

The Thesis of the 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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1. BACKGROUND OF THE WORK AND ITS AIMS

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 enterprises.

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.

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.

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.

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.

2. MATERIALS & METHODS

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)

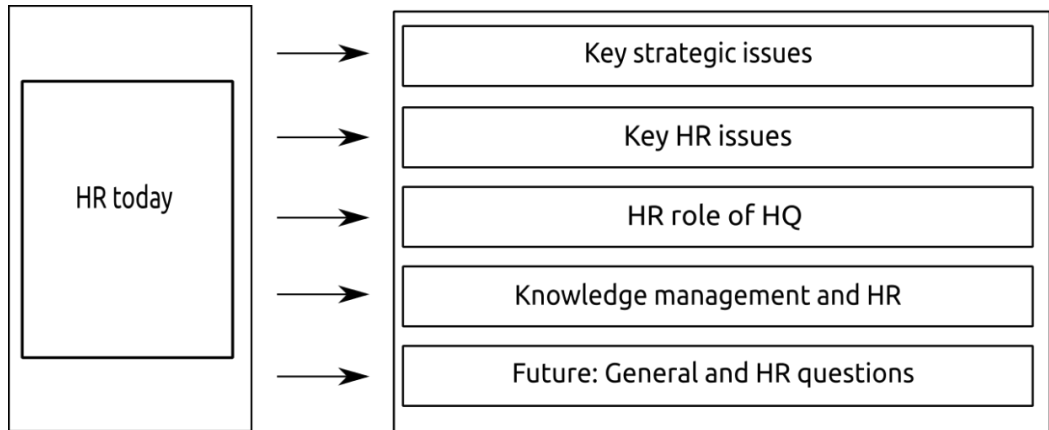


Figure 1: CEEIRT Research Model – 1

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.

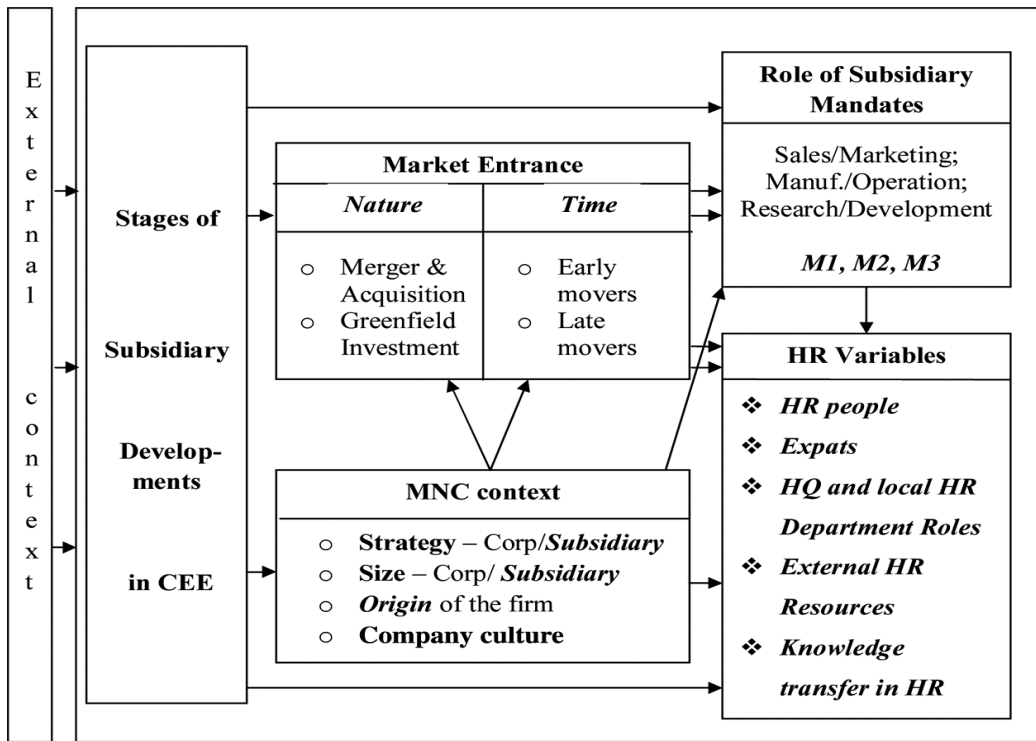


Figure 2: CEEIRT Research Model – 2

Source: Poor et al. 2017

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.

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.

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.

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.

2.5. The HR Role of Corporate Headquarters

Interdependence between the headquarter and subsidiaries was examined by Farndale, Scullen, and Sparrow (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.

2.6. Data Collection & 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.

**HRM IN TRANSITION
PRACTICES OF MNC-SUBSIDIARIES IN
CENTRAL AND EASTERN EUROPE
(CEEIRT)
2019**



HRM IN TRANSITION AT MULTINATIONAL COMPANIES

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Figure 3: A Sample of the 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. RESULTS AND DISCUSSION

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 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 headquarters’ 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.

- “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.

- 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.

- 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.

- 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.

- 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.

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.

- 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.

- 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.

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.

- 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.

- 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.

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.
- 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.

4. CONCLUSION AND RECOMMENDATIONS

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.

5. NEW SCIENTIFIC RESULTS

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

- 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.

- 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. 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.

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