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## Who Is in Charge Here? Evidence of the Division of Roles and Responsibilities Between Global and Local HR Managers in MNEs Operating in the CEE Region

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### ABSTRACT

This article focuses on the roles and responsibilities of HR units in multinational enterprises (MNEs) in the region of Central and Eastern Europe. The authors analyze 705 questionnaires originating from foreign owned subsidiaries operating in five countries (Hungary, Poland, Romania, Serbia, and Slovakia). The results show that the culture of the MNEs home country, the age of the subsidiary, and the pattern of international staffing assignments influence the HR control relationship between the headquarters and the subsidiary. Also, the findings reveal a significant impact of subsidiary level factors such as the age of the subsidiary, business sector, size, mode of market entry, focus on executive human capital, and international assignments on the degree of HR practice autonomy at the subsidiary level.

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### KEYWORDS

Central and Eastern Europe; HRM; multinational enterprises; subsidiary autonomy

## Introduction

A long term area of research in international human resource management (IHRM) focused on the inter-cultural challenges faced in managing businesses across borders (Black and Mendenhall 1990; Bartlett and Beamish 2014; Brewster, Mayrhofer, and Smale 2016; Buckley and Strange 2015). A particular research interest was placed on explaining how complex historical, cultural, institutional, and geographic factors impact the institutional heritage of firms at a regional or national level (Brewster, Mayrhofer, and Farndale 2017). Characterized by relatively recent discontinuous political, social and economic changes, Central and Eastern Europe (CEE) provides an excellent platform for comparative IHRM analysis on the strategies the multinational enterprises (MNEs) implement to manage their distant businesses, which lead to increased research interest for this region (Morley, Heraty, and Michailova 2009; Brewster and Viegas Bennett 2010; De Jong et al. 2015; Morley et al. 2016). Still, this region remains under-researched (Pisoni,

Fratocchi, and Onetti 2013), i.e., only four out of the 79 articles regarding management control at MNEs published between 1991 and 2015 investigated former Eastern Bloc countries (Sageder and Feldbauer-Durstmüller 2019).

A second major area of interest in IHRM is the form, intention, and action of MNEs. In order to facilitate stable, sustainable economic development, one has to be able to comprehend the business logic of MNEs (Brewster, Mayrhofer, and Smale 2016; Dowling, Festing, and Engle 2017).

The relationship between MNEs and their subsidiaries and how the two parties share roles and accountability have become increasingly important (Ahworegba 2017). For example: value congruence between headquarters and subsidiaries (Reiche, Harzing, and Pudelko 2015), the criticality of balancing the local perspective with the global perspective (Smale et al. 2015), the complexities of knowledge transfers within dispersed MNEs (Morris, Hammond, and Snell 2014), as well as the manner and degree to which resources, mandates, and roles are granted to subsidiaries (Huang 2011; Belizón, Gunnigle, and Morley 2013; Bartlett and Beamish 2014; Schmid, Dzedek, and Lehrer 2014) are topics of ongoing interest and attention. Research focus turned to the relationships between headquarters and subsidiaries over the last few years (Ayentimi, Burgess, and Brown 2018), while subsidiaries play an increasingly critical role in MNEs' success as regional and global markets become more complex and mature. These ongoing changes emphasize the need to further explore the dynamics of the autonomy granted by the headquarters and the autonomy at the subsidiary level.

Literature shows that the increasingly central role played by subsidiaries in headquarter-subsidiary relationships, impacted their own performance and the competitiveness of the headquarters (Huang 2011). O'Donnell (2000) emphasizes the significant level of management know-how of the subsidiaries, which triggers the dynamics of the relationship between the origin and the host entities. Subsidiaries attempt to gain importance by expanding their mandates to supra-national (regional or even global) levels, by demonstrating their capabilities and competencies to the corporate HQ (Bartlett and Beamish 2014; Schmid, Dzedek, and Lehrer 2014).

Despite the intensive focus on these topics, there is still much more to be understood in order to more clearly capture multinational business logic (Cao, Navare, and Jin 2018; Gunnigle et al. 2015; Lundan 2018; Luo and Zhang 2016; Sageder and Feldbauer-Durstmüller 2019). Focusing on the control relationship between the headquarter and the subsidiaries, this research aims to shed light on the factors that influence the role of the HR managers in MNEs, by exploring both the subsidiary level factors and contextual country level factors.

This article explores the roles and responsibilities for HR policies, practices, and decision making by the local subsidiary HR staff in MNEs operating in CEE. Building on the *institutional theoretical framework* (Davis and North 1970), the aim of the article is to explore how the roles and accountability for a number of HR policies and processes are shared between the HR corporate center and the local HR unit, by identifying the factors that influence the control relationship role of the headquarter over the subsidiary HR, and the level of centralization in the decision making process for the HR function at the subsidiary level. In the IHRM literature, recent research emphasizes the impact of the existing institutional differences between the advanced economies and the less developed countries (Ayentimi, Burgess, and Brown 2018). As opposed to developed countries, the less developed nations differ via particular regulatory, cognitive, cultural, or normative conditions, such as: constraints in the implementation of market driven employment practices, high corruption, collectivist orientation and influence of kinship groups in work settings, high power distance and uncertainty avoidance, limited development of leadership skills (Ayentimi, Burgess, and Brown 2018). Thus, depicting on institutional constraints, this study analyzes 705 questionnaires resulting from foreign owned subsidiaries operating in five CEE-countries (Hungary, Poland, Romania, Serbia, and Slovakia). The article contributes to the literature by identifying: (1) the factors that influence the control of the headquarters over the subsidiary, and (2) the factors that influence the degree of autonomy of the HR decision making at the subsidiary level. Framed in the institutional theory perspective, the article adopts a comparative approach to the five CEE countries by focusing on both country level and subsidiary level factors. The overriding motivation of this form of empirical research is to validate the impact of factors identified and tested by research carried out mainly in Western and East Asian countries (Sageder and Feldbauer-Durstmüller 2019) as well as to provide a detailed exploration of a sample of MNE subsidiaries from CEE developing countries. Earlier research explored the management control factors in MNEs from the CEE region, focusing on the executives' from the regional HQs based in Austria opinion, while this study presents the subsidiaries' point of view (Brenner 2009). The study is innovative in the respect that the impact of the same factors is tested for two dimensions of subsidiary autonomy regarding HR decisions: the level of control in the HQ-subsidiary relationship and decentralization of HR decision making within the subsidiary. The practical implications are reflected in the potential to improve HQ and subsidiary managers' understanding of the business environment they operate in and of the autonomy relationship between the HQ and the subsidiary.

## Literature review

### *Autonomy and relationship between the headquarter and the subsidiary*

MNEs implement a variety of complementary strategies to coordinate and control their foreign subsidiaries (Martinez and Jarillo 1989), such as the centralization/decentralization of the decision making through the hierarchy of formal authority, standardization, planning, output control, or behavioral control. The neo-institutional theory (DiMaggio and Powell 1983; Scott 2001) emphasizes the role of the context in imposing relevant constraints on the managerial autonomy in the implementation of the business practices. The autonomy of the subsidiary is generally viewed as “the extent to which the subsidiary acts as a policy-making ‘authority’” (Belizón, Gunnigle, and Morley 2013) or “the degree of freedom enjoyed” and “the extent of discretion” granted to the subsidiary (Edwards et al. 2007, 27). The centralization or decentralization dimension generally determines whether the locus of decision-making authority lays at higher levels or lower ones in the chain of command (Martinez and Jarillo 1989).

There are several streams of research in the MNE literature (Martinez and Jarillo 1989): previous research identifies various factor levels that can impact the autonomy (Gunnigle et al. 2015), and on the other hand, the autonomy itself can be reflected at different levels. The early research did not identify conclusive patterns in the control exercised by the headquarter over the subsidiaries, findings revealing both high degree of centralization and widespread decentralization of subsidiary autonomy (Martinez and Jarillo 1989). These divergent findings lead to a focus of the analysis on particular functional areas of the MNEs operations (Young, Hood, and Hamill 1985). Following this approach, we focus our analysis on the HR function, in particular on the autonomy of HR decision-making at the subsidiary level.

This study attempts to integrate these distinctive streams of research, by focusing on both country level factors and firm level factors related to the subsidiary unit. Moreover, this research approaches the autonomy at two distinct levels: (1) autonomy at the subsidiary level, that reflects the degree of freedom in policy making and practices at the subsidiary level and (2) the autonomy of the subsidiary in relationship with the headquarter, that reflects the control of the headquarter over the strategies, policies, and procedures implemented in the subsidiary.

Taylor, Beechler, and Napier (1996) identified three basic systems of relations between the subsidiaries and the parent company: (1) the *exportive* system of relations (subsidiaries adopt HR systems developed in the parent company without changes); (2) the *adaptive* system of relations (HR systems developed in the parent company are adapted by subsidiaries to their

local needs); and (3) the *integrative* system of relations, which encourage the implementation of good and applicable HR solutions all over the company, regardless of their origin.

Drahokoupil (2014) identified five theoretical perspectives adopted by researchers dealing with decision-making in multinational companies: the resource-based view of the firm (focused on how the MNE resources can lead to competitive advantage), the transaction cost model (questioning why firms exist across borders), the institutionalist approach (concerned with how the different institutional environments within which an MNE operates shape its strategy and structure), the actor-centered perspective (concerned with how power relations within MNEs are constituted by a variety of actors), and the network-based approaches (studying the conditions and outcomes of network configurations between firms).

Comparative institutionalist research has placed emphasis on the importance of host and home country institutions in shaping the strategies and structures of companies. The historically developed institutional complexes – means of financing, corporate governance, industrial relations, training and skills development, and innovation systems – are interrelated with work and employment systems on the company level (Hall and Soskice 2001), authority sharing and organizational career patterns within an MNE (Whitley 2007), and firm internationalization strategies (Whitley 2001).

### ***Factors influencing the autonomy of the subsidiary in relation to the headquarter***

The review of the articles published between 1991 and 2015, which examined the factors influencing control mechanisms at MNEs (Sageder and Feldbauer-Durstmüller 2019) revealed that 40 of them investigated the influence of MNE characteristics (organizational complexity, degree of internationalization, strategy, corporate culture, industry, knowledge and skills), 20 articles documented the influence of the environment at the country of origin (nationality, culture, capital market orientation, legal framework, information and communication technology), 40 tested for the influence of the relationship of subsidiaries within the MNE (cultural and geographical distance between headquarters and subsidiaries, interdependence within the MNE, social relationships, and the strategic importance of the subsidiary), 29 subsidiary characteristics (size, age, form of establishment, management experience or cultural background, objective, business functions, and performance), 43 studies analyze various environmental factors of subsidiaries (national culture and business traditions, environmental uncertainty, market requirements, legal and political conditions, local embeddedness, labor market and education, economic conditions, and

language). Most studies examine influence factors belonging to more than one of the aforementioned categories, but none of them explore multiple factors at various level, which to provide a more complex view on this phenomenon.

Gunnigle et al. (2015) emphasize the importance of the interaction between macro-institutional and firm-level factors, while Fenton-O’Creevy, Gooderham, and Nordhaug (2008) state that both strategic and institutional contexts are important determinants of subsidiary autonomy and can influence the level of centralization.

Regarding subsidiary characteristics, the *sector of operations* has been considered an important factor of influence by several authors (Gunnigle et al. 2015; Lamare et al. 2013; Menz, Kunisch, and Collis 2015; Belizón, Gunnigle, and Morley 2013; Fenton-O’Creevy, Gooderham, and Nordhaug 2008), some of them mentioning that manufacturing MNEs are more likely to afford higher levels of autonomy to their subsidiaries (Gunnigle et al. 2015). This can be explained, among others, with the higher level of unionization of manufacturing companies, as the *level of unionization* was also found relevant for subsidiary autonomy (Fenton-O’Creevy, Gooderham, and Nordhaug 2008, Menz, Kunisch, and Collis 2015; Drahokoupil 2014; Gunnigle et al. 2015; Lamare et al. 2013).

Besides the industry the subsidiary operates in, the *presence of a mandate to perform R&D activities* has also been mentioned as factor of influence (but its impact could not be supported by Belizón, Gunnigle, and Morley 2013), as well as *product or service diversification* (greater extent of diversification is associated with greater extent of subsidiary autonomy by Gunnigle et al. 2015) and corporate innovativeness, which also positively impacts the decision to decentralize (Williams and van Triest 2009).

Positive correlation between the *strength of subsidiary capabilities* and the level of subsidiary autonomy in industrial relations has also been found (Gunnigle et al. 2015).

Some other subsidiary-related factors of influence are related to company demography, such as the *entry mode* (the establishment of new sites is significantly associated with lower levels of subsidiary autonomy by Ferner et al. 2004 and Gunnigle et al. 2015), the *size of the subsidiary* (although larger subsidiaries are more powerful, they have lower levels of subsidiary autonomy because they are more integrated with the MNEs overall system [Belizón, Gunnigle, and Morley 2013; Edwards et al. 2007; Fenton-O’Creevy, Gooderham, and Nordhaug 2008; Ferner et al. 2004]), and the *age of the subsidiary* (Edwards et al. 2007; Ferner et al. 2004; Belizón, Gunnigle, and Morley 2013; Fenton-O’Creevy, Gooderham, and Nordhaug 2008), also referred as maturity by Menz, Kunisch, and Collis (2015) or well-establishment by Edwards et al. (2007). The latter pointed out the

contradictory effect of subsidiary age: older and better established subsidiaries are able to carry out managerial functions more autonomously, but then their autonomy declines as they usually also become larger and better integrated; this finding is consistent with the conclusion of Belizón, Gunnigle, and Morley (2013) that the level of subsidiary autonomy decreases with subsidiaries' age.

The *importance of the subsidiary for the overall firm* can also influence the degree of freedom enjoyed by the subsidiary in HR matters (Menz, Kunisch, and Collis 2015), generally in a negative way: more important the operation of the subsidiary is for the multinational company, more control is exerted over it. Ferner et al. (2004, 368) refer to this aspect as “the degree of international integration of operations” and “the importance of the subsidiary for the parent’s overall performance,” Belizón, Gunnigle and Morley (2013) present the responsibility for global mandates of the subsidiary, while Fenton-O’Creedy, Gooderham and Nordhaug (2008) point out that subsidiaries serving international markets get more control than those serving only domestic markets.

The *presence of parent-country nationals in management positions of the subsidiary* also have an impact on the level of autonomy granted to the subsidiaries, relatively large numbers of such managers being associated with low discretion (Edwards et al. 2007). Both *home country* (country of origin, where the headquarter is established) and *host country* (*where the subsidiary operates*) characteristics related to cultural, economic, legal, and institutional environment have been identified as being influential for the autonomy level of the subsidiary (Edwards et al. 2007; Ferner et al. 2004; Williams and van Triest 2009; Fenton-O’Creedy, Gooderham, and Nordhaug 2008; Gunnigle et al. 2015; Drahokoupil 2014).

The institutional context of the country of origin strongly influence the control mechanisms exerted by the MNEs (Ferner 1997), having an impact on the strategies, the decision making, and the practices implemented by organizations, and consequently, the relationships between the headquarters and subsidiary. Belizón, Gunnigle, and Morley (2013) found that MNEs originating in flexible labor market regimes will accord lower levels of HR autonomy to their subsidiaries than those MNEs originating in rigid labor market, while Gunnigle et al. (2015) pointed out that subsidiaries operating in more highly regulated labor market regimes report higher levels of subsidiary autonomy than subsidiaries operating in more permissive regimes. Peng (2002) explains the variation of the strategic decisions of similar organizations in different countries, by considering the institutions as an independent factor that impacts the strategic choices and the corporate control mechanisms. National traditions and local market backgrounds influence companies approach of managing foreign subsidiaries (Dowling,



Festing, and Engle 2017). The subsidiary may follow the human resource management (HRM) practice adopted by the parent company because that is perceived as a global best practice (dominance effect), which is routed especially American management practices (Pudelko and Harzing 2007).

The *culture followed by the parent company's management* is also a significant explanatory variable and may also be worth repeating; specifically, the ethnocentric, polycentric, regioncentric, or geocentric cultural typology (Perlmutter 1969). MNEs strongly *embedded in the local economy* are more likely to grant a greater autonomy to their subsidiaries (Gunnigle et al. 2015).

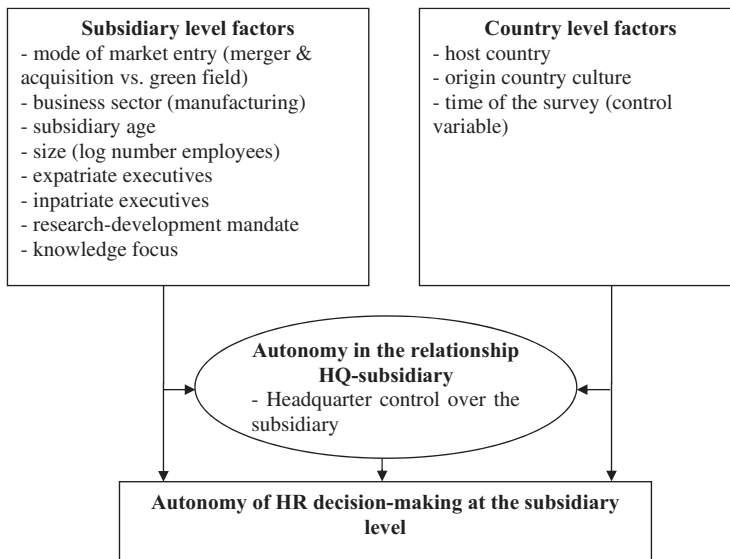
### ***Devolution of HR tasks towards line managers at subsidiary level***

Literature suggests that the HRM roles and responsibilities of line managers are increasing (Gooderham et al. 2015; Andolšek and Štebe 2005; Perry and Kulik 2008; Mathis, Jackson, and Valentine 2014; Larsen and Brewster 2003; Maxwell and Watson 2006; Purcell and Hutchinson 2007; Ulrich and Brockbank 2005). Sometimes line managers are satisfied with the HR activities devoted to them and are working closely with their HR counterparts (Whittaker and Marchington 2003), but the relationship between line managers and HR specialist can also be conflictual, as they have different competencies and perspectives regarding business and HR-related issues (Maxwell and Watson 2006).

The extent to which HR issues are devoted to line managers varies from country to country (Larsen and Brewster 2003; Andolšek and Štebe 2005; Gooderham et al. 2015), and may be influenced by organizational factors, such as HRM strategies and policies (Andolšek and Štebe 2005) and the power held by the HR function within the organization (Gooderham et al. 2015), as well as environmental factors, such as the economic sector (Andolšek and Štebe 2005) and the institutional, legal, and cultural characteristics of the country (Andolšek and Štebe 2005; Gooderham et al. 2015).

We developed a research model to address the research questions (see Figure 1). We expect that a number of contextual factors will uniquely impact the autonomy at the level of the HQ-subsidary relationship and the autonomy of the HR policy decision making at the subsidiary level. Thus, this study tests whether the subsidiary level factors have a stronger impact on the decision autonomy of the HR managers at the subsidiary level compared to the autonomy in the HQ-subsidary relationship.

Given the span of action, the subsidiary level factors such as the age and size of the subsidiary, the business sector or the market entry mode might have a stronger influence on the autonomy at the subsidiary level than on the autonomy in the relationship between the HQ and the subsidiary.



**Figure 1.** Research model.

The incidence of a relatively large number of parent-country nationals in management positions of the subsidiary reduces subsidiary autonomy (Edwards et al. 2007). We expect the international assignments to have a distinctive impact on the autonomy in the HQ-sub subsidiary relationship and the autonomy at the subsidiary level. One of the roles of the international assignments resides in ensuring the control of the HQ on the subsidiary. Thus, we expect the subsidiaries that implement international staffing to have a lower autonomy in their relationship with the HQ. On the other hand, we expect the incoming international assignments to positively influence the autonomy at the subsidiary level.

### **CEE context**

The local host context plays a fundamental role for the success of the multinational businesses (Ahworegba 2017). The criticality of the host context derives from at least two distinct aspects that need to be further addressed by research. First, the goal is to understand better the role the local context plays in shaping the relationships between headquarter and the subsidiary, and second, the intent is to reveal the strategies MNCs use to manage both developed and emerging countries local contexts (Ahworegba 2017). The present study addresses this twofold challenge by focusing on the subsidiaries hosted in CEE countries. Before the social, political and economic reforms of 1989 the CEE region was perceived by politicians and policy makers in the West as a largely homogeneous region (Svetlik et al. 2010). Today it is clear that this is a simplistic perception.

Much more can be gained from considering it a heterogeneous region, in some cases characterized by some regional cultural convergence, concurrently divergent tendencies may be clearly observed. In light of these findings and analysis, the CEE countries should not be considered as a culturally homogenous region for research purposes, and studies that bring a comparative approach of at the national level of the CEE countries are needed. Although the CEE region is today often known as the former Eastern Bloc because its past communist regime installed after World Wars, the countries and nations from this region share other important historical experiences as well, such as the Mongol invasions, the century-long Turkish occupation, or the legacy of the Austrian Empire (Okey 1992; Hupchick and Cox 2001; Kirschbaum 2007), which all contribute to their differentiation from the Western Europe. After the collapse of the socialist system in 1989, these countries turned from state-controlled to market economy, but followed various developmental patterns which resulted in heterogeneous patterns in terms of HRM practices (Morley et al. 2016). Despite the differences mentioned above, we find that from the point of view of HRM, the management of this region as a separate cluster can be explained by the following in the literature. National traditions, differing levels of economic development of each single country and the differing levels of centralization of the previous economic and political system, all combine to create differences in national development that can be observed in the HRM practice of the various CEE countries (Erutku and Valtee 1997; Poór 2008).

In these countries, within the framework of the previous system, there were only traces of the features of modern HRM (Brewster, Morley, and Bučiūnienė 2010; Poczowski 2011). Due to all these particular elements, we expect the autonomy in both headquarter-subsidiary relationship and at the subsidiary level to reveal distinct features compared to the patterns identified in developed countries.

Still, some common features of the transition period can be outlined, features which are important to contextualize the operation of businesses in the countries from the CEE region (Morley et al. 2016): the adoption of the EU political and economic rules as part of the EU integration process, the significant contribution of MNEs to economic growth, and to shaping the labor market and HR practices, the relatively low level of unionization, as well as the migration of young and well-trained people, due to the huge income disparities existing between the CEE and Western Europe.

Sellar (2009) pointed out that the EU enlargement process shaped the restructuring of national and local government institutions in Slovakia and Romania, by implementing a neoliberal policy of low taxes, harmonizing local legislation with EU standards, and improving law enforcement, thus

**Table 1.** FDI inward stock of CEE countries (EUR million).

Country/Region	2009	2011	2015	2017
Hungary	68,810	66,009	77,646	77,888
Poland	121,641	127,220	170,257	195,714
Romania	49,985	53,723	64,433	73,542
Slovakia	36,469	40,173	42,265	43,385
EU-CEE	463,574	479,318	580,359	648,822
Serbia	14,641	19,070	26,704	31,408

Source: Authors' own design based on wiiw (2012, 2018).

making these countries more “familiar” places for investors from Western Europe.

Poór, Engle, and Brewster (2017) also highlighted the importance of Foreign Direct Investment (FDI) for the economic development and employment growth of Central European countries on their way to market economy, taking a leading role in the privatization of the large state-owned companies. Because the FDI is not evenly spread, its positive impact is not perceived all over the countries involved, also contributing to growing regional inequalities.

Aggregate FDI values reported for the CEE region depend on the grouping of countries considered by various authors, therefore they are not comparable. Moreover, in some recent reports (UNCTAD 2019; fDi Intelligence 2019) there are no separate records for the 11 new EU Member States (EU-CEE). Therefore, to illustrate the amount of FDI received by the CEE region, in Table 1 we present the FDI inward stock values in the CEE countries we focus on in our study, for the reference years of our survey (2009, 2011, and 2015), as well as the latest available year (2017).

The importance of the FDI for the local economies is also indicated by the share of FDI inflows in the GDP, which accounted in 2017 for 2.1% in the EU-CEE countries, the lowest value in the past 10 years (1.2%) being reached in 2013 and the highest (2.9%) in 2012 and 2016 (Hunya 2018).

Following Hofstede's (1980) dimensions of national culture in the CEE countries, Poór et al. (2015) identified several differences among them: Slovakia and Romania show a high Power Distance Index; Serbs and Romanians are collectivistic nations, whilst Hungarian are more individualistic; in Slovakia and Hungary hard, masculine values are more important; Slovaks accept uncertainty, whilst Poles, Serbs, and Hungarians prefer structured situations. These differences in cultural values can also be reflected in differences in the organizational business practices and the relationships between subsidiaries and headquarters.

There is an ongoing debate in the international HRM literature whether the practices implemented by MNEs follow a tendency towards convergence or divergence (Farndale et al. 2017). The embeddedness of the business practices within a particular national context represent the main

argument that explains the divergence phenomenon (Bjorkman, Fey, and Park 2007), while the traditional MNE standardization arguments support the convergence propositions (Bjorkman et al. 2008). Nonetheless, the literature is still unclear if the convergence of the HRM has started to occur worldwide. Building on this debate convergence/divergence debate, the current article aims to explore whether the decision autonomy at the subsidiary level in the CEE context varies as a function of the origin mother country or the host country of the subsidiary.

## **Research methodology**

### ***Research procedure***

To test the hypotheses, in this article we use the data from the ongoing survey undertaken by the Central and Eastern European International Research Team (CEEIRT), a consortium of academics working in 12 countries, formed in 2009 to gather and disseminate research results focused on the HR practices, issues, and concerns particular to MNEs operating in the CEE region. The CEEIRT questionnaire was centrally planned and designed in English, then translated into the languages of each of the countries involved, and then back translated into English (Brislin 1976). The data were collected in three waves (2010, 2012, and 2016) and provide information on the HRM policies and practices and a set of characteristics relevant for the subsidiary. Each participating country carried out research with its own resources. Some countries used a panel in their countries to obtain feedback on the results. Most questions asked the participating subsidiaries to provide information on the characteristics relevant for 2009, 2011, and 2015. We collected information about local survey providers and the CEEIRT organization as well.

To facilitate the data collection, the responses were collected via interviews and online survey. We used the same questionnaire during the face to face interviews and the online survey, the data collection being carried out by research assistants in each country. To increase the validity of the data, the research assistants were instructed on the survey procedure. Also, a comparative data analysis was run to check the existence of any systematic differences between the online responses and the ones obtained in paper and pencil, and no major differences were identified. The monitoring and centralization of the data collection was performed by the coordinator of the research project.

This article reports the results from the first three rounds of surveys carried out between 2010 and 2016 in Hungary, Poland, Romania, Serbia, and Slovakia, these being the only CEE countries that took part in all three rounds of survey.

**Table 2.** Total sample of responses.

Reference year	Hungary	Poland	Romania	Serbia	Slovakia	Total
2009						
Responses ( <i>n</i> )	74	87	16	20	22	219
Percentages (%)	33.8	39.7	7.3	9.1	10.1	100.0
2011						
Responses ( <i>n</i> )	118	53	34	19	30	254
Percentages (%)	46.5	20.9	13.4	7.5	11.8	100.0
2015						
Responses ( <i>n</i> )	90	57	37	31	17	232
Percentages (%)	38.8	24.6	15.9	13.4	7.3	100.0
Total						
Responses ( <i>n</i> )	282	197	87	70	69	705
Percentages (%)	40.0	27.9	12.3	9.9	9.8	100.0

Source: Authors' own research.

**Table 3.** Characteristics of subsidiaries in the sample.

	Hungary	Poland	Romania	Serbia	Slovakia	Total
Average number of employees	1598	1116	771	848	521	1184
Subsidiaries in manufacturing (%)	42.7	53.9	26.1	44.3	48.6	44.4
Subsidiaries established before 2000 (%)	71.1	51	22.5	17.1	43.3	51.6
Subsidiaries established as merger and acquisition (%)	55.4	38.9	37.6	64.7	50.7	49.0

Source: Authors' own research.

### Sample

The questionnaire was applied to subsidiaries of multinational companies hosted in CEE countries. The survey was targeted at senior-level managers and HR professionals, so that to ensure the experience and knowledge of the individual respondents with regard the HRM practices at the subsidiary level (Huselid and Becker 2000). The response rate varied across the countries involved in the survey, between 15% and 40%, which is comparable to other research outcomes (Farndale et al. 2017). We analyzed 705 questionnaires that were returned, filled in foreign owned subsidiaries from the five countries in the three reference years (Table 2).

The characteristics of the sample in each of the participating country are presented in Table 3. On average, the mean size of the respondent subsidiaries is 1184 employees. Slightly more than half of the subsidiaries were established before year 2000 (51.6%), and almost half of the subsidiaries are in manufacturing (44.4%) and were established as merger and acquisition (49%).

### Measures

The study focused on two dependent variables. The first dependent variable measured the *Headquarter control over the subsidiary*, on a Likert scale from 1 to 4 (where 1 is the Autonomy both in decision-makings and in implementation and 4 the Centralized decision-making with tight control). The second dependent variable measured the *Autonomy of the HR decision-*

*making at the subsidiary level*, and was built as a composite index of the average values of nine items that measure the primary responsibility for the major policy decisions on the main HR functions (HR planning, recruitment, selection, performance evaluation, training and development, compensation and benefits, employee relations, communication, HRIS). The nine items used a four point Likert scale, where 1 means that decisions are taken by the line manager, and 4 means that decisions are taken by the HR executive, while 2 and 3 represent intermediary situations, where decisions are taken after consultation between the line manager and the HR executive. The value of the Cronbach's Alpha for this composite variable was 0.85.

The independent variables used in the study were the following:

- the culture of the headquarter, with six types of cultures, transformed in dummy variables (South-European, Anglo-Saxon, Nordic, Eastern European, German, and Asian);
- the business sector, transformed in dummy variable: manufacturing and others;
- the age of the subsidiary (transformed in dummy variable, established before 2000 and established in 2000 or later);
- the mode of market entry (dummy variable: greenfield or merger and acquisition);
- size of the subsidiary (measured as the logarithm of the total number of employees);
- the focus on HR executive knowledge (built as a composite index of the average values of six items measuring on a Likert scale from 1 to 4 the strength of the focus on the following competencies: business knowledge (value chain, value creation), strategic contribution (managing culture, championing changes, strategic decisions), personal credibility (achieving results, effective relationships, communication skills), competencies in HR services (recruitment, selection, training and development, performance management, etc.), usage of HRIS, and foreign languages skills. The value of the Cronbach's Alpha for this variable was 0.67.
- expatriate executives (ratio of the expatriates in management positions received from HQ or other subsidiaries, transformed as arcsin);
- inpatriate executives (ratio of the inpatriates sent on management positions to the HQ or other subsidiaries, transformed as arcsin);
- research and development (the presence of a research and development mandate in the subsidiary).

Because the data were collected at three different moments in time, we used as a control variable the time of the survey, transformed in dummy variables, for each of the three waves of the survey (2009, 2011, and 2015).

**Table 4.** Descriptives of the measurements: means, standard deviations, and Pearson correlations.

	1	2	3	4	5	6	7	8	9	10
1. Ratio Expatriates (arcsin)		-0.003	0.073	-0.154	0.134	-0.210*	-0.173	-0.032	0.032	-0.024
2. Ratio Inpatriates (arcsin)			-0.192	0.070	-0.043	0.049	-0.117	-0.146	0.208*	-0.047
3. Control over the subsidiary				-0.032	0.036	0.018	0.218	0.420**	0.094	0.267
4. Decision autonomy at the subsidiary level					0.077	0.220*	0.260**	0.155	0.062	-0.128
5. Management knowledge and skills						0.083	-0.006	-0.005	-0.036	-0.018
6. Merger and acquisition entry mode (dummy)							0.119	0.343**	-0.180	-0.010
7. Size (no. employees)								-0.298**	0.062	0.152
8. Manufacturing sector (dummy)									-0.138	0.208*
9. Year of establishment before 2000 (dummy)										0.119
10. Research and development mandate (dummy)										
Mean	0.065	0.032	2.040	2.144	2.451	0.51	4.786	0.49	0.43	0.29
SD	0.092	0.165	0.856	0.720	0.460	0.50	1.716	0.503	0.499	0.455
Cronbach's Alpha				0.85	0.67					

\*\*\* Correlation is significant at the 0.001 level (2-tailed).

\*\* Correlation is significant at the 0.05 level (2-tailed).

\* Correlation is significant at the 0.1 level (2-tailed).

Source: Authors' own research.

**Table 5.** The primary role of the corporate headquarter in HR (percentages) by country.

HQ role in HR	Hungary	Poland	Romania	Serbia	Slovakia	Total %
Provide autonomy both in decision-makings and in implementation	19.9	31.2	25.3	25.4	30.1	25.0
Provide general guidelines and framework for HR actions	47.5	34.6	40.5	34.3	41.5	41.0
Provide detailed HR models, policies, procedures and rules	27.1	26.1	27.8	32.8	22.7	27.5
Centralized decision-making with tight control	5.5	8.1	6.4	7.5	5.7	6.5

Source: Authors' own research.

In Table 4, we present the main descriptives of the measures.

### Data analysis and research findings

We used IBM SPSS Statistics 20 to explore the main patterns of HR roles and responsibilities' division between MNEs headquarters and their subsidiaries, and to explore which factors influence the role of the corporate headquarter and of the line managers in the HR processes. We ran two regression models to identify: (1) the factors that influence the control of the headquarter over the subsidiary, and (2) the factors that influence the degree of autonomy of the HR decision-making at the subsidiary level.

In most of the cases (41%), the central HR provides general guidelines and the subsidiary HR unit implements the actions within this framework (Tables 5 and 6). For 25% of the subsidiaries, the headquarter grants them full authority in both decision-making and implementation, while, 27.6% of the subsidiaries receive detailed HR models, policies, procedures, and rules.



**Table 6.** The primary role of the corporate headquarter in HR (percentages) by wave.

HQ role in HR	2009	2011	2015	Total
Provide autonomy both in decision-makings and in implementation	23.7	19.9	27.8	25.0
Provide general guidelines and framework for HR actions	47.1	44.5	35.7	41.0
Provide detailed HR models, policies, procedures and rules	24.5	28.2	29.4	27.5
Centralized decision-making with tight control	4.7	7.4	7.1	6.5

Source: Authors' own research.

Only 6.5% of the respondents MNEs have centralized decision-making with tight control.

The findings show rather small differences between the countries with regard the role of the headquarter. Subsidiaries from Hungary seem to have less autonomy in the decision making and receive more often general guidelines, while Slovakia and Poland seem to get slightly larger autonomy (Table 5).

This descriptive distribution of HR role and accountability shows a tendency on less centralized HR policies that allows the HR local unit to take responsibility on the HR processes. The share of the companies providing detailed HR models, policies, procedures, and rules has increased 2009 to 2015 (Table 6).

The *Autonomy of the HR decision-making at the subsidiary level* shows slight variations across countries (Table 7), as well as over time (Table 8). HR executives have more autonomy in decision related to technical issues, such as HRIS and recruitment, as well as social issues, such as employee relations and communication, whereas line managers have a bigger role in HR decisions related closely to organizational strategy and budget (HR planning, performance evaluation, compensation, and benefits). These trends can be observed in all countries and for all survey waves. In Hungary and Serbia, HR executives can act slightly more autonomously, while in Poland, Romania, and Slovakia the involvement of line managers is higher in almost all areas of HR.

In the first model, we ran a three-step regression, the dependent variable being the headquarters control on the subsidiary. In the first step, we entered the control variable, time wave of the survey. In the second step, we entered the contextual country level factors (host country, origin country culture), and in the third step, we entered the subsidiary level factors (business sector, age, mode of market entry, research-development mandate, the size of the subsidiary, and the ratio of executive expatriates and inpatriates). The model significantly predicts the control of the headquarters over on the subsidiary ( $F = 1.507$ ,  $p < .10$ ), and accounts for 5.2% of the variance in the HQ control over the subsidiary.

The findings show that the *culture of the MNEs home country*, the *age of the subsidiary*, the *ratio of executive expatriates and inpatriates* influence

**Table 7.** Autonomy of HR decision-making at the subsidiary level by country.

HR functions	Hungary	Poland	Romania	Serbia	Slovakia	General mean
HR planning	2.10	1.98	2.00	2.24	2.01	2.06
Recruitment	2.89	2.11	2.49	2.56	2.51	2.55
Selection	2.46	2.06	2.44	2.47	2.19	2.32
Performance evaluation	1.98	1.82	2.02	2.24	1.67	1.94
Training and development	2.39	2.13	2.16	2.51	2.31	2.30
Compensation and benefits	2.28	2.26	1.99	2.21	1.66	2.17
Employee relations	2.96	2.35	2.29	2.47	2.29	2.59
Communication	2.66	2.15	2.22	2.38	2.23	2.39
HRIS	2.82	2.65	2.21	2.93	2.43	2.67

Source: Authors' own research.

**Table 8.** Autonomy of HR decision-making at the subsidiary level by wave.

HR functions	2009	2011	2015	General mean
HR planning	2.05	2.05	2.09	2.06
Recruitment	2.32	2.63	2.69	2.55
Selection	2.17	2.33	2.45	2.32
Performance evaluation	2.09	1.80	1.94	1.94
Training and development	2.30	2.28	2.31	2.30
Compensation and benefits	2.26	2.05	2.22	2.17
Employee relations	2.67	2.51	2.62	2.59
Communication	2.36	2.38	2.44	2.39
HRIS	2.62	2.67	2.72	2.67

Source: Authors' own research.

the control relationship between the headquarter and the subsidiary (Table 9). The MNEs originating in Anglo-Saxon cultures exercise a stronger control over their subsidiaries from CEE countries, while those based in Eastern Europe exercise less control. The findings show no impact of the host country on the control relationship between the HQ and the subsidiary. Also, older subsidiaries, established before 2000, are stronger controlled by their headquarters. A higher ratio of executive expatriates is associated with stronger control, while a higher ratio of inpatriates decreases the control level.

In the second model, we run a three-step regression model with the dependent variable *Autonomy of the HR decision-making at the subsidiary level*. In the first step, we entered the control variable, the time of the survey, in the second step, we entered the contextual country level factors (the culture of the origin country and the host country), in the third step we entered the subsidiary level factors (business sector, subsidiary age, mode of market entry, the size of the subsidiary, the ratio of executive expatriates and inpatriates, the headquarters control on the HR unit, and the focus on the key competencies of HR managers). The model significantly predicts the *Autonomy of the HR decision-making at the subsidiary level* ( $F=5.31$ ,  $p<.001$ ), and accounts for 19.6% of its variance.

**Table 9.** Regression results.

Independent variables	Model 1 (dep. var. Headquarter Control over the subsidiary) Standardized $\beta$	Model 2 (dep. var. Autonomy of HR decision-making at the subsidiary level) Standardized $\beta$
<i>Step 1 (Controls)</i>		
Wave 2 of the survey	-0.07	0.05
Wave 3 of the survey	-0.04	0.03
Model F	1.301	0.070
$R^2$	0.005	0.003
<i>Step 2 (Country level factors)</i>		
Wave 2 of the survey	-0.07	0.08
Wave 3 of the survey	-0.05	0.06
<i>Culture of the headquarter</i>		
South-European	0.09	-0.14
Anglo-Saxon	0.08*	-0.01
Nordic	-0.01	-0.04
Eastern-European	-0.10**	-0.02
Asian	-0.07	0.05
<i>Host country</i>		
Slovakia	0.02	-0.10**
Serbia	0.08	-0.00
Poland	-0.02	-0.18***
Romania	0.05	-0.10**
Model F	1.48	2.50**
$R^2$	0.052	0.050
Change in $R^2$	0.02	0.047**
<i>Step 3 (Subsidiary level factors)</i>		
Wave 2 of the survey	-0.10	-0.01
Wave 3 of the survey	-0.05	-0.03
<i>Culture of the headquarter</i>		
South-European	0.09	-0.18*
Anglo-Saxon	0.10*	-0.01
Nordic	-0.01	-0.05
Eastern European	-0.11**	0.03
Asian	-0.06	0.02
<i>Host country</i>		
Slovakia	0.04	-0.04
Serbia	0.10	0.02
Poland	-0.01	-0.12**
Romania	0.06	-0.03
Subsidiary age	0.09*	0.10**
Business sector	0.02	0.11**
Mode of entry	-0.01	0.10**
Size (Log number employees)	-0.03	0.21***
Ratio executive expatriates (arcsin)	0.08*	0.11**
Ratio executive inpatriates (arcsin)	-0.08**	0.03
Research-development mandate	0.04	0.02
Focus on knowledge	-0.03	0.17***
Control over the subsidiary		-0.07**
Model F	1.507**	5.31***
$R^2$	0.11	0.196
Change in $R^2$	0.02	0.146***

Signif. codes: \*\*\* 0.001, \*\* 0.05, \* 0.1.

Source: Authors' own research.

The findings (Table 9) show that the Autonomy of the HR decision-making and implementation at the subsidiary level is influenced by the following factors:

- the *culture of the headquarters* (the South European origin of the MNEs is negatively related to the autonomy at the subsidiary level);

- the *host country* (the MNEs operating in Poland show a lower degree of autonomy at the subsidiary level);
- the *business sector* (the manufacturing industry of the subsidiaries is positively related with autonomy);
- the *mode of market entry* (the merger and acquisition type of market entry is positively related with autonomy);
- the *size of the subsidiary* (the size of the subsidiary is positively related with autonomy);
- the *focus on the HR executive knowledge* (the stronger importance of the competencies is positively related with the autonomy);
- the *control of the headquarters* over the subsidiary (a stronger control is negatively related with the autonomy level).

## Discussion

The results show that country level and subsidiary level factors included in the research model predict stronger the autonomy level. Among the factors that predict the autonomy at the subsidiary level, the highest impact is related to the nature of the subsidiary, as opposed to country level factors.

The age of the subsidiary was extensively explored in relationship with the autonomy (Edwards et al. 2007; Ferner et al. 2004; Belizón, Gunnigle, and Morley 2013; Fenton-O’Creevy, Gooderham, and Nordhaug 2008). As expected, older subsidiaries enjoy more autonomy. This is potentially explained by the fact that in time, there are higher chances for the HR processes to get specialized and be conferred a higher degree of trust, which to further lead to higher decision autonomy at the HR level.

Manufacturing subsidiaries allow a larger autonomy at the HR unit level, which might be related to an informal separation between the technological factor and human factor. In manufacturing plants, the focus is rather placed on technology and the main growth drive is often considered to be the investments in equipment and technology. Thus, the orientation on the human factor and decisions within this area are more often the responsibility of the HR unit.

In line with previous findings, the mode of market entry is associated with the level of the subsidiary autonomy (Ferner et al. 2004; Gunnigle et al. 2015; Dikova and Brouters 2016). The subsidiaries that were established through mergers and acquisitions allow higher autonomy, which might be a consequence of the already existing structures, that have strategies and procedures in place, and already established decision making processes.

The size of the subsidiary has also been explored in relationship with the autonomy (Varblane, Männik, and Hannula 2005; Belizón, Gunnigle, and Morley 2013; Edwards et al. 2007; Fenton-O’Creevy, Gooderham, and

Nordhaug 2008; Menz, Kunisch, and Collis 2015; Ferner et al. 2004). As expected, the size positively predicts the autonomy at the subsidiary level. This could be intuitively explained by the fact that larger subsidiaries will more frequently have specialized units and find it easier to delegate decision power to these units.

The expatriate assignments play various roles in MNEs, such as position filling, management development, and organization development, contributing to informal coordination and control strategy (Harzing 2001). The extensiveness and form of expatriate deployment was found to be a control function predicted by the parent country culture dimensions (Brock et al. 2008). Exploring the expatriates' role both in the relationship between the HQ and the subsidiary and at the subsidiary level, this study shows that the ratio of executive expatriates is related with higher autonomy at the subsidiary level. The expatriates could act as a support factor for trust and delegation of decision authority towards the specialized units of the subsidiary.

The result that Anglo-Saxon HQs exert more control over subsidiaries in the CEE region, extends the area of validity of the findings of Edwards et al. (2007), that US-owned firms operating in the UK benefit from significantly lower levels of discretion than those from other countries, and it is consistent with Belizón, Gunnigle, and Morley (2013), who found lower levels of HR subsidiary autonomy in MNEs coming from countries with more flexible labor market regimes, such as the US.

Our outcome that MNEs based in Eastern Europe exercise less control over their CEE-subsidiaries validates for the CEE region the findings of Belizón, Gunnigle, and Morley (2013) obtained for Spain, that MNEs originating in countries more similar regulation wise allow higher levels of subsidiary autonomy.

## Conclusions

### *Implications for theory*

First, the observer is struck by the relative stability of the findings from 2009 to 2011 to 2015. Perhaps this should not be surprising as 6 years may be a relatively short time span in strategic terms and MNEs many not be particularly nimble, even in a region like CEE, a region that has seen so many changes in the last 30 years. Perhaps the region is “taking a breath” after the exertions of the last several decades. The only real change reported relates to a reduction from 50.1 to 38.7% of respondent companies where the HQ provides general guidelines and framework for HR actions, while the shares of other types of HQ roles (full autonomy, detailed models and rules, and tight control) have all increased.

Second, cross-cultural differences still count. On the sending side, Anglo-Saxon HQs exert more control over subsidiaries in the CEE region, while those from Eastern Europe allow more autonomy. It is mere speculation at this point as to whether this may be due to cultural distance (Black and Mendenhall 1990; Shenkar 2001), a heritage from US/UK based Tayloristic precision (Koumparoulis and Vlachopouloti 2012) or the geographic – and potential psychological distance – between New York or London and Warsaw or Bucharest. The HR decision making at the level of the subsidiaries is more centralized for the Southern European based firms, which could also be the result of cultural characteristics.

Finally, “contextual settings” – that is business sector and subsidiary size as well as local HR reputation show an effect. Larger manufacturing firms, the older ones, established before 2000 and that entered the market through merger and acquisition, allow to HR unit in their subsidiaries more authority and control. At the same time, the a MNEs that emphasizes both HR competencies and concurrently perceives local HR units to have these HR capabilities reflects increased patterns of decentralization. How higher levels of this HQ demand meets a subsidiary supply of HR capability is another area worthy of further investigation.

### ***Implications for practitioners***

There is no substitute for an in depth understanding of doing business in a nation or a region. Short cuts can be dangerous. Given that caveat, findings may be interpreted such that:

1. Differences across regions are not as great as one might expect. Only Romanian and Serbian operations show a tendency for increased centralization of HR activities. National differences are not as pronounced as differences between HQ and local culture and a series of institutional factors. This finding mitigates for a greater standardization of activities in the region, although the authors admit this case is by no means settled.
2. Many MNEs appear to be comfortable with a decentralized approach to HR practice controls. In terms of Scullion and Starkey’s (2000) typology of HR practice relationships in the UK, most firms are either “decentralized” or in “transition” to decentralization; very few are “centralized.”
3. Relationships appear to have settled down (at least from 2009 to 2015). The days when the radical micro and macro level discontinuities required country chiefs, regional executives, and corporate managers to track events weekly or monthly may be over for now. Regular

assessment and recalibration are always a good thing, but the pace of change may have slowed.

### Limitations of the research

As any research, this study bears certain limits, mostly connected with the selection, structure, and size of the research sample. Hence, some further research on random sample is necessary. Future potential research is recommended to explore other factors that might influence the autonomy, including factors related to the headquarters and characteristics of the host market.

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