

# **Doctoral (PhD) Dissertation**

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**A Comparative Analysis on IHRM Policies and  
Practices at Local Subsidiaries of MNCs in  
Transitional and Emerging Environment: The  
Case of Hungary and Turkey**

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### **LIST OF ABBREVIATIONS**

CEE: Central and Eastern European Region

CEEIRT: The Central and Eastern European International Research Team

FDI: Foreign Direct Investment

GDP: Gross Domestic Product

HR: Human Resources

HRM: Human Resource Management

IHRM: International Human Resource Management

M&A: Merger & Acquisition

MNCs: Multinational Companies

OECD: Organisation for Economic Co-operation and Development

SHRM: Strategic Human Resource Management

UNCTAD: United Nations Conference on Trade and Development

## 1. INTRODUCTION

Today, like all enterprises, multinational companies, considering the organisational structure of the companies with the ability to carry out their production activities in more than one country and to respond to the needs of multiple international markets, need to attach great importance to the management of their human capital as much as the management of their economic resources and advanced technology. Multinational companies (MNCs) need to identify workforce needs, employ the personnel to meet these needs, motivate them to increase their efficiency, train them according to changing technology and environmental conditions, and pay them reasonable wages.

The Human Resources Management (HRM) 's main objective is to maximise the output/gain at the end of the production process by using the workforce that is the main element of the production process and different from all other production factors with its unique characteristics. In doing so, it is also essential to ensure the human resources actor's motivation and satisfaction, who stands out with their social and psychological aspects. That is to say; human resources management is a company strategy that aims to achieve productivity increase by ensuring the happiness of the person involved in the production process and, on the other hand, with the efficiency of the production process to ensure the continuation of the success of the enterprise.

Human resources, which is extremely important for multinational companies, has been the main subject in the globalisation of HRM and the expansion of the existing human resources knowledge from the local to international perspective across the borders. However, when multinational companies (MNCs) invest in foreign countries, they faced a wide range of complex difficulties and challenges compared to domestic companies. Continuation of MNCs' operations generally has a high level of uncertainty due to institutional, cultural, socio-economic and political differences, which leads to the emergence of difficulties and challenges in the management of their operations, performance and actors of the whole organisation.

HRM in MNCs consists of processes related to the appointment of managers, experts, and employees who will be responsible for managing the organisation, investments in foreign countries by considering the cultural, legal and political characteristics, differences, and relations of the host countries. Above all, the achievement of MNCs' companies' objectives and goals is closely related to their human resources management policies and practices. It would ensure superiority against their competitors and increase their revenue, influence, and power in the foreign markets. With the increasing impact of globalisation, technology, capital and other inputs that can be used in the production process are provided in a short time and easily, and in today's market conditions where the competition is very intense and destructive, the need for more qualified and distinguishable human resources who have the knowledge and skills are more than ever. In this context, the element of HRM constitutes one of the key factors and challenges that need to be addressed in these multinational companies' management strategies.

Accordingly, parallel to the rising importance of MNCs and their subsidiaries in the global market, IHRM also has been a significant area of interest for both academics and professionals in MNCs, and its significance and impact in the management of international operations is recognised as a major determinant of success or failure in the international business environment. With the globalisation and the transition of the enterprises from the national to the international dimension, the enterprises need to take into account the international factors while developing their human resources management policies and practices, such as they used to for their production, marketing and financial activities as well. Because when multinational companies operate outside of their

home countries, they are not only employing their own nationals but also citizens of third countries or third-country nationals. Especially multinational enterprises, which use different labour force from other countries and cultures, should pay more attention to evaluating and developing their staffing policies on a global scale.

Therefore, developing a clear understanding of human resources management at local subsidiaries of the MNCs is getting more important parallel to the increasing number and importance of multinational enterprises entering foreign markets in the international business arena. It is crucial to have the ability of effective IHRM since people from different cultures with different characteristics are one of the key resources of the enterprises to maintain their operations successfully.



## **2. LITERATURE REVIEW**

The literature review is one of the important parts of every dissertation as it helps to develop a better understanding of the research topic and provides a foundation for further research by examining the theories introduced into the literature throughout history. Thus, in this chapter, we will study the concepts of Human Resources Management (HRM) and International Human Resources Management (IHRM) through reviewing their evolution and analysing the existing models and approaches in the literature.

### **2.1. Human Resources Management (HRM)**

#### **2.1.1. Concept of HRM**

In the literature, ‘Human Resources Management (HRM)’ and ‘Human Resources (HR)’ terms have replaced the ‘personnel management’ term due to the development of people management processes in the organisations throughout history. Whereas personnel management was more related to working on the paperwork of processes such as employment and payment, HRM represents a more strategic approach to the management of the employees.

GILLEY et al. (2002) have a global approach to HRM within the context of practices, policies and philosophies. Whereas activities such as recruitment, selection and appraisal refer to the human resources practices, formal human resources policies are recognised as an influential factor in the development of these practices. However, human resources philosophies represent the overarching factor that defines the values that an organisation’s policies and practices will be designed upon.

It is common to encounter the reference of “people practices” in many organisations within the context of HRM. “People practices” consists of several important practices of HRM, and an organisation’s performance relies on good management of these practices as the efficiency of HRM will not only ensure the satisfaction of employees and customers but also create a more innovative and productive company environment. In this context, human resource planning as determination of the number of employees with particular knowledge and skills according to the needs of the company; recruiting as attracting potential employees, selection as making a choice between them; training and development as providing employees necessary training about how to perform their jobs and prepare them to expectations of the job description; performance management as evaluation of employees to follow their performance for quality improvement purposes; compensation as rewarding employees as a result of their excellent performance; and employee relations as the creation of a positive work environment which will help employees to perform their best, can be counted as important practices of HRM (HITT et al. 1998, DELANEY & HUSELID 1996).

There are several definitions of Human Resources Management (HRM) differing from one researcher or practitioner to another. HRM can be described as the collection of policies, practices and system that have an impact on the behaviour, attitude, and performance of the employees of an organisation (HOLLENBECK & WRIGHT 2011). In other words, it is the management of employee-related activities such as employment, training and compensation of the employees, as well as the development of policies, practices and strategies focusing on influencing practices of people and earning their commitment to the company (FRASCH et al. 2009). DOWLING et al. (2009) and NEL et al. (2011) described HRM as the process of utilising people productively to achieve the strategic goals of an organisation and meet the individual needs of the employees. However, DESSLER (2011) defined HRM as “the process of acquiring, training, appraising and compensating employees, and attending to their labour relations, health, safety and fairness”. In

another definition by ARMSTRONG (2012), HRM refers to all management activities of the employment relationship in a firm.

In the definitions of HRM, some key elements can be put forth that form the philosophy of HRM that its policies and practices are built on. Ownership of HRM is given to the top management to ensure effective management of people in an organisation because HRM strategies must be in alignment with the business strategies and goals. As part of the transition to HRM, employees are recognised as assets rather than liabilities or costs for an organisation by accepting that human resources are a unique factor that can provide additional economic value for organisations. Another key element is building a strong organisational culture through HR policies and practices such as training, development, communication, and performance management that will improve employees' commitment and contribution to the organisation (ITIKA 2011).

The concept of HRM recognises employees as important resources for an organisation considering the economic value they can provide within their capabilities, experience, knowledge, and intelligence, in other words, called "human capital". All these qualities carried by the human capital puts it in a critical position for an organisation rather than an easily replaceable and interchangeable part of the system (HOLLENBECK & WRIGHT 2011). In other words, HRM is associated with managing people in an organisation and the philosophy of people management based on human capital's unique characteristics and recognition of its critical role in the organisations' success. Therefore, HRM focuses on the recruitment of human resources with remarkable qualities and their management.

Especially following the new trends and developments in the field in recent years, the scope of HRM started to cover a broader range of functions and activities regarding people management. The scope of HRM can be defined within the aspects of personnel management, welfare management and industrial relations management. The personal aspect focuses on recruitment, selection, training, and development, while welfare's primary concern is working conditions and amenities. On the other hand, the industrial relations aspect deals with union-management related activities (TRUSS 2001). ARMSTRONG (2006) asserted that the main purpose of HRM is ensuring the success of an organisation through people by developing HRM strategies that develop policies in different areas of a workplace, such as human capital management, knowledge management, reward management, employee relations and meeting diverse needs of the employees, for the purpose of improving efficiency and effectiveness of the organisation. In summary, all types of organisations with different targets in different sectors and fields aim to benefit from HRM in the effective management of their human resources to ensure that they will work efficiently to serve their organisation's success.

However, it is possible to benefit from HRM philosophy to develop a better understanding of its objectives. The main objective of HRM can be found in designing an organisational mission, vision and goals by utilising its human resources or staff capacity with full potential in the most effective way and recognising them as a strategic and key factor to achieve success as an organisation. Not only the performance of its employees but also earning and increasing their commitment to the organisation are another main objective of HRM as retaining the skilled and experienced workforce would improve productivity and reduce the risks coming with high employee turnover. Building and development of organisational culture in alignment with the business strategies and goals, optimising the use of available resources and their cooperation can be counted as other objectives HRM (CUMING 1985, ARMSTRONG 2006, DESSLER 2011).

HRM also faces some challenges and complications due to focusing on the management of the individuals who have difficulties adapting to the objectives of an organisation due to the conflict of several factors. Personal needs, interests and motivations of individuals may prevent them from embracing the organisational culture and objectives. Therefore, the HRM approach should have the ability of flexibility to harmonise conflicting needs, interests and motivations of the employees with the corporate strategy and objectives in a workplace in which unpredictable changes may occur anytime (MARYHOFER & BREWSTER 2005). Therefore, HRM should have the ability to manage changes quickly and efficiently by addressing some internal and external issues such as diversity, ethics, performance, equality and culture.

### **2.1.2. Development of HRM**

Although HRM practices seem to be closely associated with the industrial revolution more commonly in the literature as they have started formally in that period, and major contributions to HRM systems have emerged parallel to the developments in the revolution in the 1800s, they actually date back to much older times in the history. Even in prehistoric times, different tasks required to be done to survive were shared among humans according to their skills and capabilities (PRICE 2007). Starting with the practice of basic principles of HRM from prehistoric times, more advanced HR functions started to be developed parallel to the evolution of the organisational structures, emergence of leadership norm, distribution of roles and responsibilities based on the expertise, development of reward and punishment management systems and the gathered knowledge throughout the time.

The period from medieval times to the 1870s can be taken as the first period in the evolution of HR dominated by a “foreman-oriented personnel system”. Guilds were established by the craftsmen to improve their working conditions. Following the industrial revolution, the number of employees hired by the factories kept increasing, who worked based on the division of labour” system built on the job specification (CASCIO 2006). In this period, especially after the mid-1850s, the number of union organisations started to increase rapidly that is followed by violent strikes protesting the grave working conditions (JAMROG & OVERHOLT 2004).

During the second period from 1870 to the early 1900s, the evolution and development of HRM have paced up significantly due to ongoing changes. The rapidly growing economy of the era and the pre-and-post first world war have significantly altered the labour market. This started considerations on the role of effective people management of a mass skilled, well organised and disciplined labour force to meet the needs of the industrial production and created the necessity of a new different approach on the efficiency of HRM practices in the rising labour market of the time (CUMING 1985, CHRUDEN & SHERMAN 1984). The main focus at the beginning of the 1900s shaped around the concerns regarding the well-organisation of employees and their welfare in the emerging complex industrial production systems during the preparation period for the first world war. “Foreman-oriented personnel system” has been replaced by “welfare officers” as a result of the “industrial welfare movement” that also encouraged voluntary efforts by the employers whose efforts aim to improve the working conditions. Therefore, welfare services such as canteen and employment of welfare officers or early personnel administrators who only focus on ensuring the wellbeing of the employees were the primary labour management strategies introduced by the firms to fill the gap between employer and employee relationships (JAMROG & OVERHOLT 2004, EILBERT 1959).

The third period from the 1900s to the middle of the 1960s can be called the era of personnel management. Especially during the 1920s and 1930s, the focus point has changed from welfare to personnel administration due to the challenges brought by the organisations' growing size and pressure on improving productivity. While growing organisations have created more administrative tasks for the employees, productivity concerns increased the importance of processes such as recruitment, selection, training, safety, motivation, and improvement of the employees in terms of happiness, teamwork and cooperation. Therefore, according to the movement that began on human relations, thanks to Hawthorne's behavioural studies in 1923, personnel administrators have replaced the welfare officers with a broader job description (CUMING 1985).

Between the 1940s and 1950s following the second world war, for both employees and organisations, new dimensions such as supervisory training and new threats such as labour disputes have an adverse impact on the efficiency of the organisation started to emerge, challenging the role of personnel administration. This led to studies about the impact of behavioural factors on organisational efficiency by putting an emphasis on the employees in groups rather than individuals. It also created a new perspective of employees starting to consider them as human beings rather than just a part of the production system (TORRINGTON et al. 2005, ROBBINS 1990, DAVIS 1980). Therefore, the personnel administration role was not able to meet the new dimensions that emerged in the labour force management, and it is replaced by the personnel management that has a broader scope covering the additional aspects of people management such as groups/teams, motivation, employee satisfaction, communication, conflict management and more strategic matters rather than just administrative routines.

During the 1950s and 1960s, personnel management evolved into a professional discipline field of management that provides the foundation of theories, practices and processes of HRM that we are still following today. Besides it covers the previous developments in the field, it also consists of new personnel management functions of development, training and planning and improved personnel management process such as employee selection, payroll administration, training, performance appraisal and labour law (CHRUDEN & SHERMAN 1984, CUMING 1985). Within this context, ARMSTRONG (2012) defines personnel management as the process and practice of getting people in an organisation, assessing and rewarding for performance, and developing their full potential to achieve organisational objectives.

The fourth period from the 1960s to 1990s represent the transition from personnel management to human resources management due to the major impact on people management philosophy by the emerging developments and challenges in the economy, academy, politics, and technology, such as increasing competition in the international business arena, changes in the customer needs and expectations, technological changes, change of employee relations philosophy and academic developments. In this period, development from personnel management to HRM has gained more momentum due to the passing of several acts that increased the importance of the HR department for the corporate organisations. Some of these acts were the Equal Pay of Act in 1963, the Civil Rights Act in 1964, the Employee Retirement Income Security Act in 1974 (ERISA), and the Occupational Safety and Health Act in 1970 that increased the importance of HRM (BUDHWAR & DEBRAH 2004). Behavioural studies carried out on the impact of human performance on the organisation from a wide range of disciplines continued providing substantial knowledge and benefits (JAMROG & OVERHOLT 2004).

At this point, it would be useful to make a mention of the differences between personnel management and HRM. While the management team is the centre point of HRM, the line managers carry a crucial role in ensuring the coordination of the resources towards the success of the organisation. People are seen as “human resources” which mean that they are recognised as a significant asset of an organisation with strategic importance. Moreover, organisation culture is an important strategic factor that falls within the scope of HRM. On the other hand, controlling subordinates and their management is the only focus area of personnel management. Also, line managers do not have a similar role in the coordination of employees towards the organisation’s success, and the organisational culture has no role in the personnel management (LEGGE 1989, MCKINLAY & STRAKEY 1992). As can be seen in the comparison of the aspects, HRM has a more strategic context and business-oriented management philosophy compared to personnel management in which management and controlling the subordinates were the main focus areas.

The fifth period beginning from the 1990s represents the transition from HRM to Strategic Human Resources Management (SHRM) following the consideration of the relationship between HRM and strategic goals and objectives of an organisation as a result of the studies of Golden and RAMANUJAM (1985) about the role of integration of HR into the business strategy and its impact on the business performance (GUBMAN 2004). This transition has introduced some changes into HRM as management of human resources has started to be considered in the development of business strategies with a holistic approach.

Especially over the last twenty years, there have been significant changes in the HRM field that only increased the importance of HRM in the new millennium organisations. In the past, whereas HRM was recognised as processing payrolls or filling enrolment forms of employees, now HRM has great importance and a critical role in the organisations’ business strategy towards success (FRASCH et al. 2009).

### **2.1.3. HR Functions**

The overall role of HR functions can broadly be described as the management and development of people in an organisation by developing and implementing HR strategies, policies and practices in alignment with the needs of the business strategy to ensure that the organisation can meet its objectives and achieve success by creating an ideal environment in which its workforce can utilise its full potential effectively and efficiently for both the organisation and their own interests. In a more sophisticated description, “HR functions aim to achieve strategic integration and coherence in the development and operation of HRM policies and employment practices.”. Although HRM may have different functions in different organisations, the most common HR functions can be given as conducting job analysis, planning staff recruitment and selection processes, orientation, training and development of the employees, performance assessment and reward management, motivating employees and improving commitment and coordination of employee relations (ARMSTRONG 2006). According to BRATTON AND JEFFREY (2003), planning, recruitment and selection, performance management and appraisal, reward management, development, employee relations management, health and safety and union-management relations can be given as the main functions of HR. On the other hand, DECENZO et al. (2010) categorise HRM functions under four main classification that are staffing, training and development, motivation and retainment.

Conducting job analysis helps to design the right job positions and all related processes according to the business strategy of an organisation within the context of the planning function of HR.

Considering which positions need to be opened and forecasting how many employees need to be hired, the decision of job specifications, as well as paperwork management, can be given as subprocesses of the planning function. It is possible to prepare the job description only after completing the job analysis, planning, and forecast of required employees. According to DESSLER (2011), the planning stage can be described as the decision-making process for defining which positions are required in an organisation and how they can be filled. Also, planning needs to be completed first to be able to run the recruitment stage more effectively. However, plans of acquiring a certain number of employees with specific qualifications in a timely manner should be designed in accordance with the organisation's mission, objectives and strategies (AKYUZ 2006).

Recruitment and selection of the staff according to the specifications and requirements of the position designed before are one of the main functions of HR as well. According to MONDY AND MONDY (2012), recruitment can be defined as "the process of attracting individuals on a timely basis, in sufficient numbers, and with appropriate qualifications to apply for the job with an organisation". Another recruitment definition made by FUJIMOTO (2010) and NET et al. (2011), in a similar context, refers to attracting internal or external applications for the open vacancies in an organisation. It is important to note that the overall quality of human resources of an organisation entirely depends on the success of the recruitment and selection process that would significantly impact all levels of an organisation.

After the recruitment and selection stages are completed, new employees' orientation and training processes are also managed by HRM to ensure their continuous development for both individual and corporate benefits. The induction process designed by HR helps the new employees to adapt to their new position, new business environment and the organisation culture easier.

After the new employees' onboarding, it is usually followed by training and development activities. Although HR considers the skills and competencies of the candidates thoroughly during the recruitment stage, general and specific on the job training would help to build a group of employees with better qualifications as well as contributing to their motivation, job satisfaction and shortening the adaptation process. DECENZO et al. (2010) categorise this process under four phases: employee training, employee, organisation and career development. While employee training, employee and career development focus on employees as individuals, organisation development is centred around organisational changes, although they all serve to the success of the training and development function. According to DESSLER (2011) and SARDAR (2010), training refers to the learning process of required basic skills for new or current employees to be able to perform their jobs. Moreover, providing a systematic training plan to the employees would help them to acquire the knowledge, concept and objectives of the organisation (CEKADA 2010).

HRM also assesses the employees' performance within specific periods to improve their performance and contribution to the organisation. Accordingly, appropriate performance appraisal systems are developed by HRM to review and evaluate and performance of employees. However, reward management and compensation systems are used as incentives for the employees to enhance their performance, motivation, and commitment to the organisation. Broadly, performance management refers to maintaining the employees' performance to ensure that they are serving to help achieve success in alignment with the objectives of an organisation. According to MONDY AND MONDY (2012), performance management can be defined as a "goal-oriented process directed toward ensuring that organisational processes are in place to maximise the productivities of employees, teams and ultimately, the organisation". However, while performance

management is a strategic tool used to improve organisational performance, performance appraisal systems are used for reviewing, evaluating, and rewarding the performance of individuals or groups. It is crucial to recognise the power of reward management as a strategic activity having an enormous impact on achieving the strategic goals of an organisation (CHOMPUKUM 2011, MONDY & MONDY, 2012). Also, TAYLOR (2009) emphasises the importance of recognising employees' efforts and contribution with an appropriate rewarding system, fair treatment to all employees and training for improving their skills to increase their motivation and enhance their commitment to an organisation.

Finally, communication and coordination among the employees are also involved within HR functions' scope to improve positive employee relations through the organisation and provide a better workplace in which business activities can be conducted efficiently. According to HOLLENBECK et al. (2011), this is generally maintained by HRM staff by preparing and sharing online or printed company publications with employees on a regular basis.

#### **2.1.4. HRM Models and Theories**

Several theories from different disciplines in the literature contributed to the field of HRM by conducting their research from different perspectives. Therefore, some underpinning theories that constituted the foundation of HRM will be examined in this section to develop a better understanding of the topic of the study.

The resource dependence theory based on acquiring scarce resources and their utilisation is one of the frameworks that has been a foundation to HRM. This theory focuses on the impact of external resources on organisational behaviour from a strategic and tactical management point of view. All organisations are identified as an open system that depends on obtaining some resources from the external environment to carry out their business operations. However, overdependence on external resources that cannot be controlled cause higher risk exposure for the companies since any difficulties in acquiring resources would cause a major negative impact on their activities. Therefore, companies try to reduce their dependence on external resources to protect their business activities from uncertainties and change the balance of power and mutual dependence in their favour (PFEFFER & SALANCIK 1978).

The transaction cost theory developed by WRIGHT and MCMAHAN (1992) is one of the important theories applied to the HRM field based on the economic perspective of business transactions cost. This theory argues the significance of cost reduction while accessing or exchanging resources compared to the competitors. From the HRM point of view, this theory focuses on the cost of employment structures, procedures and the employees' contract management within the context of processes of collecting information, decision making in signing a contract and implementation of the contract (SUSKA 2016). Transaction cost theory can also be associated with employees' motivation at individual, group or organisation levels in terms of reward and compensation management that would help them to improve their performance in an organisation (WRIGHT & MCMAHAN 1992).

Organisational life cycle theory applies the formation, growth, maturity, decline and death stages of nature into the organisation development. Organisational structures that support human resources activities are mandatory for organisations to be able to continue their presence by sustaining their competitive power against their competitors by enhancing the creativity, teamwork, performance and innovation abilities of the organisation (CAMERON & WHITTON 1981). However, role behaviour theory focuses on the behavioural perspective of HRM that was

developed by JACKSON AND SCHULER (1995). This theory's central aspect is understanding the relationship between different approaches of employee management and organisational effectiveness. Considering organisations' unique and specific internal conditions, management policies, and practices should be designed in a way to improve the resources and work environment to maximise organisational effectiveness.

Organisational change theory draws attention to the necessity of organisational change in response to changing conditions and developments in the internal and external business environment. Rapid changes in technology, communication, policies, customer needs and many other factors force organisations to search for new ways and solution to maintain their competitiveness. All these changes do not only influence the organisational structure, but it also affects the organisations from a strategic HRM point of view because the organisational change process requires effective management of HR policies and practices to prepare the employees by creating a positive work attitude towards the changes and ease their adaptation process (TAN & NASURDIN 2010). Therefore, effective HRM strategies would ensure effective and efficient use of human resources towards success of an organisation and make a positive contribution to organisational change process and performance through designed formal systems and applications (MATHIS & JACKSON 2003).

Organisation learning theory has been studied within the context of the role of organisational learning in improving organisational performance through HRM. Enhancing organisational commitment and gaining and sustaining competitive advantage in organisations were the main topics that many researchers focus on in their studies (SHIPTON et al. 2002). This theory suggests that applying the organisational learning framework into HRM practices can improve organisational performance as a source of competitive advantage.

The applicability of institutional theory to the HRM field started in the early 1990s first time by WRIGHT AND MCMAHAN (1992). Later, the systematic application of a new institutionalism framework to HRM has been made by PAAUWE AND BOSELIE (2003). An organisation's institutional character can be defined as a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions' (SUCHMAN 1995). This theory argues that the internal organisational environment that consists of culture, norms, and beliefs directly impacts formal organisational structure development. Therefore, organisations need to build an institutional framework consisting of standardised procedures that will affect and guide their employees' behaviour and ensure the organisations' survival.

The human capital theory is another important theory developed by BECKER (1964) that focuses on education, training and development. This theory asserts a positive correlation between people's investment in themselves and their economic productivity that eventually leads to achieving a higher level of income. According to this theory, organisations should change their approach of considering these as a source of cost to avoid. Instead, they should be considered a necessary investment to help human resources develop their skills and capabilities and improve their productivity and efficiency.

Agency theory is developed to bring an understanding of delegation processes of tasks from employers to their employees. It is implemented in the HRM field in terms of employee relations management due to the conflict of interest that may occur between both subjects. Therefore, this theory focuses on analysing and controlling employees' behaviours and organising their relationship through standardised HRM functions (EVANS & TOURISH 2016).

The last theory we will examine here is that contingency theory refers to acknowledging complexities and uncertainties in organisations' environment and the necessity of adaptation to



these factors by developing the most appropriate strategies to minimise the risks and achieve success (PETERS & WATERMAN 1982). Therefore, according to this theory from HRM's point of view, organisations should implement HR policies and practices in alignment with the organisational strategy and external environmental factors to achieve the objectives of the organisation (HARNEY 2016).

### **2.1.5. Development of HRM in Central and Eastern European Region & Hungary**

Development of HRM policies and practices In Central and Eastern European Region (CEE), including Hungary, can be explained with several factors such as economic, social, political, cultural and determination of people towards changing (ERUTKU & VALTEE 1997).

In the CEE region, the HRM field as an established management function started to emerge only after the socialist regime's fall. Until the end of the 1980s, HRM activities were also under the strict control of the state within scope of personnel management that was managed by members of the Communist party members by centrally planned rules under the influence of politics (GARAVAN et al. 1998, LUCAS et al. 2004, PUNDZIENE & BUCIUNIENE 2009). There was not a professional approach to HRM as a profession. The main responsibility of personnel management was handling employees' social and welfare activities and performing traditional tasks regarding maintaining employee records and monitoring training programmes (SOULSBY & CLARK 1998). Personnel management was divided into two sections between the management of office staff and blue-collar workers. Personnel Manager was responsible for managing office staff whereas Finance Director used to manage blue-collar worker related personnel activities such as career management and selection. However, selection, compensation and performance management processes were not based on any objective criteria (PEARCE 1991, BANGERT & POOR 1995). Overall, there was no organisational or strategic approach in people management until the transition period.

With the beginning of the transition period, a different type of development path started to be adopted by CEE countries, and an interest started to emerge in HRM due to the aforementioned people management practices and issues in the countries of the region, and it started to be an important and dominant concept during the transition period of the countries.

At the beginning of the transition period, the first challenge experienced by HR departments of transition countries was managing mass dismissal of the employees due to privatisation in some of the region's countries, including Hungary (REDMAN & KEITHLEY 1998, ELBERT & KAROLINY 2006). However, MNCs started to be a pioneer in introducing major changes in the labour market and HRM practices in the region that led strategic importance of HR to grow and play a key role in MNCs' local subsidiary strategies. Introduction of basic salary systems based on the characteristic of the job and performance management systems to reward people with high performance were some examples of HR practices in this context. In fact, HR has transformed into a senior management function at local subsidiaries of MNCs or large capital MNCs, as can be understood from HR managers' promotion to board management in these companies (KAROLINY et al. 2009, LEWIS 2005). However, it is essential to note a distinctive characteristic of the CEE region because the development of HR function in foreign-owned MNCs or their local subsidiaries was not followed by local or traditional companies. Instead, this development was slower and more gradual for these companies due to the prevailing conservative approach towards ongoing changes (POOR et al. 2007, CHURCH 2003). In CEE countries and Hungary, not only in the private sector but also in the public sector, HRM started to be subject to significant changes due to modernisation reforms of public administration which are also supported by the EU programs financially and professionally (POOR et al. 2017).

Research carried out by (KAZLAUSKAITE et al. 2013) on recent developments of HRM in the CEE region showed that Hungary has a high level of HR involvement in companies' strategic development that can be explained with a large share of foreign ownership on the companies. According to the results of another research conducted by KAROLINY et al. (2009) based on a comparison between HR characteristics of Hungary and other countries of CEE region, in Hungary, in large MNCs, local subsidiaries have a significant impact on HR policies, line managers have many primary responsibilities on HR functions and HR directors participate to the strategic decision-making processes of companies and internal resources. All these findings prove that the evolution of HRM in Hungary has been going faster compared to the other CEE countries meaning that Hungary is closer to the global standards in terms of HR development.

Challenges that emerge from globalisation will continue to have a significant impact on the concept of HRM and its development in Hungary. It is necessary for HR representatives from Hungary to acknowledge ongoing developments and work on finding solutions to improve HRM by identifying new opportunities. Also, HR can play a critical role for both local and multinational companies in overcoming these challenges through the knowledge, experience, skills and competencies of their human resources (POOR et al. 2017).

### **2.1.6. Development of HRM in Emerging Economies & Turkey**

Researchers have been using several topics to be able to explain the development of HRM in emerging economies, such as institutional environment, cultural values, and traditions. However, rapidly changing conditions of emerging economies bring some challenges to understanding HRM development in emerging economies with a general approach. Also, using any of Western HRM models or theories as done by many researchers raises questions on these models' applicability to emerging economies context (BUDHWAR & DEBRAH 2009). Also, as ZHENG (2013) asserted, existing IHRM models are not adequate to develop an understanding of the development of HRM in emerging economies due to differences in motives of internationalisation, institutional environments, rapidly changing conditions, and culture. Besides that, it is impossible to discuss HR development historically with a general approach; it can be examined only within the context of models and theories of IHRM, MNCs, and local subsidiaries. As these aspects are given in the previous sections in detail, we will only discuss HRM development in Turkey.

HRM in Turkey is management, a field that is adopted mainly based on HR policies and practices of the United States, "Anglo-Saxon" management culture, in other words. Although studies on recruitment, selection, promotion and wage topics started around the 1930s, the emergence of personnel management as a discipline took place at the beginning of the 1970s. Although the main orientation towards human relations was mainly shaped around a systematic and structural approach in the beginning, as of the 1960s, personnel management started to be considered to be a specific topic independent from human relations of public administration, and the focus paradigm shifted to the functions of personnel management (USDIKEN & WASTI 2002). In the 1980s, the modern concept of HRM started to be used to adopt a more flexible approach towards people management that is followed by significant changes in the 1990s with recognition of human resources as a strategic factor due to its recognition as a source of organisation than a cost factor. Finally, after the 2000s, HRM became an important area for the business management field and the private sector as well (AKAR 2013, EROGLU 2016). Especially as part of the access process to the EU, besides many new laws in the field of human rights and democracy, the Job Security Law was enacted, the Labour Law was amended, and Unemployment Insurance came into effect (BENLIGIRAY 2009). Issues such as personnel selection and recruitment, training, development and career planning have become important issues studied in HRM during these years (SAYILAR 2005).

As mentioned before, American models of HRM has been adopted by Turkey during the transition from personnel management to the modern concept of HRM. While Small & Medium Enterprises (SMEs) reflect a more local approach to HRM, large capital companies generally adopt more Western or American approach to HRM practices in their organisations. Staffing, training and development, compensation, health, promotions and career management are the most general HR functions applied by HRM departments in Turkey (TUZUNER 2014).

The overall development process of HR since the 1930s is usually shaped according to political and economic events and policies of the era. Since most companies in Turkey emerged during the last quarter of the 20th century, the development of the HRM field has not been subject to significant resistance among the business actors. It can be observed that the departments of companies focusing on employee relations have been restructured according to the modern HRM concept, and strategic planning, change management, organisational culture, training and development functions of HR have become the main focus area of HR departments at the companies.

During the last 20 years, the importance of HRM as a key factor in gaining and sustaining competitive advantage is acknowledged by both local and multinational companies in Turkey following the adoption of liberal economy, rapidly changing market conditions, reduction of control measures in the market by government and other changes in the institutional, legal and economic structure of the country (UYSAL 2019).

## **2.2. International Human Resource Management (IHRM)**

### **2.2.1. Concept of IHRM**

Globalisation has changed the international business arena and organisations drastically, especially during the last two decades. Merger, acquisition and partnership activities among the organisations have increased the competition in the international business environment. Concerns of gaining competitive advantage pushed companies to consider opening headquarters in other countries in which local and international workforce found common ground to carry out their work. This situation has created the necessity of addressing international diversity-related topics and issues due to socio-economic, cultural, ideological and other differences among the people. Finally, all these changes and challenges led to the emergence of IHRM. Basically, HRM has evolved into a more international context by starting to cover more complex matters than just local human resources activities in the environment of global and multinational organisations.

If we take a closer look at the factors driving the necessity and emergency of IHRM as a specific field, the increasing number of multinational corporations as a result of globalisation has eliminated the geographical distances between the locations and removed the barriers in knowledge transfer. Therefore, market information started to be accessed easily from all over the world. This also meant access to new markets that brought increasing competition together. Therefore, the cost of not having a well-developed HRM system has increased because it could easily cause the failure of a business. Secondly, the importance of managing a diverse workforce is recognised due to its significant impact on organisational performance. Also, there was a lack of a skilled manager who can manage multinational corporations at a global level. Finally, other challenges experienced from expatriates' failure in the past forced organisations to reconsider their HRM strategies (ITIKA 2011). In summary, we can conclude that diversity arouses from evolving into an international context, and globalisation were the main factors driving the emerge of IHRM.

There are several definitions made in the literature by different researchers. To start with a broader definition of BRISCOE et al. (2009), IHRM refers to the process of management of all human

resources activities in a global business environment. IHRM is defined by ARMSTRONG (2006) as “the process of employing, developing, and rewarding people in international or global organisations. It involves the worldwide management of people, not just the management of expatriates.”. IHRM can also be described as managing the employees across the country borders (NEL et al. 2011, DOWLING & WELCH 2005). According to SHEN (2005), IHRM can be defined as ‘...a set of distinct activities, functions and processes that are directed in attracting, developing and maintaining the HR of a multinational enterprise (MNE)’. However, SCHULER et al. (1993) defined IHRM as ‘...with the consideration of human resource management issues, functions and practices, the strategies of MNCs ... take into account the international concerns and the integrative goals of the enterprises.’. On the other hand, IHRM is defined by TAYLOR et al. (1996) as ‘...policies and practices entailing the attraction, development and maintaining of human resources with the distinction of activities, functions and processes in MNCs. In other words, it refers to a diversity of human resource management systems in MNCs, both at home and abroad.’

As can be seen in the definitions of IHRM above, the people management perspective is different from the traditional personnel management as commitment and development of the employees and enhancement of organisational performance aspects have a significant role in the modern approach to IHRM (WILTON 2013, STOREY 2007). Global coordination of headquarters and foreign subsidiaries, the influence of cultural differences and some other local contexts are also internal and external factors attached great importance by the modern approach in IHRM (SCULION & LINEHAN 2005). Although more definitions of IHRM can be given, it is possible to observe some common aspects of all definitions. While the emphasis is on managing human resources globally across the boundaries, generally employees refer to the host-country nationals, third-country nationals and expatriates, and HR activities that consist of HR functions such as recruitment and planning training and development, performance and reward management.

In the literature, IHRM academic can be taken under two categories. The first group of academics focuses on the IHRM processes, such as recruitment and training, in MNCs which operate globally. In the global context, expatriate management and the role of international managers are the main points that attracted the most attention by these academics. On the other hand, mainly social and cultural factors of HRM are studied by the second group of academics, which focuses on the influence of several factors such as the cultural issues in a cross-national context (BEARDWELL & HOLDEN 2001, SCULION 2001). However, the current development trend in the international business and economy literature of IHRM considers several factors such as FDI, knowledge management, culture, and leadership in alignment with the companies' internationalisation process. IHRM related issues, strategies and practices of MNCs are also examined in this context (SCULION 2001). Accordingly, PELTONEN (2006) drew attention to the existence of HR practices given in the IHRM process within cross-cultural contexts. According to the contemporary definition of IHRM with a modern approach introduced by DICKMANN et al. (2008), IHRM can be defined as ‘...the activities of MNCs to pursue their competing demands. In this way, organisations are able to achieve the goals of international coherence and cost-effective methods to manage the staff member in all the countries they operate. And, at the same time, it can also be adaptable to the differences from one area to another.’.

In the literature, several researches studied the differences between domestic HRM and IHRM within the context of different aspects. According to DOLAN et al. (2007), although there are common HR activities and functions falling within scope of both HRM and IHRM, when it comes to IHRM, they turn into more complex structures due to involvement of some external and internal factors. Recruitment and selection, performance and appraisal, training and wage management can be given as some of these HR activities, functions, and more could also be added. There are seven

aspects introduced by ARMSTRONG (1997) to characterise IHRM. These are cosmopolitanism, culture, rewards, communication, consultancy, competency, and coordination. Cosmopolitanism explains the group of employees consist of mostly top-level management coordinators and expatriates who are subject to change their work locations internationally. Culture represents the cultural differences, whereas rewards refer to the reward management in regard to the payment and other financial benefits of the employees at the international and regional level. Communication is about the management of efficient communication between facilities in different locations. Consultancy may be required both at the international and local level due to differences in policies and practices. There is a focus on staff competency to ensure that their qualifications meet the global business needs. Finally, coordination serves in managing different functions across the borders in harmony and cooperation.

However, there are also some factors used by DOWLING et al. (1999) and DOWLING AND WELCH (2005) to make a differentiation between domestic HRM and IHRM. IHRM represents a broader perspective consists of more HR activities that include more involvement in the personal lives of their employees. HR departments of the multinational organisations had to manage additional HR activities that are not necessary at the domestic level. More involvement in the employees' personal lives emerges from the fact that expatriates' failure was mostly due to adaptation issues in the host country rather than performance issues. Also, information technologies expanded the means of providing more insight into the organisations about their companies. While IHRM has more exposure to risks and external factors such as terrorism, its emphasis has changed due to managing both expatriates and local employees. Also, FILIZOZ (2003) argued that running operations across the borders, additional HR functions due to internationalisation, a multinational workforce structure, use of different languages, the necessity of more attention to personal lives of employees, different management approach due to local differences, socio-economic and political environment and more risk exposure could be listed as main factors differentiate domestic HRM from IHRM.

In a broad sense, the objective of IHRM can be described as ensuring the organisations to achieve success in the global competitive business environment by gaining and sustaining a competitive advantage (SCHULER et al. 2002, SHANINE et al. 2011). During the globalisation process, IHRM aims to play an active role in adapting the employees to the organisational culture in other countries of operation. Also, IHRM should be effective in coping with the legal regulations and industry relations changing from country one to another. However, especially ensuring the harmony between two different cultures and creating a new but at the same time, a common organisational culture is also among the objectives of IHRM (FILIZOZ, 2003).

The primary factor that distinguishes local and international human resources practices from each other is the complexity arising from conducting applications in different countries in the international arena and employing people from different nationalities. Another important factor in this regard is ensuring the integrity between human resources management and the strategic and organisational objectives of multinational organisations (SCHULER 2000). IHRM has a critical role in the success of international businesses in the 21st century as it constitutes the centre of important debates on how to effectively manage international businesses within the context of international markets, financial resources, and strategic issues. Similarly, considering that international organisations' competitive power relies on finding and retaining qualified human resources and the necessity of international organisations to plan and operate more strategically led to the recognition of IHRM as a critical strategic factor.

IHRM faces a wider range of issues due to conducting activities in more than one country that are not experienced by HRM. As argued in the literature by several researchers, global companies' operation in different business environments across the borders in an international context potentially brings a higher degree of complexities and uncertainties due to socio-economic, institutional, cultural, and political differences that lead to difficulties in managing both internal and external factors. Accordingly, there are some challenges of IHRM mainly originate from international diversity due to running operations in different locations. Classification of LEOPOLD (2005) international diversity into three main blocks helps to understand the relationship between international diversity and IHRM and its challenges. First, the economy refers to the economic development of a particular country by taking into account several economic indicators and infrastructure development levels. Accordingly, the challenges faced by IHRM responsible would vary in each country. As the second block of the classification, human capital emphasises the difference in the quality of education level between countries, leading to challenges with recruiting employees who possess required qualifications, skills, and competencies. Finally, culture is used to describe differences in life values, beliefs, social attitudes, and religion adopted by people that lead to challenges on the adaptation of policies and practices, communication, flexibility, different perceptions, and interpretations of organisational strategies and objectives.

However, differences in culture, labour market, socio-economic and political environment, education system are some common factors that have an impact on the practices of IHRM (DESSLER, 2011, NEL et al. 2011). Likewise, culture and language, labour law and regulation, labour market, local pressure groups, socio-economic system and development level, health and safety concerns are also given as factors that affect IHRM practices and policies by Hartel and FUJIMOTO (2010). However, VANCE AND PAIK (2006) made a classification of factors that have an impact on IHRM policies and practices as external and internal factors. While external factors consist of the socio-economic situation, demographics, competition, government, and innovation; internal factors are described as organisation structure, culture, climate, and strategy of the company.

### **2.2.2. Development of IHRM**

In the literature, the development of IHRM has been generally studied under the periods of pre-scientific, early 20<sup>th</sup> century and 1980s. As also described by POOR (2005), the pre-scientific period goes back to 4000 years ago when it was already possible to observe some international ventures such as East-Indian company. However, IHRM was not a phenomenon considered back then. When we look at the first examples of multinational businesses in history, it is found out that Assyrians, Phoenicians, Greeks and Romans had been making cross-border trades. Also, shreds of evidence are proving the 'commercial organisations' of the Assyrians in the 2000s BC showing similar characteristic to the modern multinational organisations (EVANS et al. 2002) as their commercial organisations had operations running in different geographical locations with head offices and subsidiaries as well as maintaining employees from other locations (DICKMANN & BARUCH 2011).

The second period corresponds to the beginning of the first world war when some companies started expanding their business activities geographically and started building headquarters across the borders. They also sent some expatriates to work in consultant and management positions and established a hierarchical communication between the headquarters and subsidiaries (POOR 2005). According to the economists, the emergence and spread of multinational organisations started in the 1950s, whereas historians recognise the European and American businesses of the 19<sup>th</sup> as early versions of today's multinational organisations (EVANS et al. 2002). These changes

urged developing an understanding of the challenges of HRM that occur from running international operations that led to the emergence of IHRM models.

In the third period in the 1980s, globalisation started to increase, and cooperative communication has replaced the former type of hierarchical communication of the second period. Also, the companies started to utilise the local employees more in critical positions to carry out HR activities in cooperation with expatriates as the importance of adapting to the local culture and the necessity of giving more place to localisation in their decision-making systems are understood better. Accordingly, the organisations decided to reduce the number of expatriates that are replaced by the local employees as part of the localisation process (POOR 2005).

In the literature, many experts recognised internationalisation and globalisation as the major factors in the emergence of IHRM (DOWLING et al. 2009, NEL et al. 2011, BRISCOE et al. 2009). While internationalisation of businesses is driven by the factors such as knowledge sharing, increasing travel opportunities, homogenisation of culture and reducing costs, businesses started to search for new markets for expansion where they can also access cheaper labour and raw materials (SCHULER 2000, PLESSIS & HUNTLEY, 2009). According to HARTEL AND FUJIMOTO (2010), businesses need to consider globalisation factors before expanding their business internationally. Firstly, market research is a must to understand whether there are any business opportunities offered by expansion to new markets. The second important factor is whether the expansion will provide any cost advantages or not. Legal conditions and government policies are also other factors that need to be considered. Finally, an analysis of competitiveness should be conducted by considering competitors' strategies and statistics of export and import in the industry. FILIZOZ (2003) asserts that the main reason for the radical changes in the HRM field, especially in the last century of the last century, was the globalisation of the labour market parallel to the globalisation of the business environment. Due to the countries' economic structures becoming more open to international economic relations and their efforts of integration into the international economy, increasing international trade relations and mobility of production factors started to connect the labour market of countries to each other. Due to this connection emerging with the globalisation of labour markets, organisations had the opportunity to maximise their workforce effectiveness. Therefore, organisations' opportunity to have access to human resources globally has made the emergence of IHRM inevitable.

### **2.2.3. IHRM Models and Theories**

Most of the IHRM are macro-scale models focusing on MNCs' strategic point of view to manage and control their overseas operations efficiently. The projected models have been developed in a way that can be linked to the internationalisation level or international strategy of MNCs to ensure that the objectives of the organisations can be aligned with IHRM systems. With the growing importance of MNCs, especially after the Second World War, numerous models have been developed by researchers to bring an understanding of the relationship between international operations and HRM.

The theory developed by PERLMUTTER (1969) made a classification based on the cognitions of management in international organisations by introducing approaches of ethnocentrism, polycentrism, geocentrism and regiocentrism. Although these approaches will be examined in details in the next sections of the study, in summary, in ethnocentric approach, management policies and practices are globally integrated by focusing on the origin country based on the conviction on their systems' superiority, experience and competitiveness. In contrast, the polycentric approach gives more place to host country values and allows them to design their policies and practices by considering local needs and characteristics. In the geocentric approach, on the contrary to the previous two approaches, local autonomy is granted to the subsidiaries to coordinate their strategies locally in alignment with worldwide IHRM policies and practices

developed by the company. However, regiocentrism refers to a more balanced approach shaped around both local responsiveness and cross-border integration of policies and practices within regions.

ADLER AND GHADAR (1990) developed their theories based on Perlmutter's theory by focusing on the international orientation of HRM in MNCs based on culture. According to their theory, during their product lifecycle, MNCs go through changes due to some challenges originate from different internal and external cultural diversity pressures. Therefore, MNCs should design and implement IHRM policies in alignment with the company's external environment and organisation strategy. The product lifecycle of MNCs consists of four stages. The domestic stage is the first phase, where they have products and services available only in the domestic market. On the international stage, the focus shifts to the international market by establishing subsidiaries in foreign countries. Culture becomes more critical at this stage, although HR policies and practices are developed by the origin country. The multinational stage matches with the ethnocentric approach, while the forth and global stage corresponds to geocentrism. On the other hand, SCHULER et al. (1993) designed their models centred on the necessity of flexibility rather than culture by arguing that higher internationalisation levels will require more flexibility by the companies.

Another model consists of four configurations of multi-domestic (multinational), global, international, and transnational shaped around global and local integration developed by BARTLETT AND GHOSHAL (1989) by focusing on innovation. Multi domestic model is based on the polycentric approach shows signs of local responsiveness and innovation, which indicates a minimum connection, cooperation or knowledge transfer between headquarters and subsidiaries. Therefore, HR activities have more local character as well parallel to the objectives of local responsiveness. On the other hand, there is more coordination and one-direction knowledge transfer activities in the global model that is based on the ethnocentric approach, which enables the headquarter to be responsible for making strategic HRM decisions with substantial control over their subsidiaries. The third international model's focal point is worldwide innovation through intense knowledge transfer across the borders. Creating innovation-centred company culture is the main objective of HRM by searching for employees with high potential from all over the world. Finally, the last transnational model is the ideal model that includes multiple aspects from previous models. Local responsiveness, worldwide innovation, flexibility efficiency, high knowledge transfer, free flow of resources are the main characteristics emphasised in this model. The main objective of HRM in this model is ensuring and maintaining integration in the whole company through shared norms and values.

The most well-known model in the literature studied HRM activities in MNCs developed by SCHULER et al. (1993) is based on several theoretical aspects such as agency, resource dependency and institutional theories. Also, this model makes a distinction between exogenous and endogenous factors. Also, MNCs' structural components are distinguished as factors that influence Strategic International Human Resources Management (SIHRM). Therefore, there are some essential factors, such as integration and differentiation, that need to be considered by MNCs. These are the issues that will occur between the company's endogenous factors during 'integration' of operations inside the company, and the challenges originate from 'differentiation' experienced due to running operations of subsidiaries in different local environments. Integration refers to the control and coordination of endogenous factors throughout the company that aims to control, coordinate, and ensure the diversity of internal operations. The main objective is to meet the needs of internal factors to enable global competition, flexibility, and organisational learning, as it has a direct impact on the company's performance. Differentiation draws attention to the fact that besides the internal components work together internally, they are also subject to the limitations and influence of the environment's exogenous factors. Therefore, it is critical to have a strategy to



ensure that operations are running in alignment with the company's competitive strategy and in harmony with external factors of the local environment. In other words, although this model separates different aspects of HRM while examining, Strategic IHRM plays a crucial role in ensuring the balance between integration and differentiation factors while companies are carrying out their operations.

Later on, SCHULER et al. (2007) updated their model by adding some new aspects regarding MNC structure and components and emphasised the importance of the strategic perspective for the companies and argued the fundamental issues that need to be addressed by IHRM function nowadays. It has been argued that successful and effective management of IHRM processes would significantly increase the success of MNCs. MNCs must develop and have a strategic perspective that will help them understand their internal and external environment and integrate their internal factors by making horizontal and vertical alignments. Also, analysing the internal and external environment allows the business to monitor 'internal and external contextual factors. External factors such as institutional systems, legal regulations, global, regional and local perspectives carry great importance in managing human resources in MNCs. However, effective management of internal factors from economic and socio-cultural perspectives through several HR policies and practices would significantly help MNCs gain and sustain competitive advantage in the global market. Also, the updated design included the 'multiple stakeholders' term that did not take place in the previous model. It refers to recognising the organization itself and all its units, customers, suppliers, merger partners, local people and the wider community as stakeholders of the company (SCHULER & TARIQUE 2007).

As can be seen from the theories developed, the IHRM field has been studied by several researchers within the context of global integration and local adaptation, internal and external factors, organizational structures, internal networks, coordination, integration, innovation, culture and strategy. According to DE CIERI AND DOWNLING (2006), the common characteristic of these theories was using a broad approach while trying to bring an explanation to IHRM that caused difficulties to understand. However, more recently, there have been new researches conducted in the literature shaped around staffing, expatriation, global leadership and diversity as well (BJORKMAN & STAHL 2006). The significance of staffing has kept growing, and it attracted researchers to focus their studies on this area for several reasons. Employees as a primary subject of human resources practices carried a vital role in the success of MNCs operations. However, control and coordination of human resources brought some challenges concerning performance management issues with expatriates, difficulties with the management of multicultural workforce, global hiring processes, finding qualified senior executives and implementing global strategies (COLLINGS & SCULLION 2006). Researchers on expatriates focused their studies on especially the relationship between their adaptation and organizational performance. Findings from several research pieces showed different results due to a wide range of factors that needed to be taken into consideration while analysing adaptation issues of expatriates such as culture, psychological distance, personal characteristics, family and role definitions. Repatriation was another popular topic among the researches, mainly due to high turnover rates in MNCs. Issues with a clear definition of roles and lack of support in the origin country after repatriation, adaptation and relocation issues of families and potential solutions were the main factors analysed in these studies. Global leadership topic was studied within the context of selection, effective leadership skills, and managers' capabilities and their impact. Finally, diversity was another topic discussed less frequently in the literature compared to the previous areas. (Tanure et al. 2009, STAHL & CALIGIURI 2005, CALIGIURI 2006, DIETZ & PETERSEN 2006).

### **2.3. Multinational Companies (MNCs)**

The importance of internationalization trend for businesses and transition to a global economy has been increasing since the early 1980s (BARHAM 1987). Rapid globalization, increasing competition and cooperation among the firms has led to major changes in international businesses as well as increasing their significance over the years (BRISCOE & SCHULER 2004). ROSENZWEIG AND SINGH (1991) stated that firms started expanding their business activities across borders because of the increasing interdependence in the business environment among the actors of the world economy. Therefore, companies started adopting a global approach in their businesses through exporting, international alliances, joint ventures, mergers and acquisitions, and building more production facilities abroad.

There are several different definitions of MNCs in the literature by putting an emphasis on different factors to bring an explanation of the term. According to the definition of MNCs introduced by DUNNING AND LUNDAN (2008), MNCs refer to the organizations operating in more than one country having control over their value-added activities in other countries through foreign direct investments or acquisitions. Generally, these operational activities are managed by the subsidiaries that can be created in several formations, such as wholly-owned subsidiaries, minority equity investments or joint ventures. MNCs can be in different forms, such as smaller companies making investments abroad or big companies with many subsidiaries in different countries (MAYRHOFER 2012). According to the definition of the United Nations, MNCs refer to the business enterprises that operate in two or more countries, develop harmonious policies to ensure following a common global strategy among the units, having a decision mechanism based on effective control of one or more decision centres and distribute resources and knowledge among its different business units (YAVUZ & SIVRIKAYA 2011).

In view of these definitions of MNCs in the literature, we can see that the typical characteristics of MNCs mainly stem from the company's financial and economic strength, the decision-making processes and distributing some of their production activities and resources into other countries. In other words, MNCs are corporations that control the functions of subsidiary companies in various countries around these aspects. WHEELLEN & HUNGAR (2012) describes the characteristics of MNCs by putting an emphasis on their worldwide operations with business activities in many countries, the strategy of shifting their significant proportion of its investments and assets from domestic to the international business arena, possession of a wide range of production activities from assembly plants to fully integrated factories and decision-making processes in line with their global perspective. According to ŞATIROĞLU (1984), MNCs carry their production and marketing activities on an international scale over more than one country through investments, technology and knowledge transfers. MNCs have a dynamic and flexible organizational structure both internally and externally that is created by vertical and horizontal integrations on an international scale, independent from any ideology. Central programs and plans related to services and goods are specialized in carrying them out at the international level in line with the company's integrity. They have superior and modern technologies as well as strong financial structures. It is possible to observe that there is generally cooperation among foreign subsidiaries and local companies as well as an autonomous interaction with other local actors in the business environment. Government, suppliers, and distributors can be counted as some of the local business actors. In other words, MNCs engage in relationships with a wide range of networks which potentially increase over time depending on the several factors in the business environment they operate (HENNART 2009).

As can also be understood from MNCs' definitions, there are major differences between MNCs and domestic companies. Due to operating in several countries, a wide range of different factors should be taken into consideration by MNCs. Cultural, economic, political, social and historical

aspects can be counted as some of these factors that need to be considered (MORGAN et al. 2001). MNCs face some challenges emerging from the necessity of maintaining operations both globally and locally. To manage gaining and sustaining competitive in the global market, while MNCs need to have a global management approach, they also need to reckon with many markets which are not directly related. In other words, MNCs are not companies that are limited by the borders of the national business environment. Instead, they manage to carry out their operations across international borders by creating and implementing their own organizational structure, plans and strategies (FERNER et al. 2011).

According to the OECD guidelines, MNCs' international trade and investment activities have strengthened and deepened ties between countries and regions of the world. These activities brought significant benefits to both parent and host countries by enabling consumers to access both supply products and services easier at more competitive prices and providing fair returns to capital suppliers. Trade and investment activities also enable more efficient use of capital, technology, human resources and natural resources. This facilitates the development of technologies that reflect technology transfers and local conditions in regions of the world. Through both formal education and on-the-job learning, businesses promote the development of human capital and ways of creating employment in host countries (OECD 2011). TOPALHAN (2005) asserts that with the liberalization of capital circulation and the impact of technological progress, MNCs, as rapidly growing important actors of the globalization process, have three main objectives. These are expanding their business activities into other countries around the world, achieving world-class standards in their functional areas and managing their workforce effectively in harmony.

Considering that not only the internal organizational environment but also external national and business international environment constitute the main operation area of MNCs, their operations may be challenged by complex and uncertain activities originate from socioeconomic, cultural, political and institutional differences they have across the national borders (GRONHAUG & NORDHAUG 1992). BARTLETT AND GOSHAL (1989) assert that MNCs try to manage the risks and exploit the opportunities in the global business environment that derive from diversity and volatility. Therefore, their efforts to achieve global efficiency and have multinational flexibility by creating an internationally and locally balanced strategy are the main reason that causes the occurrence of all those challenges (ARMSTRONG 2006).

Before going any further, it would also be useful to bring an explanation to the frequently used basic terms in MNCs literature to develop a better understanding of the topic of the study. First, the definition of 'the origin/parent country refers to the origin country of the multinational company or the country where it is first established (FİLİZÖZ 2003). On the other hand, 'the host country' can be defined as the country where the multinational company make investments. For example, for Toyota Motor's joint investment in Turkey, Turkey becomes the host country (BOLAT & SEYMEN 2005). 'The third country', other than the origin country and the host country, refers to other countries in which the MNCs provide products as well as their staff. The third country is the country involved in various ways, such as the provision of any of the factors of production or the transfer of knowledge. For example, in the branch of Toyota Motor in Turkey, besides the Japanese and Turkish citizens, Toyota Motor employs staff from different nationalities such as British and American citizens. These are classified as third-country nationals (FİLİZÖZ 2003). 'The parent company' is the central company that makes the investment. The parent company owns the ownership of subsidiaries and has the authority in the management of these companies (BOLAT & SEYMEN 2005). Finally, 'the subsidiary company' can be described as the companies owned and located in foreign countries. MNCs make investments through establishing a new company in the destination country, buying an existing company, or establishing a joint company with local capital. In this way, the company acquired in a foreign country is called a subsidiary company (GEDİKLİ 2011).

### 2.3.1. Type of MNCs

Following the discussions on the location strategies of MNCs in the international business literature, a classification of MNCs was developed by RUGMAN (2009) based on the criteria of the geographic scope of firm-specific and locational advantages. Firm-specific advantages, such as technological or marketing competencies, allow companies the opportunity of gaining a competitive advantage that can be exploited at both global and regional levels. It is necessary for firm-specific advantages with global scope to offer global integration benefits or have a global standard to create a positive impact by enabling economies of scale. On the other hand, locational advantages have a close relationship with exogenous factors as they are the main determinants of a competitive advantage that arise from global and regional strategies. Locational advantages may be based the factors such as natural resources, infrastructure, specific qualification of the labour force, local demand or the legal system (MAYRHOFER & PRANGE 2015).

According to UNCTAD (2011), another classification can be done based on the location strategy of the companies under four categories. The first category consists of companies with a regional scope with firm-specific advantages and has a global scope with locational advantages. The second category belongs to the regional companies that have a regional scope with firm-specific and locational advantages. Global companies that have a global scope with firm-specific and location advantages are classified under the third category. In contrast, the fourth category consists of bi-regional companies with a global scope with firm-specific global advantages and locational advantages at the regional level.

According to classification based on the countries where MNCs perform their operational activities can be examined in three main groups as ethnocentric, polycentric and geocentric companies, as well as suggesting addition of regiocentric companies to this classification later on. The figure below illustrates the main characteristics of the type of MNCs (HEENAN & PERLMUTTER 1979). Although each one of these approaches is present in all MNCs, the major difference comes from which one has the biggest influence on the organizational strategy compared to the others.

Table 1: Main Characteristics of MNC

Aspects	Ethnocentric	Polycentric	Geocentric	Regiocentric
Complexity of Organization	Complex in home country, simple in subsidiaries	Varied and independent	Increasingly complex, highly interdependent on worldwide basis.	Highly interdependent on regional basis
Authority; decision-making	High in headquarters	Relatively low in headquarters	Collaboration of headquarters and subsidiaries around the world	High regional headquarters and/or high collaboration among subsidiaries
Evaluation and Control	Home standards	Determined locally	Standards which are	Determined regionally

	applied for persons and performance		universal and local	
Rewards, punishment. incentives	High in headquarters, low in subsidiaries	Wide variation; can be high or low rewards for subsidiary performance	Rewards to international and local executives for reaching local and world-wide objectives	Rewards for contribution to regional objectives
Communication, Information flow	High volume of orders, commands, advice to subsidiaries	Little to and from headquarters, little among subsidiaries	Both ways and among subsidiaries around the world	Little to and from corporate headquarters, but may be high to and from regional headquarters and among countries
Geographical Identification	Nationality of owner	Nationality of Host Country	Truly worldwide company, but identifying with national interests	Regional Company
Perpetuation (recruiting, staffing, development)	People of home country developed for key positions everywhere in the world	People of local nationality developed for key positions in their own country	Best people everywhere in the world developed for key positions everywhere in the world	Regional people developed for key positions anywhere in the region

Source: Heenan & Perlmutter 1979

### 2.3.1.1. Ethnocentric MNCs

Ethnocentric MNCs refer to ‘home-country oriented’ companies in which the country of origin is selected for managing distribution, financing, human resources activities, R&D studies and new ideas (BOLAT & SEYMEN 2005). In other words, there is a control mechanism with little

autonomy allowed to the host country, and strategic decisions are taken at the headquarters by high-level management and executives.

In these companies, which are also known for their administrative style closer to the country of origin, the upper administrative key positions in the host country and the country of origin are occupied by the individuals who are from the origin country (GÜRÜN 2001) and higher-level management positions at both headquarters and the local subsidiaries are filled by parent-country nationals which makes the strategic decisions and deliver operational roles and tasks to the subsidiaries through a one-direction type of communication. On the other hand, the employees at the lower levels of the hierarchy are selected by the local employees.

Ethnocentric MNCs determine the salaries of the local employees according to the local market conditions, whereas expatriates' wages are paid in equal measure to employees' wages in the company's origin country (BERNARDIN 2003).

The main reason businesses follow this strategy is the consideration of the company's management and HR practices as one of the critical factors that provide a competitive advantage to the company (HARZING 2001). The strength of ethnocentric MNCs can be given as their access to the superior knowledge of the country of origin and the staff's capabilities in making commercially and technically quick decisions. The disadvantages are the inability to introduce new ideas and inventions over time, the lack of good reception in the host countries and the inability to benefit from the non-national administrators and experts of the host country (GÜRÜN 2001). Also, although the selection of employees from countries of origin may serve to achieve a certain level of harmony within the company, especially at the executive level; on the other hand, it also causes an adverse reaction in the host country and inability to benefit from their workforce.

### **2.3.1.2. Polycentric MNCs**

Polycentric MNCs choose to direct their activities to the host country and allow some space for local governance. It means that they are oriented towards meeting the needs of host countries through their subsidiaries by allowing them to follow a company policy independent from the parent company (SEYİDOĞLU 2001). Polycentric MNCs consider each subsidiary as a separate business with a certain level of decision-making ability. Since each country has different legal, social and cultural conditions, human resources strategies should not be imposed from the headquarters to the subsidiaries (HARZING 2001). Therefore, the management in the origin countries keeps themselves in the background as long as subsidiaries continue making a profit. Subsidiaries in the host countries can operate independently to meet the needs of the local needs and apply local policies different from the origin country (GÜRÜN 2001). In other words, polycentric MNCs adopt a 'host country oriented' approach in which distinction between cultural, social and economic conditions among countries is recognized by the headquarters, and a different strategic approach is applied to each subsidiary. This semi-autonomy status can offer the subsidiaries the opportunity to create new ideas and strategies based on the host country's conditions.

Although the origin company supervises financial issues and provides semi-independent status to the subsidiaries in other matters, the senior management consists of individuals from the country of origin, and other management positions are filled by the local employees from the host country (SEYİDOĞLU 2001). While the employees of the host country work in low and mid-level management positions in the beginning, later on, they may replace the expatriates in key positions sent by the origin country. The main reason why companies train local employees to improve themselves and prepare for management positions is the lower cost of local employees to the company. Therefore, polycentric MNCs attach great importance to the training and skills development of local employees compared to other types of MNCs and continue investing in their

development (BERNARDIN 2003). However, there is not a possibility for the host country nationals to be promoted to the positions at the headquarters in the origin country.

### **2.3.1.3. Geocentric MNCs**

Geocentric MNCs are a universal form of management in which management does not prioritise the host country or the country of origin. This type of MNCs focus on the social and economic structure in the host countries (YAVUZ & SIVRIKAYA 2011). They aim to integrate their business units, ensuring effective coordination between the headquarter and subsidiaries (BERNARDIN 2003) as they operate in a way to serve ‘all countries markets’ all over the world and manage a global workforce. Therefore, the approach adopted by these MNCs is called the ‘world oriented’ approach that is based on the recognition of the unique contribution of each subsidiary and headquarters through integration and cooperation among each of them as parts of a worldwide organic entity.

Employment of administrative staff is maintained based on objective success criteria, such as skills, ability, and experience, rather than nationality. There are strong cooperation and communication between managers of the origin and host country as the strategic decisions are taken by the origin country in line with the developments in the world according to the needs of the citizens and subsidiaries in the host country. The main difference separates this type of MNC from an ethnocentric one: the executives in the subsidiaries can be promoted to higher management positions at the headquarters in the origin country (GÜRÜN 2001).

Similar to the employment strategy, salaries of the employees are also managed according to the global market conditions independent of the nationality. Value of the work provided by the employees become the primary determinant of the wages. Training and skills development is also very important for earth-centric businesses as they continuously invest in the development of the employees to have high skilled management candidates with global skills and competencies who can also work all over the world (BERNARDIN 2003).

### **2.3.1.4. Regiocentric MNCs**

Regiocentric MNCs was added to the classification of the type of MNCs later on by Heenan and PERLMUTTER (1979) that refer to a more regional operating business approach. This strategy can be described as the smaller-scale version of geocentric MNCs. This type of MNCs prefers to conduct their operational business activities based on regional characteristics. For example, a marketing campaign targeting the Europe market should be created and managed by the managers of subsidiaries located in Europe by relying on their expertise and knowledge in the specific region.

In regiocentric MNCs, there is limited cooperation between headquarters in the origin country and subsidiaries in the host country. However, the regional general directorates are granted a higher level of authority over the subsidiaries that have an independent role in ensuring the full cooperation between the region's subsidiaries. Some MNCs companies may choose to adopt a regiocentric approach before the transition to a geocentric strategy. All employment and training activities and wage management are carried out according to the regional market conditions (BERNARDIN 2003)

### **2.3.2. Evolution of MNCs**

Considering MNCs' definitions, their investments in foreign countries cannot be taken as a completely new phenomenon, and this type of activities go back to even the colonial period. However, the production activities carried out by those companies during the colonial period have clear differences from the production activities of MNCs expanded their international activities, especially after the Second World War. Because these activities and investments had only a uniform character that was controlled by a subsidiary company in the foreign country and they were far away from the production method called ‘vertical integration’, which is the distribution

of business activities, such as marketing and finance, and carrying out some stages of the production activities in different countries (ASLAN 2007). DUNNING AND LUNDAN (2008) categorized the stages MNCs have gone through throughout history until having such a significant role in the global economy. The first stage corresponds to the era of 'mercantilist capitalism and colonialism' during 1500-1800 when natural resources of colonized countries were utilized by state-owned companies. The second stage is called 'entrepreneurial and financial capitalism' between 1800-1875, in which there was strict control over producers and consumers, and financial investments started to increase, and basic infrastructures started to develop. The third stage referred to the period between 1875-1945 and called 'international capitalism' in which the investments for the supply of natural resources and finding new markets increase rapidly by the companies originated from the USA. In the 'multinational capitalism' period during 1945-1960, USA origin companies became the strongest in foreign direct investments (FDI). Finally, during the last stage of MNCs' evolution process after the 1960s, called 'globalization of capitalism', companies started to focus on finding opportunities for optimizing their production and maximizing their profits. Also, the share of European and Japanese companies in FDI increased, and an increase in joint ventures and company merges started to be observed.

As mentioned before, MNCs' existence date even back to ancient times to the activities of Sumerian merchants as the first recorded multinational enterprise (MNE) seems to emerge in the Old Assyrian Kingdom shortly after 2500 BC. The main idea behind this was the decision of Sumerian merchants on placing men in the offices abroad to maintain their trade activities, such as receiving, storing, and selling their goods. These first organizations were owned and managed by the families, who are mainly located in the capital of Ashur. Even though their headquarter was far away from the destination of their trade operations, they opened branches in other modern states of Syria and Iraq as well (JONES 2005).

Even though there are different approaches to MNCs' evolution, the foundation of modern MNCs date back to the 16th century as previous efforts were more based on the personal pursuit of natural resources and agricultural products. It is argued that MNCs reached their modern form in the 20th century (KAYMAKCI 2013). In this context, trading companies operating in the 16th, 17th and 18th centuries in the UK, France and the Netherlands are considered the first examples parallel to the modern MNCs. The first examples of these companies that have continued their existence for many years; Muscovy Company is the East India Company and Hudson's Bay Company. These companies, which have important trade activities, have taken the first steps of modern MNCs (ERDOGAN 2012).

In the 19th century, foreign investments from Western Europe to the underdeveloped countries of Asia, Africa and America were widespread. In the nineteenth century, especially the investments of the UK increased noticeably, and this investment took place in the form of a share of the profits rather than taking over the management of the enterprises. Initially, the shift of profits from branches to headquarters was a rare case. Other countries in Europe, especially Germany, the Netherlands and France, followed the UK by making significant investments. British enterprises invested in India in Australia and South Africa, while French businesses invested in Korea, Tunisia and other French colonies. In this period, American enterprises were in a stagnant position. The main reason for slowing development was the lack of infrastructure investments in the country. When the new Customs Duties Law was enacted in 1876, an American Weapon Operator, Du Pont, entered the international arena by acquiring two existing Canadian powder mills. The Du Pont example represents the first important American foreign activity (OZALP 1976).

By the end of the 19th century, the acceleration of economic activities, the progress made in transportation and communication technologies, industrial companies' growth, the investment of American producers in Canada, South America and Europe encouraged the US to end the civil



war. Singer, a leading company in these developments, granted a French company a license to manufacture a new sewing machine in 1855 and 1867, established its first factory abroad in Glasgow. The Westinghouse company opened a workshop in 1879 to produce brakes in Paris. In 1882, American telecommunications companies Western Electric and International Bell made a joint venture in Belgium. In the 1870s and 1880s, many American companies were looking for new markets to export new products such as screws, cash registers, elevators, steam pumps, locomotives, guns, while some of them started international production, but the scale of these initiatives was limited due to restrictions in the process (ERDOGAN 2012).

In the literature, some references relate the emergence of MNCs to the Industrial Revolution as well. Strong industrial companies operating in the international arena began to emerge in the west after the industrial revolution and became more popular after World War II. Developing countries' development efforts by providing raw materials to industrialized countries, various industrial products, and seeking to get rid of the import of capital goods were the general characteristics of this period (KIVILCIM 2013). After the second world war, European countries started to invite American companies to invest in the fields of electronics, automotive, telecommunications, aerospace, and other companies that need to expand their markets to grow. Because of the obstacles they face in foreign trade, the most appropriate way for these companies was direct investments. The market for American MNCs to be most interested in their investments until the 1970s was the Western European market. This is because the consumer's tastes and preferences were similar to those of the US consumer, and the per capita income in Western Europe was high. In this period, direct investments in the US had about 60% of direct investments in the world. England, France, and Germany were more interested in portfolio investments in the same period (ERDOGAN 2012).

The rise of technological developments in the post-1980 period and the desire of international organizations such as IMF, World Bank and WTO to create a freer world economy have brought MNCs into the most affected and most influential actors position of the era (SARAC 2006). In the last quarter of the century, direct investments that MNCs have in their own country, in partnership with governments or domestic entrepreneurs, or the licenses they sell directly to these countries, have enabled the use of the advanced technology in other countries on a world scale in a short period of time. Thus, MNCs have become an effective tool for spreading new technologies worldwide among countries. However, it is argued that economic reasons play a role in developing new technologies rather than technical reasons. In other words, the MNCs' investments were not helping developing countries have advanced technical development but to raise their profits by establishing monopolistic power in various capital markets. Indeed, MNCs sometimes choose to prevent market losses by following rapid investments strategy, especially in countries where similar technologies may be developed by other companies (ALPAR 1980).

With the emergence of the phenomenon called globalization, information, money, goods, and services resulting from technological developments began to change place easily. Along with globalization, an important part of world trade has started to be carried out by multinational corporations. The abolition of market restrictions that prevent the free circulation of goods and services at a national level, together with the globalization of multinational companies, reduced the ineffectiveness caused by the restrictions (ISIK 2005).

### **2.3.3. Globalization and MNCs**

Globalization term started to be used as of the last quarter of the 20<sup>th</sup> century to describe the world's rapid changes and transformation process. The increasing speed of globalization has brought new investment and business opportunities to all organizations. However, changing demand with the globalization process has affected companies significantly by forcing them to consider major changes in their organizational structures and departments that include HRM departments. Therefore, globalization has become a frequently discussed concept in the literature, especially in

recent times. Although there is a wide range of studies in the literature regarding globalization, there is no standard definition agreed by all researchers as the definitions change according to the perspectives of whom it is defined by in different discipline fields.

Different definitions of globalization made by researchers from different fields bring some difficulties to develop a better understanding of the concept. Therefore, there is a wide range of phenomenon used in its definitions from culture, economy, environment, international relations etc., that brings more complications (STEGGER 2006). In a broader sense, globalization is defined by GIDDENS (2006) as the process of local norms being shaped by events that are from anywhere in the world or the increase of social relations that connect local societies distant from each other. However, definitions of globalization in the literature can be categorized under the economic, political, and socio-cultural dimensions.

From an economic point of view, globalization refers to the increase and expansion of mutual economic interactions all over the world (STEGGER 2006). According to another economic definition of globalization, it can be described as the increasing interdependence in the world economies due to several factors such as increasing cross-border trade of products and services, free capital flow and quick spread of advanced technologies (SHANGQUAN 2000). However, DICKEN (2007) defined globalization as "The convergence of the material production, distribution and consumption of goods, service and finance in a more interdependent world economy." Although more definitions can be given, the most common characteristic of these definitions is the emphasis on transforming the flow of goods, capital and labour into the international dimension, free global market economy and competition due to increasing economic relations between the countries.

Globalization as a political transformation can be defined as the transformation of the political system into an arena beyond the borders of nationality and the reorganization of the relations between countries under the umbrella of international organizations (OZKAN 2006). According to STEGER (2006), from the political point of view, globalization refers to the intensification and expansion of political relations around the world. However, globalization can politically be defined as the structural transformation of political power, authority and forms of government in today's world." (BAYAR 2009). As can be seen in some of the definitions of globalization, globalization invalidates nation-states' importance by offering an alternative balanced based on a global understanding of peace and democracy. Nowadays, due to globalization, even social and individual events can have an impact beyond the national borders and are discussed by societies internationally.

There are also many definitions in the literature made by several researchers focusing on globalisation's cultural dimension. According to STEGER (2006), from a cultural point of view, globalization refers to the increase and spread of cultural exchange around the world. However, globalization can be defined as the spread of countries' material and spiritual value around the world by crossing national borders (BOLAT & SEYMEN 2005). In terms of cultural dimension, globalization has a significant impact on traditions, values and lifestyles of the societies, especially in the 20<sup>th</sup> century after advancements in communication technology that connected societies and individuals to each other (BAYAR 2009).

Globalization is not a new phenomenon that emerged for the first time in the last century. It can even be dated back to the end of the 15<sup>th</sup> century, in which mercantilism was the first driving force, and conquests, discoveries, and military attempts were the methods of its realization that formed colonization. The second period was the end of the 19<sup>th</sup> century in which globalization was driven by the industrial revolution and realized by missionary activities, discoveries, commercial companies and military occupation that formed imperialism. Finally, the birth of the information

age, the establishment of MNCs in the 1970s, advancement in communication technology and the collapse of the USSR were the main driving forces of globalization towards the end of 20 century that led to globalization (BASKIN 2001). Also, the development of globalization in the 20<sup>th</sup> century was divided into three phases by PERKINS (2003). Fiscal pressure over the international market due to controlling rules through the Bretton Woods system was the main challenge for all countries in the first phase in the 1970s. During the second phase in the 1980s, the impact of external factors started to increase due to the increase of the international bond market. In the final phase in the 1990s, technological and communication advancements were the main driving forces that provided easier access to the capital and therefore, it forced countries to enable more investment funds to be able to compete with the private sector.

There are several factors that led to the emergence of globalization. Development in technology and communication started to eliminate cultural, social and political barriers between countries as well as the distance. Access to knowledge has also been easier due to the development of effective ways of knowledge transfer. Therefore, the profit margin of investment in foreign markets increased significantly due to the comparative advantages of local economies arising from the production of scales (HILL & JONES 2010). Capitalism and global institutions, such as the General Agreement on Tariffs and Trade, the World Bank, International Monetary Fund, and World Trade Organization that enhance the capitalist system, have been major acceleration factors of globalisation (NEEDLE 2004). According to HARTEL AND FUJIMOTO (2010), the main drivers of globalization were changes in consumer needs, expectations and increasing competition in the global market, differences in cost of production and labour in different countries, government rules, and export regulations and import, taxes and tariffs. Another important factor was the establishment of MNCs and their foreign capital investments. There is a close association between MNCs, capitalism and globalization because MNCs' activities significantly increased due to the increasing search for new products, services, and markets due to capitalism, while MNCs also continued growing rapidly due to globalization.

Considering all these changes, MNCs have turned into the leading carriers of globalization, especially from the economic perspective. MNCs redesigned their business expansion strategies and operations within the globalization context. Finally, the vast majority of technology and knowledge transfer was completed by MNCs as well as an enormous amount of FDI with numerous oversea subsidiaries and branches established (SHANGQUAN 2000). They have been searching for opportunities that provide them access to free trade markets to eliminate tariff barriers and maximize their profits. There was also a wide range of benefits for both developed and developing countries to attract MNC investments. While MNC investments encouraged domestic companies to develop more effective production technologies and innovations due to increasing competition in the market, MNC investments enabled access to advanced technology and knowledge transfer for developing countries as well as creating new employment opportunities. Therefore, countries started implementing incentives to attract foreign investments such as tax regimes, subsidies, and developing their infrastructure facilities (KELLY 2001).

MNCs have been one of the most important economic and social organizations of the 21st century, and it can be recognized as a key factor behind globalization as well considering their major role in the economic and research and development activities of the world through their foreign direct investments (FDI) and innovation capabilities (RUGMAN 2005).

Parallel to the free flow of products, services and capital during the globalization process, major demographic changes occurred in the world economy due to FDI activities. Globalization has not only increased the use of FDI but also increased the production of goods and services across the borders through MNCs by transforming business investment models from local into global dimension primarily through acquisition and merger activities of companies (COOKE 2005). In

other words, international organizations and processes have replaced the local businesses and management strategies during the globalization process. Globalization has brought major changes in terms of MNCs because it eliminated or at least reduced the operational barriers originate from the limitations of national borders by making the global approach the centre of business strategies. However, eliminating these barriers does not mean removing cultural and institutional differences between the countries. Each country continues to have different economic, socio-cultural, political and institutional structure and characteristics (COOKE 2012). Therefore, considering the institutional and cultural differences between the countries, it is crucial to consider all these factors during the development of strategies and management of policies and practices, especially for organizations such as MNCs that run their operations across the border.

From the HRM point of view, globalization can be described as expanding existing practices of HRM from a local aspect to an international dimension. The globalization process of HRM usually develops by addressing the challenges that emerge by the internationalization of human resources activities and developing a specialized field focusing on human resources issues in international organizations. In other words, the globalization of the organizations created the necessity of a change in the management approach of human resources parallel to newly emerging global knowledge as the local role of HR was not sufficient anymore to support the new type of business activities. They had to re-evaluate the management of human resources by considering international factors as they have done for production, marketing and financial activities. Because multinational enterprises started to employ not only the citizens of their own country but also the citizens of the country of operation or third-country citizens in their subsidiaries (FILIZÖZ 2003). In other words, as organizations started expanding their operations across the national borders parallel to the global economy, they have formed into multinational organizations, and it created the necessity of developing an understanding of how to manage their human resources from different countries and cultures effectively.

#### **2.3.4. Internationalization and MNCs**

Internationalization and transition into a global economy have been ongoing trends with growing importance since the early 1980s. Parallel to its increasing importance, international business has changed significantly due to several factors such as increasing competition, changes in lifestyle, needs and consumption of the consumers, political and economic changes and technological development (BRISCOE & SCHULER 2004). As a result of the policies implemented in the management of international organizations such as the World Trade Organization, World Bank and International Monetary Fund, MNCs' activities in the world economy have reached a level not seen before, especially in the period after the 1980s. In this period, the liberalization policies started to be implemented on the international level to facilitate capital mobility and national domestic markets, privatization activities, eradication of social state understanding and competitiveness. With the liberalization of the international market, new investment opportunities have emerged for MNCs operating in the international field, especially by opening new markets in the developing countries that led to serious cost advantages (YAŞGÜL 2002).

Internationalization can be described as ‘‘the process of increasing involvement in international operations’’ (WELCH & LOUSTARINEN 1988). According to CALOF AND BEAMISH (1995), internationalization refers to ‘‘the process of adapting firms’ operations such as strategy, structure and resources to the international environments’’. In terms of the determination of the degree of internationalization of a company, three important aspects are introduced by KUTSCHKER AND BAURLE (1997) that are number, and geographic distance of the foreign market entered, amount of the activities carried out in different countries and the level of integration of these activities.

The main motive behind the internationalization of businesses is the emergence of international opportunities and significant competitive advantages provided to MNCs resulting from operating

in the global market. Due to the increasing competition conditions, it would be challenging for businesses to be successful by carrying out their business operations just locally (FILIZOZ 2003). In other words, the companies which understand that they cannot survive by operating only in national markets against their both national and international rivals in the international business arena, they have started looking for opportunities to move their business operations from local markets to global markets. Another factor that pushed the delivery of production to an international level is that the companies operating within the national boundaries reached a certain satisfaction level in terms of demand in the domestic market, and they started looking for opportunities that will maximize their profits by utilizing new demand opportunities and through outsourcing (ÖZALP 2004).

In general, the main reasons for the internationalization of MNCs can be given as emergence of new investment opportunities abroad, maximization of profits and cost reduction, the beginning of free trade without any barriers, change of political conjuncture and economic crisis, excessive growth of enterprises and capital accumulation within the country, technological development, increased regional mergers, different production factor prices and foreign capital withdrawal (BOLAT & SEYMEN 2005, CİCEK & DEMİRER 2009). Among these factors, technological development can possibly be recognized as the most important factor that affected the production of products at an international level. In particular, progress in the communication network and transportation have allowed businesses to distribute their production processes into different parts of the world and to carry their productions to the international arena by reduce their production costs and maximizing their profits (TAYMAZ et al. 2011).

The internationalization process has been realized through different stages from one company to another due to different structural responses and control mechanisms. It is also important to note that the companies may face some challenges due to carrying out international business activities in foreign countries. These challenges may occur due to the necessity of maintaining local responsiveness at the subsidiary level and ensuring global integration at the headquarter level. While local responsiveness is necessary for MNCs to meet the needs of local customers, suppliers, and employees, global integration and standardization are forced by the demand for global products in the international business arena (DOWLING et al. 1999). MNCs' HRM policies and practices in a foreign country depend on how much the company is willing to be involved in the local market and its stage of internationalization (TAYEB 2005).

#### **2.3.4.1. Internationalization Stages/Strategies**

One of the critical factors that affect businesses' success in international markets is their strategies while entering international markets. While choosing the internationalization strategy, some important factors, such as risk factors in the market, cultural differences, opportunities in the business and country, should be considered carefully by the companies (GUNAY 2005). There is a wide range of entry strategies or internationalization stages that enable companies to move their business into the international market. These are mainly exporting, wholly-owned sales subsidiary or local sales office, licensing, franchising, forming joint ventures or strategic alliances or FDI through wholly-owned subsidiaries/subsidiaries (BRISCOE & SCHULER 2004). The companies may determine an international entry strategy that does not require an investment by using direct or indirect export or contractual relationships. Alternatively, they may choose to have a direct foreign investment in the country where it wants to operate, either through strategic alliances or joint ventures with local companies in the host country or by having wholly-owned subsidiaries through acquisitions or other means. It is also important to add that each internationalization strategy provides a different degree of control and flexibility over the market and different cost and risk factors.

If we start examining these strategies closely by beginning with strategies based on export, companies may prefer to export their products to international markets by following direct or indirect export strategy. In general, this strategy is adopted by companies as the first stage of internationalization. Companies carry out some export activities through independent intermediaries or foreign distributors to acquire resources or products at a lower cost compared to the prices offered by the domestic sources and to search new markets where they can add value to their domestic activities (DOWLING et al. 1999). The export strategy allows MNCs to enter the international markets with fewer risks compared to other strategies, and it helps companies to recognize the foreign markets first. Also, it enables companies to benefit from economies of scale without making any major changes in their organizational structure and the composition of the services and goods they produce (CENGIZ et al. 2003). In other words, companies have an opportunity to introduce their goods and services into the international markets by adopting an export-based internationalization strategy. In addition, based on the experience they gain in foreign markets over time, they may enter contractual relationships with other companies and develop their cooperation as well as increasing their production capacity abroad.

The indirect export strategy consists of the type of export activities carried out through independent intermediaries present in the domestic country. This strategy is generally preferred by companies that do not have sufficient resources, knowledge, or experience to be able to export their products and services abroad. The intermediaries used by companies in indirect export strategy can be any export agents, trade or management firms or merchants. Companies with increasing export volumes generally start changing their indirect export strategy into direct export strategy as it provides more profit and control on their marketing activities by eliminating intermediaries. However, direct export strategy brings more risk exposure parallel to higher profit margins and control opportunity on the export activities (BENLI 2006).

In the second stage of internationalization called ‘sales subsidiary’, companies start replacing intermediaries by establishing sales subsidiaries or branches in foreign countries as the volume of their sales activities in the international market continue to increase. The biggest challenge for companies at this stage is that they need to manage their international sales operations and design their export activities (KOTLER 2003).

Another internationalisation stage is licensing that refers to the strategy generally preferred by the companies that reached a certain level of brand recognition in national or international markets. With a licensing strategy, the company transfers its technical knowledge (know-how), design, patent, brand and copyrights to another company in foreign markets through a licensing agreement in exchange for a fee. The foreign company manages the production and marketing activities and share a certain amount of payment from the total sales revenue to the license owner company. The advantage of this strategy is requiring low capital and carrying low risk compared to foreign direct investment and other partnership agreements (GUNAY 2005).

Franchising is another form of internationalization strategy used by companies that refers to the mutual agreement between the franchisor and the franchisee, where the franchisor gives the franchisee the opportunity to do a standardized business by providing a complete package of materials and services in return for a certain amount of payment (DAFT 2003, AKTURAN 2008).

Foreign Direct Investment (FDI) as an internationalization strategy can be in a wide range of forms, such as through strategic alliances and joint ventures, through wholly-owned subsidiaries of assembly, manufacturing, offices and may be established in many different ways, such as through direct acquisition, greenfield venture, etc. (BRISCOE & SCHULER 2004). As FDI will be examined in another specific section, more details will be provided in the later sections.

### **2.3.4.2. Internationalization Models**

There are several models that explain the internationalization activities of companies in terms of their international decisions, activities, and behaviours. However, these models could not fully explain the internationalization processes of the firms. While they often bring an explanation to certain aspects of the internationalization process, they are inadequate to explain all issues related to particular cases (YESIL 2010). As a result, each model conforms to certain conditions, and none of them can be put forward as the best model for general. Although there are many internationalisation models, the most prominent among them can be given as the Uppsala (U) internationalization model, the model of innovation-based internationalization (I-Model), the network model and the model of the Born Globals.

#### **2.3.4.2.1. The Uppsala Model (The U-Model)**

The first studies on the internationalization of SMEs were made by a group of some researchers from Scandinavian countries in the early 1970s was called 'Uppsala School' that examined the dynamics of the whole internal process of small firms, which is applicable for both large enterprises and SMEs as well (YESIL 2010, AYKAÇ et al. 2009). BJÖRKMAN AND EKLUND (1996) argued that the Uppsala model is the most effective and important model that explains the internationalization of companies and the methods they use in this process. CLAVER et al. (2007) stated that companies' internationalisation experiences in their studies comply with the basic ideas and assumptions put forth by the Uppsala model.

The Uppsala model formulated by JOHANSON AND VAHLNE (1977) drew attention to the lack of knowledge that is seen as a significant obstacle for the development of international operations. The model explains why the companies carry out their internationalization activities towards countries first that are physically close to them, and they psychologically consider expanding their activities to further countries later on. The term 'psychological distance' refers to differences in language, education, business practices, culture and industrial development. In this respect, nearby markets become the first choice for international business expansion. This model can be categorized among 'stage models' as a dependency of different stages on each other is seen as the primary assumption of the companies' internationalisation process.

In this model, internationalization starts with export activities that consist of four stages. In the first stage, the company collects information about the market with its irregular export activities. In the second stage, the company decides to enter the market and tries to regulate its export activities through intermediary companies. In the third stage, the situation in both the company and in the country of operation is evaluated. In the fourth stage, the company is accepted to have actively entered the international market in terms of production and marketing. It is asserted that each stage will bring a higher level of internationalization for the companies (JOHANSON & VAHLNE, 1977). We can find a similar description of stages by different researchers similar in the literature. Accordingly, in the first stage, the export activities are general or occasional activities rather than continuous and regular activities that are accepted as the beginning of internationalization. In the second stage, the export activities are carried out indirectly through independent representatives. Sales subsidiaries in foreign countries are established through joint ventures or strategic partnerships, and exports activities form into more continuous and regular activities in the third stage. Finally, it is followed by establishing production and manufacturing units in foreign countries through foreign direct investments and shifting production activities across the borders in the fourth stage (YESIL 2010, CICEK & DEMIRER 2009, AYKAÇ et al. 2009, TAS 2011).

#### **2.3.4.2.2. The Innovation Model (The I-Model)**

The Innovation model refers to an internationalization model that is based on the theory of innovation. The main principle of this model is the comprehension of the process of

internationalization based on gradual innovative decisions in accordance with emerging new needs, resources and possibilities. In other words, I-models recognize internationalization as a process that consists of innovative sequential decisions that allow the companies to show adaptation to the new functionalities of the market. Generally, unsolicited orders start the internationalization process randomly without consideration or formulation of a strategic plan. ALTINTAS AND OZDEMIR (2011) describe the Innovation model as an internationalization process based on the learning process in the form of step-by-step development in order to adapt to a new situation (ALTINTAS & OZDEMIR 2006).

The most well-known I-model concept was introduced by BILKEY AND TESAR (1977) that consists of 6 internationalization stages. Besides, it is based on export reactive motives, and it is also applicable for SMEs. In the first stage, the company's management has no interest in export activities. In the second stage, the company management starts to show a reaction to the unsolicited demand without putting any effort into active export. The third stage is in which management starts looking for export opportunities actively. Experimental export activities start by managing the psychologically closest foreign markets in the fourth stage, whereas the company has gained export experience to the nearest foreign markets in the fifth stage. Finally, the company's management considers export activities to psychologically and geographically more distant foreign markets in the sixth stage.

The innovative model is quite similar to the Uppsala model except for the beginning stage of internationalization, in which internationalization activities occur as a result of innovations implemented by the company management. However, as in the Uppsala model, internationalization is recognized as a step-by-step development and learning process. In both models, internationalization is realized gradually by achieving success at every stage and internationalization is completed at the end of a slow and long process (CICEK & DEMIRER 2009).

#### **2.3.4.2.3. The Business Network Model**

The business network model emphasizes the significance of relationships between the business partners within the context of cognitive, personal and commercial ties and building a long-term business based on the network. Membership of a business network is recognized as the foundation of this model as it would provide the company with the opportunity of accessing the network resources as well (SORENSEN 1997, RUBAEVA 2010). The network can be defined as the relationships established with customers, suppliers, competitors, distributors, banks, or other institutions and organizations that enable the internationalization of companies (YESIL 2010).

According to this model, the internationalization of a business is predominantly dependent on the business network that it is a member of. Long-term relations established by the companies allow them to use the facilities of other companies they cooperate with in addition to their own resources in the international business arena as well as providing new business and recognition opportunities. In this model, the companies' success depends on the advanced relations to be established in the new international markets rather than the market conditions and cultural factors (AYKAÇ et al. 2009, ERKUTLU & ERYİĞİT 2001).

As a result of being a business network member, the company can adopt three internationalization strategies. Extension strategy refers to connections and relationships of the company with another companies and networks in new markets, while the penetration strategy refers to the opportunity for a company to develop a deeper relationship within existing international networks. Finally, coordination strategy can be described as the opportunity for a company to improve its present relationships inside the different network in diverse markets (SORENSEN 1997, RUBAEVA 2010).



#### **2.3.4.2.4. The Model of Born Globals**

This model is a theory proposed to explain the globally born firms, especially against the Uppsala model. The Uppsala model is seen as a general model and cannot be used for special cases while it is insufficient to explain the companies that are internationalized in the first years of its establishment (CAVUSGİL 1980). It is stated that the Uppsala model can explain the manufacturing sector better; however, it is insufficient to explain the service sector. These companies usually begin to export five years after their establishment. These companies, which owe their assets to exports, create new product types and innovations in the markets very quickly in innovative technology sectors. In this way, they become leaders and innovators of the international markets. It is known that born global companies commonly operate in information-intensive sectors. These companies, also known for their dedication to international activities, can take advantage of significant changes in process and technology. They are more concentrated in international activities that provide the opportunity of having immense added value with the advantage of producing high technology products (AYKAÇ et al. 2009).

Whereas the common characteristic of the above models is describing internationalization as a learning process or a network of relationships, globally born companies model businesses without experiencing these stages that allow them to enter international markets in a shorter time. Today, many companies do not enter the internationalization process with the knowledge and experience they have acquired at certain stages, yet they are just born and operated globally (CICEK & DEMIRER 2009, YESIL 2010). SAPIENZA et al. (2006) point out that the main factor underlying internationalization is the management team's entrepreneurial capacity that enables new initiatives, and therefore it requires a proactive and entrepreneurship approach. Other factors that influence enterprises' early internationalisation in the model are the company's extensive knowledge capacity, different management mechanisms, access to cross-border resources, and improved infrastructures for cross-border operations. However, ZUCHELLA AND SCABINI (2007) categorize the main reasons for companies' internationalisation under five aspects. These are the factors created by the global environment, factors related to the enterprise, factors related to the establishment, factors connected with the enterprise network and entrepreneurship.

#### **2.3.5. Theories of MNCs**

MNCs can be understood better by using several theories that can explain their existence, characteristics, and relationships with the environment. Besides managing their internal structures and processes, global companies also need to focus on the factors of the environment in which they carry out their operations. Therefore, industrial organisation theories, transaction cost, resource dependence, organizational capability, contingency, business network and institutionalization will be examined in this section.

HYMER'S (1960) industrial organization theory draws attention to the unitary or monolithic characteristic of MNCs by recognizing MNCs as the homogenous type of firms that aim to exploit monopolistic advantages in the foreign markets for benefiting from liability of their foreignness in a host country (RUGMAN et al. 2011). Therefore, in terms of organizational behaviour, the exploitation of market imperfections seems to be the primary motivator behind the companies' internationalisation.

Transaction cost theory highlights the internalization and coordination of market transactions of MNCs across country borders and points out that it is difficult for independent companies to build a global efficiency without the establishment of foreign subsidiaries. Headquarter of MNCs in this theory make an effort to bring some hierarchical behavioural limitations for local subsidiaries (MAYRHOFER & PRANGE 2015).

The resource dependency theory is introduced in the literature by PFEFFER AND SALANCIK (1978), who drew attention to the importance of the environment as a factor that has a major impact and pressure on the operations of organizations. The resource dependency theory emphasizes the dependence of subsidiaries on the headquarters to acquire required resources such as knowledge, technology, and capital. However, it is also possible to observe a mutual dependence not only between the headquarters and the subsidiaries but also among the subsidiaries of the company. In this case, instead of a matter of influence and control based on one-sided dependence, we can talk about mutual independence within the context of integration considering the fact that all organizations are dependent on the environment to supply resources (KOSTOVA & ROTH 2002).

The organization capability theory focuses on the necessity of gaining a competitive advantage for MNCs, which relies on benefiting from the unique capabilities of MNCs by applying a resource-based approach. Capabilities consist of MNCs' resources and competencies dispersed throughout the organization, and it allows them to have a competitive advantage. The creation of capabilities is seen as the primary responsibility of the headquarters in MNCs (MAYRHOFER & PRANGE 2015).

Contingency theory introduced by STOPFORD AND WELLS (1972) highlights the evolution of companies. During the internationalization process, companies go through different structural changes in accordance with their international operations and product variety. The MNCs' unitary and coherent characteristics are not adopted by this theory as it points out the conflicting and unstable environment with uncertainties (DOZ et al. 1981). Contingency theory is based on the recognition of changes in conditions and emerging complexities in the environment. Therefore, it focuses on the formulation of different organizational practices and structural configurations. In other words, due to the existence of complexities in the environment, MNCs need to formulate different integration strategies in parent-subsidiary relations and structures based on the cultural, legal, and socio-economic conditions of the country that the subsidiaries are running their operations in (TAYLOR et al. 1996).

Business network theory was introduced at the end of the 1990s based on the network and resource dependence theory, emphasizing strategic importance, influence, and strength of developing a subsidiary network consisting of customers, suppliers, distributors, governments, etc. (ANDERSON et al. 2007). The major difference of the business network model is the recognition of MNCs as 'heterogeneous, loosely couple organizations' where the power is dispersed among the actors of the company rather than a harmonious organization controlled by the headquarter (FORSGREN 2008).

Once MNCs expand their business activities across the borders, they inevitably start experiencing some institutional challenges. While trying to achieve and maintain their legitimacy in the environment, they also need to accord with the local institutional system and its practices through achieving global and local integration (KOSTOVA & ROTH 2002). Therefore, the institutional theory focuses on different institutional environments and their relationships as well as the organizational behaviour of the MNCs in which they are recognized as political actors instead of business actors. It can be divided into two main variants as the new institutionalism and comparative capitalism, which are widely accepted and implemented by MNCs. As a result of mutual influence among the MNC and different institutional environments, various national and international political situations and conflicts emerge that require intervention and management of both headquarters and subsidiaries (GEPPELT et al. 2006, MORGAN & KRISTIENSEN 2006).

### **2.3.6. Importance of IHRM In the Operations of MNCs**

During the last decades, there has been a gradual transition in the human resources field from personnel management into HRM and then into IHRM recently because domestic HRM was not

sufficient to cope with the challenges originate from the internationalization of businesses. Trying to manage the employees of subsidiaries or branches in other countries from overseas at the headquarters could cause a negative impact on the success of companies due to differences in culture, traditions, socio-economic, political, and institutional system. There could be many more challenges from human resources policies and practices points of views, such as ensuring harmony throughout the organization, salary and performance management. Therefore, the emergence of IHRM was critically necessary for the organizations running their business operations overseas.

Rapidly increasing competitiveness in the global market led to a rise in the number and importance of MNCs in the international business arena (TAYEB 2005). Within the context of globalization and internationalization process of MNCs, the importance of IHRM in MNCs started to grow significantly by considering the influence of IHRM on MNCs in terms of strategic management and competitive power (BRATTON & JEFFREY 2012). Therefore, IHRM has been recognized as a crucial factor that can make a major difference for the MNCs between reaching success or having failure since the 1990s (TAYLOR et al. 1996, SCHULER et al. 1993). Possession of workforce with required skills, knowledge and experience and development of right human resources policies for their management is recognized as a major factor for MNCs to be successful and gain a competitive advantage in the business environment (BRISCOE & SCHULER 2004).

There is a close relationship between the efficiency and effectiveness of IHRM of MNCs and their performance and competitive power in the global market as international strategy and management of expatriates in the MNCs are directly determined by their HRM decisions (SPARROW 2009). Considering the more complex nature of MNCs comparing to the domestic companies, there is also a need for developing more complex IHRM strategies to be able to respond to the diverse character of the organizations, changing external and internal factors, higher risk exposure and necessity of more involvement in employees' lives (DOWLING et al. 1998).

IHRM strategy developed by MNCs significantly impacts their organization performance in the framework of integration and response rate to local contexts and efficiency. MNCs can manage to survive in the competitive global market only if they could manage to have a globally competitive power in the market. Therefore, it is more than necessary for MNCs to pay attention to some critical factors during their IHRM operations. Firstly, MNCs should take into consideration the local characteristics such as culture during the implementation of their human resources practices to make sure that they have a fast response rate to the local contexts (BARTLETT & GHOSHAL 1989). Secondly, MNCs should have the ability to develop and implement effective methods and processes to ensure efficiency in providing their products and services (SCHULER et al. 1993). After reaching the desired efficiency level, quality improvement should be the main concern for MNCs as it is one of the key drivers of global competitive power. Therefore, human resources policies and practices should be developed in alignment with the quality management strategies by finding and implementing the most suitable methods and processes for the MNCs (GHOSHAL & BARTLETT 1995). As a general approach, during the process of development and implementation of HR practices, MNCs should always consider the integration of the organization as HR practices are always parts of a whole system that are integrated into each other vertically and horizontally. This approach would serve to ensure the ideal balance between headquarters and subsidiaries in MNCs (DE CIER et al. 2007).

Human Resource Management (HRM) has been recognized as one of the key strategic tools for the companies as it allows them the opportunity of formulation and implementation of their business strategies to improve their performance (WRÍGHT & MCMAHAN 1992, PEFFER 1994, TAYLOR et al. 1996). According to the firm's resource-based theory, the firms' internal resources and competencies are more important than the influence of external factors in the business environment. Due to the unique character of human resources (HR) practices and strategies, they

cannot be replicated or imitated by other competitors. Therefore, human resources can be a crucial instrument for firms to gain and sustain a competitive advantage in the global market (BARNEY 1991, WERNERFELT 1984). These internal resources and competencies can be seen at the parent-company level on tangible and intangible values and skills developed by MNCs overtime with increasing experience in the international market. Accordingly, based on the capabilities and competencies of the top managers, their contribution to the international experience, knowledge and strategy of the parent company can be given as an example (CARPENTER et al. 2001).

On the other hand, at the subsidiary level, it is possible to see the presence and impact of these internal resources and competences in the generation of the competitive advantage with the subsidiary resources. Managers at subsidiary levels can also make a significant contribution to the organizational performance and competitive power of the entire MNC through their organization capabilities, competences and knowledge (BIRKINSHAW et al. 1998, PENG 2001). However, it is important to note that the competitive power of a MNC relies on all HRM system at the subsidiary level as much as the human capital aspects and individual HRM policies and practices related to them (LADO & WILSON 1994).

Also, it is crucial for HR managers to develop a decent knowledge of IHRM with a global vision considering their key role in managing HR policies and practices and local employees and expatriates from other countries. Because successful management of expatriation and repatriation would enable employees to improve themselves, that will also help the success of an organization by providing them with a competitive advantage in the world market (DU PLESSIS & BEAVER 2008). Therefore, HR practitioners should be capable of developing new effective policies and practices to manage people internationally from across the boundaries.

### **2.3.7. Strategic Relationship Between Local Subsidiaries and MNCs**

A subsidiary can be defined as operational units of MNCs at the company level that is located outside the borders of the origin country (MURINGARESIL 2007). According to another definition, a subsidiary refers to established entities in a host country that provides added value to the MNC through its business activities (BIRKINSHAW et al. 1998). There are not only external linkages in the environment of a local subsidiary in a foreign country but also a wide range of vertical and lateral linkages within the network of MNCs (BARTLETT & GHOSHAL 1989).

#### **2.3.7.1. Objectives of Subsidiaries**

Over the last decades, dynamics in the global business environment have changed significantly due to globalization, and competitive advantage and sustainability have been the main objectives of multinational organizations. MNCs have gone through internationalization stages by dividing their production chain and spreading their production activities into subsidiaries across the borders to gain and sustain competitive advantage in the global market (DEMIRBAG & GLAISTER 2010, RUGMAN et al. 2011). According to TAGGART (1996), subsidiaries of MNCs at overseas play a significant role in the competitiveness of MNCs through strategic and operational roles they perform. The success of MNCs is closely associated with the activities of subsidiaries because of their critical role in contributing to MNCs' firm-specific advantages through the subsidiary-specific advantages they offer (BIRKINSHAW et al. 1998, RUGMAN & VERBEKE 2001).

However, global expansion of MNCs into other countries by establishing subsidiaries or branches create the necessity of focusing on global organization strategies and organizational structure and configurations. Therefore, MNCs try to develop a global strategic vision to ensure that all parts of the organization will be integrated globally and work in cooperation towards achieving strategic goals and objectives of the company as well as global competitiveness. Within this context, as asserted by ECKER et al. (2013), strategic vision and objectives on MNCs aim to improve the efficiency of their value chains, innovations, guidance, positioning in the market and scope of their

businesses due to increasing competition in the global market. Also, the traditional motives behind MNCs' entering foreign markets are given as market acquisition, securing and diversifying resources, reducing the cost of resources and finding better economies of scale (DOWLING et al. 2013).

Although the administrative and entrepreneurial influence of headquarters on local subsidiaries' strategies and management practices are recognized, local subsidiaries have semi-autonomous characters, and they hold an informal power through control they have over local resources and networks that limit the control of headquarters over their activities (FOSS et al. 2012, BOUQUET & BIRKINSHAW 2008). Also, subsidiaries develop some unique competencies due to their linkages in the local market, which puts them in a critical position in coping with challenges derived from geographical, cultural and institutional differences (CANTWELL & MUDAMBI 2005).

As can be seen from several studies, MNCs can provide a high added value to their operations by effectively managing their local subsidiaries' performance because strategic resources of MNCs are carried and utilized by the local subsidiaries in the local markets. Local subsidiaries enable MNCs to utilize local linkages to access new opportunities and innovations that will help them achieve their ultimate objective of gaining and sustaining a competitive advantage in the global market. In other words, there is a close relationship between the global competitive power of MNCs and their subsidiaries.

#### **2.3.7.2. Origin of the Companies and the Orientation of Corporate Management**

In the literature, determinants of MNCs' management have been a popular topic among researchers. The impact of global market forces and environment of the country of origin (culture, institutional structure) on managerial practices of MNCs were one of the main factors they formed their studies around (HOFSTEDE & MINKOV 2010). There are several studies that can be found showing that the origin country has an impact on MNCs' strategic management decisions. Even though MNCs carry out their operations in different markets overseas, the influence of the origin country is inevitable considering that the corporate strategy of the company is developed by the headquarters (HARZING & SORGE 2003). However, PORTER (1990) emphasized the significance of factors in the home country and recognized it as a key critical factor in gaining a competitive advantage.

The origin of companies affects the relationship between headquarters and subsidiaries in terms of management strategies and practices. Control mechanisms, expatriate presence, level of independence and local responsiveness are some aspects formed differently in MNCs from a different country of origins (HARZING et al. 2002). Also, depending on the origin of MNCs and the strategic orientation of corporate management, local subsidiaries follow different internationalization strategies. Accordingly, as their local HR policies and activities would be in alignment with the orientation of corporate management, it would have a direct impact on the formulation of HRM policies and practices at local subsidiaries (DOWLING et al. 2013).

Companies from different origins apply different management styles at their local subsidiaries due to differences in their traditions and local or national market characteristics. Therefore, it is essential to consider the companies' origin to understand the relationship between headquarters and their subsidiaries. Within this framework, a typology is developed by PERLMUTTER (1969), who made a classification based on the cognitions of management in international organizations by introducing approaches of ethnocentrism, polycentrism, geocentrism and regiocentrism. Although these typologies are explained before in the previous sections in detail, in summary, in ethnocentric approach, management policies and practices are globally integrated by focusing on the origin country based on the conviction on the superiority of their systems, experience and

competitiveness. In contrast, the polycentric approach gives more place to host country values and allows them to design their policies and practices by considering local needs and characteristics. In the geocentric approach, on the contrary to the previous two approaches, local autonomy is granted to the subsidiaries to coordinate their strategies locally in alignment with worldwide IHRM policies and practices developed by the company. However, regiocentrism refers to a more balanced approach shaped around both local responsiveness and cross-border integration if policies and practices within regions.

### **2.3.7.3. Subsidiary Strategies: Mandate**

A subsidiary mandate can be defined as “the business, or element of a business, in which the subsidiary participates, and for which it has responsibilities beyond its national market” (BIRKINSHAW 1998). Scope of subsidiary activities is defined according to the global and local factors in the market such as competition, firm-specific advantages, and capabilities of the subsidiary and available resources at the parent company level (HILL & STILL 1994). Competencies of subsidiaries allow MNCs to exploit global and local opportunities through their regional activities (RUGMAN 2000). Also, MNCs can have more than one subsidiary contributing to their activities by specializing in different strategic and organizational issues.

Based on the local environmental factors, subsidiaries apply different strategies in their businesses. Business strategies of local subsidiaries in foreign countries are defined by their activities within the context of product scope, market scope and added-value scope. Product scope refers to the freedom of subsidiaries in new product lines or extensions, while geographical markets fall in the subsidiaries' scope corresponds to the market scope. However, the added-value scope can be described as the value added to MNCs through their wide range of business activities such as development, manufacturing or marketing (WHITE & POYNTER 1984). In other words, this differentiation between the roles of subsidiaries asserts that foreign subsidiaries explore new production areas first, then expand to new markets in different geographical locations and finally generate added value for MNCs through their activities. GHOSHAL (1986) studied the role of foreign subsidiaries and proposed some typologies emphasizing ‘differentiated network’ within the context of scope, responsibilities, and important strategic subsidiaries for MNCs. D’CRUZ (1986) also made a differentiation according to the scope of their value-added activities and market. Later, DELANY (2000) expanded this research topic by indicating the strategic contributions of subsidiaries for MNCs according to their development stages.

In this research, according to the classification of DELANY (2000) and WHITE AND POYNTER (1984), subsidiaries can be classified under five groups depending on which activities of the value chain they are responsible for. ‘Mandate 1’ refers to a business that is like a small-scale replica of the parent company as the market products are manufactured centrally into the local trading area. ‘Mandate’ 2 is a business responsible for some limited operational activities related to the production of a specific set of component parts for more than one country or the global market, such as distribution, warehousing, and packaging. ‘Mandate 3’ explains a business with control over some activities, such as regional logistics or manufacturing, in several stages of the value chain where we cannot make mention of its ability or influence on controlling the entire value chain of a business unit. ‘Mandate 4’ is a business responsible for the development and marketing activities of a particular product chain for global markets without a common knowledge transfer between the subsidiary and parent company despite the similarities among the products, markets and technologies. ‘Mandate 5’ refers to a business with a wide range of freedom opportunities as it is allowed to develop lines of business for more than one country, local and global markets by using its resources freely. There are no limitations for the business while accessing the global markets, and this allows it to look for new business opportunities.

#### **2.3.7.4. Form of Establishment (Nature) and Year of Establishment (Time of Market Entry)**

Mergers & Acquisitions (M & M&A) and Green-field investments are two types of establishment for local subsidiaries of MNCs that impact their development pattern. Also, the time of market entry may significantly impact MNCs in terms of production of a product or service earlier than others, which would potentially mean competitive advantage. Additionally, HR policies and practices of local subsidiaries may be affected by these two factors directly or indirectly.

First, it would be useful to start with definitions of these two terms. M&A can be defined as the process of entities taking over another existing company structures partially or fully. In other words, it refers to a change of ownership of an existing corporate entity. Greenfield investment is a type of investment that provides new capital and additional jobs through newly established facilities (OECD 2008). According to another definition, it refers to establishing new facilities in the host country where the investment is made that generate new employment opportunities. Greenfield investments are recognized as the most important Foreign Direct Investment (FDI) type that generally flows from the developed countries into the developing countries. On the other hand, M&A refers to the process of merging or acquisition of two or more companies to continue their business activities as a new company by combining their resources. While merging means termination of the legal business activities of two or more commercial companies and establishment of a new joint business by bringing together all their resources, acquisitions, on the other hand, are the purchase of all or a substantial part of the business in the host country by foreign investors. M&A is usually a type of FDI preferred by MNCs following globalization to perform their international business activities more effectively and efficiently (CITAK & KONAK 2017).

Several studies in the literature showed that market entry type has a significant influence on MNCs' strategic and managerial decisions in relation to the local environmental factors in the home country (MAYRHOFER 2004). There are advantages and disadvantages of each type of establishment form of subsidiaries for both MNCs and invested economies. While it takes longer to have the return of the investment in Greenfield investments for MNCs, their main objective is to make profits by using their own production and management approach and technology. The contribution of these investments to the host country's GDP is swift through the generation of additional capital, new employment opportunities, and the creation of new markets and demands. On the other hand, M&A enables the invested companies to work more effectively and efficiently while enabling new investments with the domestic capital saved. It is an easier strategy for MNCs to expand their business activities into other regions with less investment costs. However, it may cause the emergence of challenges such as adaptation issues due to cultural differences, assimilation of the domestic company, and difficulties in managing human resources.

Another important factor for the establishment of local subsidiaries in new geographical locations is the time of market entry. There are several types of research with mixed results in the literature on the advantages and disadvantages of MNCs' market entry time. Early or late entry into a market can significantly affect MNCs in terms of obtained market share, the return of investments, risk exposure, sustainability and competitive advantage.

Early entry into a market can provide a strategical advantage for companies and increase their chance of success and ensure their survivability. Having a greater market share and higher organizational performance have been the widely accepted benefits of an early entry into a market due to the achievement of a stronger market position with little competition, having a chance to be a monopoly power in the market and establishment of better linkages with local stakeholders (LUO 2002, ALPERT & KAMINS 1995). However, there are also some disadvantages, such as facing more uncertainties in the market due to lack of knowledge, experience and human resources,

higher risks, the lower return of investments compared to late entry makers and higher exit rates (BOULDING & CHRISTEN 2003, BEAMISH & INKPEN 1998).

### **2.3.7.5. Relationship Between Headquarter and Subsidiary Human Resources**

Over the last four decades, the perception about the role of local subsidiaries of MNCs has transformed from a subordinate that is responsible only for performing simple operative tasks of the parent company into an important part of the organization that is capable of holding more advanced and complex responsibilities (KOSTOVA et al. 2016, RUGMAN et al. 2011). Although most of the research in the literature until the 1990s did not consider the role of subsidiaries in the host countries, the number of studies have increased, especially during the last two decades following the recognition of the importance of local subsidiaries for MNCs parallel to increasing investments in economies overseas (MEYER 2006). In other words, traditional hierarchical perspective on the relationship of headquarter and subsidiaries have changed in the newer research, and the potential contribution of subsidiaries to the whole organization in MNCs started to be acknowledged.

The relationship between headquarters and subsidiaries is among the most critical issues from the management point of view because MNCs utilize their local subsidiaries to manage and control their value-added activities abroad through FDIs. Moreover, relationships with local actors, such as governments, clients, distributors, suppliers) in the host country are also established through local subsidiaries (DUNNING & LUNDAN 2008). HRM practices and policies practised by local subsidiaries constitute the key mechanisms of MNCs in control and coordination of their international business operations across the borders (BARNEY 1991). Globalization has been the key factor in the evolution of HRM, evolving from a support function into a strategically critical function considering its important role in corporate and business strategies of organizations (SCHULER & ROGOVSKY 1998). Therefore, MNCs transferred their HRM practices and policies to their subsidiaries in different countries; however, this led to the emergence of new challenges within the context of the relationship between headquarters and subsidiaries from the cultural and institutional point of view.

Several models were introduced in the literature that contributed to the understanding of the relationship between HRM practices and the development of MNCs within the context of host country impact and transfer of HRM policies and practices. Three orientations, such as adaptive, exportive and integrative, are introduced for examining IHRM in MNCs by TAYLOR et al. (1996), which provided a framework that helped MNCs' top management level to design their IHRM strategies and HR policies at their local subsidiaries. First orientation, adaptive, brings a more flexible approach to the process of designing HRM system as the local environment is considered more by the top-level management of MNCs (TAYLOR et al. 1996). Organizational integration is left one step behind by putting more emphasis on the local differentiation by recruiting more local HR practitioners (ADLER 1991, TUNG 1988). On the other hand, the organizational integration is prioritized over local differentiation as the HRM policies and practices of the parent country of MNCs are replicated to the subsidiaries in the exportive orientation of IHRM (TAYLOR et al. 1996). Finally, in the integrative orientation of IHRM, on account of achieving to maintain 'the best' HRM practices, an effort is made to establish a global system (BARLETT & GHOSHAL, 1989). This means that IHRM policies and practices can be implemented and transferred among both subsidiaries and the headquarters in both directions that would link the characteristics of the HRM system to each other (TAYLOR et al. 1996).

## **2.4. Emerging and Transition Economies**

A transition economy refers to the countries in the transition process from centrally planned to a market economy through economic and political reforms (POPOV 2007). In a broader context, 'transition economy' contains more than 34 countries such as Czech Republic, Poland, Estonia,



Bulgaria, Hungary from Central/Eastern Europe, Armenia, Azerbaijan, Russia from the former Soviet Union, and Cambodia, China, Vietnam and Mongolia from Asia.

According to GURKOV (2015), the main aspects of the transition process can be counted as the creation of the private enterprises, privatization of state-owned enterprises, supporting and inviting foreign direct investments, bringing liberating policies for foreign trade, eliminating central planning system, establishing new institutions for providing support to facilitate operations of the private enterprises, making changes in the law to ensure that more secure private property rights are given and making an effort to improve effective functionality of goods, labour and capital in the market.

Transition economies generally are developing countries with a higher share of the public sector in their economies that have not managed to the socio-economic, GDP per capita, poverty and life expectancy standards of the developed countries. The key difference between transition economies and other developing countries is not only the rapidly increasing share of the private sector in their economies but also the radical economic transformations they go through in terms of establishment of market institutions such as central banks and stock exchanges and forming legal structures (PIEPENBRINK & NURMAMMADOV 2015).

Emerging economies were described by IKENBERRY AND WRIGHT (2008) in the context of the global economic system as “Today a group of fast-growing developing countries are rising up and in the next several decades will have economies that will rival the United States and Europe. For the first time in the modern era, economic growth is bringing non-Western developing countries into the top rank of the world system”. However, it is not possible to make a precise definition of emerging economies. It is more likely to encounter an explanation of the term around similarities and differences with transition economies. Emerging economies also consist of developing countries experiencing a significant transformation to a more market-oriented economy that cannot be explained only with an economic approach (PIEPENBRINK & NURMAMMADOV 2015). In other words, there is a more pragmatic approach toward the definition of the scope of emerging markets, and therefore, there are differences among the list of emerging market countries defined by different organizations. Also, a similar classification was used by the World Bank (WB) and the International Monetary Fund (IMF) by using terms of low income, lower-middle income, upper-middle income, and high income’. However, the United Nations (UN) divided the countries into developed, developing and transition countries. The term ‘emerging economies’ or ‘emerging markets’ are used synonymously, and they are described around the significant role they play in the global business market within the context of global value chains (WRIGHT et al. 2005, XU & MEYER 2013).

In the 21<sup>st</sup> century, emerging economies, also known as emerging markets, managed to become one of the major actors of the global business sector with their high economic growth rate compared to their competitors. Therefore, MNCs from emerging economies in Europe, North America and the triad countries continued their capital investments and developed efficient supply management strategies and practices (MEYER & GROSSE 2018). It is noteworthy to emphasize that emerging economies come into prominence with their high economic growth pace thanks to their immense population power (PIEPENBRINK & NURMAMMADOV 2015).

While the domination of the world’s economy was under the possession of MNCs from the countries of Western Europe, North America and Japan, there has been a transformation during the recent period, and the significance of new MNCs from emerging market (EM) countries started to rise. While the MNCs belonging to the first group followed the strategy of locating most of their activities in their home country and other developed countries, new MNCs from EM aimed to expand their businesses in the international market and intended to become the leader of the global

markets (GHEMAWAT & HOUT 2008). The new MNCs challenged the existing internationalization models by following a different internationalization strategy (GUILLÉN & GARCIA-CANAL 2009). The new internationalization pattern adopted by the new MNCs was external growth to improve their competences and reach a bigger number of international markets to manage rapid expansion into the global market. Thanks to the strong position in their domestic market and late internationalization process, new MNCs had the ability to adapt to the current conjuncture of the global business environment faster and easier. There is a similarity between born-global companies of developed countries and the model adopted by the new MNCs as ‘born-global’ companies’ main goal was to sell their products directly in different countries, bypassing a progressive approach in order to build a competitive advantage. In contrast, MNCs from the first group had to revise their strategies and organizational structures to face the new challenges of the global market and to sustain their competitive power by using outsourcing strategies and network structures (ZUCHELLA & SCABINI 2007).

Although transition economies are more well defined than the emerging economies in the literature, they have some important similarities. Emerging economies have also been going through a major economic transformation towards creating a more market-oriented economy in addition to political reform processes to implement policies that will attract more FDI flows into their economies by putting an emphasis on economic growth aspects. On the other hand, such rapid economic growth is not expected and realized in transition economies as the focus is more on transformation from the planned central economy into the market economy (PIEPENBRINK & NURMAMMADOV 2015).

## **2.5. Foreign Direct Investment (FDI)**

Before defining FDI, it would be useful to start with definitions of some terms used in the literature related to FDI. Firstly, a direct investor is defined by OECD as “an individual, an incorporated or unincorporated public or private enterprise, a government, a group of related individuals, or a group of related incorporated and/or unincorporated enterprises that has a direct investment enterprise (that is, a subsidiary, associate or branch) operating in an economy other than the economy or economies of residence of the foreign direct investor or investors.”. However, direct investment enterprise refers to “an incorporated enterprise in which a foreign investor owns 10 per cent or more of the ordinary shares or voting power for an incorporated enterprise or an unincorporated enterprise in which a foreign investor has equivalent ownership.”. Direct investment enterprises consist of entities that are directly or indirectly owned by direct investors, such as subsidiaries, associates and branches. A subsidiary refers to an incorporated enterprise in which the direct investor owns at least 50 per cent of its shares directly or indirectly through another subsidiary, while in an associate enterprise, 10 per cent to 50 per cent of the shares must be owned by the direct investor directly or indirectly. On the other hand, a branch can be described as unincorporated enterprises wholly or jointly owned by a direct investor (OECD 2007).

FDI is defined by the fifth edition of the IMF’s Balance of Payments Manual (BPM5) as “a category of international investment that reflects the objective of a resident in one economy (the direct investor) obtaining a lasting interest in an enterprise resident in another economy (the direct investment enterprise)”. The term ‘the lasting interest’ means that there is a long-term relationship between the direct investor and the direct investment company. It is necessary for the investor to have a significant influence on the enterprise’s management. To recognise a direct investment relationship, the direct investor must acquire at least ten per cent and more of the ordinary shares or voting power of an enterprise abroad. It is important to note that 10 per cent is not a strict measurement here; it is used to make distinct direct investments from portfolio investments by ensuring the influence or participation of the direct investor in the management of an enterprise, although absolute control of the direct investor is not required (IMF 2003). Krugman and Obstfeld

(2003) defined FDI as “gaining ownership and control over a company in another country”. However, OECD set the world standards for the statistics of direct investment in the OECD Benchmark Definition of Foreign Direct Investment which comply with the definitions of IMF (OECD 2008).

Increasing interest in FDI inflow by countries all over the world can be explained with both push and pull factors. While the decrease in transportation costs, major differences between the cost of resources and slow growth can be given as push factors for the developing countries to move their business operations across the borders, the purpose of attracting capital, knowledge transfer, advance technology and management practices are pull factors for developing countries (HARDING & JAVORCIK 2007).

The benefits of FDI in providing required financial resources and technology has led to its recognition as a major catalyst to stimulate economic growth in developing countries. Providing additional available resources and capital for investment, transfer of technology, innovation, advanced management policies, practices and strategies and rapid integration into the global economy can be given as some of the benefits of FDI for the host countries (ANTWI 2013). Also, some empirical researches revealed that FDI has the potential to provide a significant additional contribution to the productivity and income growth potential of the domestic economies. FDI can serve as a stimulus for economic growth through its trade and investment, technology transfer, human capital enhancement, competition and enterprise development (OECD 2002). However, there are also some researches that showed mixed results. According to Lipsey (2004), from a macro level point of view, it is impossible to find a consistent correlation between FDI inflow and GDP or economic growth, although its positive impact on the diversification of domestic exports and wages can be recognized. On the other hand, from a micro-level point of view, several studies showed that there is a positive relationship between FDI inflow and productivity through the transfer of technology and advanced management policies and practices, knowledge spillovers and linkages that were relatively more evident in developed countries (AITKEN & HARRISON 1999).

FDI has been viewed by developing countries, emerging economies and countries in transition as a critical source for generating new employment opportunities, developing their economies, increasing the income and economic growth as well as for modernization (OECD 2002). A wide range of studies in the literature revealed that FDI does not only have a positive impact on the economic development of host countries by allowing more capital input to the country, but also it boosts the development of the local economy by improving its productivity through enabling knowledge and technology transfer, upskilling the management staff and employees, creating a more competitive business environment and ensuring the development of the enterprise (ALFARO & CHAUVIN 2017). However, the distribution of FDI among the countries and sectors are not even and therefore, countries need to redesign their national policies and investment structure in a more transparent, broad and effective way to attract more FDI to their market as well as improve their human resources and infrastructure capabilities. The benefits of FDI may somehow be limited in the case of developing countries that have not reached a certain level of technological, infrastructural, educational and health development with an underdeveloped financial market condition (OECD 2002).

### **2.5.1. Global FDI Trends**

Following the Second World War, the international business arena has been subject to major changes driven by several factors. Global economic relations transformed into a neoliberal character due to global economic developments that have also been the driving force behind the implementation of global investment and trade rules. These rules have also been the foundation for the protection of FDI against the challenges of the socialist side that has also received support from the developing countries which viewed FDI as a modern form of neo-colonialism

(BHAGWATI & PANAGARIYA 1996, VARGAS 1999). Attempts of the United States on developing rules and regulations for FDI led to the emergence of the Bilateral Investment Treaties (BIT) in 1997 that has provided legal protection for foreign investors and their investment interests as well as constituting to be a framework through a wide range of implemented economic policies (SCOTT 2004). International trade activities started to be controlled and administered by The World Trade Organization (WTO) based on the General Agreement on Tariffs and Trade (GATT). The number of BIT kept increasing every year, regulating the international trade and investment regime (WTO 1995). American and British companies have been the main actors of international trade activities in this era. Although international trade activities kept increasing throughout the time, their importance did not follow the statistics as more direct forms of investments across the border started to be the main trend for the companies (Poor et al. 2017).

According to the OECD (2002) report, in the early 1990s, cross-border capital flows towards developing countries in the forms of FDI started to increase rapidly, and it reached a record level of 1.3 trillion US dollars total worldwide in 2000, four times the level of previous five years. The developed countries constituted to be the recipient of more than %80 of the FDI flow and more than %90 of the FDI outflow. During these years, only a small percentage of FDI flow was received by developing countries. Countries from Asia and Latin America were the recipient of %65 of total FDI flow from OECD member countries to non-OECD countries. Although the percentage of FDI flow into developing countries was significantly less compared to OECD countries, in terms of economic value, FDI levels were significantly high for many developing countries considering the size of their economies as FDI inflow levels reached to %25-30 levels of their domestic GDP. In developed countries, mergers and acquisitions were the largest shares of FDI flow channels in these years as a consequence of a wide range of privatisation programmes implemented by many countries in the world, while FDI inflow was mostly through greenfield investments in the developing countries.

However, UNCTAD (2003) report revealed that the total volume of total FDI in 2002 was only 735 billion dollars compared to record-high levels of 1.492 billion dollars only a couple of years ago due to a significant decrease in the number of cross-border acquisitions worldwide. In 2003, FDI flows declined %60 per cent, lower than the highest level reached in 2000. According to UNCTAD (2008) report, the total volume of FDI between 2004 and 2008 was on an increasing trend, but it is reversed by the global crisis in 2008 that caused a sharp decline in capital flow worldwide. After the global crisis, FDI flow going into the developing countries bounced back quickly and started increasing again.

OECD (2010) report showed there was an overall decrease in developed countries. While OECD countries were subject to a %35 decrease, a %15 increase was observed in non-OECD countries, mainly in Asia. In OECD countries, the overall decline in FDI continued in 2009 as well by substantially dropping below 2008 levels. Although a slight recovery can be observed in the first quarter of 2009, it was not sustainable towards the end of the year, and total FDI flows were %45 lower than the highest level achieved in 2007. Between 2009 and 2011, there was an increase in FDI flows until going back to almost flat levels in 2013 that was %33 lower than the peak levels hit in 2007. This can be explained by rapid economic growth in the global economy through FDI flows between 2004 and 2006, in which global GDP increased %3.5-4 as well. However, it was only less than %3 between 2011 and 2013 (OECD 2014). FDI started to gain momentum, especially in the second half of 2014, by noting a %20 increase that was %9 more compared to 2013. Global FDI flows were 1.3 trillion dollars in 2014 that corresponds to a %2 lower level than 2013 (OECD 2015). Global FDI flows increased by %25 to 1.7 trillion dollars in 2015 that corresponded to the highest levels reached since the global financial crisis, although it was still lower around %16-17 compared to 2.091 billion dollars achieved in 2007. In OECD countries, inward FDI flow was %86 higher with 572 billion dollars compared to 1.063 billion dollars of

2014 that corresponded to %58 of global FDI inflows while outward FDI flow was %35 higher with 1.183 billion dollars that constituted %73 of global FDI outflows (OECD 2016). According to OECD (2017) report in 2016, a %7 decrease was noted in global FDI flows to 1.625 billion dollars compared to 2015, with a %2.2 GDP increase. However, OECD countries received %6 more FDI flows with 1.092 billion dollars in 2016 that corresponded to %62 of global FDI inflows compared to %55 in 2015 and %43 in 2014. Outward FDI flow in OECD countries decreased by %9 in 2016 with 1.096 billion dollars that accounted for %74 of global outward FDI flow. Another report of OECD (2018) revealed that compared to 2016, global FDI flows dropped %18 in 2017 with 1.411 billion dollars that accounts for %1.8 of global GDP. Inward FDI flow for the OECD region also declined by %37 with 760 billion dollars compared that corresponds to %54 of global inward FDI flow. It means a %9 decrease from 2016 and a %5 decrease from 2015. There was a %4 decline in FDI outflows from the OECD region with 1.073 billion dollars representing %77 of global FDI outflows. The year of 2018 was another period for global FDI flows in a downtrend due to a %27 decrease with 1.097 billion dollars, mainly due to the 2017 US tax reform policy. The total global GDP share of FDI flows drew back to %1.3 that was the lowest level realized since 1999. Likewise, total FDI inflow into OECD countries declined by %23 as well. Total 625 billion dollars of FDI inflow was equal to %48 of global inward FDI flow that was also %5 less than 2017 and %16 less than 2016. However, a %41 decrease was recorded in 2018 in FDI outflows from OECD countries with 599 billion dollars. That was the lowest levels since 2005, and it constituted %67 of global FDI outflows (OECD 2019). Although global FDI increased in 2019 by %12 with 1.426 billion dollars, it remained below the FDI levels of the period between 2010 and 2017 by %15, which confirmed the continuation of the downtrend began in 2015. %1.6 global GDP share was also below levels of the period between 2015 and 2017. On the other hand, OECD countries received %6 more FDI flow that accounted for 867 billion dollars. It constituted %56 of global FDI inflows compared to %52 in 2018 and %57 in 2017. FDI outflow from OECD countries recorded the %62 decline with 996 billion dollars representing %77 of global FDI outflows in 2019. It was higher than both %63 in 2018 and %72 in 2017 (OECD 2020).

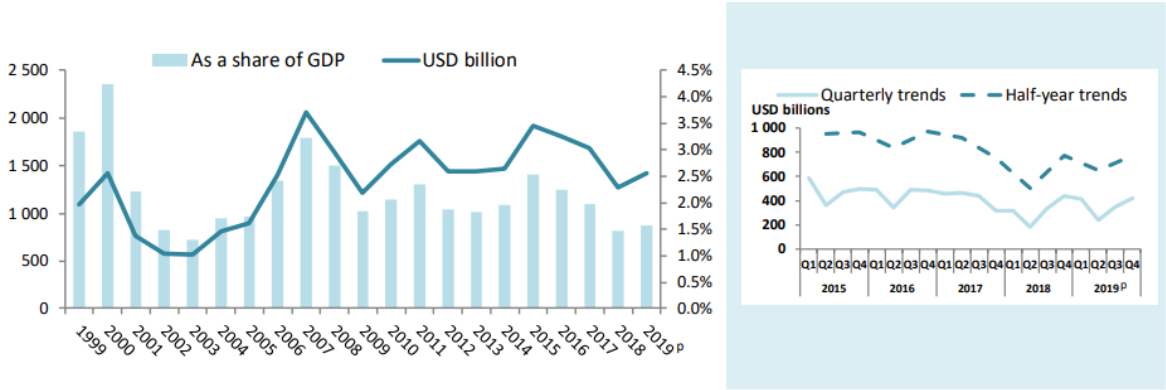


Figure 1: Global FDI Flows in Developed Countries

Source: OECD 2020

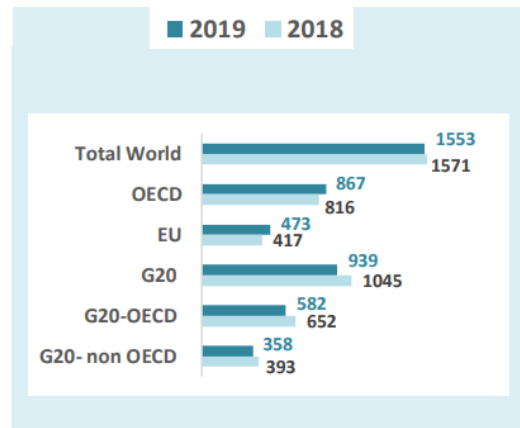
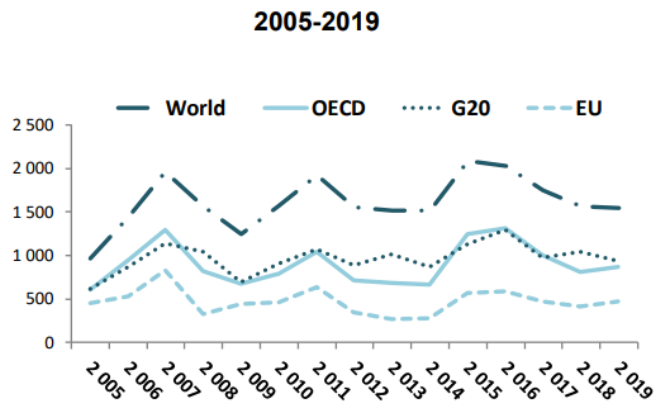


Figure 2: FDI Inflows in Developed Countries

Source: OECD 2020

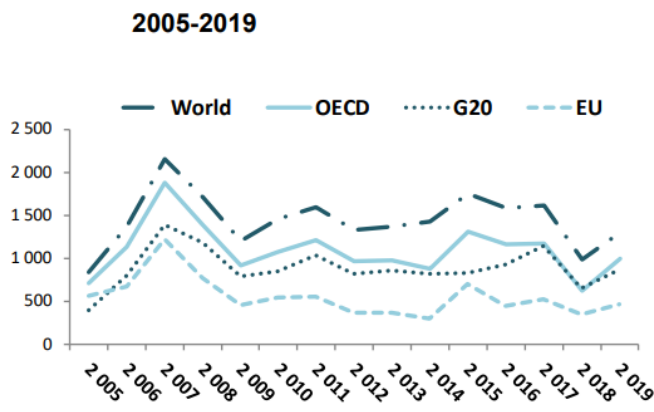


Figure 3: FDI Outflows for Regions

Source: OECD 2020

### 2.5.2. Regional FDI Trends

As shown in the figures below, the regional distribution of FDI inflow and outflow showed major differences in the world.

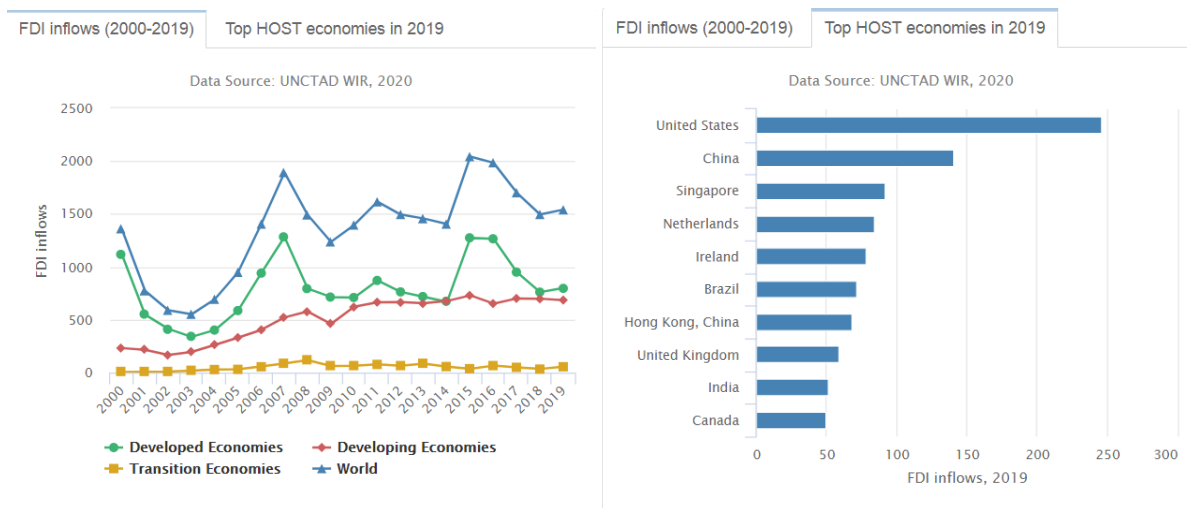


Figure 4: FDI Inflows (2000-2019) & Top Host Economies in 2019

Source: UNCTAD 2020

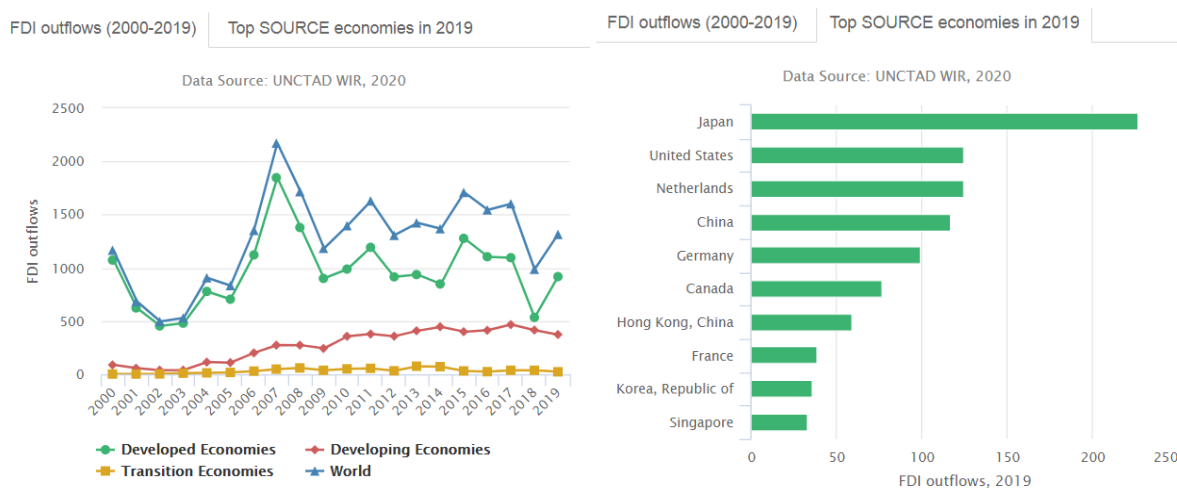


Figure 5: FDI Outflows (2000-2019) & Top Source Economies in 2019

Source: UNCTAD 2020

As a major source of capital and technology, FDI continued to have economic importance for the emerging economies. FDI inflow to this region through MNEs led to the transfer of knowledge, advanced technology, capital, and modern management practices. On the other hand, entering emerging economies could provide MNCs with a competitive advantage through access to cheaper resources and lower production costs (Meyer 2006).

However, when we look at the FDI statistics, the distribution of FDI flows in emerging economies was uneven between and inside the regions. While there was a total of 473 billion dollars inward FDI flow into the Asia region in 2019, the majority of FDI inflow went into China with 141.2 billion dollars and Singapore with 92 billion dollars. Total FDI inflow was 164 billion dollars into the Latin America region, whereas Brazil, with 71.9 billion dollars and Mexico with 32.9 billion dollars, were the main recipient countries. On the other hand, the total FDI inflow into the Africa region was only 45.3 billion dollars, and Egypt had the highest FDI inflow with 9 billion dollars.

In 2019 in the West Asia region of emerging economies, just three countries, consist of Turkey, the United Arab Emirates and Saudi Arabia, were the source of the majority of inward FDI flows.

The United Arab Emirates attracted 14 billion dollars of FDI inflow with a %3 increase, whereas Turkey had recorded 8.4 billion dollars of FDI inflow with a %35 decrease compared to the previous year due to the uncertainties that emerged by the global pandemic crisis as well as weak economic growth. Turkey continues to hold a weaker position with higher risk exposure in the region due to more dependency on global macroeconomic conditions compared to other emerging economies that own a large share of natural resources (UNCTAD 2020).

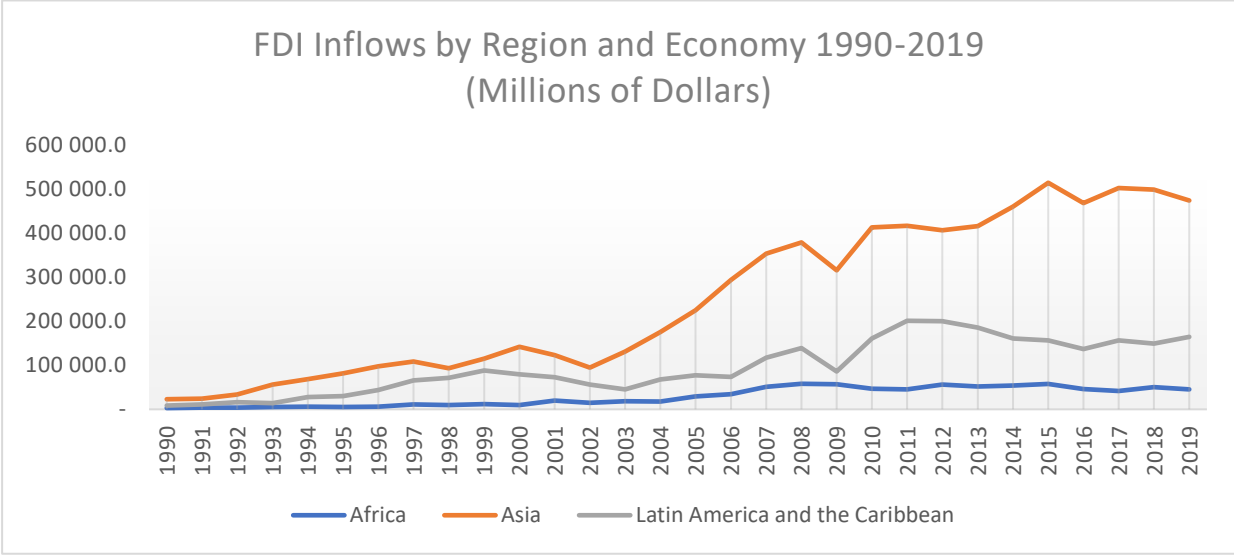


Figure 6: FDI Inflows by Region and Economy 1990-2019

Source: UNCTAD 2020

When we look at the FDI outflow statistics for emerging economies, total FDI outflow from the Asia region corresponded to 327.5 billion dollars that are followed by Latin America with 41.5 billion dollars and by Africa with 5.3 billion dollars. China, with 117.1 billion dollars and Singapore with 33 billion dollars, were the countries with the highest total outflow in the Asia region. In Latin America, Brazil had a 15.5 billion dollars FDI outflow while Mexico had a 10.2 FDI outflow. On the other hand, Morocco provided the highest outward FDI flow in Africa region with 1.03 billion dollars. Finally, Turkey’s FDI outflow was 2.8 billion dollars by a %20 decrease compared to the previous year.



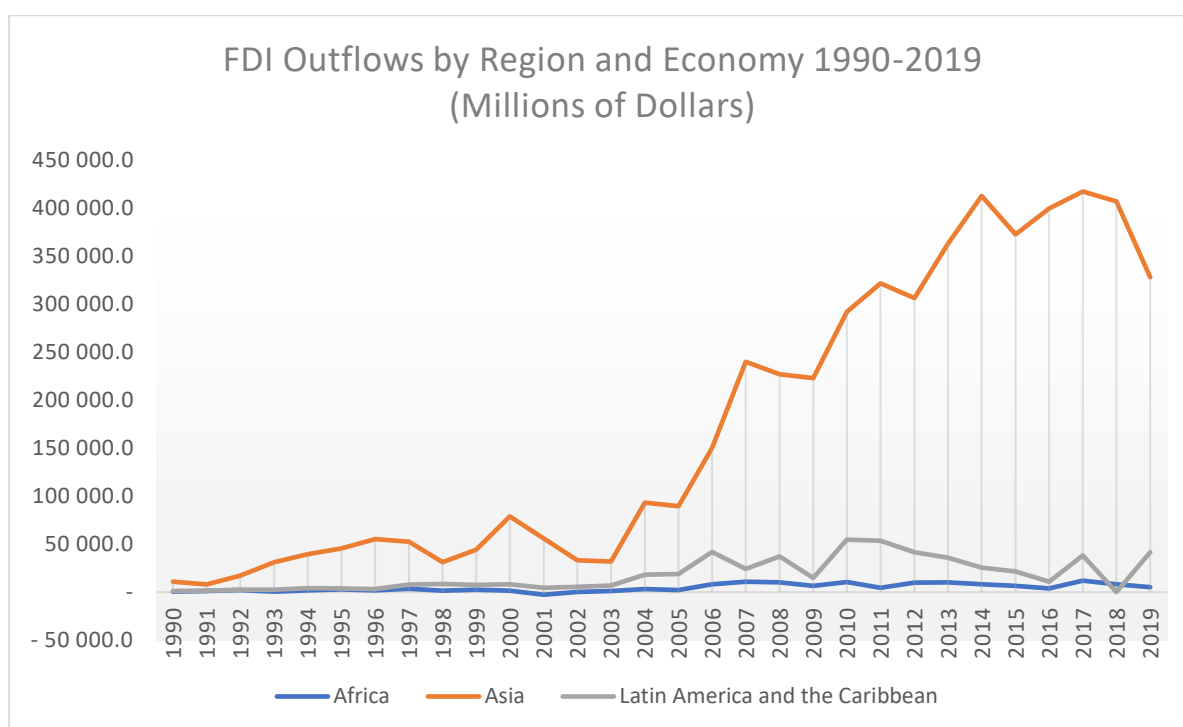


Figure 7: FDI Outflows by Region and Economy 1990-2019

Source: UNCTAD 2020

The figure below shows the statistical data specifically about Turkey in emerging economies. Since 2016, FDI inflows entering Turkey are on a downtrend that reached to lowest levels in 2019 with 8.4 billion dollars by decreasing around %50. However, there was a steady increase in FDI stocks until 2010 that decreased around %18 in 2019 compared to the levels of 2010. On the other hand, FDI outward stocks increased steadily since 2000 and reached the highest levels of 47.75 billion dollars in 2019.

Table 2: Turkey FDI Inflows & Outflows & Inward Stock

FDI inflows (millions of dollars)						
Turkey	2014	2015	2016	2017	2018	2019
	12 969	18 976	13 745	11 020	12 981	8 434
FDI outflows (millions of dollars)						
	2014	2015	2016	2017	2018	2019
	6 682	4 809	2 954	2 622	3 607	2 841
Turkey	FDI inward stock			FDI outward stock		
	2000	2010	2019	2000	2010	2019
	18 812	188 449	164 906	3 668	22 509	47 754

Source: OECD 2020

Developing economies in 2019 attracted a total of 22.91 billion dollars of greenfield investment into their regions. In Turkey, the total value of greenfield FDI projects announced in 2019 increased more than %100 with 3.82 billion dollars compared to 2018. However, net cross-border M&A sales were 1.7 billion dollars in developing economies that only 104 million dollars belonged to Turkey. On the other hand, purchases of net cross-border M&As in developing countries were -1.95 billion dollars while Turkey had -2.75 billion dollars of net purchases in 2019.

Partner region/economy	Transition economies as destination		Transition economies as investor		Region/economy	Sales		Purchases	
	2018	2019	2018	2019		2018	2019	2018	2019
	<b>World</b>	<b>50 850</b>	<b>46 036</b>	<b>22 055</b>		<b>8 302</b>	<b>World</b>	<b>2 602</b>	<b>1 392</b>
<b>Developed economies</b>	<b>29 111</b>	<b>21 085</b>	<b>2 003</b>	<b>1 220</b>	<b>Developed economies</b>	<b>458</b>	<b>-302</b>	<b>663</b>	<b>-2 176</b>
European Union	17 678	14 900	937	1 147	European Union	-1 295	511	8	-103
France	2 707	1 486	2	15	Ireland	4	283	-	-
Germany	3 870	4 957	79	110	Netherlands	-460	543	-	-
Japan	5 702	1 421	110	55	United Kingdom	-23	551	-	-
United States	2 298	3 222	324	2	<b>Developing economies</b>	<b>1 119</b>	<b>1 706</b>	<b>273</b>	<b>-1 955</b>
<b>Developing economies</b>	<b>17 815</b>	<b>22 910</b>	<b>16 127</b>	<b>5 043</b>	China	542	310	-	-
China	9 251	15 715	1 786	113	South Africa	-	1 160	-	-
Korea, Republic of	1 530	1 593	-	-	Turkey	-599	104	273	-2 752
Turkey	1 664	3 828	6 348	109	<b>Transition economies</b>	<b>84</b>	<b>978</b>	<b>84</b>	<b>978</b>
<b>Transition economies</b>	<b>3 924</b>	<b>2 040</b>	<b>3 924</b>	<b>2 040</b>	Azerbaijan	3	734	-	-
Russian Federation	1 880	1 371	363	37	Russian Federation	972	-757	1 004	85

Figure 8: Announced Greenfield FDI Projects by Region and Economy & Net Cross-border M&As by Region and Economy 2018-2019 (Millions of Dollars)

Source: OECD 2020

FDI has been a popular area for researchers in terms of its impact on economic growth, employment, productivity and trade for transition countries as well. Due to the entry of FDI into transition economies relatively later in the 1980s, its impact on the economy has been less significant, especially until the rapid increase from 2003 (Estrin 2017). FDI inflow was critical for the transition countries with small economies in Central and Eastern Europe (CEE) as well in terms of employment, economic growth and development. The contribution of FDI to the economy can especially be observed in the rapid economic growth and decline in the unemployment rate of Slovakia between these countries (Poor et al. 2017).

During the centrally planned economy period, transition economies, including Hungary, did not have access to the global economy as well as FDI inflows. This situation also caused these countries to lack of capital for investments, advanced new technologies, efficient managerial experience and capabilities and high level of labour skills and competencies, whereas MNCs were already playing a significant role in the global economy through internationalization (SINANI & MEYER, 2004, HASKEL ET AL. 2007).

Transition in emerging economies from a centrally planned economy into the market economy started in 1989 with the restructuring process of the economic and political system. FDI has been recognized as a source of economic growth for countries that lack resources, and therefore, they started to implement privatization policies (Meyer 1998). Accordingly, FDI flows into transition economies with the entry of MNCs have provided an important source of investment capital for Hungary as well. Hungary, one of the countries that joined the European Union, was among the countries that benefited from earlier from MNCs' investments.

Major phases of MNC development in transition economies beginning from 1988 can be classified under six categories. The first and second stages focus on privatization and company establishment that is characterized by transition process from the central planning system to market economy through the establishment of new legal and institutional infrastructure in which private ownership is started to be allowed. This is when MNCs start to enter transition economies in the Central and Eastern European region through partnerships with state-sponsored companies, direct purchases from the state, or indirectly through purchases or by creating venture ownership transactions locally or regionally. Stage three and four refer to the restructuring and development phase, which led to the rise of newly privatized or established companies' power parallel to increased foreign capital inflow and economic development in the region. The key role of HR expanded from

contribution to institutional changes and transformation to help people to gain new competencies and capabilities. Stage five is regarding consolidation and renewal, which emphasizes the necessity of continuous renewal for the companies to cope with the global market's intensely competitive environment. Companies do not make any more short or long period reconstruction efforts. In this stage, HR carries a more significant role due to the emergence of the new economy and increasing importance of knowledge and continuous renewal, and these changes serve as a driving force for HR. Finally, stages six and seven refer to crisis and recovery after the global crisis in 2008, which had an impact on HR practices (Poor et al. 2017).

When we look closer at the recent statistical data of FDI flows into transition economies in 2019, the total number of FDI inflow was 54.9 billion dollars by a %59 increase. Russia attracted the highest total FDI flow with 31.7 billion dollars. In the CEE region, the total FDI inflow was recorded at 28.45 billion dollars. Poland had the highest inward FDI flow with 13.2 billion dollars, followed by Czechia with 7.5 billion dollars. Hungary had a total of 5.2 billion dollars of FDI inflow in 2019.

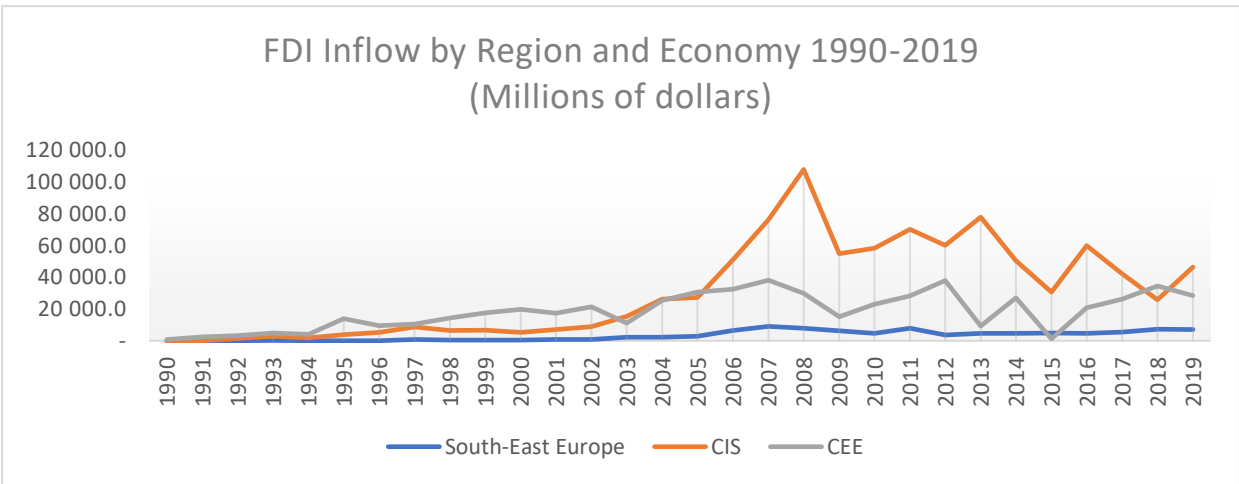


Figure 9: FDI Inflow by Region and Economy 1990-2019

Source: UNCTAD 2020

However, the total FDI outflow from transition economies in 2019 was 23.7 billion dollars that are led by Russia with 22.5 billion dollars. There were 11.8 billion dollars total outward FDI flow in the CEE region, while Czechia had the highest FDI outflow with 4.9 billion dollars, followed by Hungary with 2.6 billion dollars.

Transition economies in 2019 recorded a %37 decrease in FDI outflows to 24 billion dollars. Russia was the source of the majority of outward FDI flow between the transition economies. In the CEE region in 2019, total inward FDI flow into the countries of Czechia, Hungary, Poland and Slovakia decreased by %18 with 28 billion dollars by not following the positive trend in Europe. There was an increase in FDI inflows only in Slovakia. The Source of FDI inflow into the region was mainly from other EU member countries. Also, MNCs from third countries, mainly originate from China, Korea and the USA, chose to invest in the region through their EU affiliates. In 2020, a %38 decrease is projected in FDI flows in transition economies similar to the average decline globally due to the recession caused by the Covid-19 pandemic. No growth in FDI flows is expected until 2020 in the region. The decline in outward FDI flows is expected to continue in 2020 and 2021 as well (UNCTAD 2020).

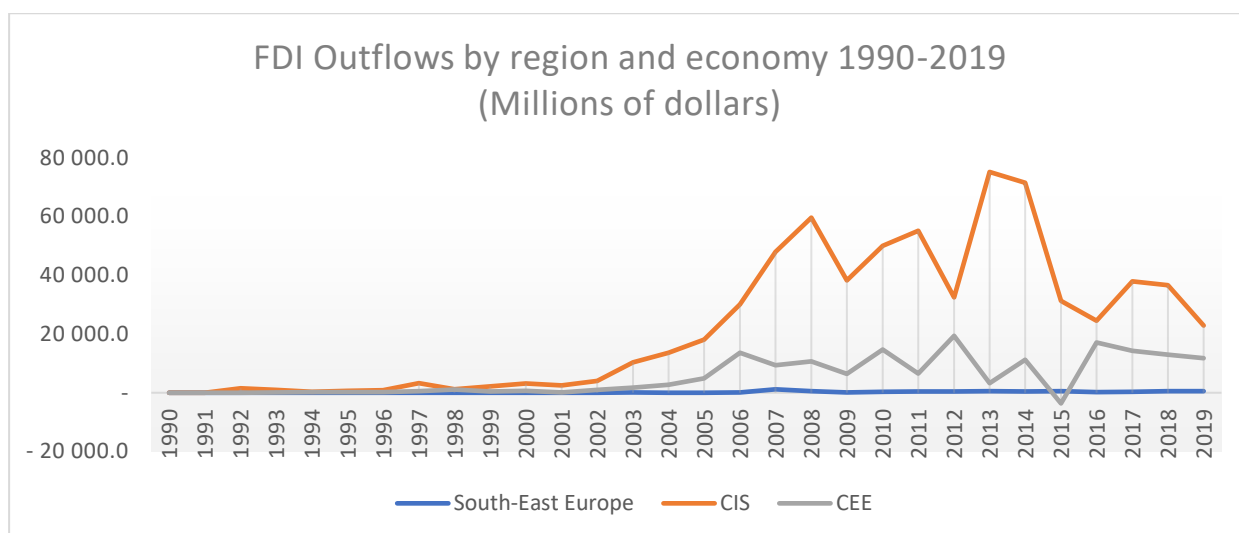


Figure 10: FDI Outflows by Region and Economy 1990-2019

Source: UNCTAD 2020

The figure below shows the statistical data specifically about Hungary in transition economies. Among the countries in the Central and Eastern Europe region, Hungary maintains a high per capita stock of FDI. The 2009-2010 global crisis affected inward FDI flows to Hungary negatively and caused lower levels of FDI flow into the country since then. Inward FDI flow in 2019 was %37 lower with 5.2 billion dollars compared to 2018, although it was higher than 2017 levels. However, FDI stock in 2019 was %7 higher with 97 billion dollars. Although the number of greenfield investments was slightly lower in 2019, their total value was %55 higher with 7.5 billion dollars.

Table 3: World Investment Report Statistics of Foreign Direct Investment (2017-2019)

Foreign Direct Investment	2017	2018	2019
FDI Inward Flow (million USD)	3,502	8,365	5,205
FDI Stock (million USD)	93,619	95,787	97,841
Number of Greenfield Investments***	83	114	102
Value of Greenfield Investments (million USD)	3,055	4,894	7,515

Source: UNCTAD 2020

### 2.5.3. Impact of Covid-19 on FDI

As FDI flows are affected drastically, a sharp decline is expected in FDI flows globally due to consequences of the Covid-19 pandemic, such as barriers in the supply process, decrease in demand and the general prevailing pessimistic outlook of economic actors (OECD 2020). Also, the pandemic forced governments to take swift health measures and significant economic policy actions to limit the spread of the virus that also impacted the FDI decisions of firms. The consequences and success of these measures yet to be seen that will also be a major factor in global FDI flows (OECD 2020).

The uncertainties brought by the pandemic situation, such as the duration of the pandemic, the success of implemented health and economic measures, new investment restrictions, ongoing trade tensions among the countries, geopolitical and financial risks, are the major problems in this period. Naturally, current investment projects have the highest risk exposure due to significant changes in supply, demand and policies such as lockdown measures (UNCTAD 2020).

When we look at the pandemic's current impact, the forecast of global FDI flow expects a decrease up to %40 in 2020 compared to FDI flows of 1.54 trillion dollars in 2019 and another %5-10 decrease in 2021. The beginning of a slow recovery is expected only by 2022, led by replenishment of capital stocks and betterment in the global economy. Some of the top 5,000 MNEs in the world are currently revising their revenue with lower revenue expectations by %40 on average, whereas major losses are expected in some industries. Compared to 2019, while there is already around more than %50 decline in green investment projects and cross-border mergers and acquisitions, infrastructure projects are also subject to more than %40 decrease (UNCTAD 2020). One of the main reasons behind the pressure on earnings and investors are the substantial drop expected in reinvested earnings which has a critical role in FDI flows. In other words, lower earnings will also result in lower reinvestment rates by the companies. A significant decrease is another important reason within the context of greenfield investments (OECD 2020).

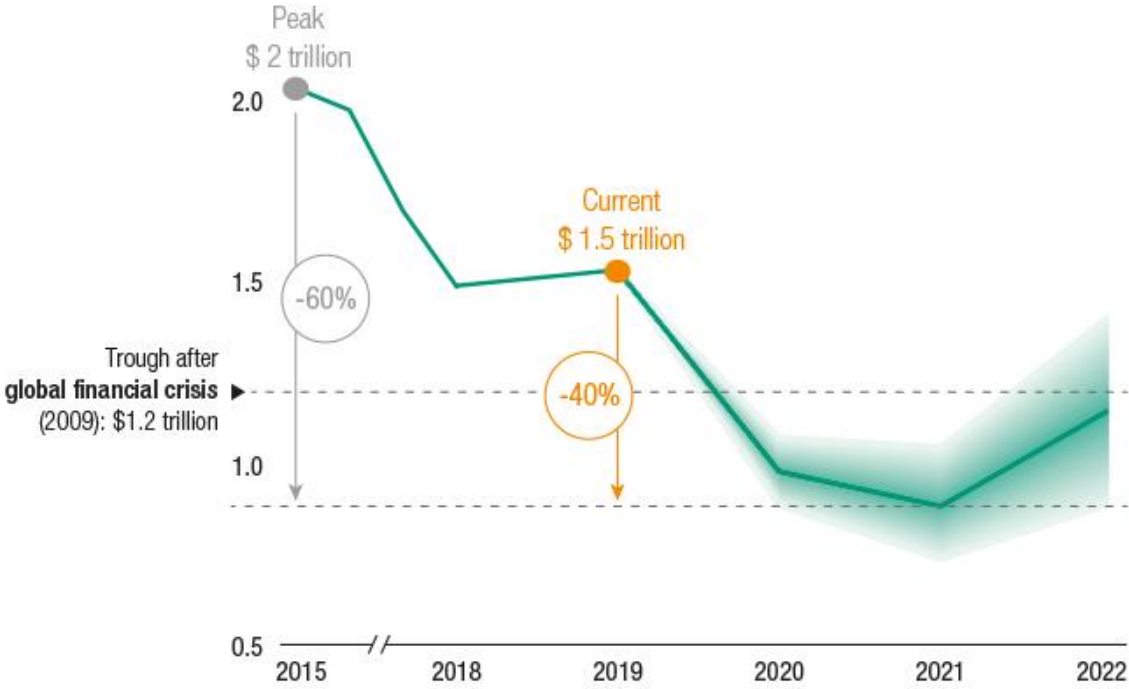


Figure 11: Global FDI Inflows 2015-2019 and 2020-2022 Forecast

Source: UNCTAD 2020

Some of the sectors and FDI flows into these sectors are impacted more severely by the pandemic. Although the pandemic's impact on sectors such as transportation, food and beverage services and hospitality were the worst, it will not be possible to see this on FDI statistical data due to their small share in FDI flows. On the other hand, considering the large share of manufacturing and primary sectors in FDI flows, a significant drop in their earnings and the information and communication sectors with an increase in earnings would be reflected into FDI flows (OECD 2020).

Although the pandemic has an impact worldwide, developing countries are expected to see its negative effects more severely since their support capability to provide for the economy is more limited than the developed countries. Accordingly, %30-45 decrease in FDI flow into the transition economies is forecasted in 2020 (UNCTAD 2020). However, it is important to note that the support of FDI for economies during the recovery period after the pandemic would be highly important considering what the evidence showed in the past that companies with foreign affiliates usually provide an advantage for coping with the challenges that emerge during crisis periods much better due to their financial linkages with their parent company (Desai et al. 2008, Alfaro & Chen 2012). Especially for emerging and developing countries, FDI can play a more significant role in their economic recovery with additional international financing and portfolio investment opportunities. In addition to the financial contributions of FDI flows, MNEs can carry a critical role in overcoming the obstacles that emerged due to the pandemic as a result of their higher production capability. Also, their advanced technological development and potential cross-border partnership they may facilitate can help to resume production rapidly and more efficiently compared to domestic companies (OECD 2020).

The impact of the Covid-19 pandemic in Hungary is severe as well due to economic disruptions it caused, such as lockdowns in the manufacturing and service sectors and a significant decline in international trade. Therefore, there is certainty in terms of economic recovery. According to the double-hit scenario, the OECD forecasts a %10 decline in economic activities in 2020 and expects the economic recovery to begin from 2021 with %1.5 GDP growth. In the case of an optimistic single-hit scenario, a %8 decline is projected in economic activities in 2020 that can lead to an earlier start of economic recovery following the increasing demand with a %4 increase of economic activities in 2021. A significant amount of FDI inflows from European and national funds are projected to be the main drivers of economic recovery (OECD 2020).

The severe impact of Covid-19 can be seen in the Turkish economy as well. %5-8 decline is projected in Turkey's economic output depending on single-hit or double-hit scenarios. The decrease in external demand, the sharp deficit in income, and increasing employment rates are the economy's main issues during the pandemic period. Although a gradual economic recovery is expected beginning from 2021, in case of a double-hit scenario, new lockdown measures can cause another negative impact on investments and decrease the economic output by causing delays in the economic recovery as well (OECD 2020).

#### **2.5.4. Relationship Between FDI, Employment and GDP**

In the literature, some research on the relationship between FDI and employment focuses more on the productivity and wages aspect of this topic, while employment seems to be discussed within the context of spillover effects. Also, studies find a correlation between FDI and welfare in the host country due to the transfer of new knowledge, advanced technology and management policies and practices in addition to providing additional capital and new employment opportunities in the domestic industries.

There is a positive correlation between FDI and employment due to its direct new employment creation potential in foreign affiliates, especially through Greenfield investments in labour-intensive sectors. The impact of FDI inflows on employment in the short-term is considered significantly less in the case of mergers and acquisitions (DUNNING & LUNDAN 2008). On the other hand, some other researches asserted that there is not a positive correlation between FDI and employment due to their use of advanced technology and enhanced productivity rates that require less labour (GIRMA et al. 2002, HOLLAND et al. 2002, CONYON et al. 2002). In other words, it means that the potential of new job creation by FDI inflows is relatively less compared to domestic companies.

FDI inflows may also affect the domestic labour demand through competition and productivity spillovers both negatively and positively. Whereas FDI inflows may cause labour-intensive domestic companies to lose their market share and business due to competitive disadvantage, advanced sectors may attract more employees, especially when foreign affiliates choose to employ from the local labour market. New employment creation can also be stimulated by the productivity spillovers for domestic compensated by local linkages of foreign affiliates within the local economy (MENCINGER 2003, JAVORCIK 2004).

Considering the researchers' mixed results in the literature, it can be concluded that the impact of FDI on employment depends on factors of net employment creation potential, improvements in productivity, and creation of productivity spillovers for domestic companies. Usually, MNCs have a direct or indirect impact on domestic employment through linkages with domestic companies; a higher level of wages is offered than the domestic companies, enablement of advanced technology transfer to the host countries, and enhancement in the productivity of the labour force.

Over the last three decades, MNCs continued expanding their business activities internationally across borders. Transnationality Index is used by UNCTAD (2020) to measure international production levels of MNEs by using average ratios of the factors of foreign shares of assets, sales, and employment. There has been stagnation during the last decade, around %65 parallel to the loss of momentum in FDI flows. On the other hand, a %2 increase was reported in companies' internationalisation rate from developing and transition economies as well as rapid growth in foreign assets and sales.

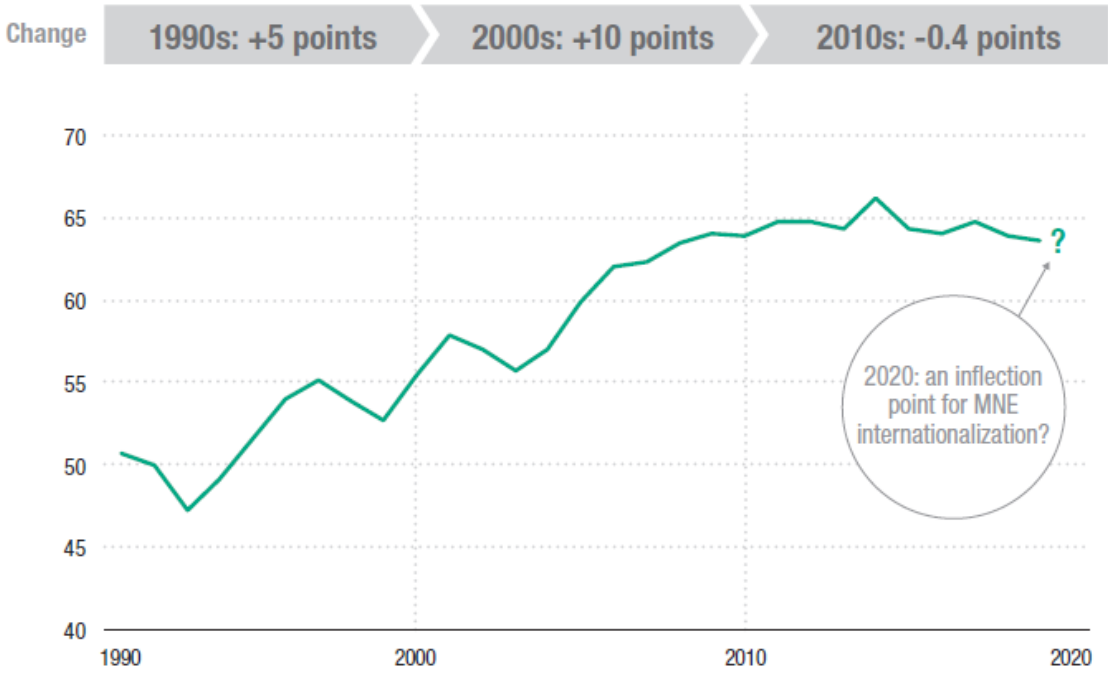


Figure 12: Transnationality Index of Top 100 MNEs

Source: UNCTAD 2020

When we look at the numbers of production, there is an ongoing uptrend for the employment opportunities created by foreign affiliates from 1990 to 2019. In 2019, employment in foreign affiliates increased %3 by reaching 82 million compared to the previous year (UNCTAD 2020).

Table 4: Indicators of FDI and International Production

Item	1990	Value at current prices (\$ billions)			
		2005– 2007 (Pre- Crisis Average)	2017	2018	2019
Total assets of foreign affiliates	6 022	55 267	101 249	104 367 <sup>1</sup>	112 111 <sup>1</sup>
Employment by foreign affiliates (thousands)	27 729	58 838	77 543	80 028 <sup>1</sup>	82 360 <sup>1</sup>

\*Data for 2018 and 2019 are estimated based on a fixed-effects panel regression of each variable against outward stock measured in book value and a lagged dependent variable for the period 1980–2017.

Source: UNCTAD 2020

Within the context of the FDI and GDP relationship, the general assumption is that FDI inflows have a positive impact on the GDP of the domestic countries as they provided additional capital for investments as well as generating new employment and reducing the unemployment rate. The figure below shows net inflows of FDI into Turkey in % of the total GDP of Turkey. As shown below, there was a severe decline between 2007 and 2010 from %3.6 to %1.1 that is followed by a slight recovery in 2011 back to %1.9. Since 2011, the figures were choppy that came down back to %1.1 low levels again in 2019.



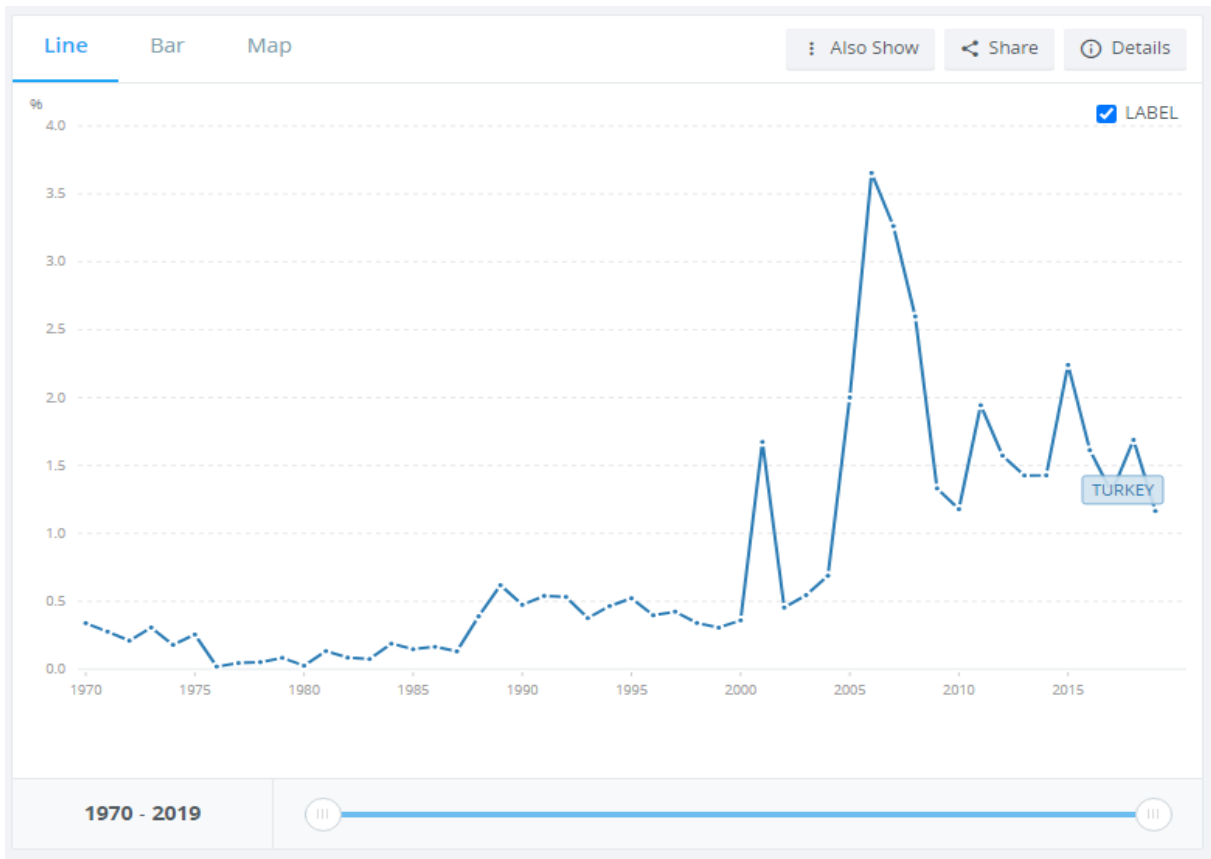


Figure 13: Foreign direct investment, net inflows (% of GDP) – Turkey

Source: World Bank 2020

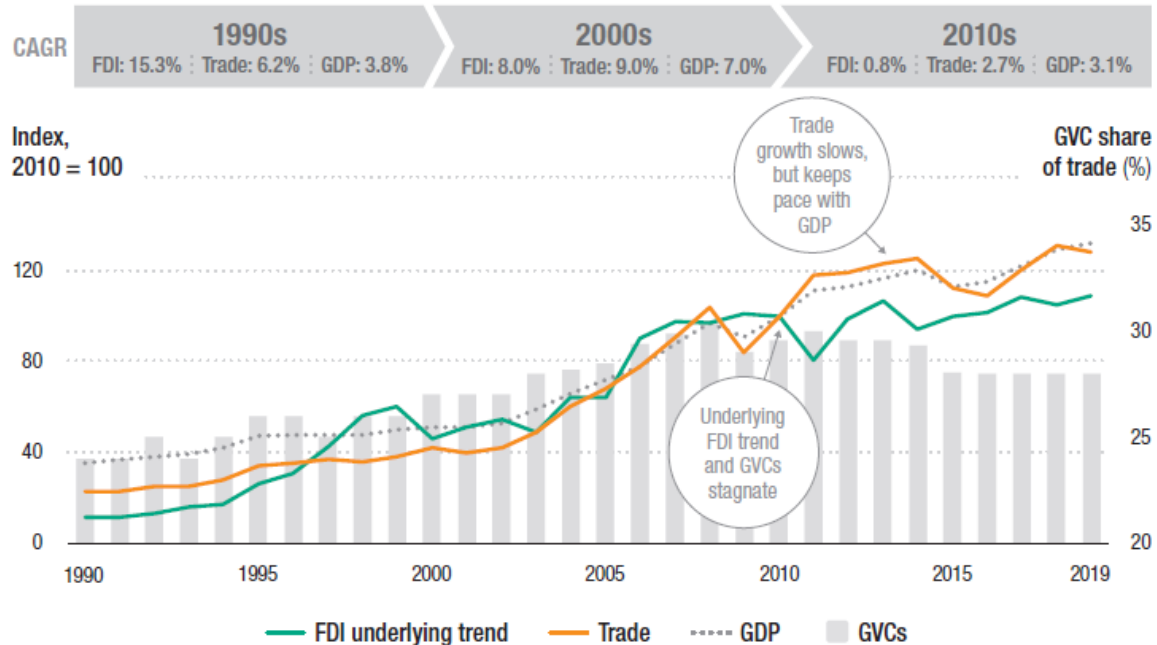
However, the figure below shows net inflows of FDI into Hungary in % of Hungary's total GDP. As shown below, there was a severe decline between 2016 and 2018 from %54.64 to %-41.06 which is followed by a significant recovery in 2019 back to %19.91.



Figure 14: Foreign direct investment, net inflows (% of GDP)

Source: World Bank 2020

Also, the impact of activities of MNCs on economic development through FDI flows can be understood better by looking at the ongoing trend between 1990-2019 in the figure below. Accordingly, during the last 30 years of MNCs' activities, there was a rapid growth recorded for two decades, whereas one stagnation period was realized in the international production



Source: UNCTAD.

Note: Trade is global exports of goods and services. GVC share of trade is proxied by the share of foreign value added in exports, based on the UNCTAD-Eora GVC database (see Casella et al., 2019). The underlying FDI trend is an UNCTAD indicator capturing the long-term dynamics of FDI by netting out fluctuations driven by one-off transactions and volatile financial flows.

Figure 15: 2020 World Investment Report – FDI, Trade, GDP and GVC Trends 1990-2019

Source: UNCTAD 2020

## 2.6. Characteristics of Countries

### 2.6.1. Socio-Economic Characteristics of Hungary

Hungary is a Central-European country with a 9.77 million population in 2019, covering an area of 93,030 square km. Over the last decade, Hungary experienced a strong GDP growth due to increased fund payments received from the EU and rising disposable income. Domestic demand showed a significant increase that helped Hungary to overcome the negative impact of the slowdown in the international economy. Although GDP growth was %4.9 in 2019, the Covid-19 pandemic had a severe impact on the Hungarian economy and -3.1% GDP growth is forecasted in 2020 with an expected recovery back to %4.2 levels in 2021. Also, GDP per capita in Hungary was recorded at 17.4 in 2019.

Table 5: Country Profile of Hungary

Main Indicators	2018	2019	2020 (e)	2021 (e)	2022 (e)
GDP (billions USD)	157.88	160.97	149.94	171.75	184.89
GDP (Constant Prices, Annual % Change)	5.1	4.9	-6.1	3.9	4

GDP per Capita (USD)	16	17.4	15	17	19
General Government Balance (in % of GDP)	-2.7	-2	-6.5	-2.9	-1.7
General Government Gross Debt (in % of GDP)	70.2	65.4	77.4	75.9	73.2
Inflation Rate (%)	2.8	3.4	3.7	3.4	3
Unemployment Rate (% of the Labour Force)	3.7	3.4	6.1	4.7	3.9
Current Account (billions USD)	-0.03	-1.36	-2.35	-1.47	-1.11
Current Account (in % of GDP)	0	-0.8	-1.6	-0.9	-0.6

Source: Nordeatrade 2019

Domestic demand and foreign investments were the main drivers of strong GDP growth in Hungary in 2019. Vehicle and electronic sectors were the primary sectors that attracted the majority of international investors. An increase in wages also led to higher tax income that contributed to the country's general government balance, although there was still a deficit in 2019 that corresponds to %2 of GDP. While %2.4 budget deficit was expected in 2020, -2.2% deficit is estimated in 2021 due to pandemic. Inflation was recorded at %3.4 levels in 2019; a slight increase was expected to %3.7 in 2020. The employment rate was %60.6 in 2019, while the unemployment rate dropped to %3.4. However, a significant negative impact is expected on the unemployment rate due to the pandemic with a 6.1% forecast in 2020.

When we look at the main sectors of the industry in the country, the services sector accounts for %55.3 of GDP and %64 of the labour force.

Table 6: Country Profile of Hungary – Breakdown of Economic Activity by Sector

Breakdown of Economic Activity by Sector	Agriculture	Industry	Services
Employment by Sector (in % of Total Employment)	4.6	32.8	62.6
Value Added (in % of GDP)	3.5	26	55.3
Value Added (Annual % Change)	-0.3	7.5	4.4

Source: Nordeatrade 2019

### 2.6.2. Cultural Characteristics of Hungary

Former social countries of the CEE region were perceived to have a homogenous character by Western politicians and policymakers. However, Hofstede's data showed that it is not possible to define the CEE region as culturally homogenous, although there are some similarities among the countries based on their common cultural ties (Poor 2012).

The table below shows the cultural dimension scores of CEE countries based on the 6-D model developed by Hofstede. Hungary shows the lowest score of 46 in power distance than other countries meaning that Hungarian cultures do not accept the unequal distribution of power and respect hierarchy only for convenience based on a decentralized approach towards power. On the other hand, Hungary has the highest score in individualism with 80, which shows the existence of an individualist society in Hungary. A high score of 88 in masculinity for Hungary shows that its society is driven by competition, achievement, and success. Hungary also has a relatively high uncertainty avoidance score, with 82 proving that Hungarian culture prefers avoiding uncertainty. The relatively low score of 58 in long-term orientation shows Hungarian culture's pragmatic orientation, while a low score of 31 in indulgence shows Hungarians' tendency to cynicism and pessimism.

Table 7: Hofstede Statistics of CEE Countries

Countries	Power Distance	Individualism	Masculinity	Uncertainty avoidance	Long term orientation	Indulgence
Bulgaria	70	30	40	85	69	16
Czech Republic	57	58	57	74	70	29
Hungary	46	80	88	82	58	31
Poland	68	60	64	93	38	29
Romania	90	30	42	90	52	30
Serbia	86	25	43	92	52	28
Slovakia	100	52	100	51	77	28
Slovenia	71	27	19	88	49	48

Source: Hofstede 2019

In conclusion, selected CEE countries show significant cultural differences as shown above, and it indicates the heterogeneous culture in the region, although having some similarities in some of the cultural aspects between different countries.

### 2.6.3. Socio-Economic Characteristics of Turkey

Turkey is a country with a young population of 82 million that is covering a surface area of 785,000 km<sup>2</sup>. Turkey has a free market economy, and both private and public sectors play a significant role in implementing liberal foreign trade policies. Recently, due to structural reforms in the Turkish economy, privatization started to spread in a wide range of sectors. The government tried to improve the economy's strength against the crisis of the international market through structural reforms, including large investments in the infrastructural development of the country. Turkey is recognized as the 18<sup>th</sup> largest economy in the world, and 7<sup>th</sup> largest economy of Europe, and an active member of G-20 countries. Monetary policies by the government are used actively in Turkey to control inflation and achieve macro-economic stability. Tourism revenues play an important role in Turkey's GDP as Turkey is among the most popular tourist destinations in the world.

In the second half of 2018, Turkey experienced a big recession after its currency hit record lows. Turkey's recovery in 2019 was relatively slow after the recession due to only 0.9% GDP growth recorded. Before recovering after the recession period, the Covid-19 pandemic hit Turkey again, and a %5 decrease in GDP growth of Turkey is projected in 2020. A recovery in the Turkish economy is expected in 2021 with a projected %5 GDP growth. There was a %3.5 decline in Turkey's GDP per capita from 9,370 dollars to 9,042 dollars, while it is projected to drop back to 7,000\$ levels in 2020. Also, Turkey recorded a current account surplus of 1.20% of GDP in 2019, and the forecast for 2021 expects a decline back to -3.7%.

Table 8: Main Economic Indicators of Turkey

Main Indicators	2018	2019	2020 (e)	2021 (e)	2022 (e)
GDP (billions USD)	779.6	754.41	649.44	652.41	722.38
GDP (Constant Prices, Annual % Change)	3	0.9	-5	5	4
GDP per Capita (USD)	9	9	7	7	8
General Government Balance (in % of GDP)	-3.7	-5.8	-3.2	-4.1	-4
General Government Gross Debt (in % of GDP)	30.2	33	41.7	45.5	47.3

Inflation Rate (%)	16.3	15.2	11.9	11.9	11.4
Unemployment Rate (% of the Labour Force)	11	13.9	14.6	12.4	10.7
Current Account (billions USD)	-20.75	8.9	-23.76	-5.81	-7.4
Current Account (in % of GDP)	-2.7	1.2	-3.7	-0.9	-1

Source: Nordeatrade 2019

The inflation rate was 15.2% in 2019 compared to 16.3% in 2018 as a result of reduced special consumption tax rate measurement on fuel implemented by the government to reduce the inflation rates. According to the IMF, a decline in inflation rates is expected in 2019 and 2020 back to 11.9%. Although the unemployment rate fell to 13.9% in 2019, it is expected to be affected negatively by the pandemic and increase to 14.6% in 2020.

In terms of main sectors of industry in Turkish economy, %55.9 of value-added to GDP through 55.9% employment opportunities generated are provided by the services sector while industry sector's share was %27.7 with %26.1 employment generation rate. However, the agricultural sector's share was equal to 6.4%. Accordingly, and it corresponded to %18 of the total employment rate. Also, tourism constitutes %4 of the GDP in Turkey as a major source of foreign currency. Although tourism revenues were on a recovery period since 2016 after the negative impact of terrorist attacks and instability in the region, the pandemic will continue to cause severe impacts on Turkey's tourism industry as in other parts of the world.

Table 9: Main Economic Indicators of Turkey – Breakdown of Economic Activity by Sector

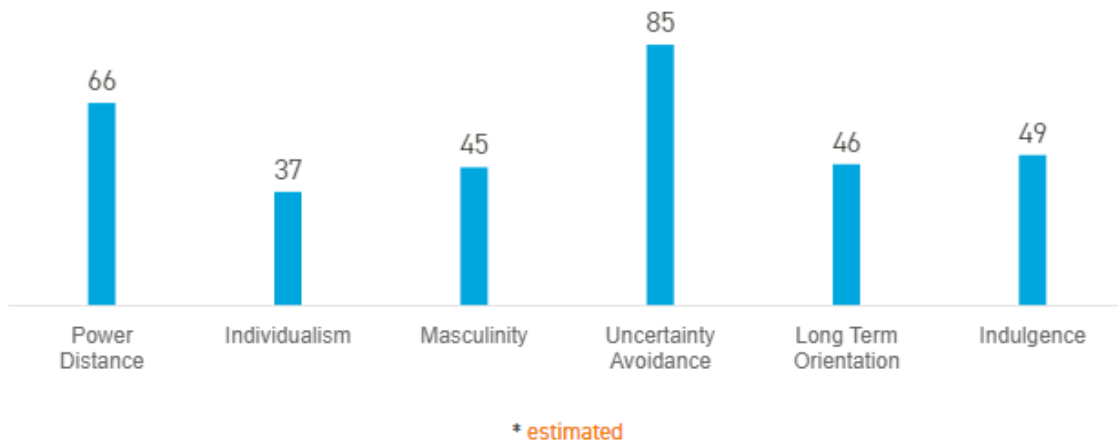
Breakdown of Economic Activity by Sector	Agriculture	Industry	Services
Employment by Sector (in % of Total Employment)	18	26.1	55.9
Value Added (in % of GDP)	6.4	27.7	55.9
Value Added (Annual % Change)	3.3	-2.1	2.5

Source: Nordeatrade 2019

#### 2.6.4. Cultural Characteristics of Turkey

Hofstede model will be our guide in understanding the cultural characteristics of Turkey as well. As shown in the table below, Turkey's power distance score is 66, meaning that power is centralized, and people respect hierarchical order. Accordingly, employees expect to be told what to do and accept control over their decisions and activities. Indirect communication and formal attitude are expected from employees toward their managers. Turkey has a very low score in individualism, with only 37 showing the Turkish culture's collectivist characteristic. The "We" concept is more important for society than the individual approach. Turkey's masculinity score was 45, which puts it on the feminine side of the scale. Turkish culture prefers to avoid conflicts, and feelings of sympathy are highly encouraged.

On the other hand, Turkey had a high score of 85 on uncertainty avoidance. It means that Turkish culture has very little tolerance for uncertainty, and therefore, they need laws and rules to minimize their anxiety in such cases. Religious rituals are the most usual way used just as traditional social patterns by Turkish society. On both long-term orientation and indulgence, Turkey has an intermediate score of 46 and 49, meaning that none of the cultural sides of these dimensions is preferred by Turkish culture either way.



Turkey

Figure 16: Hofstede Statistics of Turkey

Source: Hofstede 2020

### 3. MATERIALS & METHODS

#### 3.1. Research Objective

In this study, IHRM policies and practices will be examined at local subsidiaries of MNCs in emerging and transition economies based on the data collected by local subsidiaries of MNCs in Turkey & Hungary. The data collected and the research model developed by The Central and Eastern European International Research Team (CEEIRT) will be the basis of the empirical part of the study.

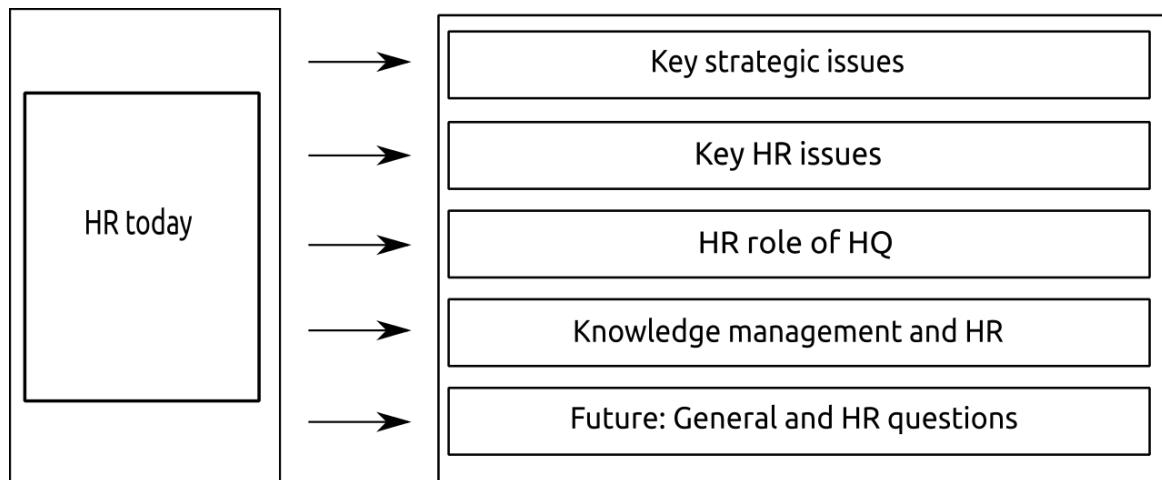
CEEIRT consists of several researchers from different universities from the Central and Eastern European (CEE) Region. The main goal of this long-term project is investigating the transition of HR practices and roles in Multinational Company (MNC) subsidiaries, as these challenges occur in both emerging and transition countries. Accordingly, the first survey round was carried out in 2009-2010, and CEEIRT continues their research. The main contribution of this study will be providing a comparative analysis between Turkey representing Emerging Economies and Hungary representing the CEE region to understand the differences of HR policies and practices adopted by the local subsidiaries.

#### 3.2. Research Model

Primary research areas will be shaped around be model, which is developed by CEEIRT based on the results and analyses of their international partners.

*HR planning + Recruitment and Selection + Performance Evaluation + Training and Development + Talent management + Compensation and Benefits + Employee Relations + Communication + HRIS + Other HR related area(s)*

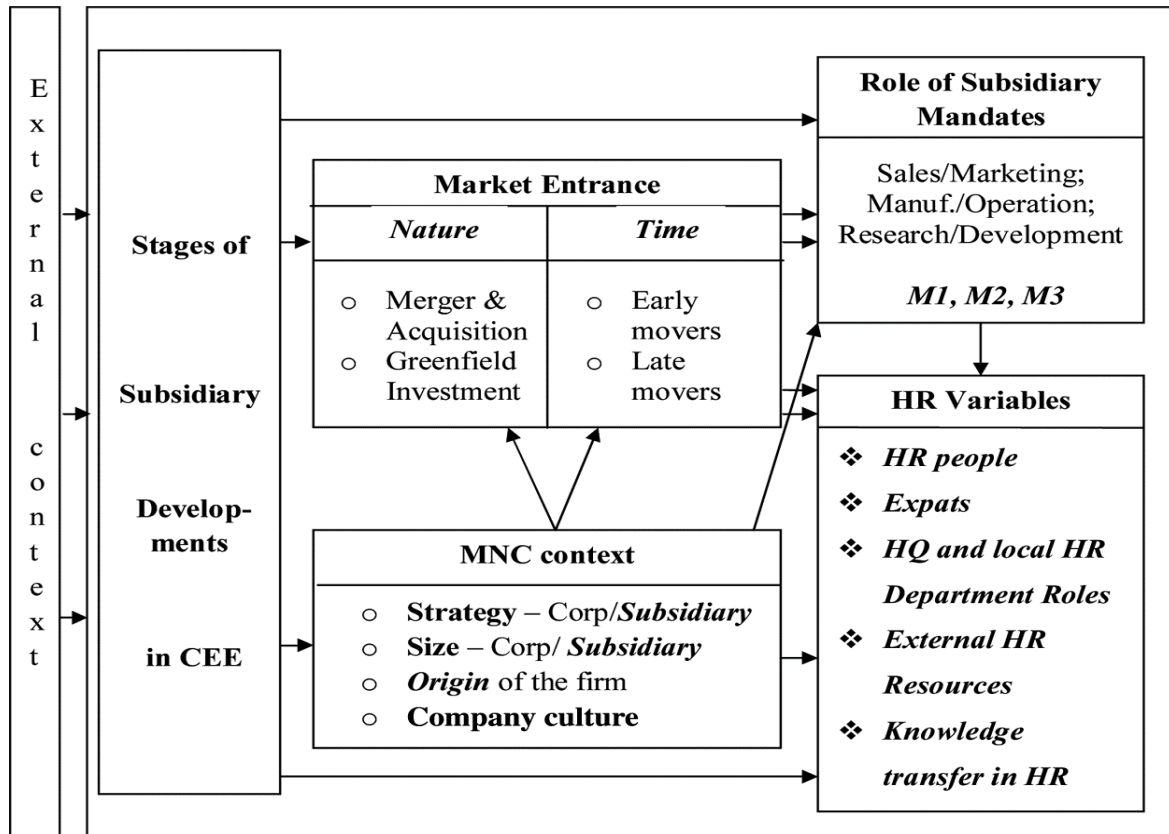
Table 10: CEEIRT Research Model – 1



Source: Poor et al. 2017

In more details, as shown below, the research model developed by CEEIRT will be implemented in this study, which takes into consideration major external and internal factors which have a significant impact on MNCs' operations at their local subsidiaries.

Table 11: CEEIRT Research Model – 2



Source: Poor et al. 2017

According to the research model, major phases of company development and HR implications are classified under six categories.

- Stage one and two focus on privatization and firm establishment, characterized by the transition process central planning system to a market economy in which private ownership is allowed.
- Stage three and four is related to restructuring and development, which led to the rise of newly privatized or established companies' power parallel to increased foreign capital inflow and economic development in the region. HR's key role expands from contribution to institutional changes and transformation to help people gain new competencies and capabilities.
- Stage five is regarding consolidation and renewal, which emphasizes the necessity of continuous renewal for the companies to cope with the global market's intensely competitive environment. Companies do not make any more short or long period of reconstruction efforts. In this stage, HR carries a more significant role as the emergence of the new economy and the increasing importance of the knowledge and continuous renewal, and these changes serve as a driving force for HR.
- Stage six and seven refer to crisis and recovery after the global crisis in 2008, which had an impact on HR practices.



### 3.2.1. Origin of a Company and Orientation of Corporate Management

Depending on the origin of MNCs and the strategic orientation of corporate management, local subsidiaries follow different internationalization strategies. Accordingly, as their local HR policies and activities would be in alignment with the orientation of corporate management, it would have a direct impact on the formulation of HRM policies and practices at local subsidiaries.

### 3.2.2. Form of Establishment (Nature) and Year of Establishment (Time of Market Entry)

Merge & Acquisition and Greenfield are two types of forms of establishment for local subsidiaries of MNCs which have an impact on their development pattern. Also, the time of market entry may significantly impact MNCs in terms of production of a product or service earlier than others, which would potentially provide a competitive advantage. Additionally, HR policies and practices of local subsidiaries may be affected by these two factors directly or indirectly.

### 3.2.3. Subsidiary Mandate

According to the research model, the roles of subsidiaries will be identified by asking ‘main roles of the subsidiaries’ and ‘main roles of the other subsidiaries in the country’ to the respondents. Research & development, purchasing, production & services, sales & marketing and other types of roles will be asked to the respondents from the subsidiaries. A sample of the question regarding ‘roles of subsidiary’ can be seen below. Accordingly, M1 refers to research & development, M2 refers to purchasing, M3 refers to production and services, M4 refers to sales & marketing, and M5 refers to other roles that the respondents will state.

Table 12: Role of Subsidiary in Value Chain

	A.	B.	C.	D.	E.
	Research & Development	Purchasing	Production/ Service	Sales & Marketing	Other:..... .....
Main roles of the respondent subsidiary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Main roles of the other subsidiaries in the country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Source: CEEIRT 2020

### 3.2.4. Strategic Orientation of MNCs

Strategic orientation refers to MNCs' goal while entering a foreign market, which is generally minimization costs and maximization of income for increasing the revenue of their companies. Growth & market expansion, stability, cut-back, outsourcing, and other strategic issues can be possible strategic goals of MNCs in this context. No matter what the strategic orientation of a MNC while entering a foreign market is, this process requires coordination of HR policies and activities across the borders. Therefore, there is a close relationship between the HR characteristics of local subsidiaries and MNCs' strategic orientation.

Table 13: Key Strategic Issues

Year	Growth, market expansion	Stability	Cut-back, outsourcing	Other:.....
2018	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Source: CEEIRT 2020

### 3.2.5. The HR Role of Corporate Headquarters

Interdependence between the headquarter and subsidiaries was examined by FARNDALE et al. (2010) in terms of sharing of the international corporate HR roles. The relationship and allocation of HR roles between the corporate HQ and local subsidiary are other aspects that will be investigated in this study. It will be identified through the question asked to the respondents below.

Table 14: Primary HR Role Played by Corporate Headquarter

Primary role of Corporate HR	2019
Provide autonomy both in decision-makings and in implementation	<input type="checkbox"/>
Provide general guidelines and framework for HR actions	<input type="checkbox"/>
Provide detailed HR models, policies, procedures and rules	<input type="checkbox"/>
Centralized decision-making with tight control	<input type="checkbox"/>

Source: CEEIRT 2020

### 3.3. Research Areas

This study aims to cover the following research areas:

- *Characteristics of the Subsidiaries Participated in the Survey:* Gives information about the most important organizational and economic characteristics of the subsidiaries by asking questions regarding the origin of the parent company, establishment year of the subsidiary, sector of the company, size of the organization based on its revenue and number of the employees, development direction.
- *Key indicators of HR functions:* Gives information about the number and workload of HR department employees, the main indicators showing the importance, results, efficiency and characteristics of the HR activities such as labour cost-total cost ratio, age of the employees, relative rate of the training budget, fluctuation level and absence rate.
- *Most important HR characteristics of the period researched:* Gives information about the importance of the HR function, the share of the roles between central and local HR, local and foreign expats, the role of local HR in development and operation of different HRM subsystems, the most significant key competencies and primary sources of professional development of the respondent.
- *Knowledge management implementation of HR field:* Gives information about main direction, methods, and characteristics of the knowledge flow.
- *The future of HR:* Gives information about the most critical changes from the HR perspective, which are expected to occur in the next 12-24 months.
- *Data of the respondents:* Provides data regarding the current HR department and its employees.

Accordingly, there will be two separate sections for Hungary & Turkey, revealing results according to the data collected from the questionnaire. All the research areas mentioned above will be given for both countries, and comments will be made with a comparative approach. In addition to the research areas above, an additional subsection for FDI and employment will take place in both sections. It will consist of subsections such as given below:

- Countries of origin
- Sectoral distribution
- The number of foreign enterprises
- Employment
- The number of enterprises with foreign interest by the number of staffs

Is it noteworthy that the data regarding FDI statistics of both countries will be retrieved by the latest report of the United Nations and the World Trade Organization and the countries' national statistical databases when it is required.

### **3.4. Data Collection and Analysis**

In this study, firstly, a literature review will be carried out to develop an understanding of the IHRM policies and practices at local subsidiaries of MNCs in the transitional and emerging environment by examining the characteristics, variables, approaches, concepts and conducted research in the literature. Therefore, as of the theoretical character of the first part of the study, this section will be based on the systematic review of the literature. Secondary data like journals, papers, websites, and various magazines will be the primary sources used in the study to explain the IHRM policies and practices at local subsidiaries of MNCs in the transitional and emerging environment.

The data collected by the CEEIRT research team as part of their long-term project will be used for doing analyses. Within this context, Hungary with 87 respondents from the 2019-2020 period, provide the necessary data for analysis while 105 respondents participated in the study from the local subsidiaries of Turkey based on the empirical survey conducted by using the same standardized CEEIRT questionnaire prepared based on the research model of the study. The data from local subsidiaries of MNCs in Turkey are collected mainly through online questionnaire by contacting HR representatives and managers of the companies through LinkedIn, e-mail, and personal network channels. Naturally, the pandemic situation preventing us from travelling to Turkey has been an obstacle in collecting potentially more data with on-site visits and face-to-face interviews.

The sampling technique used for primary data will be convenience sampling, which is a specific type of non-probability sampling method based on collecting data from the conveniently available participants of the study sample. In other words, the first available primary data source from the local subsidiaries will be used as it would be "convenient" for existing contacts to be able to collect the data, especially if you are doing research on organizations such as in our study.



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Figure 17: A Sample of CEEIRT Questionnaire

Source: CEEIRT 2020

The data collected from the questionnaire about Hungary and Turkey will be analysed with descriptive statistical models such as frequency, distribution, and average. Also, correlation and Chi-square analysis and detailed crosstab analysis methods will be applied for the relevant survey questions via SPSS software to identify the statistically significant relationships between variables.

### 3.5. Hypotheses

According to the identification of the correlations among the variables of the research model, the hypotheses below can be put forward:

**H1:** The parent companies' origin has an impact on the characteristics of HR policies and activities at local subsidiaries.

**H2:** Characteristics of HR policies and activities are affected by the establishment time of the local subsidiary.

**H3:** Characteristics of HR policies and activities are affected by the establishment form/type (market entry) of the local subsidiary.

**H4:** Strategic orientation of the parent company has an impact on the characteristics of HR policies and activities at the local subsidiaries.

**H5:** The size of subsidiaries/the total number of employees affect the HR policies and activities of local subsidiaries.

**H6:** Role of headquarter within the context of primary responsibilities affect the characteristics of HR activities and policies at subsidiaries.

## 4. RESULTS & DISCUSSION

### 4.1. Turkey

#### 4.1.1. Characteristics of the Respondents Participated in the Survey

There were total 105 companies participated in the survey from Turkey. However, as it was not mandatory to answer all the items in each question with multiple subcategories, a total number of responses may show differences for each question.

##### 4.1.1.1. Qualification

Answers given to the question about the qualification of the respondents revealed that %54.3 (57) of the respondents were holders of “Master’s degree” while %45.7 (48) of the respondents were holders of “Bachelor’s degree”. There was not anyone with a PhD degree among the respondents.

Qualification  
105 responses

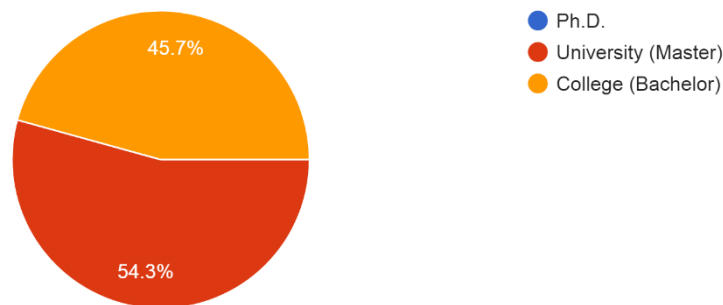


Figure 18: Qualification

Source: Author’s Own 2021

In terms of specialization, two-third of the respondents with %65.7 (69) were graduates of the “Social Sciences” field whereas almost one-third of the respondents with %31.4 (33) graduated from the field of “Engineering”. The rest of the respondents with %2.9 (3) were specialized in other field fields of “economy, “tourism management” and “business information management”.

Specialization  
105 responses

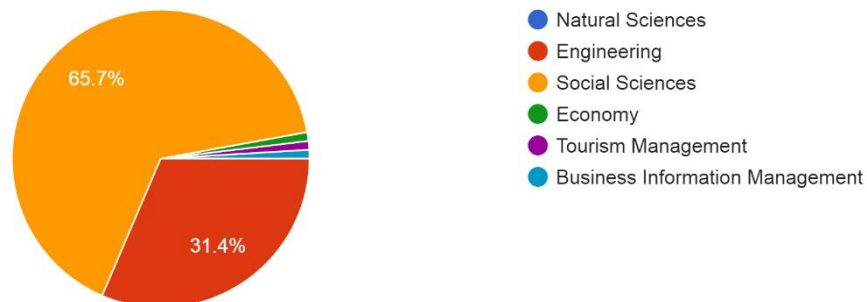


Figure 19: Specialization

Source: Author's Own 2021

#### 4.1.1.2. Current Position

Almost two-third of the respondents who participated in our study from Turkey were “HR managers” with %32.4 (34) and “HR professionals” with %30.5 (32) that is followed by people working in “HR Director / Head of Department” positions that correspond to %18.1 (19) of total respondents. There were 7 (%6.7) CEOs, and the rest of the participants were mostly from different management positions but not directly from the HR department.

Current Position  
105 responses

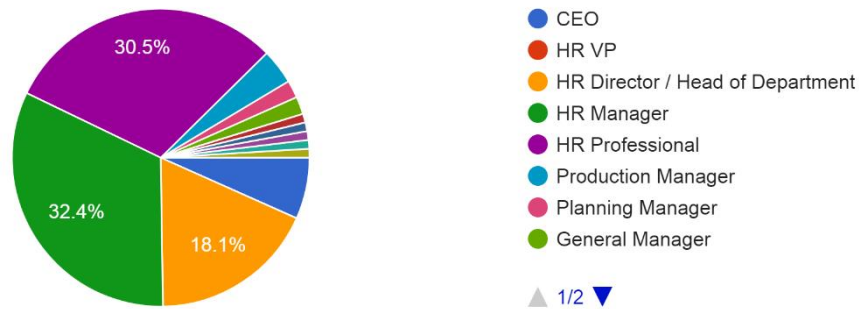


Figure 20: Current Position

Source: Author's Own 2021

#### 4.1.1.3. Years of Service

Years of their service in their current positions was also asked to the respondents. One-third of the respondents with %33.3 (35) have been working in their current position for “0-3” years. The number of respondents who have been in their current position for “3-5” years and “5-10” years showed close results to each other that accounted for %22.9 (24) and %23.8 (25). Also, %11.4 (12) of the respondents have been working in their current position for “10-15” years, whereas only %8.6 (9) of the respondents have been providing a service for “more than 15 years” in their current position.

Years of Service in Your Current Position  
105 responses

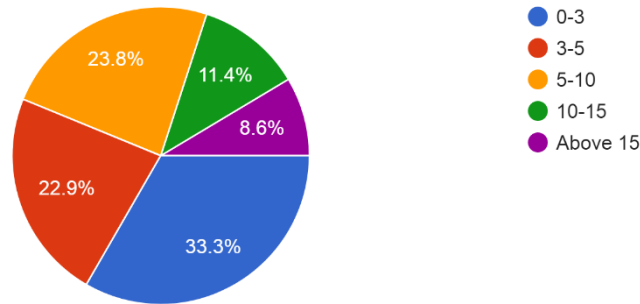


Figure 21: Years of Service

Source: Author's Own 2021

#### 4.1.2. Characteristics of the Companies Participated in the Survey

##### 4.1.2.1. Number of Subsidiaries

Responses given to the question about the number of subsidiaries of their MNC in Turkey revealed that the majority of the companies had “only 1 subsidiary” operating in the surveyed country that accounts for %74.3 (78) while only %25.7 (27) of the companies had more legally independent subsidiaries in Turkey besides their subsidiary.

Number of subsidiaries of the multinational company in the surveyed country  
105 responses

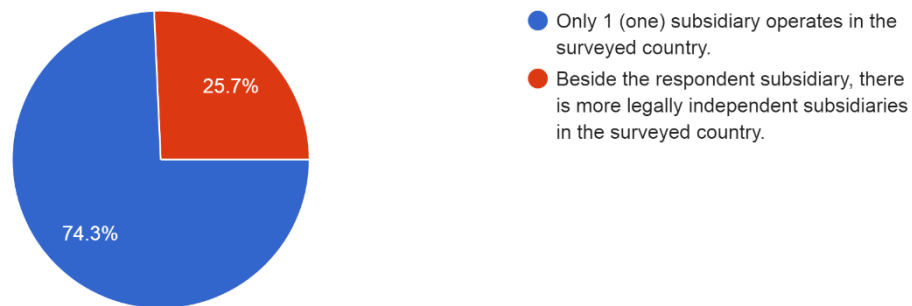


Figure 22: Number of Subsidiaries

Source: Author's Own 2021

##### 4.1.2.2. Main Roles of Subsidiaries

The respondents could give multiple answers to the question regarding their subsidiary's main roles in the whole MNC value chain. The majority of the subsidiaries were responsible for providing “Mandate 3: Production & Services” which corresponds to %80 (84). “Mandate 4: Sales & Marketing” related activities were the second common subsidiary role that is selected by %70.5 (74) of the respondents. The number of responses “Mandate 1: Research & Development” and

“Mandate 2: Purchasing” were close to each other with %31.4 (33) and %25.7 (27). Also, there was “1” answer for “Mandate 5: Other” that accounted for “Online Trade”.

Main Roles of Subsidiary in Value Chain (Please, indicate in the table below what activities of the value chain are done the subsidiary - MA=multiple answers)  
 105 responses

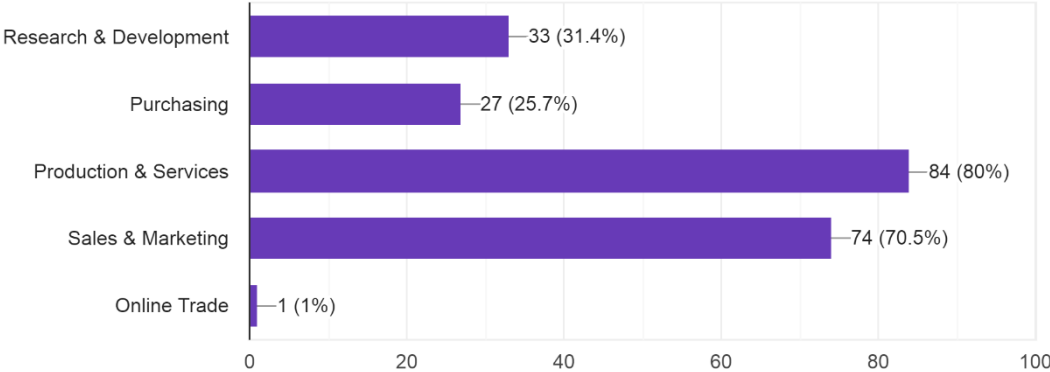


Figure 23: Main Roles of Subsidiaries

Source: Author’s Own 2021

However, there were 29 participants who reported that there are more legally independent subsidiaries of their MNC in Turkey, and they provided responses regarding the main roles of other subsidiaries as well. Similar to the responses given for the main roles of the respondent subsidiary, the majority of the other subsidiaries were mainly responsible for “Mandate 3: Production & Services” that corresponds to %82.8 (24), and it is followed by other subsidiaries carrying out main roles of “Mandate 4: Sales & Marketing” with %72.4 (21). Differently, “Mandate 2: Purchasing” was the primary role of more subsidiaries with %41.1 (12) compared to “Mandate 1: Research & Development” with %31 (9).



Main Roles of Other Subsidiaries in Value Chain (Please, indicate in the table below what activities of the value chain are done the subsidiary - MA=m...han 1 subsidiary operates in the surveyed country  
29 responses

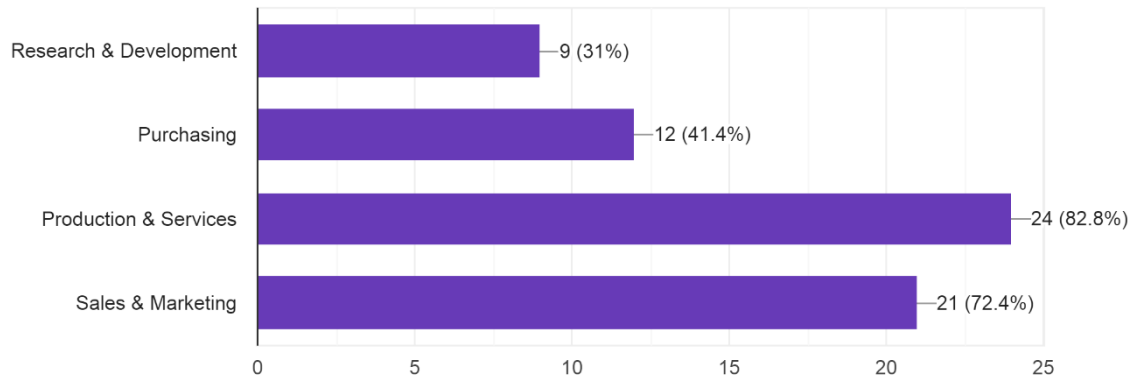


Figure 24: Main Roles of Other Subsidiaries

Source: Author's Own 2021

#### 4.1.2.3. Major Business Sector of the Subsidiary

The sectoral distribution of the subsidiaries from Turkey's research sample showed that more than half of the subsidiaries carry out their business activities in the “industry” sector that accounts for %57.1 (60) of total responses. A quarter of the respondents with %25.7 (27) reported that the major business sector of their subsidiary was the “Trade (wholesale, retail and warehousing)” sector. While there were 12 subsidiaries (%11.4) were from the “Financial services” sector, the rest of the subsidiaries with %5.7 (6) were reported to be from the “Other services” sector.

The major business sector of your subsidiary  
105 responses

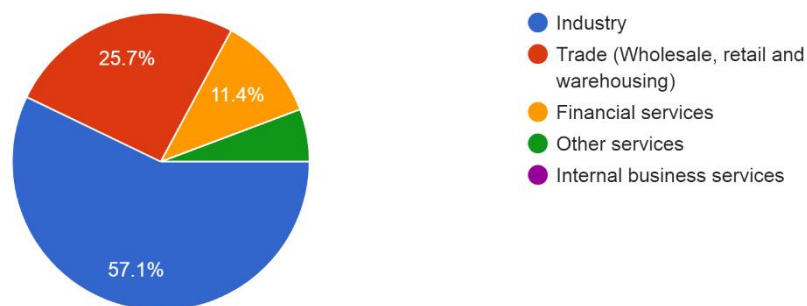


Figure 25: The Major Business Sector of Subsidiary

Source: Author's Own 2021

#### 4.1.2.4. Establishment Year

When we examined the establishment year of subsidiaries who participated in the survey, there were 43 (%41) subsidiaries established “Before 1995” in Turkey. A quarter of the respondent

subsidiaries with %24.8 (26) were established between “1995-2000”. While there were 15 companies (%14.3) established between “2006-2010”, %11.4 (12) of the subsidiaries from Turkey were established “After 2010”. Finally, only %8.6 (9) of the subsidiaries were established during “2001-2005”.

Establishment year of your subsidiary in your country  
105 responses

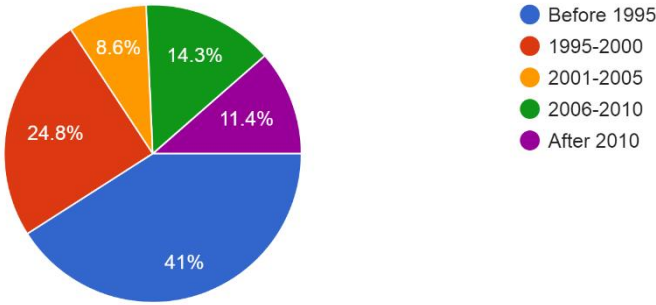


Figure 26: Establishment Year of Subsidiary

Source: Author’s Own 2021

**4.1.2.5. Establishment Form/Type**

The establishment form/type of subsidiaries was another variable examined in this study. There was a close-to-even distribution among the participating subsidiaries in terms of their establishment form. While 57 companies (%54.3) were established as a result of “Merger & Acquisition”, %45.7 (48) of the subsidiaries were established as “Green-field” investments in Turkey.

Establishment form/type of your subsidiary in your country  
105 responses

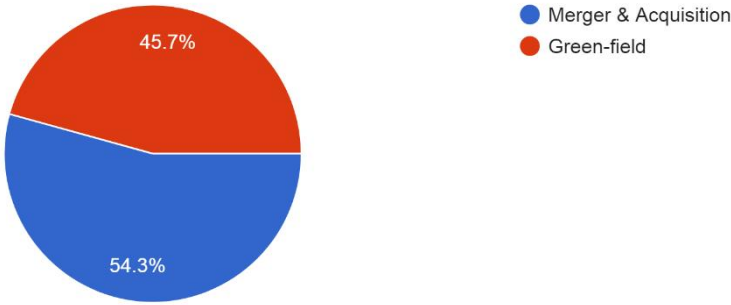


Figure 27: Establishment Form/Type of Subsidiary

Source: Author’s Own 2021

#### 4.1.2.6. Origin of Parent Company

There were 20 different national origins of the parent companies that chose to invest in Turkey through establishing their subsidiaries that consist of Austria, Belgium, China, Denmark, England, France, Germany, Italy, Japan, Qatar, Lebanon, Netherlands, Poland, Russia, South Korea, Sweden, Switzerland, Turkey, USA and Ukraine.

The national origin of your parent company (Please, indicate the country of headquarters of the parent company)

105 responses

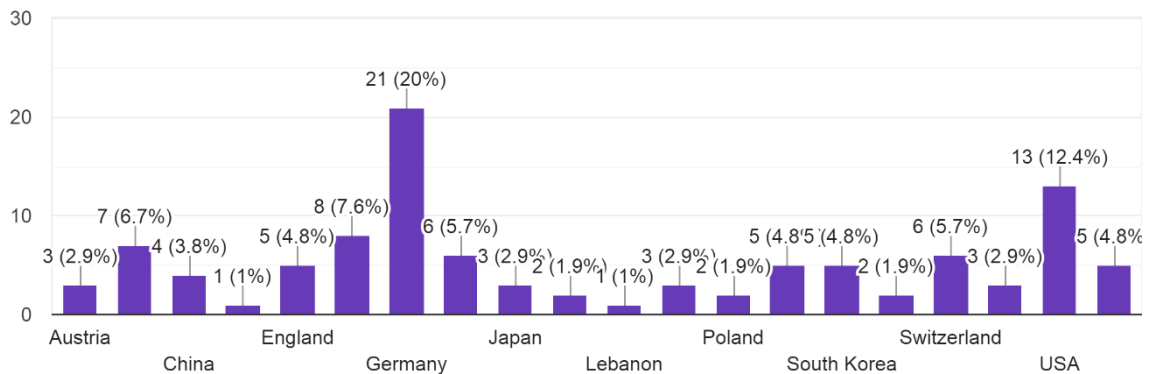


Figure 28: The National Origin of Parent Company

Source: Author's Own 2021

#### 4.1.2.7. Culture of Parent Company

There is a classification created in the below table based on the origin of the responding companies to examine their management culture. Given responses show that the highest proportion of the companies from the sample analysed with %28.6 (30) belongs to “Germanic” management culture. “Anglo-Saxon” management culture with %17.1 (18) and “Francophile” management culture with %14.3 (15) were the following most common company cultures for MNCs of subsidiaries from Turkey. There was the same number of responses that accounted for 12 respondents (%11.4) for both “Asian” and “Central and Eastern European” management culture. Also, the rest of the answers were distributed evenly by given 6 responses for each “South American and Latin”, Nordic” and “Other” management cultures.

Table 15: Continental/Regional Origin of the Responding Companies

Continental/Regional Origin of the Responding Companies (Culture)	Frequency	Distribution
Germanic	30	28.6%
Anglo-Saxon	18	17.1%
South European and Latin	6	5.7%
Asian	12	11.4%

Nordic	6	5.7%
Central and Eastern European	12	11.4%
Francophile	15	14.3%
Other	6	5.7%
Total	105	100.0%

Source: Author's Own 2021

#### 4.1.2.8. Subsidiary Development

Within the context of subsidiary development, the subsidiaries' key strategic issues in the given period were asked to the respondents. As shown in the graph below, most of the subsidiaries had their business strategies developed in concerns of “Growth and market expansion” that correspond to %60 (32) of the respondents. “Stability” was the key strategic issues for one-third of the subsidiaries with %33.3 (35), whereas only %5.7 (6) subsidiaries’ key strategic issue was regarding “cut-backs and downsizing”. There was “1” respondent who reported that “Challenges of the Covid-19 pandemic” was the key strategic issue for their subsidiary in 2020.

What was the key strategic issues (general business strategies) your subsidiary was facing during this period?

105 responses

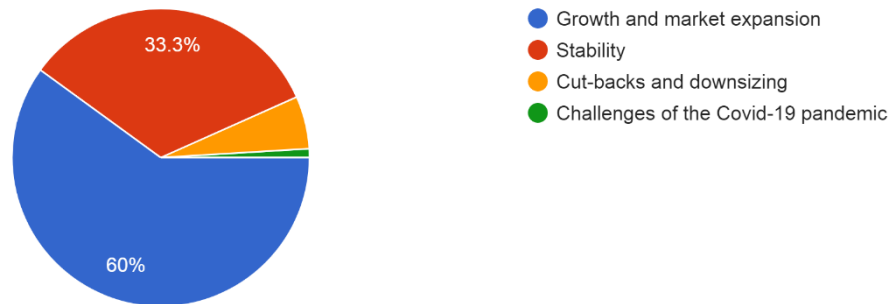


Figure 29: Key Strategic Issues of the Subsidiary

Source: Author's Own 2021

#### 4.1.2.9. Competitive Factors

The responses given to the question about the competitive factors in the subsidiaries in the given period revealed that “quality of workforce” is the most frequently chosen response among the respondents that is followed by “financial resources” with %59 (62). “Quality of management” was reported as a competitive power by 55 respondents (%52.4), while “production technology” was a competitive factor for 51 subsidiaries (%48.6). While 43 respondents (%41) emphasized “optimal plant/organization size” as a key source of competitive power for their subsidiaries, “low labour costs” was considered as a key competitive advantage by only 23 subsidiaries (%21.9).

What were the competitive factors in your subsidiary during the specific time period? (Please, indicate what were the main competitive factors!- (MA=multiple answers)

105 responses

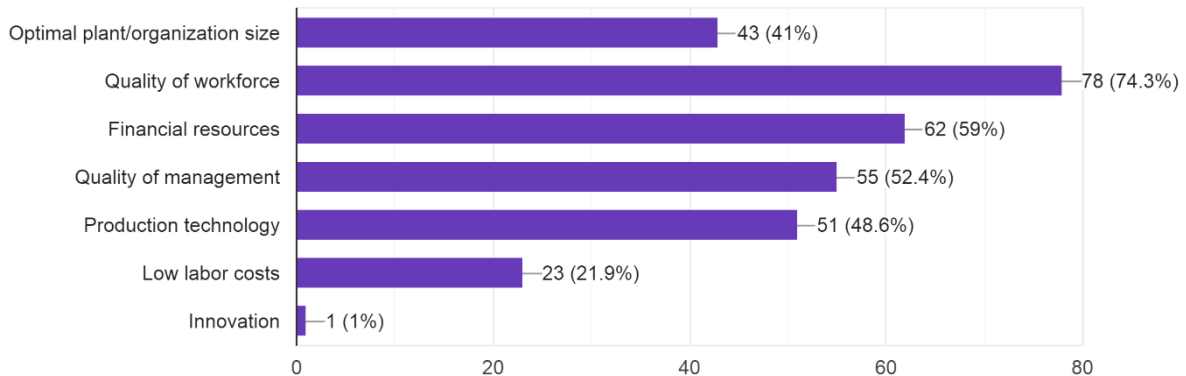


Figure 30: Competitive Factors at the Subsidiary

Source: Author's Own 2021

### 4.1.3. HR Variables

#### 4.1.3.1. Total Number of Employees & HR Staff

More than half of the respondents that corresponds to %54.3 (57) were subsidiaries of large MNCs that have more than 250 employees, as can be seen in the table below. %45.7 (48) of the subsidiaries had total employees below 250 in the organization. Also, there was a significant number of subsidiaries with “Over 5000” total employees that accounted for %16.2 (17).

Table 16: Total number of employees of the company

Total number of employees of the company	Frequency	Distribution
Below 250	48	45.7%
251-1000	28	26.7%
1001-2000	8	7.6%
2001-5000	4	3.8%
Over 5000	17	16.2%
Total	105	100.0%

Source: Author's Own 2021

The total number of the employees from the respondent subsidiaries who participated in the survey in Turkey in 2019 was 283074, showing that there were large capital companies with thousands of employees have contributed to this study. These companies also had 2896 total HR staff to provide services for their employees, meaning that each HR professional supported 97.75 employees. While there were only 12 subsidiaries without an HR department and specialized HR professionals, respondents with “1-4 persons”, “5-10 persons” and “Over 20 persons” total number of HR staff were relatively close to each other.

Table 17: Total number of employees & HR staff & Employees per HR position

Year	Total Number of Employees	Total Number of HR Staff	Employees Per HR Position
2019	283074	2896	97.75

Source: Author’s Own 2021

Table 18: Total number of HR staff

Total Number of HR Staff	2019
None	12
1-4 persons	29
5-10 persons	26
11-15 persons	13
16-20 persons	1
Over 20 persons	24
<b>Total</b>	<b>105</b>

Source: Author’s Own 2021

**4.1.3.2. Annual Training Budget**

When annual payroll costs spent on training was asked to the respondents, almost half of the respondents with %45.7 (48) declared that their annual training budget was %1-3. While %25.7 (27) subsidiaries allocated “Below %1” for the training, %20 (21) of the subsidiaries used “%3-5” of their annual payroll budget for the training, they provided. Finally, only %8.6 of subsidiaries spent on training “Over %5” from their annual payroll budget that accounted for 9 respondents.

Annual training budget (Please, provide the annual payroll costs spent on training)  
105 responses

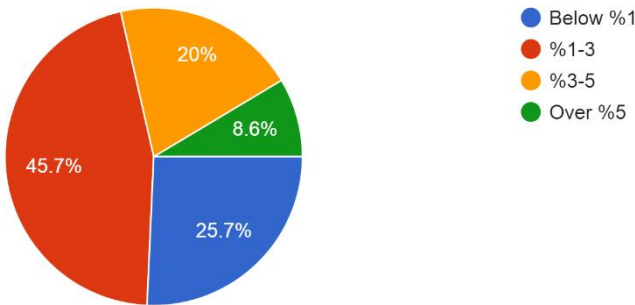


Figure 31: Annual Training Budget

Source: Author’s Own 2021

#### 4.1.4. HR Organisation, Players and Roles

##### 4.1.4.1. Primary HR role of Corporate Headquarter

Also, the relationship between headquarters and subsidiary was examined in terms of headquarters' role and impact on the subsidiaries' HR activities and policies. Almost half of the respondents with %51.4 (54) reported that their corporate headquarter provided autonomy to their subsidiaries for both in decision making and their implementation. Some of 28.6% (30) of the subsidiaries have been provided with general guidelines and framework for their HR actions by their headquarter. While detailed HR models, policies, procedures and rules were provided for 17.1% (18) of the subsidiaries by their headquarter, only 3 subsidiaries were subject to centralized decision-making policies with tight control over their HR policies and actions corresponded to 2.9% of total respondents.

What was the primary HR role played by your corporate headquarter during this period? (Please mark the most typical roles of the HR department at your company - MA=MULTIPLE ANSWER)  
105 responses

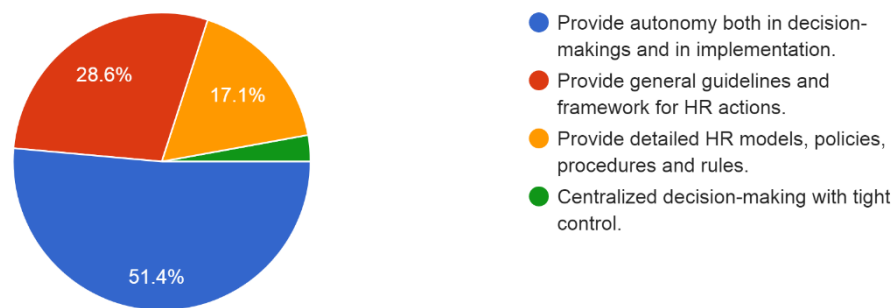


Figure 32: Primary HR Role Played by the Corporate Headquarter

Source: Author's Own 2021

##### 4.1.4.2. Critical HR Issues

When the respondents were asked to rate the most critical HR issues experienced in the given period, "Health & Safety" was reported as the most critical HR issues with a 4.32 average answer point for the subsidiaries in Turkey. It is followed by "recruitment" with 4.03 and by "human resource planning" with 3.91 average answers given by the respondents. The rest of the critical HR issues have been rated between 3.53 and 3.08 average answer points besides "compensation and benefits" with 2.84 and "HRIS" with 2.36 average points that constituted the least critical HR issues considered by the respondents.

Table 19: Critical Human Resource (HR) Issues Experienced

Critical Human Resource (HR) Issues Experienced	Average of the Answers
Health & Safety	4.32
Recruitment	4.03

Human Resource Planning	3.91
Communication	3.53
Training and Development	3.48
Employee Relations	3.45
Performance Evaluation	3.37
Selection	3.36
Talent Management	3.08
Compensation and Benefits	2.84
HRIS	2.36

Source: Author's Own 2021

#### 4.1.4.3. Primary Responsibility for Major Policy Decisions

The responses given to the question about who takes primary responsibility for major policy decisions on these issues, the highest total answers were received for “compensation and benefits” with 79 responses that fell under the responsibility of “local HR department in consultation with local line management”. It is followed by the “Human resource planning” function with 58 answers and by the “Recruitment” function with 54 answers that are stated as in the main responsibility of “local HR department in consultation with line management” again. On the other hand, the “Communication” function with 57 responses has been reported as the primary responsibility of the “local HR department (independently)” in the subsidiaries from Turkey. As shown in the table below, the primary responsibility of other key functions of HR seems to be distributed unevenly among local line management and HR departments.

Table 20: Key Functions of HR

Key functions of HR	Local line management	Local line mgt. in consultation with HR department	Local HR department in consultation with local line management	Local HR Department (Independently)
Human Resource Planning	15	8	58	24
Recruitment	15	6	54	30
Selection	14	7	36	48
Performance Evaluation	22	26	30	27
Training and Development	21	9	36	39



Talent Management	25	10	42	27
Compensation and Benefits	12	5	79	9
Employee Relations	21	9	27	48
Communication	18	12	18	57
HRIS	15	12	39	39
Health & Safety	18	12	30	45

Source: Author's Own 2021

#### 4.1.4.4. External HR Service Providers

The role of external HR service providers in the key functions of HR was also examined in the subsidiaries. As shown in the table below, in general, the role of external HR service providers in subsidiaries from Turkey was at the minimum level. External providers were used least for HR functions of “performance evaluation”, “communication” and “employee relations”. Subsidiaries chose to benefit from external HR service providers most for “Health & Safety” matters. “Training and development” and “Recruitment” were other key HR functions that have been subject to getting the support of external HR service providers in subsidiaries in Turkey.

Table 21: Role of External HR Service Providers

Role of External HR Service Providers	Increased	Decreased	Same	External providers are not used
Human Resource Planning	15	15	24	51
Recruitment	30	18	24	33
Selection	27	15	24	39
Performance Evaluation	6	3	27	69
Training and Development	27	24	27	27
Talent Management	15	6	24	60
Compensation and Benefits	15	3	39	48
Employee Relations	15	6	21	61
Communication	21	6	15	63
HRIS	27	9	27	42
Health & Safety	45	3	27	30

Source: Author's Own 2021

## 4.1.5. Expatriation

### 4.1.5.1. Foreign Expatriates

There were foreign expatriates at %38.1 (40) of subsidiaries on assignment for more than 6 months, whereas %61.9 (65) subsidiaries had no foreign expatriates in their organization.

Are there any expatriates at your subsidiary in assignment for more than 6 months?

105 responses

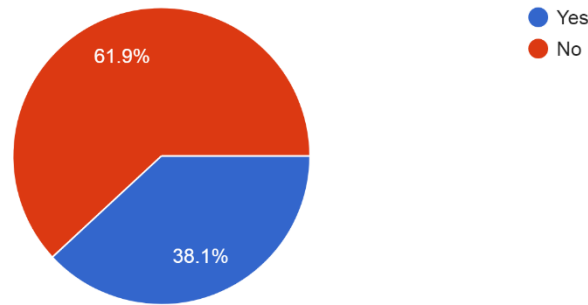


Figure 33: Foreign Expatriation

Source: Author's Own 2021

The total number of foreign expatriates who arrived at the subsidiaries in Turkey from managerial positions were 279, while there were 215 expatriates from non-managerial positions. The highest frequency among the number of arriving foreign manager expatriates belonged to “2-3” with 12 given responses. When we look at the responses given for non-managerial positions, the total number of subsidiaries with expatriates from non-managerial positions were 23. All of the subsidiaries had foreign manager expatriates at some point, but 17 of them had no foreign expatriates from non-managerial positions. “2-3 persons” of non-managerial expatriates had the highest frequency among the subsidiaries in Turkey, whereas none of the subsidiaries received employee expatriates in “6-10” and “16-20” persons.

Table 22: Distribution of Foreign Expatriation

Number of Subsidiaries with Foreign Expatriates	In managerial position		In non-managerial position	
	Frequency	Distribution	Frequency	Distribution
1 person	3	7.1%	3	13.0%
2-3 persons	12	28.6%	10	43.5%
4-5 persons	8	19.0%	3	13.0%
6-10 persons	8	19.0%	0	0.0%
11-15 persons	4	9.5%	2	8.7%
16-20 persons	4	9.5%	0	0.0%

Over 20 persons	3	7.1%	5	21.7%
Total	42	100.0%	23	100.0%

Source: Author's Own 2021

#### 4.1.5.2. Local Expatriates

However, only %32.4 (34) of subsidiaries had local expatriates sent to foreign companies of MNCs for more than 6 months of an assignment, while no such practice has taken place at %67.6 (71) subsidiaries from Turkey.

Does your subsidiary have any local employees on expatriate assignment for more than a period of 6 months?

105 responses

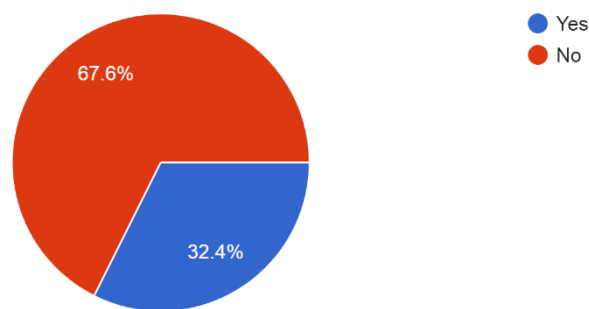


Figure 34: Local Expatriation

Source: Author's Own 2021

When respondents were asked whether there were any Turkish expatriates sent to foreign companies of MNCs, the results showed that there were a total of 354 expatriates sent abroad from “managers” while the subsidiaries had 86 employees sent abroad as expatriates. The highest frequency among the subsidiaries with Turkish expatriates in managerial positions belonged to “2-3 persons” while it is followed evenly by “6-10 persons” and “Over 20 persons”. Also, all of the subsidiaries in Turkey had sent local expatriates abroad at some point from managerial positions. On the other hand, “2-3 persons” had the highest frequency for non-managerial positions with 7 subsidiaries, and it is followed by “1 person” with 5 subsidiaries. There were 14 subsidiaries that did not send any local expatriates to the foreign companies of MNCs at any point. Also, none of the subsidiaries sent over “20 persons” as expatriates from non-managerial positions as well.

Table 23: Distribution of Local Expatriation

Number of Subsidiaries with Turkish Expatriates	In managerial position		In non-managerial position	
	Frequency	Distribution	Frequency	Distribution
1 person	3	9.7%	5	26.3%
2-3 persons	8	25.8%	7	36.8%

4-5 persons	3	9.7%	3	15.8%
6-10 persons	6	19.4%	2	10.5%
11-15 persons	4	12.9%	1	5.3%
16-20 persons	1	3.2%	1	5.3%
Over 20 persons	6	19.4%	0	0.0%
Total	31	100.0%	19	100.0%

Source: Author's Own 2021

#### 4.1.6. Key Competencies of HR Executives

The respondents were asked to evaluate the importance of key competencies for HR executives in their subsidiaries in the given period. Overall, respondents from subsidiaries in Turkey attached great importance to HR executives' competencies according to the given responses with extremely high frequency to four of competencies. Even “Usage of HRIS” and “Foreign language skills” were stated as a highly important competency for HR executives by half of the respondents.

Table 24: Key HR Executive Competencies

Key HR Executive Competencies	Highly Important	
	Frequency	Distribution
Business knowledge (value chain, value creation)	75	86.2%
Strategic contribution (managing culture, championing changes, strategic decisions)	81	93.1%
Personal credibility (achieving results, effective relationships, communication skills)	87	100.0%
HR services (recruitment, selection, training and development, performance management, etc.)	81	93.1%
Usage of HRIS	44	50.6%
Foreign languages skills	42	48.3%

Source: Author's Own 2021

#### 4.1.7. Knowledge Management and HRM

##### 4.1.7.1. Personal Competency Methods

Knowledge management and HRM relationship was also examined in our study by asking respondents questions about knowledge management methods and flows. According to the responses, there were relatively close results to each other for each method of gaining personal competency. “Informal learning at the HR department of another subsidiary” and “HR training and development at other subsidiaries” were slightly behind the other four methods of personal development method with a frequency of 15.

Table 25: Methods of Gaining Personal Competencies

Methods of Gaining Personal Competencies	Very Important	
	Frequency	Distribution
Informal learning at the HR department of your subsidiary	33	38%
Informal learning at the HR department of another subsidiary	15	17%
Informal learning at the parent company	27	31%
Local HR training and development	30	34%
HR training and development at the parent company	27	31%
HR training and development at other subsidiaries	15	17%

Source: Author's Own 2021

#### 4.1.7.2. Knowledge Transfer Flow

As shown in the table below, the respondents from the subsidiaries in Turkey have attached great importance to the knowledge transfer flows. Half of the respondents stated that “knowledge flows from the subsidiary to the parent company” was very important. “Knowledge flows from the parent company to the subsidiary” and “HR related knowledge flows within HR department at your subsidiary” were the following knowledge flows regarded highly important by %45 and %41 of the respondents.

Table 26: Knowledge Transfer Flow

Knowledge Transfer Flow	Very Important	
	Frequency	Distribution
Knowledge flows from the parent company to the subsidiary	39	45%
Knowledge flows from the subsidiary to the parent company	45	52%
Knowledge flows between subsidiaries	27	31%
HR-related knowledge flows within the HR department at your subsidiary	36	41%
HR-related knowledge flows at your subsidiary between the HR department and other organizational units	33	38%

Source: Author's Own 2021

## 4.2. Hungary

### 4.2.1. Characteristics of the Respondents Participated in the Survey

There were total 87 companies participated in the survey from Hungary. However, as it was not mandatory to answer all the items in each question with multiple subcategories, the total number of responses may show differences for each question.

#### 4.2.1.1. Qualification

First, when we look at the qualification of the employees who filled the survey from each subsidiary, it seems that %50.6 of the respondents (44) were holders of “bachelor’s degree” while %46 of the respondents (40) were holders of “master’s degree”. Also, there was only 1 respondent with a “PhD degree” while 2 respondents chose to answer “Other”.

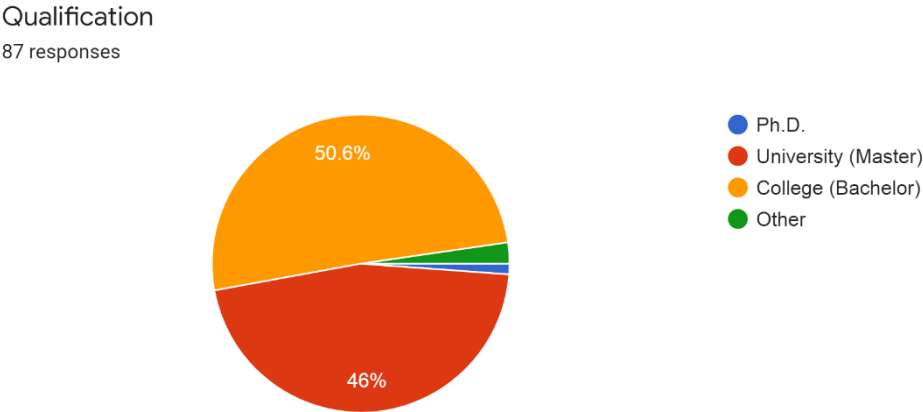


Figure 35: Qualification

Source: Author’s Own 2021

In terms of their specialization, the majority of the respondents were graduates of the “Social Sciences” field with %83.9 (73) that is followed by the “Engineering” field with %14.9 (13). Also, 1 response was received for the “Other” answer.

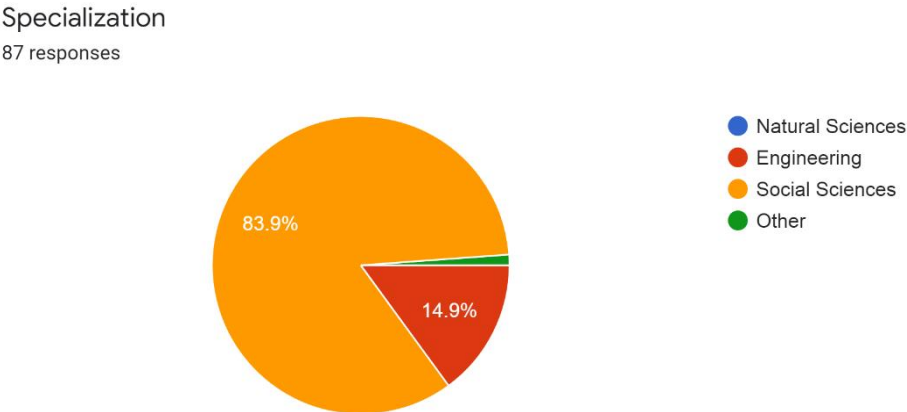


Figure 36: Specialization

Source: Author's Own 2021

#### 4.2.1.2. Current Position

The respondents were employees in the subsidiaries from a wide range of different positions. However, it can be observed that the majority of the respondents were from the human resources field with %74.6 (65). While %28.7 (25) of the respondents were HR professionals, %26.4 of the respondents (23) were HR managers and %19.5 (17) of the respondents were HR directors. Also, %9.2 (8) were CEOs of the subsidiaries, whereas the rest %16.2 (14) respondents, were from different management and administration positions.

Current Position  
87 responses

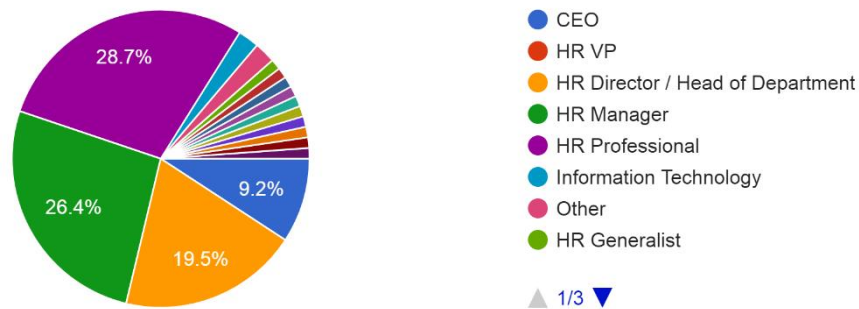


Figure 37: Current Position

Source: Author's Own 2021

#### 4.2.1.3. Years of Service

Years of service in their current position was also asked to the respondents. 37.9% (33) of the respondents have been working in their position for 0-3 years, while 26.4% (23) respondents have been serving in their current position for 3-5 years. %21.8% (19) of the respondents have been in their current position since 5-10 years, and 11.5% (10) have been fulfilling 10-15 years of service in their current position. Finally, there were only 2.3% (2) respondents with years of service above 15 years in their position.

Years of Service in Your Current Position  
87 responses

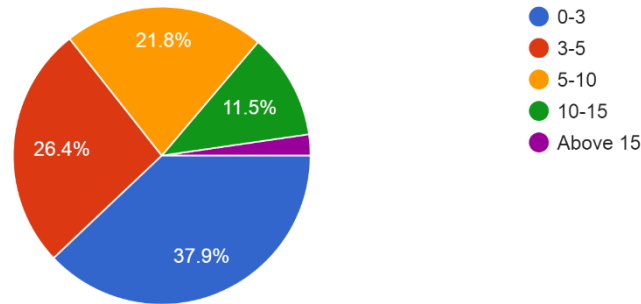


Figure 38: Years of Service

Source: Author's Own 2021

#### 4.2.2. Characteristics of the Companies Participated in the Survey

##### 4.2.2.1. Number of Subsidiaries

Responses received to the question about the available number of subsidiaries of MNC in Hungary showed that most of the companies with %77 (67) had only 1 subsidiary operating in the surveyed country while the rest of the subsidiaries with %23 (20) had more legally independent subsidiaries besides the respondent subsidiary.

Number of subsidiaries of the multinational company in the surveyed country  
87 responses

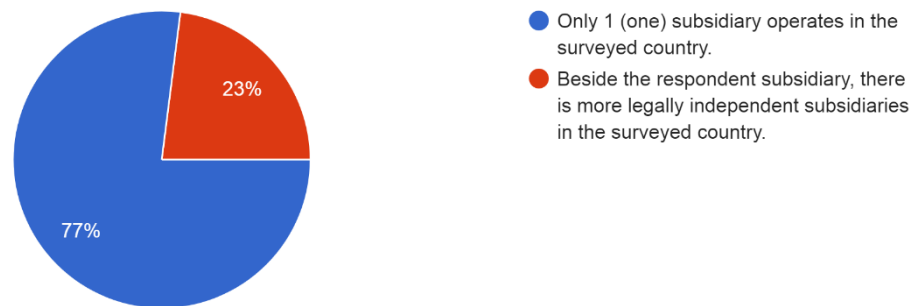


Figure 39: Number of Subsidiaries of the MNCs

Source: Author's Own 2021

##### 4.2.2.2. Main Roles of Subsidiaries

The main roles of subsidiaries in the MNCs' value chain were also asked to the respondents based on the mandate model developed according to the classification of Delany (2000) and White and Poynter (1984). Accordingly, the results revealed that "Mandate 1: Research & development" were among the main roles of 40 subsidiaries and "Mandate 2: Purchasing" was or one of the main roles of 24 subsidiaries. However, respondents from 60 subsidiaries stated that their subsidiaries carry the role of "Mandate 3: Production & Services" whereas "Mandate 4: Sales & Marketing"



activities were among the main responsibilities of 52 subsidiaries. There was also “1” response for “Mandate 5: Other” that accounted for “Real Estate”.

Main Roles of Subsidiary in Value Chain (Please, indicate in the table below what activities of the value chain are done the subsidiary - MA=multiple answers)

87 responses

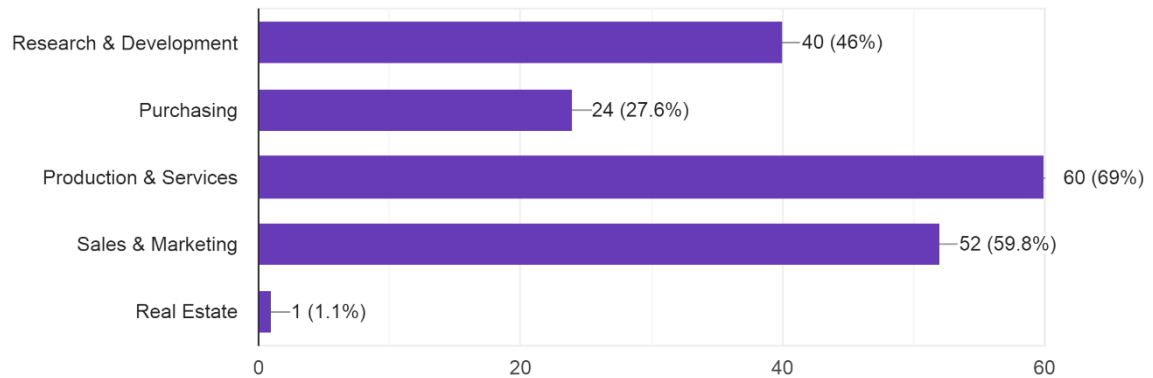


Figure 40: Main roles of Subsidiary in Value Chain

Source: Author’s Own 2021

23 respondents, who stated that there are also more legally independent subsidiaries of MNC in Hungary besides their subsidiary, also provided responses to this question for the other subsidiaries of their MNC as well. As can be seen from the table below, there were 7 other subsidiaries of MNCs with the main role of “Mandate 1: Research & Development” while there were 6 other subsidiaries with the main role of “Mandate 2: Purchasing”. Also, “Mandate 3: Production & Services” activities were carried out by 11 other subsidiaries and “Mandate 4: Sales & Marketing” related activities fall under the responsibility of other 15 subsidiaries.

Main Roles of Other Subsidiaries in Value Chain (Please, indicate in the table below what activities of the value chain are done the subsidiary - MA=m...han 1 subsidiary operates in the surveyed country)

21 responses

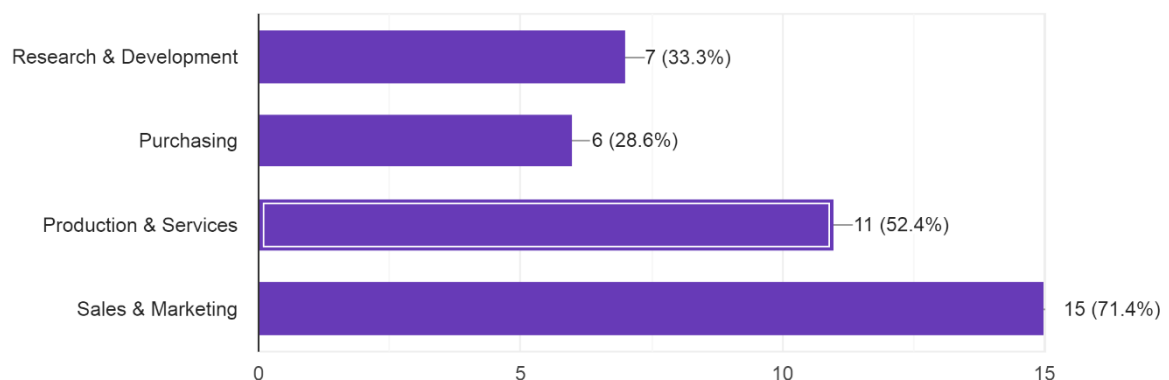


Figure 41: Main roles of Other Subsidiaries in Value Chain

Source: Author's Own 2021

#### 4.2.2.3. Major Business Sector of the Subsidiary

The sectoral distribution of the subsidiaries from Hungary's research sample shows a close distribution, as can be seen in the table below. While %29.1 (25) of the subsidiaries carry out their business activities in the “other services” sector, %26.7 (23) of the subsidiaries seem to be from the “Trade” sector. However, %19.8 (17) of the respondents stated that the “industry” sector is the major business sector of their subsidiary while “Financial services” was the major business sector of %16.3 (14) subsidiaries. Rest %8.8 (7) subsidiaries’ major business sector is shared among “Information Technology”, “Microelectronics” and “Railway Transportation”.

The major business sector of your subsidiary  
86 responses

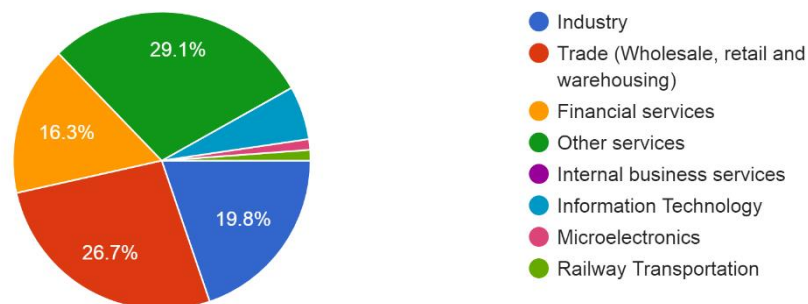


Figure 42: Major business sector of the subsidiary

Source: Author's Own 2021

#### 4.2.2.4. Establishment Year

When we examined the establishment year of subsidiaries who participated in the survey, it is revealed that slightly more than one-third (32) of the subsidiaries, which correspond to %36.8, were established before 1995 that is followed by the subsidiaries were established between 1995-2000 with %23 (20). However, %9.2 (8) of the subsidiaries were established between 2001-2005, while %17.2 (15) of the subsidiaries were established between 2006-2010. Finally, there were 12 subsidiaries established after 2010 that corresponds to 12 among 87 respondents from Hungary.

Establishment year of your subsidiary in your country  
87 responses

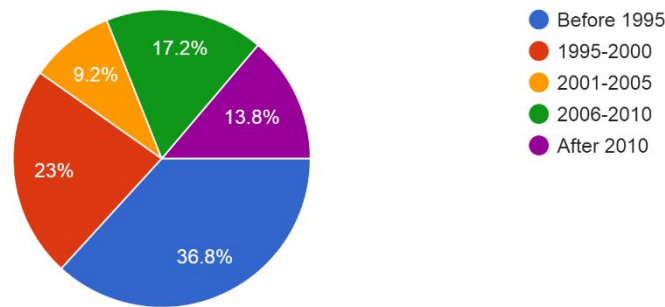


Figure 43: Establishment year of the subsidiary

Source: Author's Own 2021

#### 4.2.2.5. Establishment Form/Type

The establishment form/type of subsidiaries was another variable examined in this study. The responses show that close to two-thirds (%63.2) of the subsidiaries, that corresponds to 55, were established as merger & acquisition while close to one-third (%36.8) of the subsidiaries (32) were established as green-field investments.

Establishment form/type of your subsidiary in your country  
87 responses

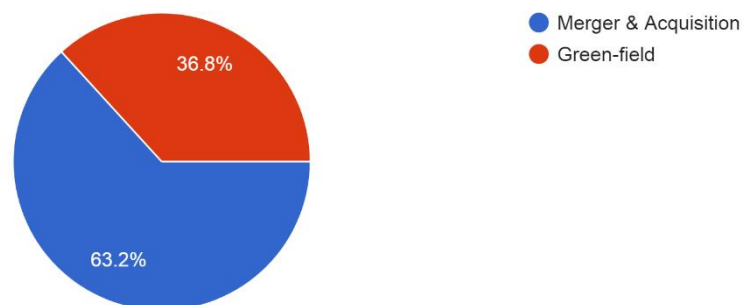


Figure 44: Establishment form/type of the subsidiary

Source: Author's Own 2021

#### 4.2.2.6. Origin of Parent Company

There were 19 different national origins of the parent companies that chose to invest in Hungary through establishing their subsidiaries. These countries consisted of Austria, Czech Republic, France, Hungary, Japan, Romania, South Korea, Sweden, UK and the United Arab Emirates that are led by the USA, England, France and Germany.

The national origin of your parent company (Please, indicate the country of headquarters of the parent company)

87 responses

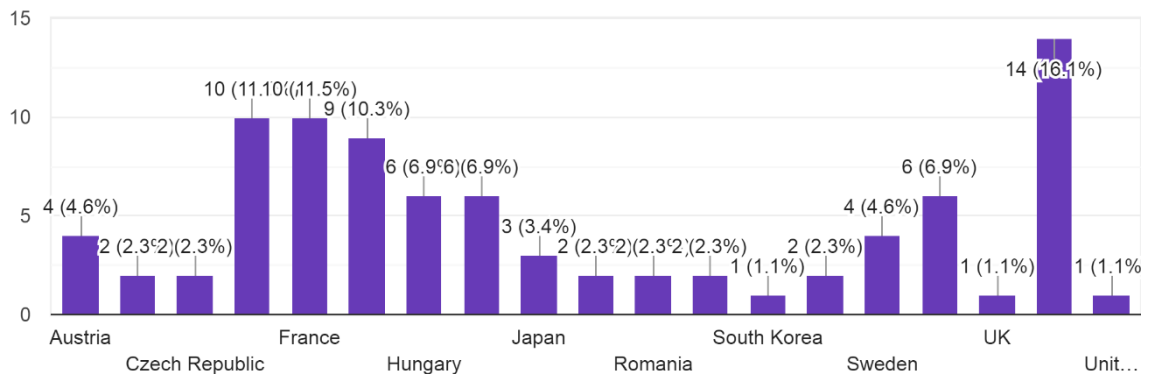


Figure 45: The national origin of the parent company

Source: Author's Own 2021

#### 4.2.2.7. Culture of Parent Company

There is a classification created in the below table based on the origin of the responding companies to examine their management culture. Given responses show that the highest proportion of the companies from the sample analysed belongs to Anglo-Saxon management culture with 27.6% (24) followed by Germanic management culture with 21.8% (19). Asian, Nordic, and management culture of emerging economies were also among the respondents with the least frequency of responses.

Table 27: Continental/Regional Origin of the Responding Companies (Culture)

Continental/Regional Origin of the Responding Companies (Culture)	Frequency	Distribution
Germanic	19	21.8%
Anglo-Saxon	24	27.6%
South European and Latin	8	9.2%
Asian	4	4.6%
Nordic	4	4.6%
Central and Eastern European	14	16.1%
Francophile	12	13.8%
Other	2	2.3%
Total	87	100.0%

Source: Author's Own 2021

**4.2.2.8. Subsidiary Development**

Within the context of subsidiary development, the subsidiaries' key strategic issues in the given period were asked to the respondents. As can be seen in the graph below, %73.3 (63) of the respondents stated that “growth and market expansive” was the main strategic issue-orientation experienced by their subsidiary, while %25.6 (22) of the subsidiaries focused on “stability” objectives. “Cut-backs and downsizing” was selected by only 1 subsidiary as a key strategic issue-orientation among the respondents.

What was the key strategic issues (general business strategies) your subsidiary was facing during this period?  
86 responses

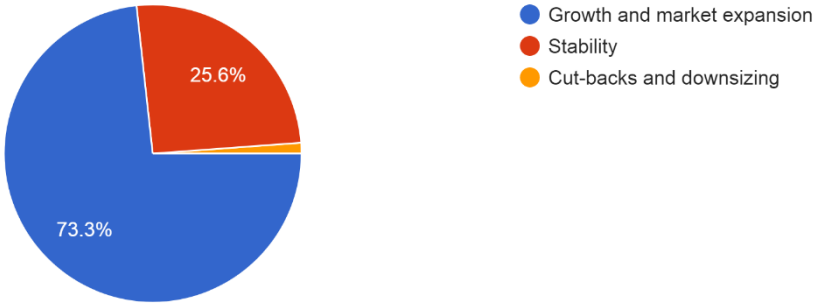


Figure 46: Key Strategic Issues

Source: Author’s Own 2021

**4.2.2.9. Competitive Factors**

The responses given to the question about the competitive factors in the subsidiaries in the given period revealed that “quality of workforce” is the most frequently chosen response among the respondents that is followed by “optimal plant/organization size” with 43 responses, by “production technology” with 40 answers and by “quality management” with 38 responses. While 25 respondents emphasized “financial resources” as their key source of competitive power, “low labour costs” was another competitive factor stated by 21 subsidiaries. Finally, there was only 1 respondent who put forward “research & development” as the significant competitive factor of their subsidiary.

What were the competitive factors in your subsidiary during the specific time period? (Please, indicate what were the main competitive factors!- (MA=multiple answers)

87 responses

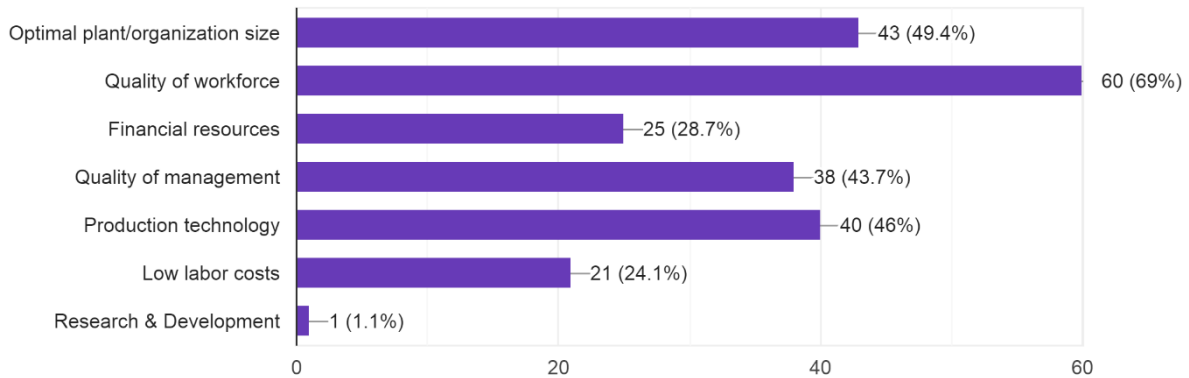


Figure 47: The competitive factors of the subsidiary

Source: Author's Own 2021

### 4.2.3. HR Variables

#### 4.2.3.1. Total Number of Employees & HR Staff

The majority of the respondents were subsidiaries of large MNCs with more than 250 employees, as can be seen in the table below. %41.4 (36) of the subsidiaries had total employees below 250 in the organization.

Table 28: Total number of employees of the company

Total number of employees of the company	Frequency	Distribution
Below 250	36	41.4%
251-1000	20	23.0%
1001-2000	14	16.1%
2001-5000	15	17.2%
Over 5000	2	2.3%
Total	87	100.0%

Source: Author's Own 2021

The total number of the employees from the respondent subsidiaries who participated in the survey were 96.449 in 2019, while they had total 1370 HR staff in the organizations. It means that an HR professional represents 70.40 employees. While there were only 4 subsidiaries without an HR department and specialized HR professionals, respondents with "1-4 persons", "5-10 persons" and "Over 20 persons" total number of HR staff were relatively close to each other.

Table 29: Total number of employees & HR staff & Employees per HR position

Year	Total Number of Employees	Total Number of HR Staff	Employees Per HR Position
2019	96449	1370	70.40

Source: Author’s Own 2021

Table 30: Total number of HR staff

Total Number of HR Staff	2019
None	4
1-4 persons	24
5-10 persons	28
11-15 persons	2
16-20 persons	4
Over 20 persons	25
<b>Total</b>	<b>87</b>

Source: Author’s Own 2021

**4.2.3.2. Annual Training Budget**

When annual payroll costs spent on training was asked to the respondents, almost half of the respondents (%49.4), that accounts for 43, declared that their annual training budget was %1-3. On the other hand, %28.7 (25) of the subsidiaries allocated %3-5 training budget annually while it was below %1 for %14.9 (13) of the subsidiaries. Finally, only %6.9 of the subsidiaries used over %5 of their budget for training annually that accounted for 6 of the respondents.

Annual training budget (Please, provide the annual payroll costs spent on training)  
87 responses

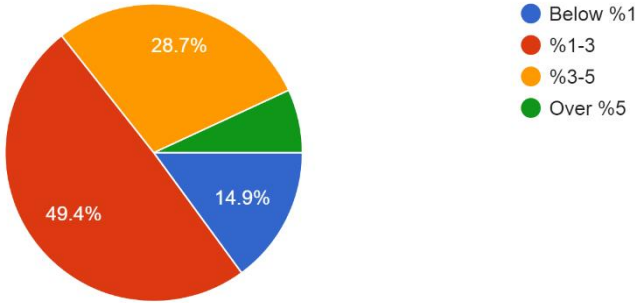


Figure 48: Annual Training Budget

Source: Author’s Own 2021

#### 4.2.4. HR Organization, Players and Roles

##### 4.2.4.1. Primary HR role of Corporate Headquarter

Also, the relationship between headquarters and subsidiary was examined in terms of headquarters' role and impact on HR activities and policies of the subsidiaries. Almost half of the respondents with %44.88 (39) reported that their corporate headquarter provided general guidelines and framework for their HR actions. Almost another half of responses were shared between providing autonomy both in decision-making and their implementations with %26.4 (23) and providing detailed HR models, policies, procedures, and rules with %21.8 (19). Only %6.9 (6) of the respondents stated that their corporate headquarters applied centralized decision-making with tight control mechanisms over their HR actions.

What was the primary HR role played by your corporate headquarter during this period? (Please mark the most typical roles of the HR department at your company - MA=MULTIPLE ANSWER)

87 responses

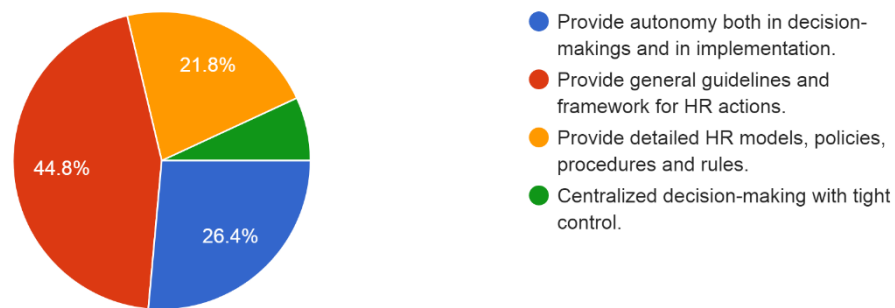


Figure 49: Primary HR role of the Corporate Headquarter

Source: Author's Own 2021

##### 4.2.4.2. Critical HR Issues

When the respondents were asked to rate the most critical HR issues experienced in the given period, "recruitment" was revealed as the most critical HR issue with 4.10 average answer point. It is followed by "selection" with 3.50, by "human resource planning" with 3.46 and by "Compensation and benefits" with 3.30 average answers given by the respondents. On the other hand, "Health and safety" was considered as the least critical HR issues experienced in the given period in the subsidiaries with 2.33 that is followed by "employee relations" with 2.49 average answer points.

Table 31: Critical Human Resource (HR) Issues

Critical Human Resource (HR) Issues Experienced	Average of the Answers
Recruitment	4.10
Selection	3.50
Human Resource Planning	3.46



Compensation and Benefits	3.30
HRIS	2.98
Talent Management	2.93
Training and Development	2.88
Communication	2.82
Performance Evaluation	2.64
Employee Relations	2.49
Health & Safety	2.33

Source: Author's Own 2021

#### 4.2.4.3. Primary Responsibility for Major Policy Decisions

The responses given to the question about who takes primary responsibility for major policy decisions on these issues, the highest total answers were received for “Selection” with 49 that fell under the responsibility of “local HR department in consultation with line management”. As shown below, the rest of the decisions were mostly shared among “local HR department” and “local line management” in consultation with each other according to the similar number of responses received for each issue. Also, “Local line management” had the least impact on the “recruitment” function with only 4 responses.

Table 32: Key functions of HR

Key functions of HR	Local line management	Local line mgt. in consultation with HR department	Local HR department in consultation with local line management	Local HR Department (Independently)
Human Resource Planning	15	37	29	5
Recruitment	4	21	36	26
Selection	7	23	49	8
Performance Evaluation	34	26	20	7
Training and Development	18	28	27	14
Talent Management	10	25	37	15
Compensation and Benefits	22	32	27	5

Employee Relations	8	26	21	31
Communication	18	17	32	20
HRIS	16	18	28	25
Health & Safety	12	18	24	33

Source: Author's Own 2021

#### 4.2.4.4. External HR Service Providers

The role of external HR service providers in the key functions of HR was also examined in the subsidiaries. As shown in the table below, external providers were used least for “compensation and benefits” HR functions. Also, around half of the subsidiaries did not benefit from services of any external HR service providers for HR functions of “human resource planning”, “performance evaluation”, “employee relations” and “communication”. On the other hand, “health & safety”, “HRIS”, “training and development” and “recruitment” were the key HR functions that have been subject to getting the support of external HR service providers in subsidiaries in Hungary.

Table 33: Role of External HR Service Providers

Role of External HR Service Providers	Increased	Decreased	Same	External providers are not used
Human Resource Planning	20	0	23	44
Recruitment	31	6	30	20
Selection	21	6	24	36
Performance Evaluation	8	2	30	47
Training and Development	32	2	26	27
Talent Management	16	4	30	37
Compensation and Benefits	10	8	18	51
Employee Relations	4	2	36	45
Communication	8	6	28	45
HRIS	13	6	37	31
Health & Safety	9	10	49	19

Source: Author's Own 2021

## 4.2.5. Expatriation

### 4.2.5.1. Foreign Expatriates

There were foreign expatriates at %55.2 (48) of subsidiaries who had an assignment for more than 6 months, whereas %44.8 (39) subsidiaries had no foreign expatriates in their organization.

Are there any expatriates at your subsidiary in assignment for more than 6 months?

87 responses

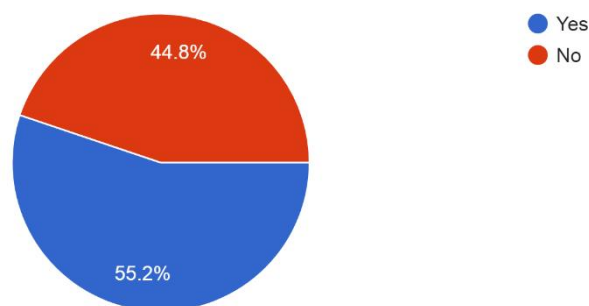


Figure 50: Foreign Expatriation

Source: Author's Own 2021

The total number of foreign expatriates who arrived at the subsidiaries from managerial positions were 230 while there were 310 employee expatriates in subsidiaries of Hungary. 5 subsidiaries had no foreign manager expatriates while there were 10 subsidiaries without foreign expatriates in non-managerial positions. The highest frequency among the number of arriving foreign manager expatriates belonged to “2-3” persons with 17 in managerial positions. However, there were no more than “20 persons” expatriates arrived at any of the subsidiaries. When we look at the responses given for non-managerial positions, the total number of expatriates in non-managerial positions were 38. “1 person” and “6-10” persons of expatriates had the highest frequency among the expatriates from non-managerial positions whereas there were only 2 subsidiaries that received “16-20” persons. Also, there were 5 subsidiaries that did not receive any “manager” expatriates, and there were 10 subsidiaries that did not receive any expatriates from “non-managerial” positions.

Table 34: Distribution of Foreign Expatriation

Number of Foreign Expatriates	In managerial position		In non-managerial position	
	Frequency	Distribution	Frequency	Distribution
1 person	5	11.6%	9	23.7%
2-3 persons	17	39.5%	6	15.8%
4-5 persons	9	20.9%	5	13.2%
6-10 persons	7	16.3%	9	23.7%
11-15 persons	1	2.3%	3	7.9%

16-20 persons	4	9.3%	2	5.3%
Over 20 persons	0	0.0%	4	10.5%
Total	43	100.0%	38	100.0%

Source: Author's Own 2021

#### 4.2.5.2. Local Expatriates

However, only %41.4 (36) of subsidiaries had local expatriates that were sent to foreign companies of MNCs for more than 6 months of an assignment, while no such practice has taken place at %58.6 (51) subsidiaries in Hungary.

Does your subsidiary have any local employees on expatriate assignment for more than a period of 6 months?

87 responses

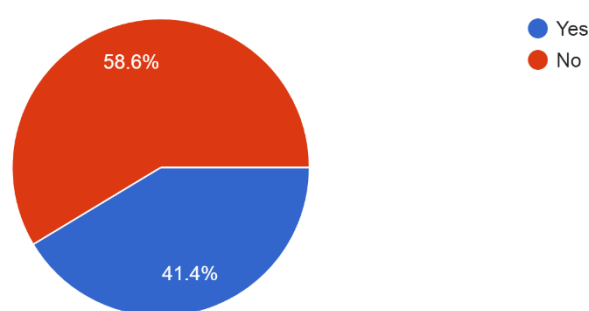


Figure 51: Local Expatriation

Source: Author's Own 2021

When respondents were asked whether there were any Hungarian expatriates sent to foreign companies of MNCs, the results showed that there were total 90 expatriates sent abroad from “managers”. However, there were 187 employees from “non-managerial” positions were sent abroad as expatriates. 10 subsidiaries had no local expatriates sent abroad in managerial positions, and there were also 11 subsidiaries that sent no employee expatriates at any point. “2-3” persons showed the highest frequency with 10 among the subsidiaries for “managers” that is followed by “1 person” with 7. Similarly, “2-3” persons had the highest frequency of responses with 8 in “non-managerial” positions as well. Overall, it can be observed that there were more foreign expatriates who arrived at subsidiaries in Hungary compared to the Hungarian expatriates sent abroad.

Table 35: Distribution of Local Expatriation

Number of Hungarian Expatriates	In managerial position		In non-managerial position	
	Frequency	Distribution	Frequency	Distribution
1 person	7	26.9%	3	12.0%
2-3 persons	10	38.5%	8	32.0%

4-5 persons	4	15.4%	4	16.0%
6-10 persons	3	11.5%	5	20.0%
11-15 persons	2	7.7%	1	4.0%
16-20 persons	0	0.0%	3	12.0%
Over 20 persons	0	0.0%	1	4.0%
Total	26	100.0%	25	100.0%

Source: Author's Own 2021

#### 4.2.6. Key Competencies of HR Executives

The respondents were asked to evaluate the importance of key competencies for HR executives in their subsidiaries in the given period. "Foreign language skills" was regarded as clearly the most important HR executive competency according to the responses with %59.8 that corresponds to the frequency of 52. It is followed by "Strategic contribution" with %35.6 (31) and "HR services" with %27.6 (13).

Table 36: Key HR Executive Competencies

Key HR Executive Competencies	Highly Important	
	Frequency	Distribution
Business knowledge (value chain, value creation)	10	11.5%
Strategic contribution (managing culture, championing changes, strategic decisions)	13	14.9%
Personal credibility (achieving results, effective relationships, communication skills)	24	27.6%
HR services (recruitment, selection, training and development, performance management, etc.)	31	35.6%
Usage of HRIS	10	11.5%
Foreign languages skills	52	59.8%

Source: Author's Own 2021

#### 4.2.7. Knowledge Management and HRM

##### 4.2.7.1. Personal Competency Methods

Knowledge management and HRM relationship was also examined in our study by asking respondents questions about knowledge management methods and flows. According to the respondents, the most important method for developing personal competency was the training provided by local HR with %24 that corresponds to 21 given responses. Informal learning at the parent company and their subsidiaries were the following important personal competency development methods with %14 (12) and %11 (10).

Table 37: Methods of Gaining Personal Competencies

Methods of Gaining Personal Competencies	Very Important	
	Frequency	Distribution
Informal learning at the HR department of your subsidiary	10	11%
Informal learning at the HR department of another subsidiary	2	2%
Informal learning at the parent company	12	14%
Local HR training and development	21	24%
HR training and development at the parent company	8	9%
HR training and development at other subsidiaries	8	9%

Source: Author's Own 2021

#### 4.2.7.2. Knowledge Transfer Flow

Similarly, the respondents considered HR related knowledge flows with the HR department at their subsidiary as the most important knowledge transfer flow in their HRM department with %21 that corresponds to 18 given responses. “HR related knowledge flows at your subsidiary between the HR department and other organization units” and “knowledge flows from parent company to the subsidiary” were the following knowledge transfer flows regarded highly important by the respondents with %14 and %13.

Table 38: Knowledge Transfer Flow

Knowledge Transfer Flow	Very Important	
	Frequency	Distribution
Knowledge flows from the parent company to the subsidiary	11	13%
Knowledge flows from the subsidiary to the parent company	6	7%
Knowledge flows between subsidiaries	8	9%
HR-related knowledge flows within the HR department at your subsidiary	18	21%
HR-related knowledge flows at your subsidiary between the HR department and other organizational units	12	14%

Source: Author's Own 2021

### 4.3. Empirical Analysis Results

**4.3.1. Hypothesis 1:** The parent companies' origin has an impact on the characteristics of HR policies and activities at local subsidiaries.

Table 39: Continental/Regional Origin of the Responding Companies (Culture)

			Country		
			Turkey	Hungary	Total
Continental/Regional Origin of the Responding Companies (Culture)	Germanic	N	30	19	49
		%	28,6%	21,8%	25,5%
	Anglo-Saxon	N	18	24	42
		%	17,1%	27,6%	21,9%
	South European and Latin	N	6	8	14
		%	5,7%	9,2%	7,3%
	Asian	N	12	4	16
		%	11,4%	4,6%	8,3%
	Nordic	N	6	4	10
		%	5,7%	4,6%	5,2%
Central and Eastern European	N	12	14	26	
	%	11,4%	16,1%	13,5%	
Francophile	N	15	13	28	
	%	14,3%	14,9%	14,6%	
Other	N	6	1	7	
	%	5,7%	1,1%	3,6%	
Total	N	105	87	192	
	%	100,0%	100,0%	100,0%	

Source: Author's Own 2021

The above table is created based on the responses given to the question of “National origin of your parent company” to define which management culture each subsidiary belongs to. Accordingly, this data from the table is used to carry out a chi-square analysis between companies' management culture and categorical variables of HR-related responses collected from the participants of Turkey & Hungary. The analysis is always conducted and interpreted separately on the collected data for Turkey and Hungary to present the comparative results.

The impact of parent companies' origin on the subsidiaries is analysed with a chi-square test by comparing the management culture data in the table with given responses to the question of “What

was the primary HR role played by your corporate headquarter during this period?”. According to chi-square analysis results, there is a statistically significant relationship between the headquarter's management culture and primary HR role for the respondents from Turkey:  $p=0,017 < 0.05$ ;  $V=0,342$ . While the majority of the respondents who chose “Provide autonomy both in decision-making and in implementation” answer was “Germanic”, all of the respondents who gave the answer of “Centralized decision-making with tight control” were “Francophile”. However, chi-square analysis results showed that there is no statistically significant relationship observed among the categorical variables of the data collected from Hungarian respondents:  $p=0,281 > 0.05$ ;  $V=0,305$ .

The impact of parent companies' origin on the subsidiaries is analysed with a chi-square test by comparing the management culture data in the table with given responses to the question of “Who has had primary responsibility for major policy decisions on the following issues?”. According to chi-square analysis results, a significant association was observed between the responses given to “Human Resource Planning” subcategory of the question and the management culture for the participants from Turkey:  $p=0,000 < 0.05$ ;  $V=0,440$ . The analysis results revealed that the majority of the respondents who answered “Local line management” were “Germanic” while the majority of “Local line Management in consultation with HR department” answers were given by “Anglo-Saxon” management cultures. Also, there is a connection observed between the company origin variable and the responses given to the subcategory variable “Human Resource Planning” by Hungarian respondents:  $p=0,000 < 0.05$ ;  $V=0,453$ . The majority of respondents who answered “Local line Management in consultation with HR department” were Anglo-Saxon and for Hungarian subsidiaries as well. On the other hand, most of the participants who answered “Local HR department in consultation with line management” that were from “Germanic” management culture.

According to chi-square analysis results, there is also a statistically significant relation found between the responses given to “Training & Development” subcategory of the question and the management culture for the participants from Turkey:  $p=0,000 < 0.05$ ;  $V=0,483$ . Majority of the respondents who answered “Local line management” were “Central and Eastern European” while “Local HR department (independently) response was provided by most of the respondents from “Germanic” management culture. However, chi-square analysis results showed that there is no statistically significant relationship observed for the subcategory variable “Training & Development” among Hungarian subsidiaries:  $p=0,101 > 0.05$ ;  $V=0,337$ .



The impact of parent companies' origin on the subsidiaries is analysed with a chi-square test by comparing the management culture data in the table with given responses to the question of "What kind of re-organisation policies and practices has been implemented in the HR department in this period?". Between the responses given to the subcategory of the question "Delegating HR tasks and functions to the management" and the management culture, chi-square analysis showed a significant relation for the subsidiaries from Turkey:  $p=0,002 < 0.05$ ;  $V=0,459$ . The majority of the respondents who answered "Yes" were from "Germanic" management culture. On the other hand, there is no statistically significant association found for the participating subsidiaries from Hungary for the same subcategory variable:  $p=0,433 > 0.05$ ;  $V=0,283$ .

According to chi-square analysis results, there is no significant relation found between the responses given to subcategory "Management self-service improvement programs" of the question and the management culture of the subsidiaries both from Turkey:  $p=0,090 > 0.05$ ;  $V=0,343$  and Hungary:  $p=0,067 > 0.05$ ;  $V=0,390$ .

The impact of parent companies' origin on the subsidiaries is analysed with chi-square test by comparing the management culture data in the table with given responses to the question of "How was the usage of external providers (3rd party consultants and outsourcing firms) changed for below functions in this period?". According to chi-square analysis results, while there is statistically no significant relation found between "Human resource planning" subcategory and management culture variables for the subsidiaries from Turkey:  $p=0,171 > 0.05$ ;  $V=0,293$ , an association has been observed for the same subcategory variable and management culture among Hungarian respondents with  $p=0,007 < 0.05$ ;  $V=0,419$ . The majority of Hungarian respondents who selected "Increased" were from "Germanic" management culture, while "No external providers were used" response was provided by most of the respondents from "Anglo-Saxon" management culture.

According to chi-square analysis results, there is also a statistically significant relation found between the responses given to "Communication" subcategory of the question and the management culture for the participants from Turkey:  $p=0,000 < 0.05$ ;  $V=0,458$ . The majority of the respondents from "Central and Eastern European" management culture responded "Increased" while "Decreased" answer was given by the majority of the subsidiaries with "Germanic" management culture. "Communication" variable also had a significant association with the management culture among the subsidiaries from Hungary  $p=0,034 < 0.05$ ;  $V=0,362$  showing that most of the respondents who answered "Increased" were from "Germanic" management culture.

The impact of parent companies' origin on the subsidiaries is analysed with a chi-square test by comparing the management culture data in the table with given responses to the question of "What were the critical Human Resource (HR) issues experienced in your subsidiary during this period? (Please, evaluate the five most characteristic HR functions during this period)". Analysis results showed a statistically significant relationship between the responses given for the subcategory variable "Performance evaluation" and the management culture of the subsidiaries from Turkey:  $p=0,011 < 0.05$ ;  $V=0,387$ . "Slightly critical" response was provided mostly by the subsidiaries from "Germanic" management culture while the respondents from "Anglo-Saxon" management culture provided the majority of given answers for "Most critical". There is also a significant connection observed between the same subcategory variable and management culture among the respondents from Hungary  $p=0,000 < 0.05$ ;  $V=0,441$ . The majority of the responses given for "Slightly critical" seems to be provided by the subsidiaries from "Francophile" management culture, while "The most critical" answers were mostly given by the subsidiaries with the origin of "Central and Eastern European".

According to chi-square analysis results, there is also a statistically significant relation found between the responses given to "Employee relations" and the management culture among the participants from Turkey:  $p=0,000 < 0.05$ ;  $V=0,453$ . The analysis results showed that "Non-critical" answer was mainly given by the subsidiaries with "Francophile" management culture, while the subsidiaries from "Germanic" management culture provided the majority of the responses for "Slightly critical". On the other hand, for "Employee relations" subcategory variable, there is no relation found for the data collected from the respondent subsidiaries in Hungary:  $p=0,154 > 0.05$ ;  $V=0,325$ .

The impact of parent companies' origin on the subsidiaries is analysed with a chi-square test by comparing the management culture data in the table with given responses to the question of "What are the typical HR conditions and outcomes at your subsidiary?". Results of the analysis revealed a significant connection between the subcategory variable "Easy to hire blue-collar staff" and the management culture of the subsidiaries from Turkey:  $p=0,006 < 0.05$ ;  $V=0,359$ . While for most of the subsidiaries with "Germanic" management culture, hiring blue-collar staff was "Not typical at all", it was a "particularly typical" HR condition for the subsidiaries with "Francophile" management culture. A statistically significant relation was found among the same variable based on the data collected by subsidiaries in Hungary and the management culture as well:  $p=0,017 < 0.05$ ;  $V=0,376$ . While hiring blue-collar staff was "Particularly typical" HR outcome for the majority of the subsidiaries from "Anglo-Saxon" management culture, the majority of the

respondents from the subsidiaries with “South American and Latin” management culture gave “Absolutely typical” answer.

According to chi-square analysis results, a statistically significant relationship was identified between the responses given to “Easy to hire technical staff” and the management culture among the participants from Turkey:  $p=0,003 < 0.05$ ;  $V=0,369$ . While hiring technical staff easily was noted a “Slightly typical” HR condition for the majority of subsidiaries from “Anglo-Saxon” management culture, most of the respondents from “Germanic” management culture stated that it was “Absolutely typical” for their subsidiaries. On the other hand, statistically, there was no significant association between the same variable and the management culture for the subsidiaries in Hungary:  $p=0,453 > 0.05$ ;  $V=0,285$ .

The impact of parent companies’ origin on the subsidiaries is analysed with a chi-square test by comparing the management culture data in the table with given responses to the question of “Are there any expatriates at your subsidiary in assignment for more than 6 months?”. According to the data collected based on the respondents' answers, for both subsidiaries in Hungary and Turkey, there is statistically no significant relationship identified between foreign expatriation and the management culture that corresponds to the values of  $p=0,081 > 0.05$ ;  $V=0,347$  and  $p=0,310 > 0.05$ ;  $V=0,308$ .

Also, the impact of parent companies’ origin on the subsidiaries is analysed with a chi-square test by comparing the management culture data in the table with given responses to the question of “Does your subsidiary have any local employees on expatriate assignment for more than a period of 6 months?”. Differently from foreign expatriation, there was a significant connection found between local expatriation and the management culture among the participants of the survey from Turkey:  $p=0,005 < 0.05$ ;  $V=0,437$ . The majority of the respondents who gave “Yes” answer were from “Germanic” management of culture. However, as in foreign expatriation, the data collected from the subsidiaries in Hungary showed no relation between local expatriation and the management culture as well:  $p=0,443 > 0.05$ ;  $V=0,281$ .

The impact of parent companies’ origin on the subsidiaries is analysed with a chi-square test by comparing the management culture data in the table with given responses to the question of “How important do you think the following knowledge flows were for the knowledge transfer in your HRM department between the parent company and your subsidiary during this period?”. Chi-square analysis results showed a statistically significant relationship between the subcategory variable “Knowledge flows from parent company to the subsidiary” and the management culture

of the origin companies of the subsidiaries from Turkey:  $p=0,000 < 0.05$ ;  $V=0,396$ . All of the answers “Unimportant” were given by the respondents of the subsidiaries with “Germanic” management culture. Analysis results showed a connection between the same subcategory variable and the management culture among the respondents from Hungary as well:  $p=0,000 < 0.05$ ;  $V=0,434$ . The majority of the subsidiaries in Hungary that provided the answer of “Very important” were from “Anglo-Saxon” management culture.

According to chi-square analysis results, a statistically significant relation was identified between the responses given to the subcategory “Knowledge flows between subsidiaries” and the management culture among the participants from Turkey:  $p=0,000 < 0.05$ ;  $V=0,439$ . All of the subsidiaries who selected “Of little importance” answer was from “Asian” management culture, and all of the responses given for “Moderately important” were provided by the participants representing the subsidiaries of companies with “Francophile” management culture. For subsidiaries from Hungary, a statistically significant connection was found between the same subcategory variable and the management culture as well  $p=0,001 < 0.05$ ;  $V=0,400$ . All of the responses given for “Very important” were provided by the respondents of subsidiaries with “Anglo-Saxon” management culture.

**4.3.2. Hypothesis 2:** Characteristics of HR policies and activities are affected by the establishment time of the local subsidiary.

Table 40: Establishment year of your subsidiary in your country

Please, indicate when did your parent company buy or establish your company in your country?

		Country			
		Turkey	Hungary	Total	
Establishment year of your subsidiary in your country	Before 1995	N	42	32	74
		%	40,0%	36,8%	38,5%
	1995-2000	N	27	20	47
		%	25,7%	23,0%	24,5%
	2001-2005	N	9	8	17
		%	8,6%	9,2%	8,9%
	2006-2010	N	15	15	30
		%	14,3%	17,2%	15,6%
	After 2010	N	12	12	24

	%	11,4%	13,8%	12,5%
Total	N	105	87	192
	%	100,0%	100,0%	100,0%

Source: Author's Own 2021

On the collection of data obtained from the subsidiaries in Turkey & Hungary based on the responses they provided for the question “Please, indicate when did your parent company buy or establish your company in your country?”, a chi-square analysis is carried out to analyse the relationship between establishment year of the subsidiaries and categorical variables of HR-related responses collected from the participants. The analysis is always conducted and interpreted separately on the collected data for Turkey and Hungary to present the comparative results.

The impact of the establishment year of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “What was the primary HR role played by your corporate headquarter during this period?”. The analysis results showed a significant relation between the establishment year of the local subsidiary and the primary HR role of the headquarter among the respondents from Turkey:  $p=0,000 < 0.05$ ;  $V=0,457$ . The majority of the responses given for “Provide autonomy both in decision-making and implementation” were provided by the subsidiaries established between “1995-2000”. However, all of the subsidiaries established “After 2010” described their headquarters' primary HR role by choosing “Centralized decision-making with tight control”. Based on the data collected by the subsidiaries, a significant relation was identified between the same variables for the respondents from Hungary as well:  $p=0,006 < 0.05$ ;  $V=0,326$ . Like in subsidiaries from Turkey, the majority of the answers received for “Provide autonomy both in decision-making and in implementation” were provided by the local subsidiaries established “Before 1995”, and all of the answers for “Centralized decision-making with tight control” were reported by the subsidiaries belonged to “2006-2010” period.

The impact of the establishment year of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “Who has had primary responsibility for major policy decisions on the following issues?”. According to the chi-square analysis results, there is a statistically significant relationship found between the establishment year of the subsidiary and the responses given for the subcategory variable “Recruitment” of the question among the respondents from Turkey:  $p=0,006 < 0.05$ ;  $V=0,393$ . The majority of the subsidiaries that gave the response of “Local line management in consultation with HR department” were established between “2006-2010” and “Local HR department (independently)” answer was mostly given by the subsidiaries that were established “Before 1995”. Also, there was

a connection between the same subcategory variable and the establishment year of the subsidiary for Hungarian respondents as well:  $p=0,021 < 0.05$ ;  $V=0,302$ . The majority of the subsidiaries gave the answer of “Local line management in consultation with HR department” were established between “1995-2000” and “Local HR department (independently)” answer was provided mostly by the subsidiaries established “Before 1995”.

The impact of the establishment year of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “What kind of re-organisation policies and practices has been implemented in the HR department in this period?”. The analysis results revealed a significant association between the establishment year of the subsidiary and the subcategory variable “Outsourcing of HR tasks or functions” of the question for the respondents from Turkey:  $p=0,000 < 0.05$ ;  $V=0,482$ . Majority of the subsidiaries established “Before 1995” provided “Yes” answer for this subcategory of the question. When the data collected from Hungarian respondents was examined, there is statistically no significant relation found between the same subcategory variable and the establishment year variables:  $p=0,746 > 0.05$ ;  $V=0,149$ .

According to Chi-square analysis results, there is also a significant relation found between the establishment year of the subsidiary and subcategory variable “Initiating HR business partner role” of the question for the respondents from Turkey:  $p=0,001 < 0.05$ ;  $V=0,415$ . Majority of the subsidiaries that provided “Yes” answer to this question seem to be established “Before 1995”. On the other hand, there was no significant relation found between the establishment year and the same subcategory variable for the subsidiaries that participated in the survey from Hungary:  $p=0,105 > 0.05$ ;  $V=0,296$ .

The impact of the establishment year of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “How was the usage of external providers (3rd party consultants and outsourcing firms) changed for below functions in this period?”. According to the chi-square analysis results, there is no statistically significant relation could be found between the establishment year and “Recruitment” subcategory variable of the question for the subsidiaries from Turkey:  $p=0,145 > 0.05$ ;  $V=0,233$ . On the other hand, the answers given to the subcategory variable “Recruitment” and the establishment year variable showed some significant connection for the subsidiaries from Hungary:  $p=0,002 < 0.05$ ;  $V=0,347$ . The majority of the subsidiaries gave the answer of “Increased” was established “Before 1995” and “Decreased” response was noted mostly by the subsidiaries that were established between “1995-2000”.

The impact of the establishment year of the local subsidiary is analysed with chi-square test by comparing the collected data with given responses to the question of “What were the critical Human Resource (HR) issues experienced in your subsidiary during this period? (Please, evaluate the five most characteristic HR functions during this period.)”. Analysis results showed a statistically significant relationship between the responses given for subcategory variable “Selection” and establishment year of the subsidiaries from Turkey:  $p=0,015 < 0.05$ ;  $V=0,313$ . All of the respondents who gave the “Noncritical” answer were from the subsidiaries that were established between “1995-2000” and the majority of the subsidiaries established “Before 1995” gave the answer of “Critical” for the question. There is also a significant connection observed between the same subcategory variable and establishment year of the subsidiaries for the respondents from Hungary:  $p=0,009 < 0.05$ ;  $V=0,305$ . The majority of the responses given for “Noncritical” seem to be provided by the subsidiaries that were established between “2006-2010”, while the majority of “Slightly critical” answers belonged to the subsidiaries established “Before 1995”.

The impact of the establishment year of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “What are the typical HR conditions and outcomes at your subsidiary?”. According to the analysis results, there is a significant association between the responses given for the subcategory variable “Easy to hire technical staff” and the establishment year of the subsidiaries from Turkey:  $p=0,000 < 0.05$ ;  $V=0,418$ . The majority of the subsidiaries established between “2006-2010” seems to have given “Not typical at all” response while “Slightly typical” answers were recorded mostly by the subsidiaries established “Before 1995”. There is a meaningful connection found between the same subcategory variable and establishment year for the respondents from subsidiaries in Hungary as well:  $p=0,018 < 0.05$ ;  $V=0,293$ . The majority of the respondents from the subsidiaries established “Before 1995” noted “Slightly typical” answer for the subcategory of this question.

According to chi-square results, there is also a significant relation observed between the establishment year of the subsidiaries and “The influence of unions is significant” subcategory of the question for the respondents from Turkey:  $p=0,000 < 0.05$ ;  $V=0,356$ . The majority of the answers for “Slightly typical” were received by the subsidiaries established “Before 1995”, and “Particularly typical” answer was mostly noted by the subsidiaries belong to “1995-2000” period. When the association between the same subcategory variable and the establishment year of the subsidiaries was examined for the respondents from Hungary, there is no statistically meaningful connection found between both variables:  $p=0,057 > 0.05$ ;  $V=0,281$ .

The impact of the establishment year of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “Are there any expatriates at your subsidiary in assignment for more than 6 months?”. According to the data collected based on the answers of the respondents, there is a statistically significant relationship found between the establishment year of the subsidiary and foreign expatriation at local subsidiaries in Turkey:  $p=0,012 < 0.05$ ;  $V=0,349$ . Majority of “Yes” answers to the question was given by the subsidiaries established “Before 1995”. On the other hand, the data collected by the subsidiaries in Hungary showed no significant connection between both variables:  $p=0,864 > 0.05$ ;  $V=0,121$ .

Also, the impact of the establishment year of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “Does your subsidiary have any local employees on expatriate assignment for more than a period of 6 months?”. Similar to foreign expatriation, the results for the respondents from Turkey showed a significant relation between the establishment year of the subsidiaries and local expatriation:  $p=0,000 < 0.05$ ;  $V=0,611$ . Most of the subsidiaries established “Before 1995” gave the answer of “Yes” to the question. However, no association is found between both variables for the subsidiaries from Hungary:  $p=0,576 > 0.05$ ;  $V=0,182$ .

The impact of establishment year of the subsidiaries is analysed with chi-square test by comparing the collected data with given responses to the question of “How important do you think the following knowledge flows were for the knowledge transfer in your HRM department between the parent company and your subsidiary during this period?”. Chi-square analysis results showed a significant connection between “Knowledge flows from subsidiary to the parent company” and the establishment year of the subsidiary for the respondents from Turkey:  $p=0,000 < 0.05$ ;  $V=0,481$ . All of the respondents who gave the response of “Unimportant” belonged to the subsidiaries established between “2006-2010”, and all of the answers given for “Slightly important” were provided by the representatives of the subsidiaries date to “1995-2000” period. A positive relation was found among both variables also for the subsidiaries from Hungary:  $p=0,001 < 0.05$ ;  $V=0,341$ . The majority of the subsidiaries who gave the response of “Slightly important” were established “Before 1995”.

**4.3.3. Hypothesis 3:** Characteristics of HR policies and activities are affected by the establishment form/type (market entry) of the local subsidiary.



Table 41: Establishment form/type of your subsidiary in your country

Please, indicate how did your parent company buy or establish your company in your country?

			Country		
			Turkey	Hungary	Total
Establishment form/type of your subsidiary in your country	Merger	& N	57	55	112
	Acquisition	%	54,3%	63,2%	58,3%
	Greenfield	N	48	32	80
	Investment	%	45,7%	36,8%	41,7%
Total		N	105	87	192
		%	100,0%	100,0%	100,0%

Source: Author's Own 2021

On the collection of data obtained from the subsidiaries in Turkey & Hungary based on the responses they provided for the question “Please, indicate how did your parent company buy or establish your company in your country?”, a chi-square analysis is carried out to analyse the relationship between establishment type of the subsidiaries and categorical variables of HR-related responses collected from the participants. The analysis is always conducted and interpreted separately on the collected data for Turkey and Hungary to present the comparative results.

The impact of the establishment type of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “What was the primary HR role played by your corporate headquarter during this period?”. The analysis results showed statistically no significant relationship between primary HR role of the headquarter and establishment type of local subsidiaries from both Turkey  $p=0,069 > 0.05$ ;  $V=0,260$  and Hungary  $p=0,101 > 0.05$ ;  $V=0,267$ .

The impact of the establishment type of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “Who has had primary responsibility for major policy decisions on the following issues?”. According to the chi-square analysis results, there is a statistically significant relationship found between the establishment type of the subsidiary and the responses given for the subcategory variable “Performance evaluation” of the question for the respondents from Turkey:  $p=0,001 < 0.05$ ;  $V=0,392$ . The majority of the subsidiaries established through “Merger & Acquisition” recorded “Local line management” answer, and most of the responses for “Local HR department in consultation with

local line management” were provided by the subsidiaries established through “Greenfield” investments. However, there is no association found for the subsidiaries from Hungary between the same subcategory variable and establishment type of the subsidiary:  $p=0,263 > 0.05$ ;  $V=0,214$ .

According to chi-square analysis results between another subcategory variable, “Health & Safety” of the question and establishment type of the subsidiaries, there is statistically no significant relation identified for the subsidiaries from Turkey:  $p=0,235 > 0.05$ ;  $V=0,201$ . When the data collected from subsidiaries in Hungary was examined, a significant connection was found between the same subcategory variable and establishment type of the subsidiaries:  $p=0,000 < 0.05$ ;  $V=0,483$ . The majority of the subsidiaries established through “Merger & Acquisition” gave the response of “Local line management” and “Local line management in consultation with HR department” answer was noted by the majority of the respondents from the subsidiaries established through “Greenfield” investments.

The impact of the establishment type of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “What kind of re-organisation policies and practices has been implemented in the HR department in this period?”. The analysis results revealed a significant association between the establishment type of the subsidiary and the subcategory variable “Outsourcing of HR tasks or functions” of the question for the respondents from Turkey:  $p=0,000 < 0.05$ ;  $V=0,562$ . The majority of the subsidiaries established through “Greenfield” investments gave “No” answer to the question. However, when the data collected from Hungarian respondents was examined, there is statistically no significant relation found between the same subcategory variable and the establishment type of the subsidiaries:  $p=0,089 > 0.05$ ;  $V=0,182$ .

According to chi-square analysis results between another subcategory variable “Employee self-service improvement programs” of the question and establishment type of the subsidiaries, there is statistically no significant relation identified for the subsidiaries both from Turkey:  $p=0,149 > 0.05$ ;  $V=0,141$  and Hungary  $p=0,375 > 0.05$ ;  $V=0,095$ .

The impact of establishment type of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “How was the usage of external providers (3rd party consultants and outsourcing firms) changed for below functions in this period?”. The analysis results showed a significant relation between the establishment type of the subsidiaries and “Performance evaluation” subcategory variable of the question for the respondents from Turkey:  $p=0,001 < 0.05$ ;  $V=0,400$ . All of the respondents who answered

“Increased” were from the subsidiaries of “Greenfield” investments, while all of the responses for “Decreased” were reported by the subsidiaries emerged as a result of “Merger & Acquisition”. On the other hand, the answers given to the same subcategory variable showed no significant statistical connection with the establishment type of the subsidiaries from Hungary:  $p=0,260 > 0.05$ ;  $V=0,215$ .

The impact of establishment type of the local subsidiary is analysed with chi-square test by comparing the collected data with given responses to the question of “What were the critical Human Resource (HR) issues experienced in your subsidiary during this period? (Please, evaluate the five most characteristic HR functions during this period.)”. Analysis results showed a statistically significant relationship between the responses given for subcategory variable “Selection” and establishment type of the subsidiaries from Turkey:  $p=0,000 < 0.05$ ;  $V=0,592$ . All of the respondents who gave the “Noncritical” answer were from the subsidiaries that were established through “Merger & Acquisition”, and the majority of the respondents who gave the response of “The most critical” was from the subsidiaries of “Greenfield” investments. There is also a significant connection observed between the same subcategory variable and establishment type of the subsidiaries from Hungary:  $p=0,022 < 0.05$ ;  $V=0,362$ . The majority of the participants who answered “Slightly critical” were from the subsidiaries of “Greenfield” investments, and most of the respondents from the subsidiaries that emerged through “Merger & Acquisition” gave the response of “Critical” to the question.

The impact of the establishment type of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “What are the typical HR conditions and outcomes at your subsidiary?”. According to the analysis results, there is no significant association found between the responses given for the subcategory variable “No problem with retaining talent” and the establishment type of the subsidiaries from Turkey:  $p=0,092 > 0.05$ ;  $V=0,248$ . However, there is a statistically meaningful relationship found between the same subcategory variable and establishment type of the subsidiaries in Hungary:  $p=0,017 < 0.05$ ;  $V=0,342$ . While the majority of subsidiaries of “Greenfield” investments gave “Not typical at all” answer, “Slightly typical” response was received by most of the subsidiaries emerged through “Merger & Acquisition”.

The impact of the establishment type of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “Are there any expatriates at your subsidiary in assignment for more than 6 months?”. According to the data collected based on the respondents' answers, statistically, no significant connection was found between foreign

expatriation and establishment type of the subsidiaries both from Turkey  $p=0,274 > 0.05$ ;  $V=0,107$  and Hungary  $p=0,877 > 0.05$ ;  $V=0,017$ .

Also, the impact of establishment type of the local subsidiary is analysed with a chi-square test by comparing the collected data with given responses to the question of “Does your subsidiary have any local employees on expatriate assignment for more than a period of 6 months?”. Similar to foreign expatriation, there is no association between local expatriation and establishment type of the subsidiaries both from Turkey  $p=0,148 > 0.05$ ;  $V=0,14$  and Hungary  $p=0,913 > 0.05$ ;  $V=0,012$  as well.

The impact of establishment type of the subsidiaries is analysed with chi-square test by comparing the collected data with given responses to the question of “How important do you think the following knowledge flows were for the knowledge transfer in your HRM department between the parent company and your subsidiary during this period?”. Chi-square analysis results showed a significant association between “Knowledge flows between subsidiaries” subcategory variable and establishment type of subsidiaries from Turkey:  $p=0,002 < 0.05$ ;  $V=0,408$ . All of the subsidiaries who answered “Unimportant” was established through “Greenfield” investments, while the majority of the respondents from the subsidiaries established through “Merger & Acquisition” provided “Slightly important” answer. There is a significant relation found between the same subcategory variable and establishment type of the subsidiaries from Hungary as well:  $p=0,000 < 0.05$ ;  $V=0,502$ . Responses received for “Slightly important” was evenly distributed by %50-50 between the subsidiaries established through “Greenfield” investments and “Merger & Acquisition”.

**4.3.4. Hypothesis 4:** Strategic orientation of the parent company has an impact on the characteristics of HR policies and activities at the local subsidiaries.

Table 42: Main strategic issues/orientation

What was the key strategic issues (general business strategies) your subsidiary was facing during this period?

				Country		
				Turkey	Hungary	Total
Main strategic issues/orientation	Growth and market expansion	N		64	64	128
		%		61,0%	73,6%	66,7%
	Stability	N		35	22	57

	%	33,3%	25,3%	29,7%
Cutbacks	and N	6	1	7
downsizing	%	5,7%	1,1%	3,6%
Total	N	105	87	192
	%	100,0%	100,0%	100,0%

Source: Author's Own 2021

On the collection of data obtained from the subsidiaries in Turkey & Hungary based on the responses they provided for the question “What was the key strategic issues (general business strategies) your subsidiary was facing during this period?”, a chi-square analysis is carried out to analyse the relationship between the strategic orientation of the subsidiaries and variables of HR-related responses collected from the participants. The analysis is always conducted and interpreted separately on the collected data for Turkey and Hungary to present the comparative results.

The impact of strategic orientation (key strategic issues) of the subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question of “What was the primary HR role played by your corporate headquarter during this period?”. According to chi-square analysis results, there is a statistically significant relationship between the subsidiaries' strategic orientation and the primary HR role of the headquarter for the respondents from Turkey:  $p=0,021 < 0.05$ ;  $V=0,266$ . While the majority of the subsidiaries who provided the answer of “Provide general guidelines and framework for HR actions.” had the strategic orientation of “growth and market expansion”, all of the responses received for “Centralized decision-making with tight control” was reported by the subsidiaries with strategic orientation of “cutbacks and downsizing”. On the other hand, there is no statistically significant relation found for the respondents from Hungary between their subsidiaries' strategic orientation and the primary HR role of their headquarters:  $p=0,478 > 0.05$ ;  $V=0,178$ .

The impact of strategic orientation (key strategic issues) of the subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question of “Who has had primary responsibility for major policy decisions on the following issues?”. According to chi-square analysis results, there is no significant connection identified between the responses given to “Training and Development” subcategory of the question and the strategic orientation of the subsidiaries from Turkey:  $p=0,063 > 0.05$ ;  $V=0,239$ . However, the analysis results showed a statistically meaningful connection between the same subcategory variable and strategic orientation of the subsidiaries from Hungary:  $p=0,026 < 0.05$ ;  $V=0,287$ . Majority of the subsidiaries concerned “Stability” as their key strategic issue gave “Local line management”

response while “HR department in consultation with local line management” answer was noted by most of the subsidiaries who targeted “Growth and market expansion” as their key strategic issue.

The impact of strategic orientation (key strategic issues) of the subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question of “What kind of re-organisation policies and practices has been implemented in the HR department in this period?”. Between the responses given to the subcategory of the question “Initiating the HR business partner role” and the strategic orientation, chi-square analysis showed a significant relation for the subsidiaries from Turkey:  $p=0,003 < 0.05$ ;  $V=0,328$ . The majority of the respondents who answered “No” were representing the subsidiaries who implemented “Growth and market expansion” as their key business strategy. According to chi-square analysis results, there is no significant relation found between the responses given to the same subcategory variable of the question and the strategic key issues of the subsidiaries from Hungary:  $p=0,649 > 0.05$ ;  $V=0,100$ .

The impact of strategic orientation (key strategic issues) of the subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question of “How was the usage of external providers (3rd party consultants and outsourcing firms) changed for below functions in this period?”. According to chi-square analysis results, there is statistically a significant relation found between “Talent management” subcategory of the question and strategic orientation of the subsidiaries from Turkey:  $0,000 < 0.05$ ;  $V=0,345$ . All of the answers given for “Decreased” belonged to the subsidiaries who set “Stability” as their key business strategy, and the majority of the responses for “No external providers were used” were noted by the subsidiaries defined “Growth and market extension” as their key business strategy. However, there is no connection identified between the same subcategory variable and key business strategies of the subsidiaries from Hungary:  $p=0,780 > 0.05$ ;  $V=0,136$ .

The impact of strategic orientation (key strategic issues) of the subsidiaries is analysed with chi-square test by comparing the collected data with given responses to the question of “What were the critical Human Resource (HR) issues experienced in your subsidiary during this period? (Please, evaluate the five most characteristic HR functions during this period)”. Analysis results showed a statistically significant relationship between the responses given for the subcategory variable “Talent management” and strategic orientation of the subsidiaries from Turkey:  $p=0,023 < 0.05$ ;  $V=0,353$ . “Noncritical” response was shared evenly (%50-50) among the subsidiaries that have the strategic orientation of “Growth and market expansion” and “Stability”. On the other hand, for the same subcategory variable, there is no relation found for the data collected from the respondent subsidiaries in Hungary:  $p=0,061 > 0.05$ ;  $V=0,293$ .

The impact of the subsidiaries' strategic orientation (key strategic issues) is analysed with a chi-square test by comparing the collected data with given responses to the question of “What are the typical HR conditions and outcomes at your subsidiary?”. Results of the analysis revealed a significant connection between the subcategory variable “Knowledge of foreign languages is appropriate in most roles” and strategic orientation of the subsidiaries from Turkey:  $p=0,002 < 0.05$ ;  $V=0,312$ . The respondents from the subsidiaries with strategic orientation of “Growth and market expansion” provided most of the responses for “Not typical at all”. A statistically significant relation was found between the same subcategory variable based on the data collected by subsidiaries in Hungary and their strategic orientation as well:  $p=0,005 < 0.05$ ;  $V=0,355$ . All of the responses for “Not typical at all” were provided by the respondents of the subsidiaries have “Growth and market expansion” as their key strategic business strategy.

The impact of strategic orientation (key strategic issues) of the subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question of “Are there any expatriates at your subsidiary in assignment for more than 6 months?”. Analysis results for respondents from Turkey showed a significant association between the strategic orientation of the subsidiaries and foreign expatriation:  $p=0,004 < 0.05$ ;  $V=0,325$ . All of the respondents who gave “No” answer were representing the subsidiaries with a strategic orientation of “Growth and market expansion”. Foreign expatriation and strategic orientation were associated with each other for the subsidiaries from Hungary as well:  $p=0,004 < 0.05$ ;  $V=0,355$ . However, differently from the subsidiaries in Turkey, all of the answers given for “Yes” to foreign expatriation questions were recorded by the subsidiaries who targeted “Growth and market expansion” as their key strategic business strategy.

Also, the impact of strategic orientation (key strategic issues) of the subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question of “Does your subsidiary have any local employees on expatriate assignment for more than a period of 6 months?”. According to the analysis results, there is statistically no significant relation found between local expatriation and strategic orientation of subsidiaries both from Turkey  $p=0,571 > 0.05$ ;  $V=0,103$  and Hungary  $p=0,075 > 0.05$ ;  $V=0,244$ .

The impact of strategic orientation (key strategic issues) of the subsidiaries is analysed with chi-square test by comparing the collected data with given responses to the question of “How important do you think the following knowledge flows were for the knowledge transfer in your HRM department between the parent company and your subsidiary during this period?”. There is no statistical connection identified between the subcategory variable “HR related knowledge flows

within the HR department at your subsidiary” and the strategic orientation of the subsidiaries from Turkey:  $p=0,171 > 0.05$ ;  $V=0,235$ . However, for respondents from Hungary, analysis results showed a statistically significant relationship between the same subcategory variable and the strategic orientation of their subsidiaries:  $p=0,001 < 0.05$ ;  $V=0,381$ . All of the respondents who gave “Unimportant” answer belonged to the subsidiaries with strategic orientation of “Stability” while the majority of the responses for “Very important” were provided by the subsidiaries have “Growth and market expansion” as their key business strategy.

**4.3.5. Hypothesis 5:** The size of subsidiaries/the total number of employees affect the HR policies and activities of local subsidiaries.

Table 43: Total number of employees of the company (group)

				Country		
				Turkey	Hungary	Total
Total number of employees of the company (group)	Below 250	N		45	39	84
		%		42,9%	44,8%	43,8%
	251-1000	N		27	21	48
		%		25,7%	24,1%	25,0%
	1001-2000	N		13	9	22
		%		12,4%	10,3%	11,5%
	2001-5000	N		11	8	19
		%		10,5%	9,2%	9,9%
	Over 5000	N		9	10	19
		%		8,6%	11,5%	9,9%
	Total	N		105	87	192
		%		100,0%	100,0%	100,0%

Source: Author’s Own 2021

The above table is created based on the responses given to the question of “Total number of your employees at your subsidiary” to define a size group that each subsidiary belongs to for analysing the impact of the size of companies on their HR activities and policies. Accordingly, this data from the table is used to carry out a chi-square analysis between the total number of employees of subsidiaries and variables of HR-related responses collected from the participants of Turkey &



Hungary. The analysis is always conducted and interpreted separately on the collected data for Turkey and Hungary to present the comparative results.

The impact of the total number of employees of the subsidiaries is analysed with a chi-square test by comparing company size group data with given responses to the question of “What was the primary HR role played by your corporate headquarter during this period?”. According to chi-square analysis results, there is no statistically significant relationship found between the primary HR role of the headquarters and the size of the subsidiaries, both from Turkey  $p=0,752 > 0.05$ ;  $V=0,163$  and Hungary  $p=0,448 > 0.05$ ;  $V=0,214$ .

The impact of the total number of the subsidiaries' employees is analysed with a chi-square test by comparing company size group data with given responses to the question of “Who has had primary responsibility for major policy decisions on the following issues?”. Analysis results showed no significant connection between the subsidiaries' size and the responses given to “Human resource planning” subcategory variable of the question for subsidiaries both from Turkey  $p=0,322 > 0.05$ ;  $V=0,208$  and Hungary  $p=0,058 > 0.05$ ;  $V=0,280$ . Similarly, the comparison between the responses given for “Recruitment” subcategory variable of the question and the size of the subsidiaries showed no association for the respondent subsidiaries from both Turkey  $p=0,475 > 0.05$ ;  $V=0,192$  and Hungary  $p=0,568 > 0.05$ ;  $V=0,201$  as well.

The impact of the total number of employees of the subsidiaries is analysed with a chi-square test by comparing company size group data with given responses to the question of “What kind of re-organisation policies and practices has been implemented in the HR department in this period?”. Between the responses given to the subcategory of the question “Initiating HR business partner role” and size of the subsidiaries, chi-square analysis results revealed a significant relation for the respondents from Turkey:  $p=0,025 < 0.05$ ;  $V=0,325$ . Majority of the respondents who gave “Yes” answer were from the subsidiaries that had a total number of employees “Below 250”. When the same analysis was conducted for the subsidiaries from Hungary, there is statistically no meaningful connection found between the same subcategory variable and the size of the subsidiaries:  $p=0,921 > 0.05$ ;  $V=0,103$ .

According to chi-square results, there is a significant association identified between the size of the companies and the subcategory variable “Strengthening HR business partner role” for the respondents from Turkey:  $p=0,022 < 0.05$ ;  $V=0,330$ . The majority of the respondents who gave “No” answer were employees of the subsidiaries that have “Below 250” total employees.

However, the same subcategory variable and size of the company for subsidiaries from Hungary showed no statistically significant relation:  $p=0,352 > 0.05$ ;  $V=0,225$ .

The impact of the total number of employees of the subsidiaries is analysed with a chi-square test by comparing company size group data with given responses to the question of “How was the usage of external providers (3rd party consultants and outsourcing firms) changed for below functions in this period?”. According to chi-square analysis results, whereas there is statistically no significant relation found between the responses given for “Human resource planning” subcategory variable and size of the subsidiaries from Turkey  $p=0,542 > 0.05$ ;  $V=0,186$ , an association has been observed for the same subcategory variable and size of the subsidiaries for the respondents from Hungary  $p=0,021 < 0.05$ ;  $V=0,322$ . While the majority of the respondents who gave “Increased” belonged to the subsidiaries with a total number of employees between “251-1000”, most of “No external providers were used answer” responses were recorded by the subsidiaries with a total number of employees “Below 250”.

According to chi-square results, there is no connection found between the companies' size and the responses given for another subcategory variable “Recruitment” of the question for the subsidiaries from both Turkey  $p=0,767 > 0.05$ ;  $V=0,162$  and Hungary  $p=0,371 > 0.05$ ;  $V=0,223$ .

The impact of the total number of employees of the subsidiaries is analysed with chi-square test by comparing company size group data with given responses to the question of “What were the critical Human Resource (HR) issues experienced in your subsidiary during this period? (Please, evaluate the five most characteristic HR functions during this period)”. Analysis results showed statistically no significant relationship between the responses given for subcategory variable “Recruitment” and the companies' size for the subsidiaries from Turkey:  $p=0,121 > 0.05$ ;  $V=0,251$ . However, the responses given for the same subcategory variable and the total number of employees had a statistically meaningful relation for the subsidiaries from Hungary:  $p=0,046 < 0.05$ ;  $V=0,276$ . The responses given for “Noncritical” was distributed evenly (%50-50) among the subsidiaries with the total number of employees “Below 250” and “Over 5000”.

The impact of the total number of employees of the subsidiaries is analysed with a chi-square test by comparing company size group data with given responses to the question of “What are the typical HR conditions and outcomes at your subsidiary?”. According to the analysis results, the total number of the employees were not associated with the subcategory variable “Easy to hire blue-collar staff” of the question at the subsidiaries from both Turkey:  $p=0,439 > 0.05$ ;  $V=0,196$  and Hungary  $p=0,942 > 0.05$ ;  $V=0,144$ .

According to chi-square analysis results between the total number of employees and another subcategory variable, “We provide a competitive reward for each job position”, both variables were associated with each other for the subsidiaries from Turkey  $p=0,047 < 0.05$ ;  $V=0,260$ . Majority of the respondents who noted “Slight typical” answer were from the subsidiaries with a total number of employees “Below 250”. Similarly, for subsidiaries from Hungary, there is a significant connection found between the same categorical variable and company size as well:  $p=0,049 < 0.05$ ;  $V=0,284$ . Also, most of the responses for “Particularly typical” are provided by the participants of the subsidiaries with employees “Below 250”.

The impact of the total number of employees of the subsidiaries is analysed with a chi-square test by comparing company size group data with given responses to the question of “Are there any expatriates at your subsidiary in assignment for more than 6 months?”. According to the data collected based on the answers of the respondents, for both subsidiaries in Hungary and Turkey, there is statistically no significant relationship identified between foreign expatriation and the total number of the employees of the subsidiaries that corresponds to the values of  $p=0,924 > 0.05$ ;  $V=0,093$  and  $p=0,487 > 0.05$ ;  $V=0,199$ .

Also, the impact of the total number of employees of the subsidiaries is analysed with a chi-square test by comparing company size group data with given responses to the question of “Does your subsidiary have any local employees on expatriate assignment for more than a period of 6 months?”. Similar to foreign expatriation, there was no association between local expatriation and size of the subsidiaries from both Turkey  $p=0,264 > 0.05$ ;  $V=0,223$  and Hungary  $p=0,215 > 0.05$ ;  $V=0,258$ .

The impact of the total number of employees of the subsidiaries is analysed with chi-square test by comparing company size group data with given responses to the question of “How important do you think the following knowledge flows were for the knowledge transfer in your HRM department between the parent company and your subsidiary during this period?”. Chi-square analysis results showed a statistically no significant relation between subcategory variable “Knowledge flows from subsidiary to the parent company” and size of the subsidiaries from both Turkey  $p=0,053 > 0.05$ ;  $V=0,249$  and Hungary  $p=0,886 > 0.05$ ;  $V=0,166$ .

**4.3.6. Hypothesis 6:** Role of headquarter within context of primary responsibilities affect the characteristics of HR activities and policies at subsidiaries.

Table 44: Primary HR role of the headquarter

What was the primary HR role played by your corporate headquarter during this period?

		Country		
		Turkey	Hungary	Total
Primary HR role of the headquarter	Provide autonomy both in decision-makings and in implementation	N 54	23	77
		% 51,4%	26,4%	40,1%
	Provide general guidelines and framework for HR actions	N 30	39	69
		% 28,6%	44,8%	35,9%
	Provide detailed HR models, policies, procedures and rules	N 18	19	37
		% 17,1%	21,8%	19,3%
	Centralized decision-making with tight control	N 3	6	9
		% 2,9%	6,9%	4,7%
Total		N 105	87	192
		% 100,0%	100,0%	100,0%

Source: Author's Own 2021

On the collection of data obtained from the subsidiaries in Turkey & Hungary based on the responses they provided for the question “What was the primary HR role played by your corporate headquarter during this period?”, a chi-square analysis is carried out to analyse the relationship between primary HR role of the headquarter at subsidiaries and variables of HR-related responses collected from the participants. The analysis is always conducted and interpreted separately on the collected data for Turkey and Hungary to present the comparative results.

The impact of the primary HR role of headquarters on the subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question of “Who has had primary responsibility for major policy decisions on the following issues?”. According to chi-square analysis results, there is a significant association observed between the responses given to “Selection” subcategory variable of the question and the primary HR role of the headquarter for the subsidiaries from Turkey:  $p=0,000 < 0.05$ ;  $V=0,323$ . The majority of the respondents who gave “Local line management” answer stated that their headquarters’ primary HR role was providing “general guidelines and framework for HR actions” to their subsidiaries. However, most of the answers for “Local line management in consultation with HR department” were recorded by the subsidiaries that had “autonomy both in decision-making and implementation”. When the relation

between the same subcategory variable and the headquarter's primary HR role was examined for the respondents from Hungary, the results showed a significant connection as well:  $p=0,015 < 0.05$ ;  $V=0,280$ . While the majority of the answers for “Local line management” were noted by the subsidiaries that have “autonomy both in decision-making and in implementation”, majority of “Local HR department in consultation with line management” responses were provided by the subsidiaries in which their headquarter provided “general guidelines and framework for HR actions”.

The impact of the primary HR role of headquarters on the subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question of “What kind of re-organisation policies and practices has been implemented in the HR department in this period?”. Between the responses given to the subcategory variable “Delegating HR tasks and functions to the management” of the question and primary HR role of the headquarter, a significant relation was found for the subsidiaries from Turkey  $p=0,000 < 0.05$ ;  $V=0,446$ . The majority of the respondents who answered “No” were from the subsidiaries that have “autonomy both in decision-making and implementation”. The same subcategory variable and primary HR role of the headquarter were associated with each other for the subsidiaries from Hungary:  $p=0,020 < 0.05$ ;  $V=0,337$  as well. Most of the responses for “No” were received by the subsidiaries with headquarters that provide them “general guidelines and framework for HR actions”.

The impact of the primary HR role of headquarters on the subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question of “How was the usage of external providers (3rd party consultants and outsourcing firms) changed for below functions in this period?”. The responses given to subcategory variable “Recruitment” of the question and primary HR role of the headquarter showed some significant connection for the subsidiaries from Turkey:  $p=0,000 < 0.05$ ;  $V=0,310$ . The majority of the subsidiaries have “autonomy both in decision-making and in implementation” gave “Increased” answer whereas most of the responses for “Decreased” were received by the subsidiaries with headquarters that provide them “general guidelines and framework for HR actions”. Analysis results showed that the same subcategory variable and primary HR role of headquarter are associated with each other for the subsidiaries from Hungary as well:  $p=0,000 < 0.05$ ;  $V=0,338$ . The majority of the answers for “Increased” were recorded by the subsidiaries with headquarters provide them “general guidelines and framework for HR actions”. On the other hand, the majority of the responses for “Decreased” were received by the subsidiaries that have headquarters choose to provide “detailed HR models, policies, procedures and rules”.

The impact of the primary HR role of headquarters on the subsidiaries is analysed with chi-square test by comparing the collected data with given responses to the question of “What were the critical Human Resource (HR) issues experienced in your subsidiary during this period? (Please, evaluate the five most characteristic HR functions during this period)”. Analysis results showed a statistically significant relationship between the responses given for subcategory variable “Performance evaluation” and primary HR role of headquarters for the subsidiaries from Turkey:  $p=0,000 < 0.05$ ;  $V=0,387$ . “Slightly critical” answer was mostly given by the subsidiaries with headquarters that provided “general guidelines and framework for HR actions” while the majority of the respondents from the subsidiaries that have “autonomy both in decision-making and in implementation” noted “The most critical” answer. There is also a significant connection observed between the same subcategory variable and the primary HR role of the headquarter for the subsidiaries from Hungary:  $p=0,002 < 0.05$ ;  $V=0,344$ . Most of the answers for “The most critical” were given by the subsidiaries with headquarters that provided them “general guidelines and framework for HR actions”.

The impact of the primary HR role of headquarters on the subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question of “What are the typical HR conditions and outcomes at your subsidiary?”. According to the analysis results, there is no statistically significant association found between the responses given for subcategory variable “No problem with retaining talent” and the primary HR role of the headquarter for the subsidiaries from Turkey:  $p=0,468 > 0.05$ ;  $V=0,166$ . However, the same subcategory variable and primary HR role of the headquarter for the subsidiaries from Hungary were statistically associated with each other:  $p=0,024 < 0.05$ ;  $V=0,271$ . All of the answers for “Not typical at all” were provided by the respondents from the subsidiaries who choose to provide “general guidelines and framework for HR actions”.

The impact of the primary HR role of headquarters on the subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question of “Are there any expatriates at your subsidiary in assignment for more than 6 months?”. Analysis results showed a statistically significant relationship between foreign expatriation and the headquarters' primary HR role for subsidiaries from both Turkey  $p=0,012 < 0.05$ ;  $V=0,322$  and Hungary. “Autonomy both in decision-making and implementation” was the primary HR role of the headquarters for the subsidiaries who provided the majority of “Yes” answers. Foreign expatriation was also associated with the headquarters' primary HR role for the subsidiaries from Hungary:  $p=0,000 < 0.05$ ;

V=0,460. The majority of the respondents who gave “Yes” answer stated that their headquarters provided “general guidelines and framework for HR actions”.

Also, the impact of the primary HR role of headquarters on the subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question of “Does your subsidiary have any local employees on expatriate assignment for more than a period of 6 months?”. Whereas no association is found between local expatriation and the headquarter's primary HR role for the subsidiaries from Turkey:  $p=0,092 > 0.05$ ;  $V=0,248$ , analysis results revealed a meaningful connection between both variables for the subsidiaries from Hungary:  $p=0,039 < 0.05$ ;  $V=0,310$ . Majority of the respondents who noted “Yes” answer were from the subsidiaries with headquarter that provided “general guidelines and framework for HR actions”.

Also, the impact of the primary HR role of headquarters on the subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question of “How important do you think the following knowledge flows were for the knowledge transfer in your HRM department between the parent company and your subsidiary during this period?”. According to chi-square analysis results, there is a statistically significant relation found between the responses given to subcategory variable “Knowledge flows from subsidiary to the parent company” and the headquarter's primary HR role for subsidiaries from Turkey:  $p=0,000 < 0.05$ ;  $V=0,378$ . The respondents from the subsidiaries with “Autonomy both in decision-making and implementation” provided by their headquarter gave all of “Unimportant” answers to the question. The same subcategory variable was statistically associated with the primary HR role of the headquarter of subsidiaries from Hungary as well:  $p=0,038 < 0.05$ ;  $V=0,290$ . The majority of the answers for “Very important” were noted by the respondents of the subsidiaries with headquarter that choose to “detailed HR models, policies, procedures and rules.”.

## 5. CONCLUSION & RECOMMENDATIONS

In this study, the data is collected by the professionals representing the local subsidiaries from Turkey and Hungary, who participated in the survey by answering the questions. There were 87 respondents from Hungary, while 105 respondents contributed to the study from Turkey that corresponded to a total of 192 respondents. According to the data collected, the study's main hypotheses will be examined and interpreted in this section.

**Hypothesis 1:** The parent companies' origin has an impact on the characteristics of HR policies and activities at local subsidiaries.

The “Continental/Regional Origin of the Responding Companies (Culture)” table was created based on the responses given to the question of “National origin of your parent company” to carry out a Chi-square test analysis between the company origin and the responses given to the HR-related questions. Analysis results showed a statistically significant relationship between the company origin/management culture and some HR practices and policies of subsidiaries from Turkey in many cases such as:

- Primary HR role of corporate headquarters: “Providing autonomy both in decision makings and in implementation” and “Centralized decision-making with tight control”,
- Primary responsibility for major policy decisions: “Human resource planning” and “Training & Development”,
- Implementation of re-organization policies and practices: “Delegating HR tasks and functions to the management”,
- Usage of external service providers: “Communication”,
- Critical HR issues experienced: “Performance evaluation” and “Employee relations”,
- Typical HR conditions and outcomes: “Easy to hire blue-collar staff” and “Easy to hire technical staff”,
- Expatriation: “Local expatriation”,
- Knowledge management: “Knowledge flows from parent company to the subsidiary” and “Knowledge flows between subsidiaries”.

On the other hand, in some cases, no significant association was observed due to the p-value that was higher than  $>0.05$ , such as:

- Implementation of re-organization policies and practices: “Implementation of management self-service improvement programs”,
- Usage of external service providers: “Human resource planning”,
- Expatriation: “Foreign expatriation”.

For the local subsidiaries from Hungary, there was a significant association between the company origin/management culture and HR policies and practices in the instances below:

- Primary responsibility for major policy decisions: “Human resource planning”,
- Usage of external service providers: “Communication”,



- Critical HR issues experienced: “Performance evaluation”,
- Typical HR conditions and outcomes: “Easy to hire blue-collar staff”,
- Knowledge management: “Knowledge flows from parent company to the subsidiary” and “Knowledge flows between subsidiaries”.

On the other hand, analysis results revealed no significant association between the company origin/management culture and HR policies and practices at local subsidiaries from Hungary in the below cases:

- Primary HR role of corporate headquarters: “Providing autonomy both in decision makings and in implementation” and “Centralized decision-making with tight control”,
- Primary responsibility for major policy decisions: “Training & Development”,
- Implementation of re-organization policies and practices: “Delegating HR tasks and functions to the management” and “Management self-service programs”,
- Critical HR issues experienced: “Employee relations”,
- Typical HR conditions and outcomes: “Easy to hire technical staff”,
- Expatriation: “Foreign expatriation” and “Local expatriation”.

In conclusion, the first hypothesis was partially accepted, meaning that the origin of the company or management culture, in other words, have an impact on the characteristics of HR policies and activities at local subsidiaries from Turkey and Hungary.

Partial acceptance of the first hypothesis shows that companies from different origins apply different management styles at their local subsidiaries due to differences in their traditions and local or national market characteristics. Accordingly, impact of the company origin can be observed on the local HR policies and practices adopted by the local subsidiaries in both Turkey and Hungary. Therefore, it is essential to consider the companies' origin to understand the relationship between headquarters and their subsidiaries.

**Hypothesis 2:** The characteristics of HR policies and activities are affected by the establishment time of the local subsidiary.

The impact of the local subsidiaries' establishment year is analysed with the Chi-square test by comparing the collected data with given responses to the HR-related questions. Analysis results showed a significant relation between establishment time of the subsidiary and HR policies and practices of the subsidiaries from Turkey in many cases:

- Primary HR role of corporate headquarters: “Providing autonomy both in decision makings and in implementation” and “Centralized decision-making with tight control”,
- Primary responsibility for major policy decisions: “Recruitment”,
- Implementation of re-organization policies and practices: “Outsourcing of HR tasks or functions” and “Initiating HR business partner role”,
- Critical HR issues experienced: “Selection”,

- Typical HR conditions and outcomes: “Easy to hire technical staff” and “The influence of union is significant”,
- Expatriation: “Foreign expatriation” and “Local expatriation”,
- Knowledge management: “Knowledge flows from subsidiary to the parent company”.

On the other hand, analysis results revealed no significant connection between the establishment time of the subsidiary and HR policies and practices at local subsidiaries from Turkey only in one case:

- Usage of external service providers: “Recruitment”.

When we examined the analysis results for the subsidiaries from Hungary, the establishment time of the subsidiary was associated with the HR policies and practices shown below:

- Primary HR role of corporate headquarters: “Providing autonomy both in decision makings and in implementation” and “Centralized decision-making with tight control”,
- Primary responsibility for major policy decisions: “Recruitment”,
- Usage of external service providers: “Recruitment”.
- Critical HR issues experienced: “Selection”,
- Typical HR conditions and outcomes: “Easy to hire technical staff”,
- Knowledge management: “Knowledge flows from subsidiary to the parent company”.

However, establishment type had no impact on the below HR policies and practices at the local subsidiaries from Hungary:

- Implementation of re-organization policies and practices: “Outsourcing of HR tasks or functions” and “Initiating HR business partner role”,
- Typical HR conditions and outcomes: “The influence of union is significant”,
- Expatriation: “Foreign expatriation” and “Local expatriation”.

Overall, we can conclude that the second hypothesis was fully accepted for the local subsidiaries from Turkey while for the local subsidiaries from Hungary, it was partially accepted, meaning that the establishment time of the subsidiary has an impact on the characteristics of HR policies and practice in both countries.

As mentioned before in the literature review section, there are mixed results in the literature regarding the influence of the time of market entry on establishment of MNCs. This fact can partially be observed in our study as well given that our hypothesis was fully accepted for the local subsidiaries from Turkey, while it was partially accepted for the subsidiaries from Hungary. However, it is important to note that we can clearly support that time of the market entry has an impact on local HR policies and practices of the local subsidiaries from both countries. The key difference is its impact seems to be more limited with only some of the local HR policies and practices of the local subsidiaries from Hungary compared to Turkey.

**Hypothesis 3:** Characteristics of HR policies and activities are affected by the establishment form/type (market entry) of the local subsidiary.

The impact of establishment form/type (market entry) of the local subsidiaries is analysed with a Chi-square test by comparing the collected data with given responses to the HR-related questions. Analysis results showed a significant relation between establishment time of the subsidiary and HR policies and practices of the subsidiaries from Turkey in many cases:

- Primary responsibility for major policy decisions: “Performance evaluation”,
- Implementation of re-organization policies and practices: “Outsourcing of HR tasks or functions”,
- Usage of external service providers: “Performance evaluation”,
- Critical HR issues experienced: “Selection”,
- Knowledge management: “Knowledge flows between subsidiaries”.

On the other hand, analysis results revealed no significant connection between the establishment form/type of the subsidiary and HR policies and practices at local subsidiaries from Turkey in the below cases:

- Primary HR role of corporate headquarters,
- Primary responsibility for major policy decisions: “Health & Safety”,
- Implementation of re-organization policies and practices: “Employee self-service improvement programs”,
- Typical HR conditions and outcomes: “No problem with retaining talent”,
- Expatriation: “Foreign expatriation” and “Local expatriation”.

When we examined the analysis results for the subsidiaries from Hungary, the establishment form/type of the subsidiary was associated with the HR policies and practices shown below:

- Primary responsibility for major policy decisions: “Health & Safety”,
- Critical HR issues experienced: “Selection”,
- Typical HR conditions and outcomes: “No problem with retaining talent”,
- Knowledge management: “Knowledge flows between subsidiaries”.

On the other hand, analysis results revealed no significant connection between the establishment form/type of the subsidiary and HR policies and practices at local subsidiaries from Hungary in the below cases:

- Primary HR role of corporate headquarters,
- Primary responsibility for major policy decisions: “Performance evaluation”,
- Implementation of re-organization policies and practices: “Outsourcing of HR tasks or functions” and “Employee self-service improvement programs”,
- Usage of external service providers: “Performance evaluation”,
- Expatriation: “Foreign expatriation” and “Local expatriation”.

Therefore, according to the analysis results, we can conclude that the third hypothesis was partially accepted, meaning that the establishment form/type of the subsidiary has an impact on the characteristics of HR policies and practices of the local subsidiaries from both Turkey and Hungary.

Impact of the market entry type on MNCs was revealed in several studies in the literature in regards to MNCs' strategic and managerial decisions by taking into consideration the local environmental factors in the home country. This impact was observed according to the findings of our study as well since this hypothesis was partially accepted for the local subsidiaries from both Hungary and Turkey. It means that the establishment form/type of the subsidiary was associated with the HR policies and practices in both countries.

**Hypothesis 4:** Strategic orientation of the parent company has an impact on the characteristics of HR policies and activities at the local subsidiaries.

The impact of local subsidiaries' strategic orientation on their HR policies and practices is analysed with a Chi-square test by comparing the collected data with given responses to the HR-related questions. According to the analysis results for the subsidiaries from Turkey, a statistically significant association is found between the strategic orientation of local subsidiaries from Turkey and their HR policies and practices in many cases, as shown below:

- Primary HR role of corporate headquarters: "Provide general guidelines and framework for HR actions." and "Centralized decision-making with tight control",
- Implementation of re-organization policies and practices: "Initiating the HR business partner role",
- Usage of external service providers: "Talent management",
- Critical HR issues experienced: "Talent management",
- Typical HR conditions and outcomes: "Knowledge of foreign languages is appropriate in most roles",
- Expatriation: "Foreign expatriation".

On the other hand, strategic orientation had no impact on HR policies and practices of the subsidiaries from Turkey, as given below:

- Primary responsibility for major policy decisions: "Training and development",
- Expatriation: "Local expatriation".
- Knowledge management: "HR related knowledge flows within the HR department at your subsidiary".

For subsidiaries from Hungary, below HR policies and practices had a statistically significant relation with their strategic orientation:

- Primary responsibility for major policy decisions: "Training and development",
- Typical HR conditions and outcomes: "Knowledge of foreign languages is appropriate in most roles",

- Expatriation: “Foreign expatriation”.
- Knowledge management: “HR related knowledge flows within the HR department at your subsidiary”.

On the other hand, strategic orientation showed no significant association and had no impact on the below HR policies and practices adopted in the subsidiaries from Hungary:

- Primary HR role of corporate headquarters: “Provide general guidelines and framework for HR actions.” and “Centralized decision-making with tight control”,
- Usage of external service providers: “Talent management”,
- Critical HR issues experienced: “Talent management”,
- Expatriation: “Local expatriation”.

Therefore, in the light of the analysis results, the fourth hypothesis was partially accepted, meaning that strategic orientation had an impact on the characteristics of HR policies and practices in subsidiaries from both Turkey and Hungary.

Strategic orientation refers to MNCs' goal while entering a foreign market, which is generally minimization costs and maximization of income for increasing the revenue of their companies. Partial acceptance of this hypothesis for both countries showed that different strategic orientation adopted by MNCs, such as growth & market expansion, stability, cut-back, outsourcing, and other strategic goals, while entering a foreign market had impact on the management and coordination of their HR policies and activities.

**Hypothesis 5:** The size of subsidiaries/the total number of employees affect the HR policies and activities of local subsidiaries.

“Total number of employees of the company (group)” table was created based on the responses given to the question of “Total number of employees at your subsidiary” to carry out a Chi-square test analysis between the size of the subsidiaries and the responses given to the HR-related questions. Analysis results showed a statistically significant relationship between the size of the subsidiaries and below HR practices and policies of subsidiaries from Turkey only:

- Implementation of re-organization policies and practices: “Initiating HR business partner role” and “Strengthening HR business partner role”,
- Typical HR conditions and outcomes: “We provide a competitive reward for each position”,

On the other hand, except above HR policies and practices, all other HR policies and practices showed no statistically significant association with the size of subsidiaries in Turkey:

- Primary HR role of corporate headquarters,
- Primary responsibility for major policy decisions: “Human resource planning” and “Recruitment”,
- Usage of external service providers: “Human resource planning” and “Recruitment”,
- Critical HR issues experienced: “Recruitment”,
- Typical HR conditions and outcomes: “Easy to hire blue-collar staff”,

- Expatriation: “Foreign expatriation“ and “Local expatriation”,
- Knowledge management: “Knowledge flows from subsidiary to the parent company”.

For the local subsidiaries from Hungary, there was a significant association between the size of the subsidiary and their HR policies and practices in the instances below:

- Usage of external service providers: “Human resource planning”,
- Critical HR issues experienced: “Recruitment”,
- Typical HR conditions and outcomes: “We provide a competitive reward for each position”.

On the other hand, analysis results revealed no significant association between the size of the subsidiary and their HR policies and practices at local subsidiaries from Hungary in the below cases:

- Primary HR role of corporate headquarters,
- Primary responsibility for major policy decisions: “Human resource planning” and “Recruitment”,
- Implementation of re-organization policies and practices: “Initiating HR business partner role” and “Strengthening HR business partner role”,
- Usage of external service providers: “Recruitment”,
- Typical HR conditions and outcomes: “Easy to hire blue-collar staff”,
- Expatriation: “Foreign expatriation“ and “Local expatriation”,
- Knowledge management: “Knowledge flows from subsidiary to the parent company”.

In conclusion, the analysis results did not show enough findings to support the fifth hypothesis as the majority of the HR policies and practices showed no significant association with the size of the subsidiaries. Therefore, this hypothesis was rejected for subsidiaries from both Turkey and Hungary.

Size of the local subsidiaries, in other words, the total number of employees might have an impact on the HRM strategies and activities of MNCs. However, its impact on local HR policies and practices were not supported by the findings in our study as we could not find enough data showing its association with adopted and implemented local HR policies and practices at the local subsidiaries in both Hungary and Turkey.

**Hypothesis 6:** Role of headquarter within the context of primary responsibilities affect the characteristics of HR activities and policies at subsidiaries.

The impact of the primary HR role of headquarters on the HR policies and practices of subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question about the headquarter's primary role and the responses given to the HR-related questions. According to chi-square analysis results, there is a significant association observed for many cases for the subsidiaries from Turkey, as shown below:

- Primary responsibility for major policy decisions: “Selection”,

- Implementation of re-organization policies and practices: “Delegating HR tasks and functions to the management”,
- Usage of external service providers: “Recruitment”,
- Critical HR issues experienced: “Performance evaluation”,
- Expatriation: “Foreign expatriation“,
- Knowledge management: “Knowledge flows from subsidiary to the parent company”.

However, the primary role of the headquarter had no impact only on HR policies and practices given below at subsidiaries from Turkey:

- Typical HR conditions and outcomes: “No problem with retaining talent”,
- Expatriation: “Local expatriation“.

When the analysis results were examined for the subsidiaries from Hungary, a statistically significant association was found between the primary role of the headquarters and all the HR policies and practices:

- Primary responsibility for major policy decisions: “Selection”,
- Implementation of re-organization policies and practices: “Delegating HR tasks and functions to the management”,
- Usage of external service providers: “Recruitment”,
- Critical HR issues experienced: “Performance evaluation”,
- Typical HR conditions and outcomes: “No problem with retaining talent”,
- Expatriation: “Foreign expatriation“ and “Local expatriation“,
- Knowledge management: “Knowledge flows from subsidiary to the parent company”.

Overall, the findings showed different results for the subsidiaries from Turkey and Hungary. While the hypothesis was partially accepted for Turkey, in the light of the analysis results, it was completely accepted for the subsidiaries from Hungary, meaning that the primary role of headquarters had an impact on HR policies and practices of the subsidiaries.

Main purpose of this hypothesis was to examine the relationship between headquarters and local subsidiaries in terms of headquarters’ role and impact on HR activities and policies of the subsidiaries. Influence of the headquarter on the local subsidiaries’ activities can be a substantial factor on adopted and implemented local HR activities and policies. This hypothesis was accepted for both Turkey and Hungary, however the role of headquarters on local subsidiaries in Hungary was more influential by having a more direct and significant role on the design of their local HR policies and practices.

Due to the nature of the study, besides testing the hypotheses based on Chi-square analysis results, additional interpretations on responses given to HR-related questions in a comparative manner for Hungary and Turkey would also be useful and provide additional insights for our study.

When we examined the analysis results for the responses given to the question about the primary HR role of the headquarter:

“Providing autonomy” and “centralized decision-making with tight control” roles were significantly associated only with the local subsidiary's establishment time for subsidiaries from Turkey and Hungary.

- However, there was no similarity between the analysis results of Hungary and Turkey as the establishment time of the subsidiaries were different in any of the cases.

Table 45: Comparative Analysis of HR Question 1 (a)

<b>HYPOTHESIS 2:</b>	Characteristics of HR policies and activities are affected by the establishment time of the local subsidiary	
<b>HR QUESTION 1:</b>	"What was the primary HR role played by your corporate headquarter during this period?"	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,000 &lt; 0.05; V=0,457</b>
<b>Autonomy</b>	The majority of the responses given for “Provide autonomy both in decision-making and in implementation” were provided by the subsidiaries established between “1995-2000”	
<b>Centralized Decision</b>	All of the subsidiaries established “After 2010” described the primary HR role of their headquarters by choosing “Centralized decision-making with tight control.”	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,006 &lt; 0.05; V=0,326</b>
<b>Autonomy</b>	The majority of the answers received for “Provide autonomy both in decision-making and in implementation” were provided by the local subsidiaries established “Before 1995”	
<b>Centralized Decision</b>	All of the answers for “Centralized decision-making with tight control” were reported by the subsidiaries belonged to “2006-2010” period	

Source: Author’s Own 2021

- “Size of the subsidiaries” and “establishment form/type” of the subsidiary showed statistically no significant relation with the primary HR role of the corporate headquarter for subsidiaries from both Turkey and Hungary.

Table 46: Comparative Analysis of HR Question 1 (b)

<b>HYPOTHESIS 3:</b>	Characteristics of HR policies and activities are affected by the establishment form/type (market entry) of the local subsidiary	
<b>HR QUESTION 1:</b>	"What was the primary HR role played by your corporate headquarter during this period?"	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,069 &gt; 0.05; V=0,260</b>
<b>Size of the Subsidiary</b>	No statistically significant relationship was found	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,101 &gt; 0.05; V=0,267</b>
<b>Size of the Subsidiary</b>	No statistically significant relationship was found	



<b>HYPOTHESIS 5:</b>	The size of subsidiaries/the total number of employees affect the HR policies and activities of local subsidiaries	
<b>HR QUESTION 1:</b>	"What was the primary HR role played by your corporate headquarter during this period?"	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,752 &gt; 0.05; V=0,163</b>
<b>Size of the Subsidiary</b>	No statistically significant relationship was found	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,448 &gt; 0.05; V=0,214</b>
<b>Size of the Subsidiary</b>	No statistically significant relationship was found	

Source: Author's Own 2021

- On the other hand, "origin of the parent company" and "strategic orientation" were significantly associated primary HR role of the headquarter for the subsidiaries from Turkey, but no statistically significant relationship was found for the subsidiaries from Hungary.

Analysis results of the responses given to the question about "who had primary responsibility for major policy decisions on HR-related issues revealed that:

- The company origin with "Human resource planning" subcategory variable and establishment time of the local subsidiary with "Recruitment" subcategory variable had a statistically significant relation with the primary responsible actor for major policy decisions from at subsidiaries from both Turkey and Hungary.

- However, there was no similarity between the analysis results of Hungary and Turkey as the parent company origin of the subsidiaries were different in each case.

- The only similarity between Turkey and Hungary belonged to the relationship between the local subsidiary's establishment time and the primary responsible actor for major policy decisions. The answers given for "Recruitment" subcategory were provided by the subsidiaries established "Before 1995" from both Turkey and Hungary.

Table 47: Comparative Analysis of HR Question 2

<b>HYPOTHESIS 1:</b>	"The parent companies' origin has an impact on the characteristics of HR policies and activities at local subsidiaries."	
<b>HR QUESTION 2:</b>	"Who has had primary responsibility for major policy decisions on the following issues?"	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,000 &lt; 0.05; V=0,440</b>
<b>Human Resource Planning</b>	The majority of the respondents who answered "Local line management" were "Germanic"	
<b>Human Resource Planning</b>	The majority of "Local line Management in consultation with the HR department" answers were given by "Anglo-Saxon" management cultures	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,000 &lt; 0.05; V=0,453</b>
<b>Human Resource Planning</b>	The majority of respondents who answered "Local line Management in consultation with HR department" were Anglo-Saxon	

<b>Human Resource Planning</b>	Most of the participants who answered “Local HR department in consultation with line management” that were from “Germanic” management culture	
<b>HYPOTHESIS 2:</b>	Characteristics of HR policies and activities are affected by the establishment time of the local subsidiary	
<b>HR QUESTION 2:</b>	“Who has had primary responsibility for major policy decisions on the following issues?”	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,006 &lt; 0.05; V=0,393</b>
<b>Recruitment</b>	The majority of the subsidiaries that gave the response of “Local line management in consultation with HR department” were established between “2006-2010”	
<b>Recruitment</b>	“Local HR department (independently)” answer was mostly given by the subsidiaries that were established “Before 1995”	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,021 &lt; 0.05; V=0,302</b>
<b>Recruitment</b>	The majority of the subsidiaries gave the answer of “Local line management in consultation with HR department” were established between “1995-2000”	
<b>Recruitment</b>	“Local HR department (independently)” answer was provided mostly by the subsidiaries established “Before 1995”	

Source: Author’s Own 2021

- There is no statistically significant relationship found between “size of the subsidiary” and the primary responsible actor for major policy decisions at subsidiaries from both Turkey and Hungary.

- “Training & Development” subcategory answer given regarding the relationship between parent company origin, establishment form/type of the subsidiary and strategic orientation were significantly associated with one country while they were not with another.

When the analysis results of the responses given to the question regarding implemented re-organization policies and practices in the HR department were examined:

- There were no similarities found between the analysis results for the subsidiaries from Hungary and Turkey in any of the cases that had a statistically significant association with each other.

- However, no statistically significant relationship was found between the responses given to “Management self-service improvement programs” subcategory variable of implemented re-organization policies and practices and parent company origin, and between the answers provided for “Employee self-service management programs” subcategory variable of implemented re-organization policies and practices and establishment form/type of the local subsidiary.

Table 48: Comparative Analysis of HR Question 3

<b>HYPOTHESIS 1:</b>	"The parent companies’ origin has an impact on the characteristics of HR policies and activities at local subsidiaries."	
<b>HR QUESTION 3:</b>	“What kind of re-organisation policies and practices has been implemented in the HR department in this period?”	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,090 &gt; 0.05; V=0,343</b>

<b>Management self-service improvement programs</b>	No statistically significant relationship was found	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,067 &gt; 0.05; V=0,390</b>
<b>Management self-service improvement programs</b>	No statistically significant relationship was found	
<b>HYPOTHESIS 3:</b>	Characteristics of HR policies and activities are affected by the establishment form/type (market entry) of the local subsidiary	
<b>HR QUESTION 3:</b>	“What kind of re-organisation policies and practices has been implemented in the HR department in this period?”	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,149 &gt; 0.05; V=0,141</b>
<b>Employee self-service improvement programs</b>	No statistically significant relationship was found	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,375 &gt; 0.05; V=0,095</b>
<b>Employee self-service improvement programs</b>	No statistically significant relationship was found	

Source: Author’s Own 2021

- Rest of the responses that correspond to the majority of the analysis conducted regarding the implementation of re-organized HR policies and practices showed different significant relation results for the subsidiaries from one country to another.

Analysis results of the responses given for the question about the usage of external providers are compared for both countries as well:

- There was a significant correlation between the responses given only for “Communication” subcategory variable of the question and parent company origin for the subsidiaries from both Turkey and Hungary.

- However, the responses given for the same subcategory variable were different from each other or belonged to the subsidiaries from different management culture.

Table 49: Comparative Analysis of HR Question 4 (a)

<b>HYPOTHESIS 1:</b>	"The parent companies’ origin has an impact on the characteristics of HR policies and activities at local subsidiaries."	
<b>HR QUESTION 4:</b>	How was the usage of external providers (3rd party consultants and outsourcing firms) changed for the below functions in this period?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,000 &lt; 0.05; V=0,458</b>

<b>Communication</b>	The majority of the respondents from “Central and Eastern European” management culture responded “Increased”	
<b>Communication</b>	“Decreased” answer was given by the majority of the subsidiaries with “Germanic” management culture	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,034 &lt; 0.05; V=0,362</b>
<b>Communication</b>	Most of the respondents who answered “Increased” were from “Germanic” management culture	

Source: Author’s Own 2021

- Responses given for “Recruitment” subcategory variable of the question and size of the subsidiaries showed no statistical association to each other for the subsidiaries from both countries.

Table 50: Comparative Analysis of HR Question 4 (b)

<b>HYPOTHESIS 5:</b>	The size of subsidiaries/the total number of employees affect the HR policies and activities of local subsidiaries	
<b>HR QUESTION 4:</b>	How was the usage of external providers (3rd party consultants and outsourcing firms) changed for the below functions in this period?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,767 &gt; 0.05; V=0,162</b>
<b>Recruitment</b>	No statistically significant relationship was found	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,371 &gt; 0.05; V=0,223</b>
<b>Recruitment</b>	No statistically significant relationship was found	

Source: Author’s Own 2021

When we compare the responses given for the question about experienced critical HR issues at the subsidiaries, we identified the findings below:

- Answers received for “Performance evaluation” subcategory variable of the question had a statistically significant relation with the origin of the parent company for subsidiaries from both Turkey and Hungary. Also, “Selection” subcategory variable showed a significant association between experienced critical HR issues and both establishment time and form/type of the subsidiaries from both countries.

- However, the responses given for “Performance evaluation” subcategory variable by the subsidiaries from Turkey and Hungary were different or belonged to different management culture in terms of the company origin. The same pattern was identified for “Selection” subcategory variable in terms of establishment time and form/type of the subsidiary as well.

Table 51: Comparative Analysis of HR Question 5

<b>HYPOTHESIS 1:</b>	"The parent companies’ origin has an impact on the characteristics of HR policies and activities at local subsidiaries."	
<b>HR QUESTION 5:</b>	What were the critical Human Resource (HR) issues experienced in your subsidiary during this period?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,011 &lt; 0.05; V=0,387</b>
<b>Performance evaluation</b>	“Slightly critical” response was provided mostly by the subsidiaries from “Germanic” management culture	

<b>Performance evaluation</b>	Respondents from “Anglo-Saxon” management culture provided the majority of given answers for “Most critical”	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,000 &lt; 0.05; V=0,441</b>
<b>Performance evaluation</b>	The majority of the responses given for “Slightly critical” seems to be provided by the subsidiaries from “Francophile” management culture	
<b>Performance evaluation</b>	“The most critical” answers were mostly given by the subsidiaries with the origin of “Central and Eastern European”	
<b>HYPOTHESIS 2:</b>	Characteristics of HR policies and activities are affected by the establishment time of the local subsidiary	
<b>HR QUESTION 5:</b>	What were the critical Human Resource (HR) issues experienced in your subsidiary during this period?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,015 &lt; 0.05; V=0,313</b>
<b>Selection</b>	All of the respondents who gave the “Noncritical” answer were from the subsidiaries that were established between “1995-2000”	
<b>Selection</b>	Majority of the subsidiaries established “Before 1995” gave the answer of “Critical” for the question	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,009 &lt; 0.05; V=0,305</b>
<b>Selection</b>	The majority of the responses given for “Noncritical” seem to be provided by the subsidiaries that were established between “2006-2010”	
<b>Selection</b>	The majority of “Slightly critical” answers belonged to the subsidiaries established “Before 1995”	
<b>HYPOTHESIS 3:</b>	Characteristics of HR policies and activities are affected by the establishment form/type (market entry) of the local subsidiary	
<b>HR QUESTION 5:</b>	What were the critical Human Resource (HR) issues experienced in your subsidiary during this period?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,000 &lt; 0.05; V=0,592</b>
<b>Selection</b>	All of the respondents who gave the “Noncritical” answer were from the subsidiaries that were established through “Merger & Acquisition”	
<b>Selection</b>	The majority of the respondents who gave the response of “The most critical” was from the subsidiaries of “Greenfield” investments	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,022 &lt; 0.05; V=0,362</b>
<b>Selection</b>	The majority of the participants who answered “Slightly critical” were from the subsidiaries of “Greenfield” investments	
<b>Selection</b>	Most of the respondents from the subsidiaries emerged through “Merger & Acquisition” gave the response of “Critical” to the question	

Source: Author’s Own 2021

- According to analysis results, all other responses had different significant relation results for the subsidiaries from one country to another.

Analysis results of the answers provided by the respondents to the question of typical HR conditions and outcomes at their subsidiaries are compared, and the below findings were obtained:

- There was a significant relation between the responses given to the subcategory variable “Easy to hire blue-collar staff” of the question and origin of the parent company for the subsidiaries from both Turkey and Hungary. The subcategory variable “Easy to hire technical staff” of the question

was another typical HR outcome and conditions that have a significant association with the establishment time of the local subsidiaries from both Turkey and Hungary.

- While “Knowledge of foreign languages is appropriate in most roles” subcategory variable of the question had a significant relationship with the strategic orientation of the parent company for the subsidiaries from both Turkey and Hungary, “We provide a competitive reward for each position” was another subcategory variable with a significant association between typical HR conditions and outcomes and size of the subsidiaries for both countries.

- However, all of the answers for “Easy to hire blue-collar staff” subcategory variable were received by Turkey and Hungary showed major differences, and they belonged to different management culture. #

- On the other hand, the majority of the respondents from the subsidiaries established “Before 1995” noted “Slightly typical” answer from both Turkey and Hungary.

- “Not typical at all” response was provided for “Knowledge of foreign languages is appropriate in most roles” subcategory variable by the subsidiaries from both Turkey and Hungary that had a strategic orientation of “Growth and market expansion” with a slight difference. Similarly, the subsidiaries with a total number of employees “Below 250” was another common response received in terms of relation between the size of the subsidiary and typical HR conditions and outcomes at subsidiaries from both countries.

Table 52: Comparative Analysis of HR Question 6 (a)

<b>HYPOTHESIS 1:</b>	"The parent companies' origin has an impact on the characteristics of HR policies and activities at local subsidiaries."	
<b>HR QUESTION 6:</b>	What are the typical HR conditions and outcomes at your subsidiary?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,006 &lt; 0.05; V=0,359</b>
<b>Easy to hire blue-collar staff</b>	most of the subsidiaries with “Germanic” management culture, hiring blue-collar staff was “Not typical at all”	
<b>Easy to hire blue-collar staff</b>	it was a “particularly typical” HR condition for the subsidiaries with “Francophile” management culture	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,017 &lt; 0.05; V=0,376</b>
<b>Easy to hire blue-collar staff</b>	Hiring blue-collar staff was “Particularly typical” HR outcome for the majority of the subsidiaries from “Anglo-Saxon” management culture	
<b>Easy to hire blue-collar staff</b>	The majority of the respondents from the subsidiaries with “South American and Latin” management culture gave “Absolutely typical” answer	
<b>HYPOTHESIS 2:</b>	Characteristics of HR policies and activities are affected by the establishment time of the local subsidiary	
<b>HR QUESTION 6:</b>	What are the typical HR conditions and outcomes at your subsidiary?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,000 &lt; 0.05; V=0,418</b>
<b>Easy to hire technical staff</b>	The majority of the subsidiaries established between “2006-2010” seems to have given “Not typical at all” response	
<b>Easy to hire technical staff</b>	“Slightly typical” answers were recorded mostly by the subsidiaries established “Before 1995”.	

<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,018 &lt; 0.05; V=0,293</b>
<b>Easy to hire technical staff</b>	The majority of the respondents from the subsidiaries established “Before 1995” noted “Slightly typical” answer	
<b>HYPOTHESIS 4:</b>	The strategic orientation of the parent company has an impact on the characteristics of HR policies and activities at the local subsidiaries	
<b>HR QUESTION 6:</b>	What are the typical HR conditions and outcomes at your subsidiary?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,002 &lt; 0.05; V=0,312</b>
<b>Knowledge of foreign languages is appropriate in most roles</b>	The respondents from the subsidiaries with strategic orientation of “Growth and market expansion” provided most of the responses for “Not typical at all”	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,005 &lt; 0.05; V=0,355</b>
<b>Knowledge of foreign languages is appropriate in most roles</b>	All of the responses for “Not typical at all” were provided by the respondents of the subsidiaries have “Growth and market expansion” as their key strategic business strategy	
<b>HYPOTHESIS 5:</b>	The size of subsidiaries/the total number of employees affect the HR policies and activities of local subsidiaries	
<b>HR QUESTION 6:</b>	What are the typical HR conditions and outcomes at your subsidiary?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,047 &lt; 0.05; V=0,260</b>
<b>We provide a competitive reward for each job position</b>	Majority of the respondents who noted “Slight typical” answer was from the subsidiaries with a total number of employees “Below 250”	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,049 &lt; 0.05; V=0,284</b>
<b>We provide a competitive reward for each job position</b>	most of the responses for “Particularly typical” is provided by the participants of the subsidiaries with employees “Below 250”	

Source: Author’s Own 2021

- On the other hand, as another similar finding for both countries, there was no significant association found between typical HR conditions and outcomes and size of the subsidiaries.
- The rest of the analysis results had different results regarding the relationship with typical HR conditions and outcomes of the subsidiaries from one country to another.

Table 53: Comparative Analysis of HR Question 6 (b)

<b>HYPOTHESIS 5:</b>	The size of subsidiaries/the total number of employees affect the HR policies and activities of local subsidiaries
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<b>HR QUESTION 6:</b>	What are the typical HR conditions and outcomes at your subsidiary?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,439 &gt; 0.05; V=0,196</b>
<b>Easy to hire blue-collar staff</b>	No statistically significant relationship was found	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,942 &gt; 0.05; V=0,144</b>
<b>Easy to hire blue-collar staff</b>	No statistically significant relationship was found	

Source: Author's Own 2021

Expatriation was another topic we compared based on the analysis results to reveal the similarities and differences among the subsidiaries from Turkey and Hungary:

- There was a significant relation found only between "Foreign expatriation" and strategic orientation at the subsidiaries from both Turkey and Hungary.
- However, although "growth and market expansion" was a common strategic orientation for both subsidiaries, foreign expatriation was an occurrence for subsidiaries from Turkey while there was no foreign expatriation at the subsidiaries from Hungary.

Table 54: Comparative Analysis of HR Question 7 (a)

<b>HYPOTHESIS 4:</b>	The strategic orientation of the parent company has an impact on the characteristics of HR policies and activities at the local subsidiaries	
<b>HR QUESTION 7:</b>	Are there any expatriates at your subsidiary in assignment for more than 6 months?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,004 &lt; 0.05; V=0,325</b>
<b>Foreign Expatriation</b>	All of the respondents who gave "No" answer was representing the subsidiaries with strategic orientation of "Growth and market expansion"	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,004 &lt; 0.05; V=0,355</b>
<b>Foreign Expatriation</b>	All of the answers given for "Yes" to foreign expatriation questions were recorded by the subsidiaries who targeted "Growth and market expansion" as their key strategic business strategy	

Source: Author's Own 2021

- No statistically significant relationship was observed between foreign expatriation and origin of the parent company, establishment form/type of the subsidiary and size of the subsidiaries for both Turkey and Hungary.

Table 55: Comparative Analysis of HR Question 7 (b)

<b>HYPOTHESIS 1:</b>	"The parent companies' origin has an impact on the characteristics of HR policies and activities at local subsidiaries."	
<b>HR QUESTION 7:</b>	Are there any expatriates at your subsidiary in assignment for more than 6 months?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,081 &gt; 0.05; V=0,347</b>
<b>Foreign Expatriation</b>	No statistically significant relationship was found	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,310 &gt; 0.05; V=0,308</b>



<b>Foreign Expatriation</b>	No statistically significant relationship was found	
<b>HYPOTHESIS 3:</b>	Characteristics of HR policies and activities are affected by the establishment form/type (market entry) of the local subsidiary	
<b>HR QUESTION 7:</b>	Are there any expatriates at your subsidiary in assignment for more than 6 months?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,274 &gt; 0.05; V=0,107</b>
<b>Foreign Expatriation</b>	No statistically significant relationship was found	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,877 &gt; 0.05; V=0,017</b>
<b>Foreign Expatriation</b>	No statistically significant relationship was found	
<b>HYPOTHESIS 5:</b>	The size of subsidiaries/the total number of employees affect the HR policies and activities of local subsidiaries	
<b>HR QUESTION 7:</b>	Are there any expatriates at your subsidiary in assignment for more than 6 months?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,924 &gt; 0.05; V=0,093</b>
<b>Foreign Expatriation</b>	No statistically significant relationship was found	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,487 &gt; 0.05; V=0,199</b>
<b>Foreign Expatriation</b>	No statistically significant relationship was found	

Source: Author's Own 2021

- Also, there was no statistically significant association between local expatriation and establishment form/type, strategic orientation, and size of the subsidiary for both countries.
- For the rest of the variables, analysis results showed different significance from one country to another with different responses.

Table 56: Comparative Analysis of HR Question 8

<b>HYPOTHESIS 3:</b>	Characteristics of HR policies and activities are affected by the establishment form/type (market entry) of the local subsidiary	
<b>HR QUESTION 8:</b>	Does your subsidiary have any local employees on expatriate assignment for more than a period of 6 months?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,148 &gt; 0.05; V=0,14</b>
<b>Local Expatriation</b>	No statistically significant relationship was found	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,913 &gt; 0.05; V=0,012</b>
<b>Local Expatriation</b>	No statistically significant relationship was found	
<b>HYPOTHESIS 4:</b>	The strategic orientation of the parent company has an impact on the characteristics of HR policies and activities at the local subsidiaries	
<b>HR QUESTION 8:</b>	Does your subsidiary have any local employees on expatriate assignment for more than a period of 6 months?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,571 &gt; 0.05; V=0,103</b>
<b>Local Expatriation</b>	No statistically significant relationship was found	

<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,075 &gt; 0.05; V=0,244</b>
<b>Local Expatriation</b>	No statistically significant relationship was found	
<b>HYPOTHESIS 5:</b>	The size of subsidiaries/the total number of employees affect the HR policies and activities of local subsidiaries	
<b>HR QUESTION 8:</b>	Does your subsidiary have any local employees on expatriate assignment for more than a period of 6 months?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,264 &gt; 0.05; V=0,223</b>
<b>Local Expatriation</b>	No statistically significant relationship was found	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,215 &gt; 0.05; V=0,258</b>
<b>Local Expatriation</b>	No statistically significant relationship was found	

Source: Author's Own 2021

Finally, we examined the analysis results of the responses given to the question about knowledge management flows and carried out a comparative analysis:

- There was a statistically significant relation between the responses given to the subcategory variable of the question and “parent company origin”, “establishment time”, and “establishment form/type of the subsidiaries” for both Turkey and Hungary.
- However, there were no similar answers provided by the respondents for any of the subcategory variables in any of the cases.

Table 57: Comparative Analysis of HR Question 9 (a)

<b>HYPOTHESIS 1:</b>	"The parent companies' origin has an impact on the characteristics of HR policies and activities at local subsidiaries."	
<b>HR QUESTION 9:</b>	How important do you think the following knowledge flows were for the knowledge transfer in your HRM department between the parent company and your subsidiary during this period?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,000 &lt; 0.05; V=0,396</b>
<b>Knowledge flows from the parent company to the subsidiary</b>	All of the answers “Unimportant” were given by the respondents of the subsidiaries with “Germanic” management culture	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,000 &lt; 0.05; V=0,434</b>
<b>Knowledge flows from the parent company to the subsidiary</b>	The majority of the subsidiaries in Hungary that provided the answer of “Very important” were from “Anglo-Saxon” management culture	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,000 &lt; 0.05; V=0,439</b>
<b>Knowledge flows between subsidiaries</b>	All of the subsidiaries who selected “Of little importance” answer was from “Asian” management culture	
<b>Knowledge flows between subsidiaries</b>	All of the responses given for “Moderately important” were provided by the participants representing the subsidiaries of companies with “Francophile” management culture	

<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,001 &lt; 0.05; V=0,400</b>
<b>Knowledge flows between subsidiaries</b>	All of the responses given for “Very important” were provided by the respondents of subsidiaries with “Anglo-Saxon” management culture	
<b>HYPOTHESIS 2:</b>	Characteristics of HR policies and activities are affected by the establishment time of the local subsidiary	
<b>HR QUESTION 9:</b>	How important do you think the following knowledge flows were for the knowledge transfer in your HRM department between the parent company and your subsidiary during this period?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,000 &lt; 0.05; V=0,481</b>
<b>Knowledge flows from the subsidiary to the parent company</b>	All of the respondents who gave the response of “Unimportant” belonged to the subsidiaries established between “2006-2010”	
<b>Knowledge flows from the subsidiary to the parent company</b>	All of the answers given for “Slightly important” were provided by the representatives of the subsidiaries date to “1995-2000” period	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,001 &lt; 0.05; V=0,341</b>
<b>Knowledge flows from the subsidiary to the parent company</b>	The majority of the subsidiaries who gave the response of “Slightly important” were established “Before 1995”	
<b>HYPOTHESIS 3:</b>	Characteristics of HR policies and activities are affected by the establishment form/type (market entry) of the local subsidiary	
<b>HR QUESTION 9:</b>	How important do you think the following knowledge flows were for the knowledge transfer in your HRM department between the parent company and your subsidiary during this period?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,002 &lt; 0.05; V=0,408</b>
<b>Knowledge flows between subsidiaries</b>	All of the subsidiaries who answered “Unimportant” was established through “Greenfield” investments	
<b>Knowledge flows between subsidiaries</b>	The majority of the respondents from the subsidiaries established through “Merger & Acquisition” provided “Slightly important” answer	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,000 &lt; 0.05; V=0,502</b>
<b>Knowledge flows between subsidiaries</b>	Responses received for “Slightly important” was evenly distributed by %50-50 between the subsidiaries established through “Greenfield” investments and “Merger & Acquisition”	

Source: Author’s Own 2021

- There was no statistically significant relationship found between the responses given to the question and the size of the subsidiaries for both Turkey and Hungary.
- Finally, strategic orientation and the responses given to the question about knowledge flows revealed different significance results and responses from one country to another.

Table 58: Comparative Analysis of HR Question 9 (b)

<b>HYPOTHESIS 5:</b>	The size of subsidiaries/the total number of employees affect the HR policies and activities of local subsidiaries	
<b>HR QUESTION 9:</b>	How important do you think the following knowledge flows were for the knowledge transfer in your HRM department between the parent company and your subsidiary during this period?	
<b>TURKEY</b>	<b>Statistical Relationship</b>	<b>p=0,053 &gt; 0.05; V=0,249</b>
<b>Knowledge flows from the subsidiary to the parent company</b>	No statistically significant relationship was found	
<b>HUNGARY</b>	<b>Statistical Relationship</b>	<b>p=0,886 &gt; 0.05; V=0,166</b>
<b>Knowledge flows from the subsidiary to the parent company</b>	No statistically significant relationship was found	

Source: Author's Own 2021

In conclusion, we can clearly see the impact of the regional differences between the subsidiaries from Turkey and Hungary when it comes to adopted and implemented HR policies and practices at their subsidiaries. The majority of the cases, even in the case of identifying a statistically significant relationship between the same variables for both countries, there were no similarities between the given responses that revealed different HR policies and practices at the local subsidiaries.

The only similarity between Turkey and Hungary belonged to the relationship between the local subsidiary's establishment time and the primary responsible actor for major policy decisions. The answers given for "Recruitment" subcategory were provided by the subsidiaries established "Before 1995" from both Turkey and Hungary. Also, the majority of the respondents from the subsidiaries established "Before 1995" noted "Slightly typical" answer from both Turkey and Hungary to the question about the relation between parent company origin and "Easy to hire blue-collar staff" subcategory variable of the question asked regarding typical HR outcomes and conditions at the subsidiary. "Not typical at all" response was provided for "Knowledge of foreign languages is appropriate in most roles" subcategory variable by the subsidiaries from both Turkey and Hungary that had a strategic orientation of "Growth and market expansion" with a slight difference. Similarly, the subsidiaries with a total number of employees "Below 250" was another common response received in terms of relation between the size of the subsidiary and typical HR conditions and outcomes at subsidiaries from both countries.

As shown above, there were only 4 cases where the analysis results put forward similarities in HR policies and practices of subsidiaries from Turkey and Hungary. Therefore, we can conclude that the region/location of the subsidiaries is the main determining factor in their HR policies and practices. This can be supported by the fact that even the parent companies belonging to the same region do not prefer to adopt the same HR policies and practices in their local subsidiaries in Turkey and Hungary. Instead, they design their HR systems according to the local/regional differences of the countries differently in both locations. We believe that this is the ideal practice that needs be taken into account by all MNCs that consider expanding their investments abroad if they would like to succeed in their business operations. This would not only help to create a healthy

business relationship between the corporate headquarter and local subsidiaries in terms of management but also prevent potential challenges emerge from the distance between both parties. Local responsiveness and global efficiency could be achieved more effectively, which is key to the success of business operations. More importantly, it would provide a significant improvement in organizational performance and productivity by adopting and implementing better HR policies and practices such as knowledge transfers, training and development of employees, and improving the skills and competencies of executives.

Major differences between adopted and implemented HR policies and practices at local subsidiaries of Hungary and Turkey can be associated with Hofstede model as well. As indicated before in the cultural characteristics section of our study, based on the cultural dimension scores, “Uncertainty avoidance” was found as the only cultural dimension with similar scores for both countries. Hungary with 82 and Turkey with 85 scores noted high level of uncertainty avoidance meaning that both cultures prefer to avoid uncertainty, or have very little tolerance for uncertainty, and therefore, they need laws and rules to minimize their anxiety in such cases. On the other hand, there are major differences observed for other cultural dimension scores among both countries that could have a significant impact on their HR policies and practices. For instance, major difference in individualism score, very low for Turkey with 37 and the highest score for Hungary with 80, was an important factor that needs to be taken into account while designing and implementing human resource management strategies as it shows the Turkish culture's collectivist characteristic and the existence of an individualist society in Hungary.

## 6. NEW SCIENTIFIC RESULTS

- 1) Hypothesis regarding the origin of parent companies' impact on the characteristics of HR policies and activities at local subsidiaries was partially accepted, meaning that the origin of the company or management culture, in other words, have an impact on the characteristics of HR policies and activities at local subsidiaries from Turkey and Hungary.
- 2) Hypothesis regarding the characteristics of HR policies and activities that are affected by the establishment time of the local subsidiary was fully accepted for the local subsidiaries from Turkey. On the other hand, for the local subsidiaries from Hungary, it was partially accepted, meaning that the establishment time of the subsidiary has an impact on the characteristics of HR policies and practice in both countries.
- 3) Hypothesis regarding the characteristics of HR policies and activities that are affected by the establishment form/type (market entry) of the local subsidiary was partially accepted, meaning that the establishment form/type of the subsidiary has an impact on the characteristics of HR policies and practices of the local subsidiaries from both Turkey and Hungary.
- 4) Hypothesis regarding the impact of strategic orientation of the parent company on the characteristics of HR policies and activities at the local subsidiaries was partially accepted, meaning that strategic orientation had an impact on the characteristics of HR policies and practices in subsidiaries from both Turkey and Hungary.
- 5) Hypothesis regarding the size of subsidiaries/the total number of employees that affect the HR policies and activities of local subsidiaries did not have enough supportive findings as the majority of the HR policies and practices showed no significant association with the size of the subsidiaries. Therefore, this hypothesis was rejected for subsidiaries from both Turkey and Hungary.
- 6) Hypothesis regarding the role of headquarter within the context of primary responsibilities that affect the characteristics of HR activities and policies at subsidiaries was partially accepted for Turkey in the light of the analysis results. On the other hand, it was completely accepted for the subsidiaries from Hungary, meaning that the primary role of headquarters had an impact on HR policies and practices of the subsidiaries.
- 7) Due to the nature of the study, besides testing the hypotheses based on Chi-square analysis results, additional interpretations on responses given to HR-related questions in a comparative manner for Hungary and Turkey were carried out to provide additional insights for our study. As shown in the previous sections in details, we can clearly see the impact of the regional differences between the subsidiaries from Turkey and Hungary when it comes to adopted and implemented HR policies and practices at their subsidiaries. The majority of the cases, even in the case of identifying a statistically significant relationship between the same variables for both countries, there were no similarities between the given responses that revealed different HR policies and practices at the local subsidiaries.
- 8) As demonstrated before, there were only 4 cases where the analysis results put forward similarities in HR policies and practices of subsidiaries from Turkey and Hungary. Therefore, we can conclude that the region/location of the subsidiaries is the main determining factor in their HR policies and practices. This can be supported by the fact that even the parent companies belonging to the same region do not prefer to adopt the same HR policies and practices in their local subsidiaries in Turkey and Hungary.

9) In conclusion, we can clearly see the impact of the regional differences between the subsidiaries from Turkey and Hungary when it comes to adopted and implemented HR policies and practices at their subsidiaries. The majority of the cases, even in the case of identifying a statistically significant relationship between the same variables for both countries, there were no similarities between the given responses that revealed different HR policies and practices at the local subsidiaries.

## 7. SUMMARY

Today, like all enterprises, multinational companies, considering the organisational structure of the companies with the ability to carry out their production activities in more than one country and to respond to the needs of multiple international markets, need to attach great importance to the management of their human capital as much as the management of their economic resources and advanced technology. Multinational companies (MNCs) need to identify workforce needs, employ the personnel to meet these needs, motivate them to increase their efficiency, train them according to changing technology and environmental conditions, and pay them reasonable wages.

Human resources, which is extremely important for multinational companies, has been the main subject in the globalisation of HRM and the expansion of the existing human resources knowledge from the local to international perspective across the borders. However, when multinational companies (MNCs) invest in foreign countries, they faced a wide range of complex difficulties and challenges compared to domestic companies. Continuation of MNCs' operations generally has a high level of uncertainty due to institutional, cultural, socio-economic and political differences, which leads to the emergence of difficulties and challenges in the management of their operations, performance and actors of the whole organisation.

Within this context, in this study, IHRM policies and practices will be examined at local subsidiaries of MNCs in emerging and transition economies based on the data collected by local subsidiaries of MNCs in Turkey & Hungary. The data collected and the research model developed by The Central and Eastern European International Research Team (CEEIRT) will be the basis of the empirical part of the study.

The Human Resources Management (HRM) 's main objective is to maximise the output/gain at the end of the production process by using the workforce that is the main element of the production process and different from all other production factors with its unique characteristics. In doing so, it is also essential to ensure the human resources actor's motivation and satisfaction, who stands out with their social and psychological aspects. That is to say; human resources management is a company strategy that aims to achieve productivity increase by ensuring the happiness of the person involved in the production process and, on the other hand, with the efficiency of the production process to ensure the continuation of the success of the enterprises.

HRM in MNCs consists of processes related to the appointment of managers, experts, and employees who will be responsible for managing the organisation, investments in foreign countries by considering the cultural, legal and political characteristics, differences, and relations of the host countries. Above all, the achievement of MNCs' companies' objectives and goals are closely related to their human resources management policies and practices. It would ensure superiority against their competitors and increase their revenue, influence, and power in the foreign markets. With the increasing impact of globalisation, technology, capital and other inputs that can be used in the production process are provided in a short time and easily, and in today's market conditions where the competition is very intense and destructive, the need for more qualified and distinguishable human resources who have the knowledge and skills are more than ever. In this context, the element of HRM constitutes one of the key factors and challenges that need to be addressed in these multinational companies' management strategies.

Accordingly, parallel to the rising importance of MNCs and their subsidiaries in the global market, IHRM also has been a significant area of interest for both academics and professionals in MNCs, and its significance and impact in the management of international operations is recognised as a



major determinant of success or failure in the international business environment. With the globalisation and the transition of the enterprises from the national to the international dimension, the enterprises need to take into account the international factors while developing their human resources management policies and practices, such as they used to for their production, marketing and financial activities as well. Because when multinational companies operate outside of their home countries, they are not only employing their own nationals but also citizens of third countries or third-country nationals. Especially multinational enterprises, which use different labour force from other countries and cultures, should pay more attention to evaluating and developing their staffing policies on a global scale.

Therefore, developing a clear understanding of human resources management at local subsidiaries of the MNCs is getting more important parallel to the increasing number and importance of multinational enterprises entering foreign markets in the international business arena. It is crucial to have the ability of effective IHRM since people from different cultures with different characteristics are one of the key resources of the enterprises to maintain their operations successfully.

In this study, the data is collected by the professionals representing the local subsidiaries from Turkey and Hungary, who participated in the survey by answering the questions. There were 87 respondents from Hungary, while 105 respondents contributed to the study from Turkey that corresponded to a total of 192 respondents. According to the data collected, the study's main hypotheses will be examined and interpreted in this section.

The “Continental/Regional Origin of the Responding Companies (Culture)” table was created based on the responses given to the question of “National origin of your parent company” to carry out a Chi-square test analysis between the company origin and the responses given to the HR-related questions. Analysis results showed a statistically significant relationship between the company origin/management culture and some HR practices and policies of subsidiaries from Turkey in many cases. On the other hand, in some cases, no significant association was observed due to the p-value that was higher than  $>0.05$ . For the local subsidiaries from Hungary, there was a significant association between the company origin/management culture and HR policies and practices in some instances. On the other hand, analysis results revealed no significant association between the company origin/management culture and HR policies and practices at local subsidiaries from Hungary in some other cases. In conclusion, the first hypothesis was partially accepted, meaning that the origin of the company or management culture, in other words, have an impact on the characteristics of HR policies and activities at local subsidiaries from Turkey and Hungary.

The impact of the local subsidiaries' establishment year is analysed with the Chi-square test by comparing the collected data with given responses to the HR-related questions. Analysis results showed a significant relation between establishment time of the subsidiary and HR policies and practices of the subsidiaries from Turkey in many cases. On the other hand, analysis results revealed no significant connection between the establishment time of the subsidiary and HR policies and practices at local subsidiaries from Turkey only in one case. When we examined the analysis results for the subsidiaries from Hungary, the establishment time of the subsidiary was associated with the HR policies and practices in many cases. However, establishment type had no impact on only a few HR policies and practices at the local subsidiaries from Hungary. Overall, we can conclude that the second hypothesis was fully accepted for the local subsidiaries from

Turkey while for the local subsidiaries from Hungary, it was partially accepted, meaning that the establishment time of the subsidiary has an impact on the characteristics of HR policies and practice in both countries.

The impact of establishment form/type (market entry) of the local subsidiaries is analysed with a Chi-square test by comparing the collected data with given responses to the HR-related questions. Analysis results showed a significant relation between establishment time of the subsidiary and HR policies and practices of the subsidiaries from Turkey in many cases. On the other hand, analysis results revealed no significant connection between the establishment form/type of the subsidiary and HR policies and practices at local subsidiaries from Turkey in some cases. When we examined the analysis results for the subsidiaries from Hungary, the establishment form/type of the subsidiary was associated with the HR policies and practices in some of the cases. On the other hand, analysis results revealed no significant connection between the establishment form/type of the subsidiary and HR policies and practices at local subsidiaries from Hungary in some other cases. Therefore, according to the analysis results, we can conclude that the third hypothesis was partially accepted, meaning that the establishment form/type of the subsidiary has an impact on the characteristics of HR policies and practices of the local subsidiaries from both Turkey and Hungary.

The impact of local subsidiaries' strategic orientation on their HR policies and practices is analysed with a Chi-square test by comparing the collected data with given responses to the HR-related questions. According to the analysis results for the subsidiaries from Turkey, a statistically significant association is found between the strategic orientation of local subsidiaries from Turkey and their HR policies and practices in many cases. On the other hand, strategic orientation had no impact on HR policies and practices of the subsidiaries from Turkey in a few cases. For subsidiaries from Hungary, some of the HR policies and practices had a statistically significant relation with their strategic orientation. On the other hand, strategic orientation showed no significant association and had no impact on only a few HR policies and practices adopted in the subsidiaries from Hungary. Therefore, in the light of the analysis results, the fourth hypothesis was partially accepted, meaning that strategic orientation had an impact on the characteristics of HR policies and practices in subsidiaries from both Turkey and Hungary.

“Total number of employees of the company (group)” table was created based on the responses given to the question of “Total number of employees at your subsidiary” to carry out a Chi-square test analysis between the size of the subsidiaries and the responses given to the HR-related questions. Analysis results showed a statistically significant relationship between the size of the subsidiaries and below HR practices and policies of subsidiaries from Turkey only in a few cases. On the other hand, except above HR policies and practices, all other HR policies and practices showed no statistically significant association with the size of subsidiaries in Turkey. For the local subsidiaries from Hungary, there was a significant association between the size of the subsidiary and their HR policies and practices in some instances. On the other hand, analysis results revealed no significant association between the size of the subsidiary and their HR policies and practices at local subsidiaries from Hungary in many cases. In conclusion, the analysis results did not show enough findings to support the fifth hypothesis as the majority of the HR policies and practices showed no significant association with the size of the subsidiaries. Therefore, this hypothesis was rejected for subsidiaries from both Turkey and Hungary.

The impact of the primary HR role of headquarters on the HR policies and practices of subsidiaries is analysed with a chi-square test by comparing the collected data with given responses to the question about the headquarter's primary role and the responses given to the HR-related questions. According to chi-square analysis results, there is a significant association observed for many cases for the subsidiaries from Turkey. However, the primary role of the headquarter had no impact only on a few HR policies and practices at subsidiaries from Turkey. When the analysis results were examined for the subsidiaries from Hungary, a statistically significant association was found between the primary role of the headquarters and all the HR policies and practices.

Overall, the findings showed different results for the subsidiaries from Turkey and Hungary. While the hypothesis was partially accepted for Turkey, in the light of the analysis results, it was completely accepted for the subsidiaries from Hungary, meaning that the primary role of headquarters had an impact on HR policies and practices of the subsidiaries.

In conclusion, we can clearly see the impact of the regional differences between the subsidiaries from Turkey and Hungary when it comes to adopted and implemented HR policies and practices at their subsidiaries. The majority of the cases, even in the case of identifying a statistically significant relationship between the same variables for both countries, there were no similarities between the given responses that revealed different HR policies and practices at the local subsidiaries.

The only similarity between Turkey and Hungary belonged to the relationship between the local subsidiary's establishment time and the primary responsible actor for major policy decisions. The answers given for "Recruitment" subcategory were provided by the subsidiaries established "Before 1995" from both Turkey and Hungary. Also, the majority of the respondents from the subsidiaries established "Before 1995" noted "Slightly typical" answer from both Turkey and Hungary to the question about the relation between parent company origin and "Easy to hire blue-collar staff" subcategory variable of the question asked regarding typical HR outcomes and conditions at the subsidiary. "Not typical at all" response was provided for "Knowledge of foreign languages is appropriate in most roles" subcategory variable by the subsidiaries from both Turkey and Hungary that had a strategic orientation of "Growth and market expansion" with a slight difference. Similarly, the subsidiaries with a total number of employees "Below 250" was another common response received in terms of relation between the size of the subsidiary and typical HR conditions and outcomes at subsidiaries from both countries.

As shown above, there were only 4 cases where the analysis results put forward similarities in HR policies and practices of subsidiaries from Turkey and Hungary. Therefore, we can conclude that the region/location of the subsidiaries is the main determining factor in their HR policies and practices. This can be supported by the fact that even the parent companies belonging to the same region do not prefer to adopt the same HR policies and practices in their local subsidiaries in Turkey and Hungary. Instead, they design their HR systems according to the local/regional differences of the countries differently in both locations. We believe that this is the ideal practice that needs to be taken into account by all MNCs that consider expanding their investments abroad if they would like to succeed in their business operations. This would not only help to create a healthy business relationship between the corporate headquarter and local subsidiaries in terms of management but also prevent potential challenges from emerging from the distance between both parties. Local responsiveness and global efficiency could be achieved more effectively, which is key to the success of business operations. More importantly, it would provide a significant improvement

in organizational performance and productivity by adopting and implementing better HR policies and practices such as knowledge transfers, training and development of employees, and improving the skills and competencies of executives.

## 8. APPENDICES

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## 8.4 CEEIRT Questionnaire

### HRM IN TRANSITION AND EMERGING ECONOMIES AT SUBSIDIARIES OF MNCS 2020

(Questionnaire)



Source: CEEIRT 2020



**RESPONDENT INFORMATION:**

NAME:	
COMPANY (Please give us the name of your subsidiary):	
E-MAIL: (Please give us your e-mail-address, if you want to receive a copy of our research report)	
Location of subsidiary (COUNTRY)	
Level of your qualification	<input type="checkbox"/> 1 Ph.D. <input type="checkbox"/> 2 University (Master) <input type="checkbox"/> 3 College (Bachelor) <input type="checkbox"/> 4 Other
Specialization of qualification	<input type="checkbox"/> 1 Natural sciences <input type="checkbox"/> 2 Engineering <input type="checkbox"/> 3 Social Sciences <input type="checkbox"/> 4 Other
Your present position	<input type="checkbox"/> 1 CEO <input type="checkbox"/> 2 HR VP <input type="checkbox"/> 3 HR Director/ Head of Department <input type="checkbox"/> 4 HR manager <input type="checkbox"/> 5 HR Professional <input type="checkbox"/> 6 Other: <a href="#">Click or tap here to enter text.</a>
Service years in the present position (years)	<input type="checkbox"/> 1 (0-3 years) <input type="checkbox"/> 2 (3-5 years) <input type="checkbox"/> 3 (5-10 years) <input type="checkbox"/> 4 (10-15 years) <input type="checkbox"/> 5 (Above 15 years)

**GENERAL ORGANISATIONAL DATA**

Number of subsidiaries of the multinational company in the surveyed country

- Only 1 (one), subsidiary operates in the surveyed country
- Besides the respondent subsidiary, there is more legally independent subsidiaries in the surveyed country

**ROLES OF SUBSIDIARY IN VALUE CHAIN**

Please, indicate in the table below what activities of the value chain do the subsidiary(ies) (MA=multiple answers)

	A.	B.	C.	D.	E.
--	----	----	----	----	----

	Research & Development	Purchasing	Production/Service	Sales & Marketing	Other: Click or tap here to enter text.
Main roles of the respondent subsidiary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Main roles of the other subsidiaries in the country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### MAJOR BUSINESS SECTOR OF YOUR SUBSIDIARY

Please, indicate the major business sector of your subsidiary.

<input type="checkbox"/>	Industry
<input type="checkbox"/>	Trade (wholesale, retail and warehousing retail)
<input type="checkbox"/>	Financial services
<input type="checkbox"/>	Other services
<input type="checkbox"/>	Internal business service (namely): Click or tap here to enter text.
<input type="checkbox"/>	Other: Click or tap here to enter text.

### YEAR OF ESTABLISHMENT OF YOUR SUBSIDIARY IN YOUR COUNTRY

Please, indicate when did your parent company buy or establish your company in your country?

A.	B.	C.	E.	F.
Before 1995	1995-2000	2001-2005	2006-2010	After 2010
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### FORM OF ESTABLISHMENT OF YOUR SUBSIDIARY IN YOUR COUNTRY

Please, indicate how did your parent company buy or establish your company in your country?

A.	B.
Merger & Acquisition	Green-field
<input type="checkbox"/>	<input type="checkbox"/>

### NATIONAL ORIGIN OF YOUR PARENT COMPANY

Please, indicate the location of headquarters of the parent company.

Country: Click or tap here to enter text. City: Click or tap here to enter text.

## REGIONAL CENTRE

Please, indicate the location of the regional center of the parent company.

Country: [Click or tap here to enter text.](#) City: [Click or tap here to enter text.](#)

## SUBSIDIARY DEVELOPMENT

What was the key strategic issues (general business strategies) your subsidiary WAS facing during this time period?

Year	Growth, market expansion	Stability	Cut-back, outsourcing	Other: <a href="#">Click or tap here to enter text.</a>
<b>2020</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

What were the competitive factors in your subsidiary during the specific time period?

(MA=MULTIPLE ANSWER) Please, indicate what were the main competitive factors!

(MA=multiple answers)

Competitive factors	<b>2020</b>
1. Optimal plant / organization size	<input type="checkbox"/>
2. Quality of workforce	<input type="checkbox"/>
3. Financial resources	<input type="checkbox"/>
4. Quality of management	<input type="checkbox"/>
5. Production technology	<input type="checkbox"/>
6. Low labour costs	<input type="checkbox"/>
7. Other: <a href="#">Click or tap here to enter text.</a>	<input type="checkbox"/>

Compared to other organisations in your sector, how would you rate the performance of your organisation in relation to the following?

	Poor	Below average	Average or equal to the competitors	Better, than the average	Superior
Profitability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Service quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rate of innovation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental matters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## HR VARIABLES

### NUMBER OF EMPLOYEES AND NUMBER OF HR STAFF

Approximately how many people are employed in your subsidiary and in the personnel/human resources (HR) department at your organization?

Years	Total number of employees in your subsidiary	Total number of HR staff in your subsidiary
2019		
2020		

### ANNUAL LABOR COST

Please, provide what percentage of the operating costs is accounted for by labour costs: % [Click or tap here to enter text.](#)

### ANNUAL TRAINING BUDGET

Please, provide the annual payroll costs spent on training.

Categories	Money spent on training (% of annual payroll costs)
Below 1%	<input type="checkbox"/>
1-3 %	<input type="checkbox"/>
3-5%	<input type="checkbox"/>
Over 5%	<input type="checkbox"/>

### HR ORGANISATION, PLAYERS, ROLES

What was the primary HR role PLAYED BY corporate HQ during this time period?  
(MA=MULTIPLE ANSWER) Please mark the most typical roles of the HR department at your company.

Primary role of Corporate HR	2020
Provide autonomy both in decision-makings and in implementation	<input type="checkbox"/>
Provide general guidelines and framework for HR actions	<input type="checkbox"/>

Provide detailed HR models, policies, procedures and rules	<input type="checkbox"/>
Centralized decision-making with tight control	<input type="checkbox"/>

Who has had primary responsibility for major policy decisions on the following issues? Please mark the typical decision maker in each of the following HR areas.

HR areas	Local line Management (Mgt.)	Local line Mgt. in consultation with HR department	Local HR department in consultation with line Mgt.	Local HR department
Human Resource Planning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recruitment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Selection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance Evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training and Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Talent Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compensation and Benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee Relations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communication	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HRIS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Health & Safety	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other: Click or tap here to enter text.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

What kind of reorganisation has been implemented in the HR organisation? (MA=MULTIPLE ANSWER) Please mark the appropriate box at each change areas.

	Implemented 2020		Current effectiveness and efficiency		
	Yes	No	High	Moderate	Low
1. Outsourcing of HR tasks or functions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Devolving HR tasks and functions to management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Initiating the HR Business Partner role	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Strengthening the Business Partner role of HR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Establishing local HR SSC*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Establishing regional HRSSC	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Employee self-service deployment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Management self-service deployment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*HR SSC = HR Shared Services Centre

How has usage of external providers (consultants and third-party outsourcing firms) changed in 2020? (ma= multiple answer) Please mark the most relevant trends.

2020				
HR Areas	Increased	Decreased	Same	No external providers used
Human Resource Planning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recruitment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Selection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance Evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training and Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Talent Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compensation and Benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee Relations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communication	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HRIS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Health & Safety	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If there is no HR department at your company who is in charge of personnel / HR issues?

Please mark the most appropriate box!

Chief Executive / Managing Director / General Manager	<input type="checkbox"/>
Administrative Director	<input type="checkbox"/>

Finance Director	<input type="checkbox"/>
Production Director	<input type="checkbox"/>
Marketing / Sales Director	<input type="checkbox"/>
Other (please specify): Click or tap here to enter text.	<input type="checkbox"/>

### CRITICAL HR ISSUES

What were the critical Human Resource (HR) issues facing your subsidiary during the specific time period? Please evaluate the five most characteristic HR functions during this time period. Please use numbers. (1= not critical, 2,3,4 and 5 =the most critical.

HR FUNCTIONS	2020
Human Resource Planning	
Recruitment	
Selection	
Performance Evaluation	
Training and Development	
Talent Management	
Compensation and Benefits	
Employee Relations	
Communication	
HRIS	
Health & Safety	
Other: Click or tap here to enter text.	

What are the typical HR conditions and outcomes at your subsidiary? Please mark the appropriate box in relation to each HR issue.

HR issues in 2020	Not typical at all	Slightly typical	Particularly typical	Absolutely typical
Easy to hire blue-collar staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Easy to hire technical staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knowledge of foreign languages is appropriate in most roles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
No problem with retaining talent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We provide competitive reward in each job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The influence of unions is significant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify): Click or tap here to enter text.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## EXPATRIATION

Are there expatriates at your organization for more than 6 months assignment? If not, continue with question 2.6.5.

Yes 1  No 0

Please provide the number of expatriates.

Year	Manager	Employees	Total
<b>2020</b>			

From where did the expatriate employees arrive? Please provide the % of the expatriates by their home country.

Year	(HQ) Mother country (%)	Other countries (%)	Total (%)
<b>2020</b>			100

## NATIONAL (LOCAL) EX-PATRIATES

Does your organization have local employees on expatriate assignment for more than a period of 6 months? If not, continue with question 2.7.

Yes 1  No 0

Please provide the number of expatriates from your organization on assignment for more than 6 months.



Year	Managerial	Non-managerial	Total
<b>2020</b>			

### KEY COMPETENCIES OF HR EXECUTIVES

How important were the following key competencies for HR executives during this time period? (MA=MULTIPLE ANSWER).

Key competencies	Not important	Slightly important	Particularly important	Highly important
Business knowledge (value chain, value creation)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strategic contribution (managing culture, championing changes, strategic decisions)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personal credibility (achieving results, effective relationships, communication skills)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HR services (recruitment, selection, training and development, performance management, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Usage of HRIS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Foreign languages skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify): <a href="#">Click or tap here to enter text.</a>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### KNOWLEDGE MANAGEMENT AND HRM

How important were the following modes or methods of gaining personal competencies in the field of HRM?

MODES OF GAINING COMPETENCIES	Unimportant	Of little importance	Moderately important	Important	Very important
Informal learning at the HR department of your subsidiary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Informal learning at the HR department of another subsidiary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Informal learning at the parent company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local HR-training and development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HR-training and development at the parent company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HR-training and development at other subsidiaries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

How important do you think the following knowledge flows were for the knowledge transfer in the field of HRM between parent company and subsidiary during this time period?

Knowledge transfer in HR	Unimportant	Of little importance	Moderately important	Important	Very important
Knowledge flows from the parent company to the subsidiary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knowledge flows from the subsidiary to the parent company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knowledge flows between subsidiaries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HR-related knowledge flows within the HR department at your subsidiary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HR-related knowledge flows at your subsidiary between the HR department and other organizational units	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## **THE FUTURE OF HR WITHIN YOUR SUBSIDIARY IN THE NEXT TWO YEARS**

Please, Identify or predict the major issues, patterns or trends effecting HRM within your subsidiary for the next 24 months.

Thank you for your time and attention.

Please send your mail to the following addresses.

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