland. Using descriptive statistics, we present the general characteristics of the sample and then we use bivariate statistical analysis to test our hypotheses relating to the impact of different factors on the HR practice mix implemented in the subsidiaries of MNCs covered in our survey. The results support a contention that multinational companies following different HR management practices/approaches due to institutional histories. For example, in post-Soviet countries, HR departments have more centralized decision-making with tight control and the number of expatriates is lower when compared to the practices of firms in the CEE region.

Keywords: human resource management, multinational companies, Central and Eastern Europe, Kyrgyzstan, Russia, Kazakhstan, Hungary, Slovakia, Poland.

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JEL classification: E60, J2, M50, M54

Сажетак: Циљ овог истраживања је да се утврде међусобни односи између одлика управљања људским ресурсима локалних подружница у шест фокусних држава у светлу различитих организационих варијабли: година оснивања, сектор мултинационалне компаније (МНК), начин уласка и порекло МНК у одабраним постсовјетским државама у поређењу са земљама Средње и Источне Европе. Идентификовали смо профиле праксе управљања људским ресурсима у скоро 234 подружница страних компанија у Киргистану, Казахстану, Мађарској, Русији, Словачкој и Пољској. Дескриптивном статистиком презентирамо опште карактеристике узорка, а затим биваријатном статистичком анализом тестирамо хипотезе и вези са утицајем различитих фактора на микс праксе управљања људским ресурсима примењен у подружницама мултинационалних компанија обухваћених нашим истраживањем. Резултати подржавају аргумент да одељења за људске ресурсе следе различите облике праксе односно приступе због институционалне историје. На пример, у постсовјетским државама, одељења се одликују вишим степеном централизације одлучивања, уз строгу контролу, а број странаца је мањи у поређењу са праксом фирми у региону Централне и Источне Европе.

Кључне речи: Управљање људским ресурсима, мултинационалне компаније, Централна и Источна Европа, Киргистан, Русија, Казахстан, Мађарска, Словачка, Пољска.

ЈЕЛ класификација: E60, J2, M50, M54

Introduction

In Cambridge Dictionary, the term *transition economy* denotes an economy that shifts from one under government control to a market economy. The transition from socialist to market economy started in Asia in the late 1970s and then in Europe in the last 1980s. All communities that were historically characterized by the socialist economic system and ideology started some form of post-communist political period (Aslund, 2013; Rutland, 1994; Svejnar, 2002). Hungary, Slovakia and Poland also experienced transitional economies after the collapse of the post-communist regime. Russia, Kyrgyzstan and Kazakhstan shared over 40 years of experience under communism. Moreover, the aforementioned countries had experienced a similar HRM institutional approach: authoritarian managerial models, which meant total and tight control by the Communist Party (Brewster et al., 2010; Buzady, 2016). Countries with transitional economy received more and more attention not only from MNCs in search of global competitive advantage, but also from social scientists (de Jong et al., 2015; Latukha & Malko, 2019; M. J. Morley et al., 2016) as post-Soviet countries attempted to adapt business practices and economic models left over from socialist regime (Koleva et al., 2010). Even though the HRM scholars' interest in this region has increased over the past two decades it may actually be less often empirically investigated (Dickmann et al., 2016; Wood & Demirbag, 2015). Moreover, only few studies (Markoulli et al., 2017; Sanders & De Cieri, 2021) illustrated result from Kyrgyzstan, Kazakhstan and Russia.

We would like to fill this gap by presenting the results of our empirical study regarding comparison of HRM practices at local subsidiaries in the light of different organizational variables (year of establishment, country of origin, entry mode, and sector) in selected three countries from the former Soviet Union and three post-communist countries from Central and Eastern Europe (CEE). Comparison of companies from different parts of the world allows us to better understand HRM practices (Gooderham et al., 2019), and to find out whether HRM practice have evolved over time or have remained constant (Parry et al., 2020). In our study we aimed to answer to

following questions: 1) What is the relationship between the home country of subsidiary, sector, year and mode of establishment of MNC subsidiary operating in the former Soviet country group and post-communist CEE country group and total firm employee number? 2) What is the relationship between home country of subsidiary, sector, year and mode of establishment of MNC subsidiary operating in the former Soviet country group and post-communist CEE country group and the number of expatriates? 3) What is the relationship between the home country of the subsidiary, economic sector, year and mode of establishment of MNC subsidiaries operating in the former Soviet countries and post-communist CEE countries and the role of the HR function?

1. Theoretical background

In Central and Eastern Europe, the emergence of multinational companies began after the fall of the socialist system in 1989. The growth of multinational companies in the region has been attributed to factors such as the removal of trade barriers, globalization of markets, demographic changes, and an increase in annual foreign direct investment in the region (Pudelko & Harzing, 2007b; Slavić et al., 2014). Due to the intensive growth and the geographical expansion of MNCs, competition was also growing. In order to keep up a competitive advantage, more effective methods of human resources management were required from MNCs operating in the various regions (Brenner, 2009; Mayes et al., 2017).

The Soviet system was characterized by a strong centralization and bureaucracy; therefore, major issues were managed by the higher and more politically dependable levels of management. Full employment, which was followed by central planning in term of wages and investment, was a core of labour market policy of Soviet system. Centrally planned capital spending enabled firms to retain a fixed or increasing level of employment. As a result, reducing the total wage bill and inflated labour demand led to full employment (Kornai, 1992; Pavlova & Rohozynsky, 2005). At the beginning of transition period labour market of most post-Soviet countries was based on labour market models from the Soviet system. In the 1960s and 1970s, the Human Resources concept was initially introduced in the developed world in US as a progressive approach to people management that includes teamwork, employee participation, and empowerment (Brewster, 1995). This is in sharp contrast to the bureaucratic, authoritarian approach to labour management style of post-Soviet countries (Minbaeva & Muratbekova-Touron, 2013). The public and private sectors' organizational structures in Kyrgyzstan are founded on tight hierarchies that reflect the Kyrgyz people's tribal tradition and the Soviet party bureaucracy (Junisbai, 2010). Due to the necessity for consensus among numerous decision-makers, the decision-making process is somewhat stiff and time-consuming. In both private and public enterprises, power connections between managers and subordinates are best described as high-power distance relationships (Kubicek, 1998). The Kyrgyz people are either collectivist or have a group society in which people's identity is perceived as members of clans or communities. Collectivism, like any cultural feature, unavoidably influences HR practices in firms (Kolpakov, 2001; Kuehnast & Dudwick, 2004; Temirbekova et al., 2014).

In 2009, the UN named Kazakhstan a country with high human potential, along with countries such as Malaysia and Brazil. Foreign investment grew steadily. Almaty has become

Central Asian headquarters for international corporations including Microsoft, Procter and Gamble, Ernst and Young, Kimberly Clark, Coca-Cola, Samsung, BASF, and British American Tobacco. However, the current approach to human resources management cannot provide the basis for developing the human capital competencies necessary to move Kazakhstan forward competitively (Davis, 2012). HRM practices in Kazakhstan are strongly hierarchical (Ardichvili & Kuchinke, 2002) and heavily bureaucratic with an authoritarian and paternalistic decision making style characterized by centralized control and decision making approach – a heritage of Soviet management style (Minbaeva et al., 2007; Muratbekova-Touron, 2002; Tibekov et al., 2004).

The level of development of human resource management practices in Eastern European countries differed significantly. The differences were explained by economic and socio-cultural distinctions (Tung & Havlovic, 1996). Prior to the end of 1980s, HRM activities in most of Eastern Europe were under tight state regulation, in other words, under the control of the Communist Party (Koubek & Brewster, 1995; Poór et al., 2017). Key positions and selection of specialists had been closely controlled by the Communist Party and government policies (Kazlauskaitė & Bučiūnienė, 2010; Poór et al., 2020); the mix of collective and individual leadership elements was presented as an optimal form of management. In the previous regime, the Personnel Department was primarily directed by the Managing Director, and the scope of the Personnel Department's duties was selection and career management (M. Morley et al., 2016).

One of the first major problems facing transition countries' HR departments was dealing with the large layoffs that occurred as a result of privatization. The labour market structure of former Soviet countries was reshaped in several ways by multinational corporations (Redman & Keithley, 1998).

Hungarian businesses have been turned far less political by the actions and importance of multinational companies. HR policies have been of critical significance. In most cases, these MNC firms have better productivity and efficiency outcomes than local ones. In contrast with the relatively poor and unformed or changing local institutional structure, multinational corporations have successfully exploited an advantage that was based on own resources (Lewis, 2005).

2. Hypotheses development

This study aimed to determine relationship between four characteristics of subsidiary management environment: origin of subsidiary; sector; the age of subsidiary; mode of establishment, and size of subsidiary, presence of expatriates, and HR role of MNCs in two groups of countries: the post-Soviet region (Kyrgyzstan, Kazakhstan and Russia) and CEE countries (Hungary, Poland, and Slovakia).

The first characteristic of subsidiary management environment is the so-called Country of origin effect. The *Country of origin effect* concept is determined by factors such as physical and human capital, political institutions and cultural characteristics. These give domestic firms a comparative advantage over firms from other countries (Porter, 1990; Sethi & Elango, 1999). Some researchers claimed that an evolutionary path of MNCs would be influenced by the institutional context of their home countries, resulting in differences in organization design (Bartlett & Ghoshal, 1999). The second characteristic of subsidiary management environment is

the age of a subsidiary. It is significant determinant of the subsidiaries' ability to acquire expertise and skills of subsidiary, and as a result generate value for the MNC (Rabbiosi & Santangelo, 2013). According to some studies young firms stand at a disadvantage to older firms because the latter have had more time to develop not only the absorptive capacity needed to recognize and assimilate new ideas, but also the capabilities to innovate (Cohen & Levinthal, 1990; March, 1991). However, other researchers believe that old businesses suffer from the liability of aging, which occurs as businesses age and become less effective at responding to changes in their environment (Barron et al., 1994; Ranger-Moore, 1997). The third characteristic of subsidiary management environment is the mode of establishment. Licensing, exporting, and foreign direct investment are ways multinational corporations can enter an economy. The entry mode chosen by MNCs will have a significant impact on their future performance (Rasheed, 2005). It has been found to be significantly related to subsidiary HRM practices, as the form and nature of local employee training and development are influenced by the choice of entry mode (Fleisher & Schoenfeld, 1992). The fourth characteristic of subsidiary management environment is the economic sector of the MNC.

At the start of the transition period, the job markets of most of post-Soviet countries were formed on traditional labour market inherited from the Soviet system. Full employment, which was followed by central planning in terms of wages and investment, was the core of labour market policy of Soviet system (Pavlova & Rohozynsky, 2005). Soviet enterprises' management style can be described as 'authoritarian paternalist' with rigidly hierarchical formal structure (Clarke, 2004). However, Western European companies gave regional subsidiaries more autonomy and only appointed executives from the headquarters (Novitskaya & Brewster, 2016). Therefore:

Hypothesis 1: There is a relationship between characteristics of subsidiary management environment (year of establishment, sector of MNC, mode of entry and origin of MNC) and HR role in a given country group (post-Soviet and CEE).

When the subsidiary is small, increasing subsidiary size implies increasing resources in the subsidiary, which increases subsidiary autonomy. However, with increasing subsidiary size comes increase in coordination complexity and managerial expertise from the headquarters is needed to increase the subsidiary's dependence (Johnston & Menguc, 2007). Furthermore subsidiary size is considered as a measure of the subsidiary's importance and its technical maturity (O'Donnell, 2000). Thus, we hypothesize:

Hypothesis 2: There is a relationship between characteristics of subsidiary management environment (year of establishment, sector of MNC, mode of entry and origin of MNC) and employee count of subsidiaries in a given country group (post-Soviet and CEE).

The most important challenge for multinational companies is to figure out how many expatriate employees their subsidiary should have. Expatriate staffing is an effective way of subsidiary management and plays an important role for subsidiary performance. Therefore determining the required expatriate staffing size in their subsidiaries is one of the most difficult

challenges for multinational companies (MNCs) (Gaur et al., 2007; Goerzen & Beamish, 2007). Hence,

Hypothesis 3: There is a relationship between characteristics of subsidiary management environment (year of establishment, sector of MNC, mode of entry and origin of MNC) and expatriates' size in a given country group (Post-soviet and CEE).

3. Methodology

The present research is part of a long-term collaborative research consortium – the Central and Eastern European International Research Team (CEEIRT). The research team included researchers from different universities from the Central and Eastern European (CEE) and Central Asian (CA) regions. The aim of the project is to examine changing Human Resource (HR) practices and roles in MNC subsidiaries operating in the region.

This study used data collected in 2018–2019. One questionnaire was used for all countries responding, translated by local researchers from English into the national language of the respective country. Language accuracy was tested by our research team members who are native speakers of the target language. The data was collected both in person and online. A total of 234 subsidiaries with foreign participation located in the territory of the respondent countries (Hungary, Kazakhstan, Kyrgyzstan, Poland, and Slovakia) took part in the study.

Descriptive statistics were used in order to present the general characteristics of the sample and bivariate statistical analysis were used for hypotheses testing.

4. Results and discussion

Origin of subsidiary. The 234 subsidiaries originated in 38 countries: 20% of them have their parent companies in Germany, 13.2% in USA, 5.8% in UK, 5.8% in France, and 4.5% in Korea.

Year of establishment. 30% percent of subsidiaries in European Union country group were established before 1995.

Table 1: Year of establishment of the company

Country group	Year of establishment				
	before 1995	1995-2000	2001-2005	2006-2010	after 2010
Post-Soviet	14.8%	20.4%	14.8%	25.9%	24.1%
EU member	31.0%	19.5%	16.1%	18.4%	14.9%
Total	27.2%	19.7%	15.8%	20.2%	17.1%

Source: the authors' primary research

Form of establishment. Most of the subsidiaries, some 84 percent, in post-Soviet countries, have been acquired by majority control of greenfield investments. Only 15% of subsidiaries were established via merger-acquisition projects. In contrast, 53 percent of the respondent subsidiaries from European Union member countries were established via a greenfield project. 46.15 percent of

the companies participating in current research have been realized by merger-acquisition investments.

Table 2: Form of establishment of the company

Year of establishment	Merger & Acquisition	Green-field	Total
before 1995	54.2%	45.8%	100.0%
1995-2000	46.5%	53.5%	100.0%
2001-2005	20.0%	80.0%	100.0%
2006-2010	28.9%	71.1%	100.0%
after 2010	32.4%	67.6%	100.0%
Total	38.4%	61.6%	100.0%

Source: the authors' primary research

Sector mode. Most of the companies in post-Soviet countries deal with other service (51.8%). The trade sector reached 21.4%. 19.6 percent indicated industry, and a minority of subsidiaries had businesses related to financial services, merely 7.1%. Most of the companies in Central and Eastern European countries classified themselves in industry. This category comprises 44.4% of companies responding. The second highest percentage – 25.8% is seen in organizations that provide other services.

A minority of companies classify themselves in trade (19.1%) and financial services (10.7%).

Table 3: Major Business sector of your subsidiary

Country group	Industry	Trade	Financial services	Other services
Post-Soviet	19.6%	21.4%	7.1%	51.8%
EU member	44.4%	19.1%	10.7%	25.8%
Total	38.5%	19.7%	9.8%	32.1%

Source: the authors' primary research

H1: There is a relationship between characteristics of subsidiary management environment (year of establishment, sector of MNC, mode of entry and origin of MNC) and HR role in a given country group (post-Soviet and CEE).

Human resource management is considered to be the least prone to cross-border convergence, as multinational corporations prefer to localize rather than export the practices of countries of origin (Pudelko & Harzing, 2007a). The associations between the origin of MNC and primary HR role did not illustrate meaningful results for either group. The likelihood test for independence showed no significant association in the case of questioned survey participants from post-Soviet countries, $\chi^2(18, n=48) = 14.441, p = 0.362$. The likelihood test for independence for survey participants from EU member countries indicated no significant association between the origin of MNC and primary HR role, $\chi^2(24, n=168) = 31.433, p = 0.142$. Moreover, many authors found that the origin of a subsidiary has a major effect on the MNCs' management practices (Almond et al., 2005; Ferner, 1997; Harzing & Sorge, 2003). Rosenzweig & Nohria, (1994)

suggested that that MNCs' HR practices are influenced by the national institutions of the host country. The result of the survey showed that there is no significant relationship between form of entry/establishment and primary HR role in any of the groups. The likelihood test for independence for post-Soviet countries indicated no significant association between the form of entry/establishment and primary HR role, $\chi^2(3, n=52) = 1.854, p = 0.603$. The output of Pearson's chi-square test for independence for survey participants from EU member countries indicated no significant association between the form of entry/establishment and primary HR role, $\chi^2(3, n=167) = 4.218, p = 0.239$. These findings are contrary to previous studies which suggested that the mode of establishment of a subsidiary are significantly related to subsidiary HRM practices (Ahlvik & Björkman, 2015; Bjorkman & Lu, 2001; Fleisher & Schoenfeld, 1992).

The result of the survey showed that there is no significant relationship between the year of establishment and the HR management practices in any of the groups. The likelihood test for independence showed no significant association in the case of questioned survey participants from post-Soviet countries, $\chi^2(12, n=53) = 14.779, p = 0.254$. As regards EU member countries, the likelihood test for independence indicated no significant association between the year of establishment and the primary HR role $\chi^2(12, n=172) = 17.901, p = 0.119$. The likelihood test for independence for survey participants from post-Soviet countries indicated no significant association between the sector of MNC and primary HR role, $\chi^2(9, n=53) = 7.190, p = 0.617$. The associations between the sector of MNC and primary HR role illustrated no significant association in the case of surveyed EU member countries. The likelihood test for independence showed no significant association $\chi^2(9, n=174) = 6.992, p = 0.638$. Regarding the relationships year of establishment, sector of subsidiary and HR role, we were not able to find any arguments in the literature. This argument was not supported by the literature.

H2: There is a correlation between characteristics of subsidiary management environment (year of establishment, sector of MNC, mode of entry and origin of MNC) and employee count of subsidiaries in a given country group (post-Soviet and CEE).

The results of the survey showed that there is no significant relationship between the year of establishment and the number of employees in any of the groups. The likelihood test for independence for survey participants from post-Soviet countries indicated no significant association between year of establishment of MNC and the number of employees in the case of questioned survey participants from post-Soviet countries, $\chi^2(16, n=52) = 22.804, p = 0.119$. In the case of the EU member countries, the likelihood test for independence for survey participants from EU member countries indicated no significant association between the year of establishment of MNC and the number of employees, $\chi^2(16, n=163) = 13.551, p = 0.632$. The result of the survey showed that there is no significant relationship between the sector of MNC and the number of employees in post-Soviet countries. The likelihood test for independence for survey participants from post-Soviet countries indicated no significant association between the sector of MNC and the number of employees in post-Soviet countries, $\chi^2(12, n=53) = 15.380, p = 0.221$. In the case of the EU member countries, the likelihood test for independence for survey participants from EU member countries indicated a significant association between the sector of MNC and the number of employees, $\chi^2(12, n=167) = 43.93, p = 0.000$. The effect size of the relationship is at a high level (i.e., Cramer's $V=0.272$). As for any significant relationship between sector of MNC and number of employees we were not able to find any argument in the literature. The result of the

survey showed that there is no significant relationship between the mode of entry and the number of employees in any of the groups. The likelihood test for independence for survey participants from post-Soviet countries indicated no significant association between mode of entry of MNC and the number of employees in the case of questioned survey participants from post-Soviet countries, $\chi^2(4, n = 51) = 9.461, p = 0.051$. In the case of the EU-member countries, the likelihood test for independence for survey participants from EU-member countries indicated no significant association between the mode of entry and the number of employees, $\chi^2(4, n = 160) = 5.379, p = 0.251$. The likelihood test for independence showed no significant association between the origin of MNC and the number of employees in the case of questioned survey participants from post-Soviet countries, $\chi^2(24, n = 49) = 24.791, p = 0.417$. Speaking of EU member countries, the likelihood test for independence indicated no significant association between the origin of MNC and the number of employees, $\chi^2(32, n = 161) = 37.535, p = 0.230$.

Concerning the relationship between mode of entry, sector of subsidiary and number of employees we were not able to find any argument in the literature. This argument was not supported by the literature.

H3: There is a relationship between characteristics of subsidiary management environment (year of establishment, sector of MNC, mode of entry and origin of MNC) and expatriates' size in a given country group (post-Soviet and CEE).

It is known that the recruitment of expatriates is important for the efficiency of the subsidiary company management. However, determining the required number of foreign employees in their subsidiaries is one of the most challenging tasks for multinational companies (Gaur et al., 2007; Goerzen & Beamish, 2007). Since an increase in the size of a subsidiary implies an increase in resources in the subsidiary, which leads to an increase in the autonomy of the subsidiary. And as the size of the subsidiary increases, the complexity of coordination increases and managerial experience from headquarters is required, which increases the dependence of the subsidiary (Johnston & Menguc, 2007).

Only one of the associations between the year of establishment and expatriation illustrated meaningful results. The likelihood test for independence showed a significant association in the case of questioned survey participants from post-Soviet countries, $\chi^2(4, n = 53) = 22.363, p = 0.015$. The effect size for the relationship in the case of post-Soviet countries, Cramer's V , was at high level, 0.491 (Pallant, 2016). The results are in agreement with other scholars (Delios & Beamish, 2001; Harzing & Sorge, 2003; Wilkinson et al., 2008) findings, which showed that subsidiary age has significant impact on subsidiary expatriate staffing level. However, speaking of EU member countries the output of Pearson's chi-square test showed that there is no significant relationship between the year of establishment and expatriation, $\chi^2(4, n = 161) = 0.515, p = 0.972$. Some researchers (Harzing & Sorge, 2003) have suggested that as the international subsidiary matures, they are likely to weaken their dominant presence by reducing the proportion of expatriates. Considering that in the EU member countries sample, 54 out of 174 companies (31%) were established before 1995 and 34 out of 174 companies (19.5%) companies between 1995 and 2000. It is logical that there is no significant relationship between variables.

The result of the survey showed that there is no significant relationship between the sector of MNC and expatriation in any of the groups. The likelihood test for independence showed no significant association between the sector of subsidiary and expatriation in the case of questioned survey participants from post-Soviet countries, $\chi^2(3, n=53) = 1.934, p = 0.586$. The value of Pearson's chi-square test for independence calculated for EU member countries does not fall within the accepted range, $\chi^2(3, n=163) = 3.516, p = 0.319$.

The results of the survey showed that there is no significant relationship between the form (mode) of entry/establishment and expatriation in any of the groups. The values of Fisher's Exact test do not fall within the accepted range ($P \geq 0.05$) in any of the country groups. The results of the survey showed that there is no significant relationship between the mode of entry of MNC and expatriation in any of the groups. The output of Pearson's chi-square test for independence for survey participants from post-Soviet countries indicated no significant association between the form of entry/establishment expatriation $\chi^2(1, n=52) = 1.231, p = 0.267$. The output of Pearson's chi-square test for independence for survey participants from EU-member country indicated no significant association between the form of entry/establishment expatriation $\chi^2(1, n=157) = 1.124, p = 0.289$.

The results of the survey showed that there is no significant relationship between the origin of MNC and expatriation in any of the groups. The likelihood test for independence showed no significant association between the origin of subsidiary and expatriation in the case of questioned survey participants from post-Soviet countries, $\chi^2(6, n=48) = 6.680, p = 0.351$. The likelihood test for independence showed no significant association between the origin of subsidiary and expatriation in the case of questioned survey participants from EU-member countries, $\chi^2(8, n=158) = 12.188, p = 0.143$.

Table 4: Hypotheses summary

Hypotheses	Acceptance of Hypothesis
H 1.1 There is an association between year of establishment and HR management practices. H 1.2 There is an association between Sector of MNC and HR management practices. H 1.3 There is an association between mode of entry and HR management practices. H 1.4 There is an association between country of origin and HR management practices.	Fully refused
H 2.1 There is an association between year of establishment and employee count. H 2.2 There is an association between Sector of MNC and employee count. H 2.3 There is an association between mode of entry and employee count. H 2.4 There is an association between country of origin and employee count.	Very low acceptance
H 3.1 There is an association between year of establishment and expatriation. H 3.2 There is an association between Sector of MNC and expatriation. H 3.3 There is an association between mode of entry and expatriation. H 3.4 There is an association between country of origin and expatriation.	Very low acceptance

Source: the authors

Conclusion

The main objective of this paper was to explore relationships between HR role, number of employees and number of expatriates and four characteristics of subsidiary management environment: origin of subsidiary; sector; the age of subsidiary; mode of establishment in two groups of countries – the post-Soviet region (Kyrgyzstan, Kazakhstan and Russia) and CEE countries (Hungary, Poland, and Slovakia). The authors were interested in determining if the HR environment of multinational companies in post-Soviet and CEE countries is entirely diverse by illustrating significance of relationships mentioned in the hypotheses. To reach the aim of research, the authors conducted a survey in 234 MNCs in selected post-Soviet (Kyrgyzstan, Kazakhstan and Russia) and CEE countries (Hungary, Poland, and Slovakia).

Against all expectations, each hypothesis was supported partly. MNCs are more likely to localize human resource management practices than to export country-of-origin practices since HRM deals with the management of people (Pudelko & Harzing, 2007a). Contrary to expectations, this study has identified that year of establishment, mode of entry; sector and country of origin of MNC did not affect HR role in post-Soviet and EU-member country groups. The evidence from this study suggests that MNCs' management practices majorly influenced by origin of a subsidiary (Almond et al., 2005; Ferner, 1997; Harzing & Sorge, 2003). The investigation of influence of characteristics of subsidiary management environment on number of expatriates of subsidiaries in a given country group (post-Soviet, EU member country) has shown that year of establishment influenced the number of expatriates only in post-Soviet country group. Prior studies noted (Harzing & Sorge, 2003) that the proportion of expatriates depends on maturity as the multinational subsidiary matures. Considering that in the post-Soviet countries 25.9% sample companies were established between 2001 and 2005, and 24.1% after 2010, it is logical that year of establishment influenced the number of expatriates. The research has also shown that sector of MNC influenced the employee number only in EU-member country. An implication of this is the possibility that in Central and Eastern Europe countries most of the companies classified themselves in industry (44.4%) and trade is 19.1% of companies responding. However, in Post-Soviet country group most of the companies in post-Soviet countries deal with other service (51.8%).

As any research, this work bears limitations also. The relationship between the subsidiary's position in the global operations of MNCs and the configuration of HR practices is complicated. MNC regionalization tactics may be diluting any patterns of industry or national distinctions. The self-reported nature of this type of data can influence the stated organizational performance outcomes. The descriptive nature of the questionnaire is one of the major drawbacks of our study. We used a descriptive form to identify subtle differences and nuances in the views of HR professionals from different countries. In some countries, we were not able to find some international subsidiaries.

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