

COMPARISON BETWEEN MNCS AND DOMESTIC COMPANIES ON TRAINING AND DEVELOPING EMPLOYEES IN SERBIAN CONTEXT

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DOI: <https://doi.org/10.31410/eraz.2018.447>

Abstract: *The entry of multinational companies into the domestic market is motivated by various factors which are: better access to the market and logistics, access to physical resources, access to human resources, ie talents and competences, with affordable costs. On the other hand, transfer of technology, knowledge and advanced management approaches are promoted as key benefits for the host country. The process of diffusion of these benefits in a national economy requires time, but also the flexibility and openness of domestic firms to adapt and learn. The aim of this paper is to identify, through a comparison of human resource management activities, a difference in the field of training and employee development between domestic and multinational companies. The purpose of the work is to identify, through the diagnosis of the current situation, the weaknesses in HR activities with domestic companies and, based on that, define the guidelines for improving these activities in order to elicit potential inferiority in relation to multinational companies and world practice.*

Key words: *training, employees' development, multinational companies, Serbian companies*

1. INTRODUCTION

By changing the political environment, privatizing state-owned companies and gradually improving the business environment in Serbia after year 2000 there were attractive conditions for the coming of multinational companies and the beginning of their operations on the domestic market. An important goal for economic policy makers was to increase the competitiveness of domestic companies through the process of privatization and selling them to significant foreign investors, among which multinational companies stand out. Privatization of domestic companies by multinational companies should be accompanied by better use of existing resources and improvement of all weakness of business operations.

The essential advantage of multinational companies lies in their ability to transfer their resources through a network of subsidiaries in other countries [1]. In general, Mello [2] suggests that foreign direct investment (FDI) is a composite set of capital, knowledge and technology, and that their positive impact on the growth of the domestic economy is possible, but that growth depends on the spillover effect on domestic companies. Multinational companies as key bearers of foreign direct investment in Serbia, besides creating added value in their own subsidiaries, should also give their positive contribution to the development of the national economy through spillover effect and better operations of domestic companies. Cantwella and Piscitello [3] found that the choice of multinational companies' sites for the technological and research activities of its subsidiaries is positively related to the size of the local market, local educational and scientific infrastructure, and the potential for spillover effects within the

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industry itself and other industries. On the other hand, research [4] shows that the competitive advantage of multinational companies depends on their ability to assimilate knowledge from different affiliates and that there are two ways to achieve this: first, through the strengthening of the competitive advantage of each branch, and others, through the transfer of an externally acquired knowledge from affiliates through the entire structure of the corporation.

Significant presence of multinational companies in Serbia opens the possibility of exploring their influence on the operations of domestic companies. The focus of this paper is focused on the practice of human resources management and the identification of the spillover effect in the domain of activities related to employee training and development. The purpose of the work is to determine the difference in these activities between multinational companies and domestic companies and, based on that, determine the guidelines for improving these activities with domestic companies in order to strengthen their competitiveness.

2. LITERATURE REVIEW

The accelerated development of the internationalization of business and the expansion of multinational corporations during the 1990s gave incentives to authors to explore opportunities and ways of gaining competitive advantage in a global environment. Starting from the view that human resources have a significant impact on the creation and maintenance of a competitive advantage [5], the focus of research is on human resources management in different national cultures, which during the 2000s influenced the development of international human resources management. Research within this discipline relies heavily on multinational companies, and key research focuses on HR activities in the international environment. Studies carried out by Dowling, Welch and Schuler [6] have shown that effective international human resource management can make the difference between successful and unsuccessful companies in international business. Similar results came from Edwards, Ferner and Sisson [7] and Scullion [8] who found that international business depends on international human resources management, or the way multinational companies manage their human resources in an international environment.

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International training and development are identified as key activities of international human resources management [8]. Their impact on business performance depends primarily on the characteristics of individuals, the organizational climate that supports learning, transfer of knowledge and skills, but also from the evaluation of these activities in order to change and improve them through corrective measures [9]. Guerrero and Barraud-Didier [10] found a positive influence of training and development of employees on general organizational performance and financial performance on a sample of 180 French companies. The results of

their research show that greater investment in employee training and development contributes to value creation in the organization. The positive impact of employee training on business performance was determined by Garcia [11], who through the conducted research concluded that higher investments in employee training lead to higher productivity of employees and greater satisfaction of customers, owners and employees. Benefits derived from investment in employee training and development go beyond organizational frameworks, and the range of significant impacts is best defined by Aguinis and Kraiger [12]. These authors have identified the domain of the impact of training and development of employees on four levels: each employee, teamwork, organization and society. Their research is particularly important because the influence of investments in training and development of employees on the general social context has been identified. Salas et al. [13] agrees with this effect and suggest that investment in employee training and development is often seen as the primary mechanism for the development of the national economy.

At the individual level, training and employee development positively influence the improvement of knowledge, skills and abilities of employees. In practical terms this allows each individual to increase his value and mobility on the labor market, as well as the possibility of employment in the event of a job loss. For each organization, training and employee development are a means to preserve competitive advantage and increase productivity. Investing in employee training and development mean at the same time the increase in the value of human capital in a national economy, which can contribute to attracting investment, increasing living standards and strengthening the competitiveness of the national economy. In the digital economy this gets even more important because the possibilities of knowledge transfer and skills increase significantly in the web environment [14].

3. RESEARCH METHODOLOGY

Research into the difference in HR activities between multinational companies and domestic companies was conducted on a sample of 180 respondents. Three questionnaires were eliminated from the sample: two questionnaires were rejected because respondents were employed by a state-owned company and one questionnaire was rejected because the number of employees was less than 10, so the total number of respondents is 177. Respondents are employed in domestic and foreign companies operating in the territory of the Republic of Serbia. It has been determined arbitrarily that the sample is made up of privately owned companies with more than 10 employees.

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Based on the obtained data, 44% of the companies covered by the sample have over 250 employees, 36% of the companies have between 50 and 249 employees, and 20% of the companies have from 10 to 49 employees. The majority of companies included in the sample belong to the production sector, as much as 71%, 15% belong to the trade sector, while 14% belong to the service sector. Regarding the ownership structure, 89 companies are owned by domestic private equity, and 88 companies belong to foreign private equity.

Empirical research was carried out using the survey method. As a tool for collecting primary data a questionnaire with 11 statements was used. Employee training activities were observed with 6 items, while employee development activities were observed through 5 items. The respondents showed the degree of agreement with the stated items on the five-point Likert scale.

Analysis of completed questionnaires was done in the SPSS, the Statistical Packages for the Social Sciences. Descriptive statistics, arithmetic mean and standard deviation are calculated. The reliability of the obtained results was measured through the value of the Cronbach's Alpha coefficient. Using the t test, data analyzes were conducted, based on which were found statistically significant differences in estimates of findings between multinational companies and domestic companies.

4. RESULTS AND DISCUSSION

The values of the Cronbach's Alpha coefficient for training activities and employee development activities are 0.895 and 0.903, respectively, which is assessed as the high value of this coefficient, and are able to establish the validity of the used items. The results of the research related to the difference in training activities between multinational companies and domestic companies are presented in Table 1.

<i>MNCs vs. Domestic companies</i>		
item	MD	P
There are formal training programs for new employees in order to acquire the necessary skills.	0.306	0.177
Employees are provided with different training programs.	0.051	0.312
The employees in the organization actively improve their professional skills.	0.930	0.015**
Talented employees have good access to training to develop their potential.	0.489	0.118
The organization emphasizes mentoring and employee training.	0.486	0.117
Training activities are focused on the development of specific skills and knowledge of required firms.	0.370	0.139

Table 1: Training

Based on the research results it can be noted that only one employee training activity has a statistically significant difference between multinational companies and domestic companies. Multinational companies pay more attention to the active improvement of the skills of their employees. In all other employee training activities, there is equality between multinational and domestic companies.

The results of research related to the comparison of employee development activities between multinational and domestic companies are presented in Table 2.

<i>MNCs vs. Domestic companies</i>		
item	MD	p
Employees in the firm have clear career development guidelines.	0.025	0.390
There is a plan for replacing employees in the company in case of leaving the company or retirement.	0.691	0.072*
There are programs of development of employees with high potential in the performance of work.	0.730	0.063*
There are career development programs for talented individuals in the company.	0.738	0.064*
There are developed programs for retention of employees with high potential in the company.	0.786	0.051*

Table 2: Employees development

The results show that a statistically significant difference exists in most employee development activities and that multinational companies are superior to domestic companies. Equity between multinational companies and domestic companies exists only in employees' perception of a clear career development perspective. Summarizing the above mentioned research results, it can be concluded that both multinational companies and domestic companies pay equal attention to short-term goals and increase employee productivity through their training, but that domestic companies lack a long-term perspective that relates to employee development. In practical terms, domestic companies have a focus on achieving better business performance in the current period, but the strategic development of the organization through the development of employees is neglected, which can lead to a weakening of competitiveness in the long run. This type of subordination of strategic priorities leads to maximizing results in the short run and endangering the long-term perspective of companies.

5. CONCLUSION

The results of the research show that in the field of training of employees domestic companies do not lag behind the practice applied by multinational companies, but lag behind in the activities related to the development of employees. In conditions of increased mobility in the global labor market and the growth of demand for talented individuals [15], this can lead to the fluctuation of the best individuals. On the other hand, the obtained results show that domestic companies are not completely inferior to multinational companies and that the human resource management practice implemented by multinational companies is also applied to domestic companies. This also points to the partial existence of the effect of spill-over of human resource management practices in the domestic economy, which simultaneously contributes to the improvement of the national economy and the competitiveness of domestic enterprises. Human resources as a good mediator for knowledge transfer [16] can encourage faster absorption other factors of competitiveness by domestic domestic companies.

The limitation of the conducted research is the absence of a qualitative analysis of the observed human resource management activities. The research is based on the assumption that multinational companies have superior human resource management practices which, as such, are subject to copying by domestic companies. On the other hand, multinational companies often use local knowledge resources that they adopt and spread through the network between other subsidiaries [17]. In this context, future research will focus on qualitative comparison of human resource management practices applied by domestic companies and multinational

companies in order to diagnose the knowledge and expertise resources that multinational companies adopt from domestic companies.

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