

**HERITAGE: PRACTICES AND ROLES OF HUMAN RESOURCE
EXECUTIVES IN LARGE MULTINATIONAL FIRMS IN HUNGARY, 1988-2005**

Jozsef Poor

University of Pecs, Hungary

Allen D. Engle, Sr.

Eastern Kentucky University USA

Andrew Gross

Cleveland State University USA

Roundtable Questions:

1. How and why have Hungarian subsidiaries replaced expatriates in this context?
2. What is the role of regional or Western European expatriates in the context of the development of knowledge in Hungarian subsidiaries and the building of connections within MNC-internal networks across borders?

SYNOPSIS

A model of human resource (HR) practices in the subsidiary units of MNC's in Hungary is presented from a review of the literature and extensive professional experience in the region. This model describes the evolution of HR variables in the light of external (national economic development) and internal (subsidiary mandate) factors. An

interview-based survey process, derived from the model, was applied to HR executives at 42 large multinational companies (94% of these firms have annual revenues of more than 20 million USD, collectively they employ 10% of the people in Hungary that work for a multinational, represent production, financial services and the energy industries, and largely originate from the US, Germany and France). Analysis of the results indicates these firms emphasize managerial selection and compensation more than employee training and development as key processes to pursue their various business models.

Specific findings are reported in the following areas:

- HRM subsidiary departments did not lose primary responsibility for HR activities in Hungary. Furthermore, line management did not take over HR responsibilities. On the contrary, larger HR departments rearrange and centralize decision-making and have added functions for themselves.
- Key roles of Hungarian HR professionals in foreign owned subsidiaries conform to the needs of the business and emphasize the role of local or regional cultural change agent. Communication skills play a vital role in these positions.
- Different stages of subsidiary life cycle relate systematically to different people issues. While there are different stages that MNCs and their HRM policies go through, staffing has consistently been a primary concern, followed closely by training and development.
- Evidence from the interviews support much “conventional wisdom” in IHRM - e.g. a changing role for expatriates, the withdrawal of a strong expatriate presence in mature subsidiaries, HR headcount ratios, a need for new, business oriented competencies of

HR managers and internationalization of the employment of locals in a transitional environment.

- In their entirety, interviews suggest local subsidiaries of multinational companies are moving from a posture of local standardization to one apparently supporting an HR approach of principle of “one world, one strategy”. The economic pressures of integrated, uniform HR systems world-wide are balanced with local programs and solutions and networks of resources within and across subsidiaries are growing.
- Consulting is widely used in Hungary, with staffing ranked as the top use of these consulting firms, followed by training. Outsourcing is still in an immature phase in Hungary, although rapidly gaining ground. There is only mixed evidence of networking between the multinational, these consulting firms and potential sources of outsourcing partners.
- By and large, the role of trade unions is either declining or not significant in the mind of respondents. The presence of unionized employees is significant only in large corporations with Hungarian ownership, in specific industrial sectors (e.g. oil industry, pharmaceutical industry, etc.) and in the public sector.

