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HRM Comparative Performance and Practices within MNCs' subsidiaries in Kazakhstan

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Abstract

The issue of human resource management (HRM) is critical to economic growth, particularly in the countries like the Commonwealth of Independent States (CIS) and in the transition economies of Central and Eastern Europe (CEE). The growing number of multinational corporations (MNCs) as one of the main drivers of the internationalization process in the HRM sector has attracted considerable attention from management scholars worldwide. The aim of this report is to discuss and analyse HRM performance and HRM practices in subsidiaries of MNCs in Kazakhstan, as the largest recipient of foreign direct investment (FDI) among CIS countries. The methodological approach of this study is based on the analysis of Poór et al. (2017) work on HRM performance and practices combined by cross-cultural management (CCM) of HRM from Hofstede study (Hofstede et al., 2010). It found that the subsidiaries of the MNCs in Kazakhstan tend to adopt the divergence of HRM functions and practices instead of the convergence concept by giving more freedom to the local HR departments in managing their HR roles and strategies. The implication practices of the study may help HR practitioners in both private sectors and public government administrations to understand about the importance of HRM policies and practices characteristics and behaviours amongst the MNCs subsidiaries a country, in achieving and improving labor productivity and business efficiency.

Keywords: human resource management (HRM), multinational corporations (MNCs), Commonwealth of Independent States (CIS), Central and Eastern European (CEE), HRM performance and practices, foreign direct investment FDI, Hofstede study, Cross-Cultural Management (CCM)

Introduction

Undoubtedly, today's globalisation and the growing number of multinational corporations (MNCs) are the main drivers of the internationalisation process in all sectors; the field of human resource management (HRM) is no exception and enjoys a great deal of attention from management scholars around the globe (De Cieri, [2017](#); Edwards & Rees, [2017](#)). As Susanto et al. ([2019](#)) assert, this globalisation of business issues has led to an increasing recognition of the well-managed workforce and the evolution of the role of HR in fulfilling strategic importance. According to [Stor & Haromszeki, \(2019\)](#) and Wacker, ([2013](#)), foreign direct investment (FDI) is often used as an indicator of the increasing activities of MNCs in a country where the number of MNC employees working abroad exceeds the number of employees working in the mother country (Poór, [2013](#)). In addition, Poór et al., ([2017](#)) claims that FDI is not only a crucial factor for economic development, but also for job creation in a country, especially in transition economies in Central and Eastern Europe (CEE).

However, Dowling et al., ([2013](#)) and Susanto et al. ([2019](#)) point out, that in nourishing this increase in international business, the role of human resource management should be considered as a key issue across the business units as HRM policies and practices play a crucial role in the competitiveness and sustainability of the business. This is supported by Azam & Ahmed ([2015](#)) and Mohanty & Sethi ([2019](#)) who affirm that human capital development is critical to economic growth, especially in the countries of the Commonwealth of Independent States (CIS).

The purpose of this report is to discuss and analyse the performance and practises of human resource management in subsidiaries of multinational companies in Kazakhstan. Kazakhstan was chosen because it is the largest landlocked developing

country, which according to UNCTAD, ([2014](#), [2019](#)) received huge foreign direct investment of USD 3.8 billion in 2018, the largest share among other countries in this region. Recently, Astana International Exchange (AIC) was established under the principles of English common law - the first stock exchange in the region CEE/CIS - to attract more FDI and promote investment in Kazakhstan (Dettoni, [2019](#)).

This paper is divided into the following sections. First, literature review on HRM theory and concepts are summarised, including the description of the country's cultural context, comparative aspects of HRM, and internationalisation of HRM (Brewster et al., [2016](#); De Cieri, [2017](#); Dowling et al., [2013](#); Edwards & Rees, [2017](#)). The next section describes the methodology of this study. Followed by finding and discussions sections of Kazakhstan country profile, including a socio-economic overview, FDI performance, and the country's dimension of national culture (Hofstede et al., [2010](#); Hofstede Insights, [2022](#)). Also is described the international HRM performance and HRM practises in the subsidiaries of the Kazakh MNCs, including the characteristics of HRM activities and operations in the companies based on the work of Poór et al., ([2017](#)). The final section concludes with a summary of the report.

Literature Review

HRM – theory and concepts

According to Stone et al. ([2020](#)), HRM refers to the activities within the organisation that include HR planning, staffing (recruitment, selection, and placement), performance management, training and development, compensation, and labour relations. In addition, they specified the broad concept of international human resource management (IHRM), which encompasses the same activities as general HRM but includes employees across national borders and deals with a multicultural workforce and different policies as well as regulations, such as expatriate administrative services, international taxation and orientation, host government relations, and language translation services.

Owing to Brewster et al., (2016), the understanding of IHRM should be based on the study of multinational corporations (MNCs), which can be defined as "... a company that operates in multiple countries but is managed from a home country". Therefore, as Edwards & Rees (2017) argue, IHRM should focus on the ways in which MNCs seek to influence the way people work across borders in their operations. Furthermore, they stated that due to the nature of IHRM, which always takes place in the context of dynamic, significant change across nations and regions, international human resource strategies and practices (HR) are best understood when situated within the underlying social, political and economic trends within a nation. To learn more about IHRM, Brewster et al. (2016) and Dowling et al. (2013) suggest three important aspects of IHRM: cross-cultural management of HRM, comparison of HRM practices, and internationalisation of HRM.

Cross-Cultural Management (CCM) of HRM and the National Culture Dimensions

According to Hofstede (2015), culture is defined "... a system of shared, usually unconscious and unwritten values, rules, norms, and institutions that are socially transmitted and regulate the social life of groups." In addition, culture can be analysed using a country, language, religion, value, ethics, and/or many other areas as a frame of reference and can be viewed as collective programming of the mind that distinguishes members of one group or category of people from others (Hofstede et al., 2010). The underlying assumption of the study CCM is that there are differences between management practises in different countries and that the particular environment plays a role in the study of human behaviour in different nations. Since IHRM involves the interaction and movement of people across national boundaries, appreciation and understanding of cultural differences are important and essential (Dowling et al., 2013), especially when managing expatriates (De Cieri, 2017).

The studies of CCM aim to describe and compare work behaviours in different cultures from different nations. For this paper, Hofstede's national cultural dimension is used (Hofstede et al., 2010; Hofstede Insights, 2022). In the latest version of the book, Hofstede et al. (2010) added another cultural dimension

become six dimensions of culture which is known as 6-D Model. So, the 6-D model of national culture are now available: Power Distance Index (PDI), Individualism versus Collectivism (IDV), Masculinity versus Femininity (MAS), Uncertainty Avoidance Index (UAI), Long-Term Orientation versus Short-Term Orientation (LTO), and Indulgence versus Restraint (IVR). The PDI expresses the degree to which the less powerful members of a society accept and expect that power is unequally distributed. The fundamental question here is how a society deals with inequalities among people. Then, the IDV can be defined as a preference for a loose social structure in which individuals are expected to care only for themselves and their immediate family members. Next, the MAS represents a social preference for achievement, heroism, assertiveness, and material rewards for success. The UAI expresses the extent to which members of a society are uncomfortable with uncertainty and ambiguity. The fundamental question here is how a society deals with the fact that the future can never be known: Should we try to control the future or just let it happen? The LTO describes how each society must maintain some connection to its own past as it grapples with the challenges of the present and the future, with societies prioritising these two existential goals differently. The IVR is defined as the extent to which people attempt to control their desires and impulses based on the way they were raised. Relatively weak control is referred to as "indulgence" and relatively strong control is referred to as "restraint."

As De Cieri, (2017) and Kozhakhmetova et al. (2019) assert, by understanding the cultural background of different countries in the context of IHRM, the organisation can better manage the employees in the subsidiaries who are from different countries.

Comparatives of HRM Practices

HRM practices and functions can be defined as a set of practices used by organizations to manage human resources by fostering the development of organization-specific competencies, establishing complex social relationships, and generating organizational knowledge to maintain competitive advantage (Manzoor et al., 2019; Minbaeva, 2005; Renkema et al., 2020). Today's HRM practices may

consist of common work organization and policies, including HRM planning, recruitment (hiring and selection), performance management, performance appraisal, training and career development, compensation and labour relations, flexible work practices (Brewster et al., [2016](#); Dowling et al., [2013](#); Minbaeva, [2005](#); Tan & Nasurdin, [2011](#)).

Meanwhile, comparative HRM practices take into account the different cultural differences of various employees in organizations. As De Cieri, ([2017](#)) points out, comparative HRM practices occur when organizations operate and manage across countries. They should take into account the various local factors including culture and social practices, political situation, legislation, economy, technology, and labor market, which explicitly studied HRM practices in the application of each nation, and combine them with the rules of international organizations to develop policies and practices in subsidiaries that take into account the HRM practices already in place. In other words, comparative HRM should consider both home country and host country implications in implementing HR policies and practices in the subsidiaries of such MNCs (Edwards et al., [2019](#)). At least six themes have consistently emerged in comparative HRM practices in the context of globalization, including convergent and divergent practices, technology absorption, working conditions and labor law, and corporate policy and strategy (De Cieri, [2017](#)). To conduct comparative HRM practices in subsidiaries of multinational companies in Kazakhstan, Poór et al., ([2017](#)) used four key HRM indicators, namely the number of employees HR, labor cost ratio, share of annual training budget, and expatriate/in patriate turnover.

Internationalising HRM

According to Dowling et al., ([2013](#)), the main focus of internationalisation of HRM is on the multinational context of HRM practises and policies. Therefore, in this environment, organisations should put more efforts on managing multicultural native workforce, building global teams, managing diversity, developing a global team, and building universal awareness (De Cieri, [2017](#)). In addition, they identified

the top four issues that play a role in these situations, including implementing strategic direction, dealing with managing diversity, developing a global team, and establishing global integration.

Methodology

The methodology of the study is based on the survey data and information from the work of Poór et al. ([2017](#)) on HRM performance and practices in subsidiaries of Kazakh MNCs. In addition, to provide a robust and meaningful analysis of international HRM theories and practices, Hofstede's national culture dimensions of CCM are applied to HRM comparing the six dimensions of national culture from the MNCs and their subsidiaries, as well as most FDI countries (Hofstede et al., [2010](#)).

In the first stage of the methodological approach, Kazakhstan's macroeconomic environment is examined through an analysis of the country's GDP structures (both by industry and employment shares), as well as through an analysis of registered foreign-owned enterprises and the proportion of their employees. Kazakhstan's national cultural profile was also described and analysed by applying Hofstede's 6-D model and conducting a cultural compass comparison among Kazakhstan's country business partners (Hofstede Insights, [2022](#)). In the second phase, the characteristics of MNCs and their subsidiaries, investment objectives, and their competitive factors are analysed. In the last phase, the HRM practises of the MNCs and subsidiaries are analysed, focusing on employee roles and functions, employee turnover, and employee competencies.

Findings and Discussions

Kazakhstan Socio-economics Overview

As the largest landlocked developing country in the world, Kazakhstan has made impressive progress since its independence in the early 1990s. Measured by GDP (PPP per capita), which reaches about 27 thousand USD, Kazakhstan can be classified as an upper middle-income country (World Bank, [2021](#)). Driven by

foreign direct investment (FDI), Kazakhstan's GDP has grown 9-fold since 2000, making Kazakhstan the largest economy in Central Asia and earning it an investment-grade rating from international rating agencies (Dettoni, [2019](#)). The country strives to maintain its thriving socioeconomic growth in the future with a compound annual growth rate (CAGR) of GDP of about 1.2% between 2010 and 2020, to \$164.8 billion in 2020, and a continued stable macroeconomic situation with manageable inflation and unemployment rates, as well as a significantly higher ranking in global indicators (World Bank, [2021](#); Schwab, [2019](#)). Table 1 summarises Kazakhstan's socioeconomic performance in 2020, which is derived from the main indices measuring global performance.

Table 1. Kazakhstan – Socio-economics Statistics Performance (2020)

Socio-economics and measurement items	Unit	2010	2020	CAGR (2010-2020)
Population	Million	16.3	18.4	1.34%
GDP	US\$ Billion	148.0	164.8	1.20%
GDP per capita	(PPP in US\$)	19,225.1	26,754.4	3.74%
Unemployment rates	Per cent	5.8%	4.9%	-1.86%
Inflation rates	Per cent	7.1%	6.8%	-0.53%
Global Competitiveness Index (2019)	rank of (total world countries)		55 (140)	
Doing Business Index (2019)	rank of (total world countries)		25 (190)	
Human Development Index (2019)	rank of (total world countries)		51 (189)	

Sources: World Bank ([2021](#)), World Economic Forum, UNDP, Ministry of National Economy Kazakhstan; Schwab ([2019](#))

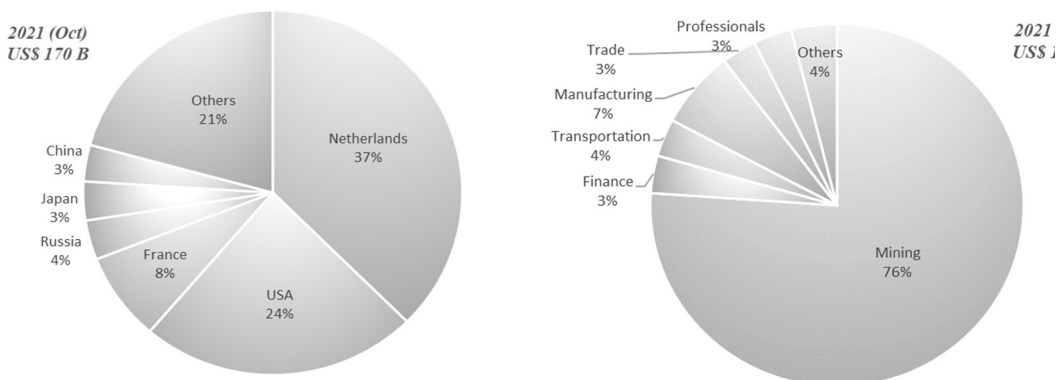
Table 2 describes the GDP structures of Kazakhstan in 2021, which is still mainly dominated by mining/extractive industries (14%), slightly less than the largest contributor, namely wholesale and retail trade (17%), followed by manufacturing (13%) sectors. Interestingly, despite its large share of GDP, the mining sector absorbed only 2% of jobs. The largest contributor to employment after the wholesale and retail trade sector (16%) was agriculture and fishing (13%), followed by education (9%) (Bureau of National Statistics, [2022](#)). It explains that the employment structure profile of Kazakhstan is still led by the oldest, conventional sectors. In terms of GDP per employed person, extractive industries contributed the highest share (60 thousand KZT), followed by real estate (33 thousand KZT) and finance and insurance (about 13 thousand KZT), while employment in the education sector accounted for the smallest shares, about two thousand KZT.

Table 2. Kazakhstan GDP Structure and Employment (2021)

Industry Sectors	GDP by Industry		Employment by Industry		GDP per employed person KZT 000
	KZT Billion	%	000 people	%	
Agriculture, forestry and fishing	4,145	5.1%	1,175	13.3%	3,527
Mining and quarrying	11,459	14.1%	191	2.2%	60,026
Manufacturing	10,809	13.3%	1,089	12.4%	9,924
Construction	4,714	5.8%	631	7.2%	7,471
Wholesale and retail trade	14,385	17.7%	1,421	16.1%	10,121
Transportation and storage	5,282	6.5%	618	7.0%	8,555
Information and communication	1,950	2.4%	160	1.8%	12,213
Financial and insurance activities	2,438	3.0%	189	2.1%	12,900
Real estate activities	5,282	6.5%	158	1.8%	33,349
Professionals	2,844	3.5%	255	2.9%	11,168
Education	2,763	3.4%	1,110	12.6%	2,490
Healthcares & Social works	2,032	2.5%	512	5.8%	3,965
Other sectors	13,166	16.2%	1,303	15.0%	10,102
Total	81,269	100.0%	8,812	100.0%	9,223

Source: Bureau of National statistics, [2022](#).

Based on the latest record from the National Bank of Kazakhstan ([2022](#)), FDI by the country of origin show that most foreign investors in Kazakhstan come from traditional European countries and former allies of Kazakhstan, such as the Netherlands, which contributes about 37% of total FDI, followed by the USA (24%), France (8%) and Russia (4%) (Figure 1). Other Asian investors such as China and Japan contribute about 6% of total FDI. These share patterns are quite similar compared to 2005 data, where most FDI came from the Netherlands (25%), the USA (15%), and France (10%).



Source: National Bank of Kazakhstan ([2022](#))

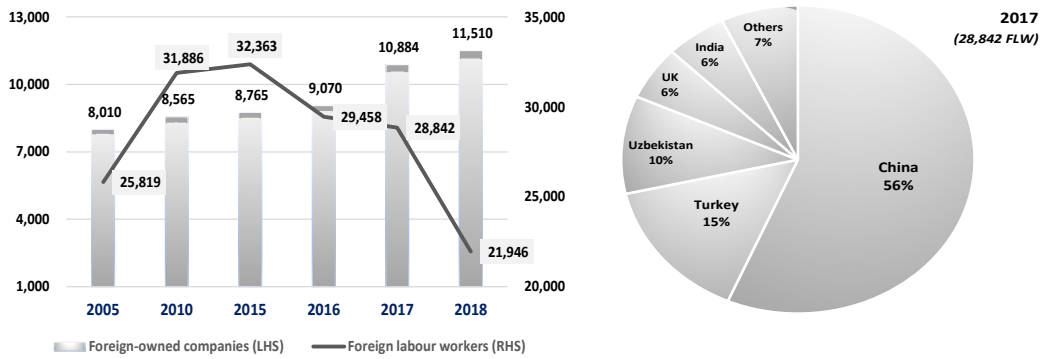
Figure 1. FDI by Country of Origin (Left) and by Industry Sectors (Right)

In terms of FDI by the economic activities, mining sector has still dominated which accounted about three fourth of the total investment, followed by manufacturing (7%), transportation (4%), trade, finance, and professionals that equally contribute by tree percent. It can be concluded that foreign investors still like to invest in the old-fashioned natural mining resources in this country.

Kazakhstan Employment and Workers Performance

As for employment, almost half of the population is classified as employed, both in the 2014 and 2018 figures, with an annual growth of half a percent. The employed make up about 95% of the total population (Ministry of National Economy, 2019). Fascinatingly, more than one-third of the labour force has earned a university degree, with an annual CAGR of 3%. This explains why Kazakhstan scores better than other landlocked developing countries in the classification of employment.

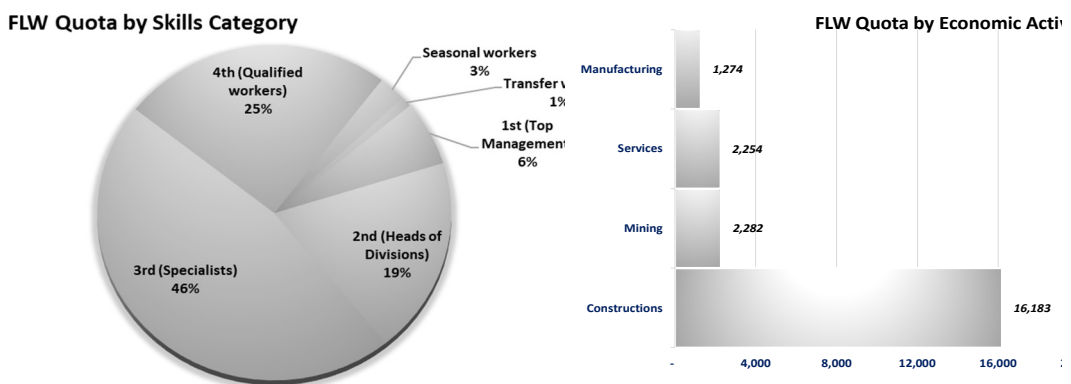
Although the number of foreign-owned registered enterprises in Kazakhstan is increasing by about 3% annually, the number of foreign workers (FLW) has decreased from more than 32 thousand in 2015 to just under 22 thousand in 2018, a decrease of almost 50% (Figure 2). This is in line with the policy of the Kazakh government under the Ministry of Labour & Social Protection of Population (2018) to protect the domestic labour market since 2001 through an annual quota for foreign workers that did not exceed 0.7% of the total labour force (Poór et al., 2017). The pie chart shows that China overtook Turkey as the largest contributor in 2017, providing about 56% of the total foreign labour force working in Kazakhstan. It is expected to support the Silk Road Project under the Belt Road Initiative Long Part Projects, which has been promoted by the Chinese government since 2014 (UNCTAD, 2014).



Source: Ministry of Labour & Social Protection of Population, Kazakhstan (2018)

Figure 2. Foreign-owned Companies Performance and Foreign Labour Workers (FLW) by Country of Origin

In 2017, more than 96% of the FLW quota was allocated to foreign professionals only, including 6% as the first category (top executives), 19% as the second category (heads of departments), 46% as the third category (specialists), and 25% as the fourth category (skilled workers), while the small percentage (less than 4%) was allocated to the rest as seasonal and transfer workers (Figure 3). The FLW quota for industries was dominated by construction, which accounted for almost one-third of the total quota. It is likely that the Kazakh government is focusing on pushing more infrastructure projects that require skilled labour to complete.



Source: Ministry of Labour & Social Protection of Population, Kazakhstan (2018)

Figure 3. Foreign Labour Workers Quota (FLW) by Skills & Activities in 2017

Notwithstanding the maintenance of the highest share of registered foreign-owned enterprises (34%) in 2018, wholesale and retail trade is the only sector in Kazakhstan where the number of registered foreign-owned enterprises is declining, with an annual growth of 2% (Table 3).

Table 3. Number of Foreign-owned Companies in Kazakhstan (2005 and 2018)

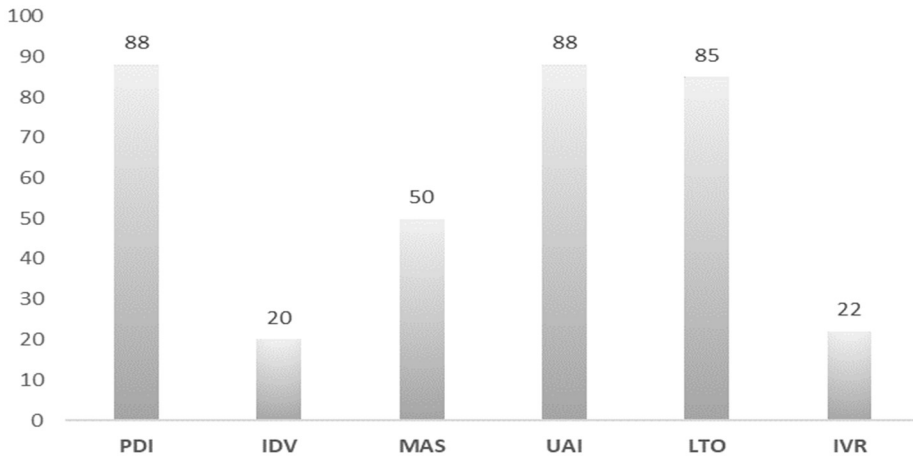
Sectoral Group Industry	2005		2018		CAGR (%)
	Number	Shares (%)	Number	Shares (%)	
Agriculture, forestry & fishing	62	0.77%	400	3.48%	15.42%
Mining industry	83	1.04%	273	2.37%	9.59%
Manufacturing	521	6.50%	1,430	12.42%	8.08%
Constructions	765	9.55%	1,229	10.68%	3.71%
Wholesale & retail trade	5,164	64.47%	3,891	33.81%	-2.15%
Transportation & warehousing	234	2.92%	436	3.79%	4.90%
Professional, scientific/technical activities	394	4.92%	1,030	8.95%	7.67%
Accommodation & catering services	121	1.51%	234	2.03%	5.20%
Information & communication	107	1.34%	393	3.41%	10.53%
Financial & insurance activities	61	0.76%	188	1.63%	9.04%
Operations with real estate	121	1.51%	355	3.08%	8.63%
Administrative support services	113	1.41%	328	2.85%	8.54%
Education	40	0.50%	122	1.06%	8.96%
Healthcare & social services	33	0.41%	114	0.99%	10.01%
Arts, entertainment & recreation	63	0.79%	139	1.21%	6.28%
Others	128	1.60%	948	8.24%	16.65%
Total companies	8,010		11,510		2.83%

Source: Ministry of National Economy – Committee on Statistics, Kazakhstan ([2019](#))

The highest percentage increase in registered foreign-owned enterprises was recorded in the agricultural sector, with a significant increase of 15%, followed by the information and communication sector (10%) and the social services sector (10%). After wholesale/trade, manufacturing and construction contributed about 12% and 11% respectively. It can thus be seen from the table that the interest of foreign investors to invest in the country has shifted to new and more promising industrial sectors. This is in line with Kazakhstan's current policy under the new government, which is making new efforts to diversify the country's economy through an industrial plan, away from traditional commodity sectors through the development of export-oriented manufacturing industries, both in agriculture and other manufacturing sectors (Dettoni, [2019](#)).

Kazakhstan – National Culture Profile and the Culture Compass Country Comparison

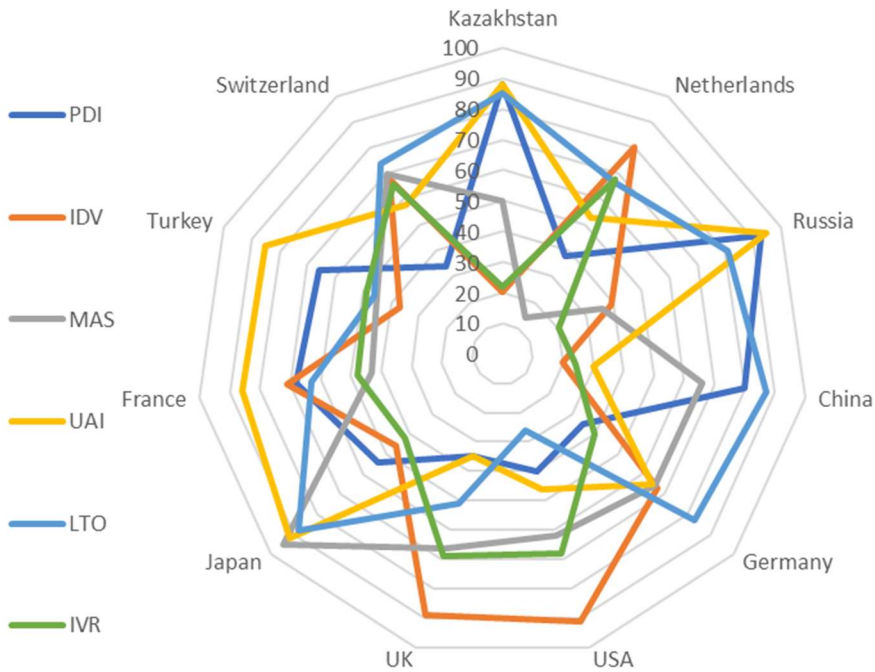
Using the 6-D model of Hofstede et al. (2010) and Hofstede Insights (2022), the national cultural profile of Kazakhstan can be described as follows. In terms of PDI, with a very high score of 88, Kazakhstan is a nation in which those in power are very distant in society, which means that people in this society accept a hierarchical order. As for IDV, Kazakhstan has achieved a very low score of 20, indicating that it is a strongly collectivist society. The society fosters strong relationships in which everyone takes responsibility for and protects the other members of their group. Loyalty is paramount and takes precedence over most other social rules. The next dimension, related to the MAS, means that Kazakhstan has a share of both worlds equally: masculine for certain parts and feminine for others, but no clearly dominant cultural value. The very high score of 88 in the UAI also shows that Kazakhstan as a nation sees mechanisms to avoid ambiguity. People do not readily accept change and are very risk averse. They adhere to rigid codes of belief and behaviour and are intolerant of unorthodox behaviours and ideas. To minimise the degree of uncertainty, there is an emotional need for strict rules, laws, guidelines, and regulations. The LTO received a very high score of 85, indicating that Kazakh culture is very pragmatic. In societies with a pragmatic orientation, people believe that truth depends very much on the situation, context, and time. They show the ability to easily adapt traditions to changing conditions, a strong inclination to save and invest, frugality, and persistence in achieving results. Finally, Kazakhstan received a low score of 22 for the IVR dimension. This shows that Kazakhstan has a culture of restraint. Restrained societies have a tendency toward cynicism and pessimism. They also do not place much emphasis on leisure and control the satisfaction of their desires. People feel that their actions are constrained by social norms and that it is somehow wrong to indulge themselves. Figure 4 depicts the national 6-D cultural profile of Kazakhstan.



Source: Hofstede Insights (2022). Notes: PDI (Power Distance Index), IDV (Individualism), MAS (Masculinity), UAI (Uncertainty Avoidance Index), LTO (Long Term Orientation), IVR (Indulgence versus Restrain)

Figure 4. Kazakhstan 6-D Model National Culture Profile

The following figure (Figure 5) describes the comparison of the 6-D model of national culture between Kazakhstan and several countries that have contributed greatly to FDI over the past two decades (the Netherlands, the United States, the United Kingdom, France), and some of the MNCs country of origin, including Russia, Germany, China, and Japan (Hofstede Insights, 2022; National Bank of Kazakhstan, 2022). There found quite similarity high scores above 80: the PDI dimension between Kazakhstan, Russia and China; the UAI dimension, between Kazakhstan, Turkey, France, Japan and Russia; and the LTO dimension, between Kazakhstan, Switzerland, Japan, Germany, China and Russia. In terms of a lower scores (below 40), Kazakhstan shares the same experience of the IVR with Russia, and the IDV with China and Turkey.



Source: Hofstede Insights ([2022](#)) – author own modifications. Source: Hofstede Insights (2022). Notes: PDI (Power Distance Index), IDV (Individualism), MAS (Masculinity), UAI (Uncertainty Avoidance Index), LTO (Long Term Orientation), IVR (Indulgence versus Restrain)

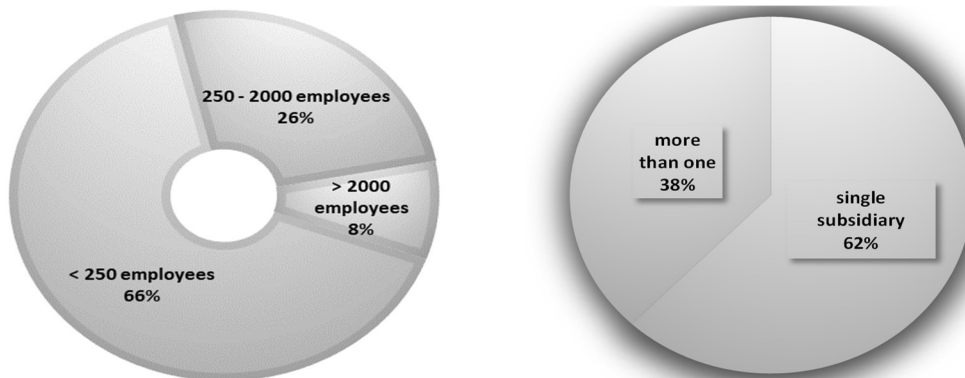
Figure 5. National Compass Culture Comparison

When looking at the leadership profile, it was found that among the different leadership styles, transformational, transactional, and paternal leadership have a greater impact on organisational performance in Kazakhstan (Mahmood et al., [2020](#)). Nearly two decades earlier, House et al. ([2004](#)) argued that in Kazakh communities, charismatic and team-oriented leadership styles are the most important factors in the need for leaders for this nation. Charismatic leaders possess the ability to inspire and motivate others to achieve a strong result, while team-oriented leaders possess the ability to build teams in a practical way to achieve a common goal among team members. In contrast, people in Kazakhstan gave the lowest score to the self-confident leader type because they believe they have negative qualities to move this nation forward in the future. Overall, social practises

and values as well as leadership styles in Kazakhstan are similar to those in other Eastern European clusters (House et al., [2004](#)).

MNCs subsidiaries' Characteristics

Regarding the size of the MNCs' subsidiaries operating in Kazakhstan, about two-thirds can be classified as small medium-sized enterprises (SMEs) with less than 250 employees, about 26% as medium-sized enterprises with 251 to 1000 employees, and only 8% as larger subsidiaries with more than 2000 employees (Figure 6-Left). In line with data from the Kazakhstan Statistical Yearbook (Ministry of National Economy, [2019](#)), more than 97% of registered foreign-owned enterprises were classified as SMEs.

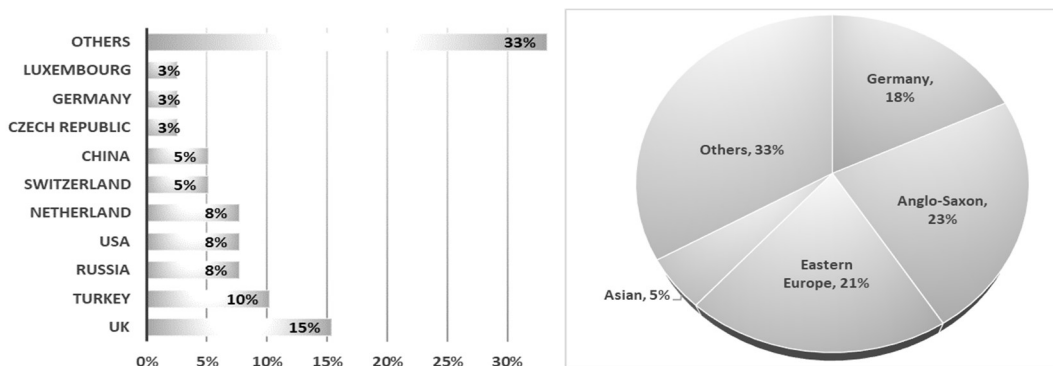


Source: (Poór et al., 2017) – own modified

Figure 6. Employees Proportion Number within MNCs subsidiaries (Left) & Subsidiaries Proportion Distribution within MNCs (Right)

Regarding the number of subsidiaries within MNCs, about 62% have only one subsidiary and 38% have more than one subsidiary (Figure 6 – Right). This means that the majority of MNCs did not expand their operations to the whole country during the survey period (Figure 6-Right). This survey also shows that, according to the country of origin of the parent company, the main sources were traditional European companies such as the UK (15%), the Netherlands (8%), Switzerland (5%) and Germany (3%), as well as Kazakhstan's neighbouring countries, including

Russia (8%) and China (5%), and the old ally, the USA (8%) (Figure 7 - Left). It can be concluded that the number of foreign investors in the country has not changed significantly since the days of its dependence. However, based on the latest statistical data from the National Bank of Kazakhstan, (2019) the trend in Chinese outward investment has increased by more than 15% annually since 2005. Similarly, the Netherlands' outward investment has increased by 10% annually for a decade.

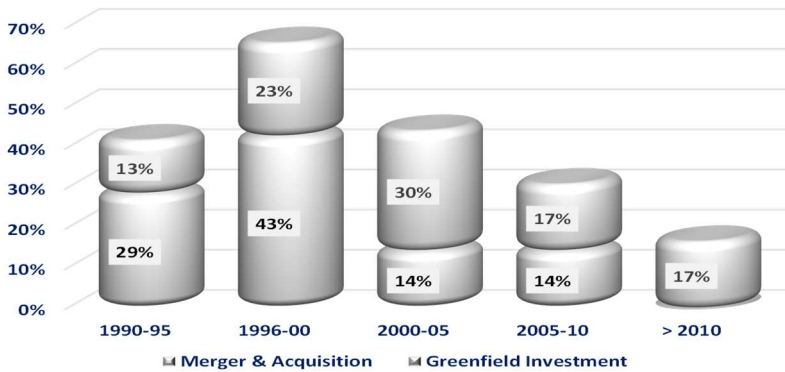


Source: (Poór et al., 2017) – own modified

Figure 7. Country Origin of Parents Companies (Left) & Culture Clusters of Parents Companies (Right)

Figure 7 (Right) describes the cultural clusters of parent companies operating in Kazakhstan. Since the majority of MNEs were from the European cultural area, the cultural clusters were dominated by this region, with the exception of a small part from the Asian cultural area. As confirmed by the GLOBE project (House et al., 2004), there are strong similarities between the cultures of Eastern Europe, Germany and Asia in terms of social cultural practices. Moreover, in terms of the 6-D model, most of all cultural dimensions, with the exception of MAS, were found to have Kazakh similarities with Russia and China (Hofstede Insights, 2022). Latukha & Malko (2019) assert that despite economic growth, the former Soviet legacy, i.e. Russia, still has a major influence on current HRM practices in Kazakh companies. It is believed that these country clusters can work together in the Kazakh business environment.

Foreign-owned companies in Kazakhstan invest mainly in the development of greenfield projects (Figure 8). Since independence, more than 80% of foreign investments are classified as greenfield projects, while mergers and acquisitions (M&A) account for only 20%. However, since the mid-1990s, the trend for both methods has declined by 10% annually. In fact, there was no M&A investment after 2010. This is believed to be due to the global economic and currency crisis in 2008.

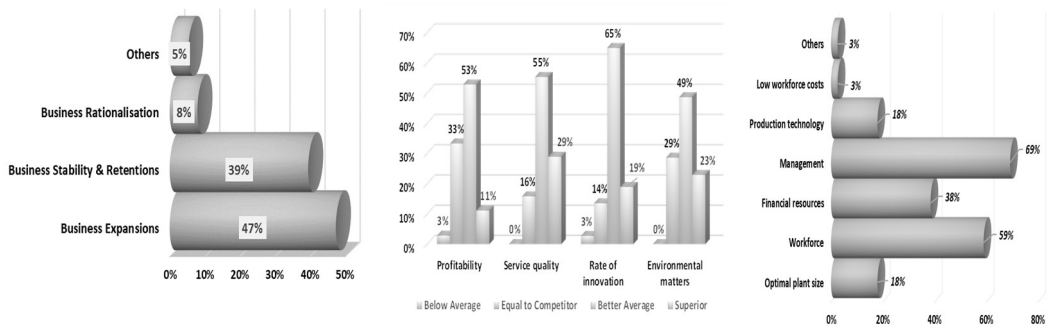


Source: (Poór et al., 2017) – own modified

Figure 8 – MNCs Entry Modes

MNCs subsidiaries Objectives Investments & Competitiveness Factors

Nearly half of the subsidiaries of multinational corporations in Kazakhstan indicated that their most important goal in investing in the country is business expansion, including market share development and portfolio expansion (Figure 9 - Left). It is assumed that these foreign investors consider Kazakhstan as a promising country for their visions. When comparing the competitive factors with the industry average within the existing companies, 65% claim that they have better innovation rates, and even 29% confirmed that they have better rates in the quality of services (Figure 9 - Middle). Overall, more than three times of the subsidiaries of the multinational companies confirm that they are better and superior compared to their competitors.



Source: Poor et al. (2017) – own modified

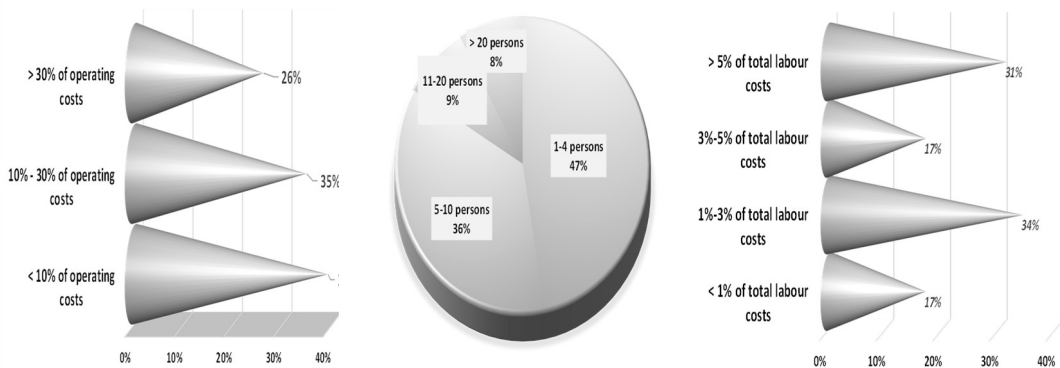
Figure 9 – MNCs Objectives Investments (Left), Competitiveness Factors Compared to Industry Average (Middle) & Key Importance of Organisational Competitiveness Factors (Right)

Regarding the factors of organisational competitiveness in the MNCs' subsidiaries, management and workforce competencies were considered the most important critical factors in daily operations, accounting for approximately 69% and 59%, respectively (Figure 9 - Right). Labour costs quality accounted for the lowest percentages, which means that most of the MNCs' subsidiaries investing in Kazakhstan do not consider lower labour costs as investment factors.

HRM Operations

According to Dooney (2015) of the Society for Human Resource Management (SHRM), the average ratio of HR to employees for all organisations is 2.57, while the ratio for small organisations with fewer than 250 full-time employees is 3.40, which means that a single employee (HR) should be responsible for about 74 employees. The trend seems to be better in the subsidiaries of multinational corporations in Kazakhstan: 433 HR employees come to 19 thousand employees, i.e. every HR employee comes to 43 employees. Figure 10 (Middle) shows in detail how the total number of HR employees is distributed among the subsidiaries of MNCs. Due to the special characteristics of SMEs, about 83% of the subsidiaries of MNCs employ less than 10 HR employees in their companies. Moreover, only 8% of the companies hire more than 20 HR employees.

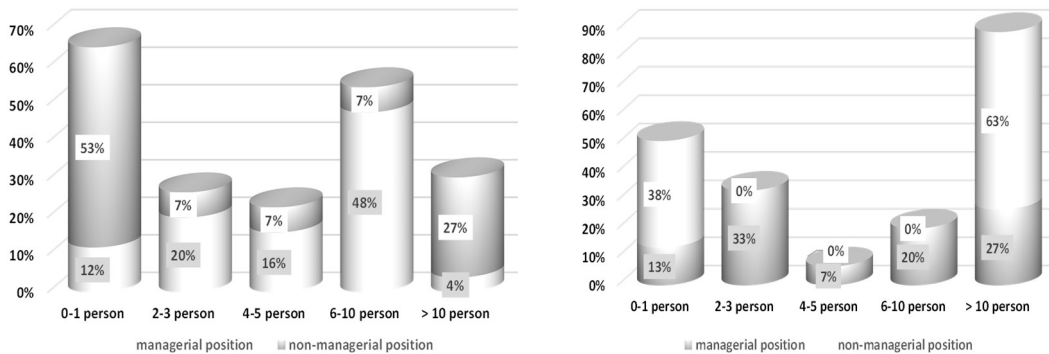
Regarding the share of labour costs in the total operating costs of the companies, almost 40% of the subsidiaries of the MNCs spent less than 10%, while about 35% spent between 10% and 30% and only 26% spent more than 30% (Figure 10 - Left). For the annual training budget, only 31% of MNCs subsidiaries spent more than 5% of their total labour costs and more than half of MNCs subsidiaries spent less than 3% (Figure 10 - Right).



Source: Poor et al. (2017) – own modified.

Figure 10 – Proportion Costs of Labour (Left), MNCs Subsidiaries of HRM Staff Numbers (Middle) & Annual Training Budget (Right)

Figure 11 (Left) shows the share of expatriates and Kazakhs in patriates based on managerial and non-managerial positions. In terms of the share of expatriates, more than 63% of all expatriates were in managerial positions, of which almost half consisted of 6 to 10 people and only 4% employed more than 10 people in the MNCs' subsidiaries. In the case of non-management positions, expatriates did not fill more than half of the positions in order to comply with Kazakhstan government regulations protecting non-management positions that should be reserved for local workers only.



Source: Poor et al. (2017) – own modified.

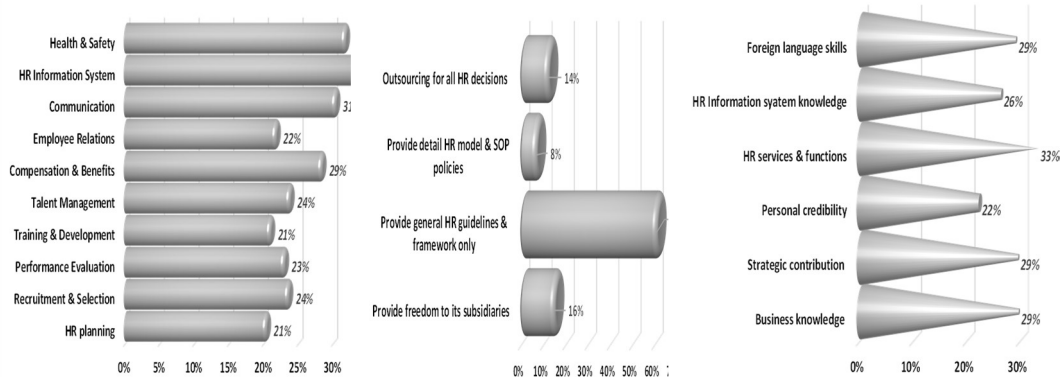
Figure 11 – Proportion Numbers of Foreign Expatriates (Left) & Kazakhs In patriates for Managerial and Non-Managerial Positions (Right)

For Kazakh in-patriates, the situation seems to be quite different, especially in non-managerial positions, where more than 10 people of in-patriates worked in 63% of MNCs' subsidiaries. In the case of senior executives, 2-3 persons worked in 33% of the subsidiaries of the MNCs. However, overall, managerial positions were held by more than 60% of expatriates and in-patriates in both cases. Harzing et al., (2016) argue that the aim of employing expatriates and in-patriates in managerial positions is to enable greater knowledge transfer between their parents' home companies and the local host country, as they have better and wider access to information and knowledge and can exert influence on their parents' home companies.

HR Comparative Practices and Functions

Regarding the HR functional guidelines provided by the parent company to its subsidiaries, it became clear that the majority of them (62%) only provide general HR guidelines and frameworks. Only 8% provide more detailed HR models in the form of standard operating procedures (SOP), and the remaining 16% give freedom to perform HR and 14% provide outsourcing for HR functions and practices (Figure 12 - Middle). Regarding the concept of comparative HRM practices based on the work of Sparrow et al., (2017), it seems that the majority of subsidiaries of

multinational companies in Kazakhstan already apply the concept of divergence of HRM practices, where the parent company gives the local HR department the necessary ease and freedom to retain certain aspects of local cultures, work structures and performance, rather than enforcing the concept of convergence, where all HRM policies, functions and practices are adopted by the parent companies.



Source: Poor et al. (2017) – *own modified*.

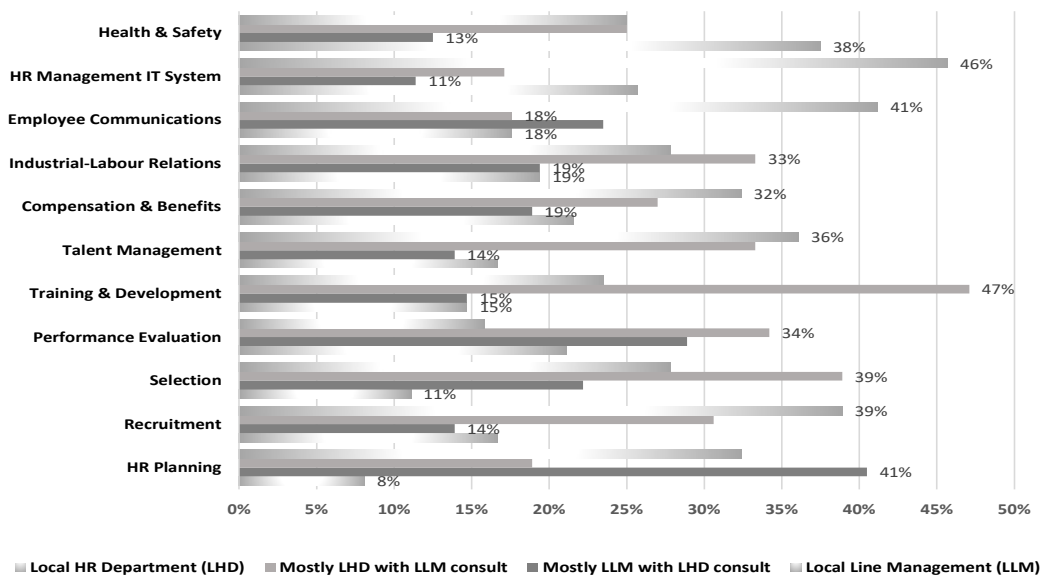
Figure 12 – HR Critical Areas (Left), HR Functions from Parents Companies (Middle) & HR Manager Key Competencies (Right)

There are three primary HR functions critical areas in the subsidiaries of MNCs that should be seriously operated, namely HR information system (HRIS) with 33%, followed by health and safety (32%) and communication (31%) (Figure 12 - Left). On the other hand, the least critical areas were HR planning (21%) and recruitment and selection (24%). In terms of the HR key skills managers should possess, HR services and functions topped the list at 33%, followed by business knowledge, strategic contribution and foreign language skills at 29% each (Figure 12 - Right). In contrast, personal & credibility, such as achieving results, communication skills and effective relationships were rated lowest at 22%

As far as decision making regarding HR practices and functions within subsidiaries of MNCs is concerned, there is a clear division between the local HR department (LHD) on the one hand and the local line management (LLM) representing the

foreign parent company on the other. However, about one-third of HR decisions were in the hands of LHD and only 19% in the hands of LLM, and the rest of HR functions were exchanged between the two in consultative work.

Figure 13 shows that LHD made the majority of decisions about HR functions and practices. For example, 46% decisions in the HR management IT system, 41% decisions in employee communications, 39% decisions in recruitment, and 36% decisions in talent management. While only one HR function and practice, health and safety, had 38% decisions made directly by LLM. It can be concluded that HR in the parent companies gives the main control and authority over HR functions, policies and practices to their subsidiaries of the MNCs operating in Kazakhstan.



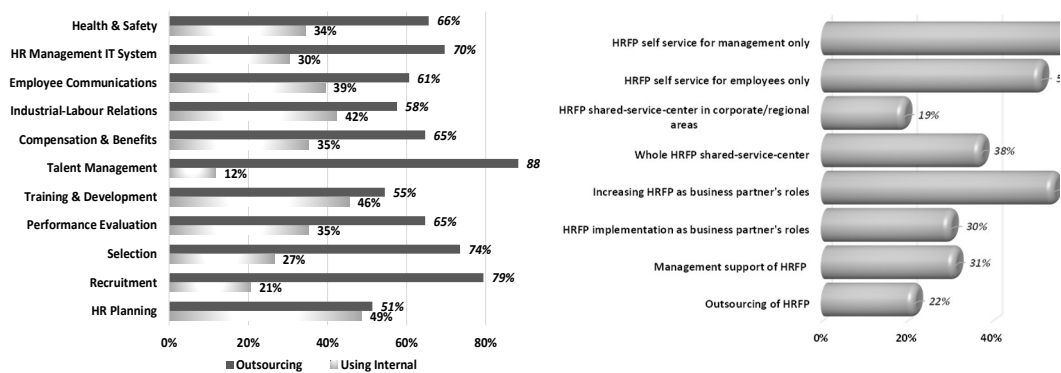
Source: Poor et al. (2017) – own modified. LHD = Local HR Department; LLM = Local Line Management

Figure 13 – HR Comparative Functions & Practices Decision Maker between LHD and LLM

As Edwin (2015) argues, in today's dynamic and changing business environment, outsourcing is seen as a dominant preference for the organisation to focus on core competencies while reducing operating costs and improving services. This can be observed in the HR department in the subsidiaries of multinational companies in

Kazakhstan, where more than two-thirds of HR functions and practises (HRFP) are outsourced, with the highest share of talent management at 88%, followed by recruitment and selection processes at 79% and 74%, respectively. The highest proportion of HRFP performed internally is dedicated to planning HR (49%), followed by training and development (46%) and industrial relations (42%).

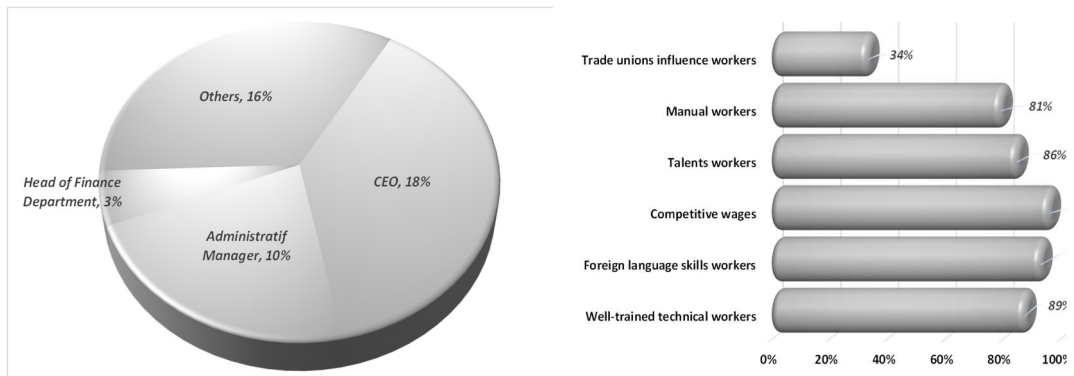
Figure 14 (Right) attempts to provide information on the benefits of HRFP implemented in the subsidiaries of MNCs. It shows that management obtains the highest share of benefits with 58% of the best HRFP implementations. Employees also benefit with 52%, followed by the increasing role of HRFP as a business partner with 55%.



Source: Poor et al. (2017) – own modified

Figure 14 – HR Functions & Practices (HRFP) of Internal-used vs Outsourcing (Left) & HRFP Implemented Transformation (Right)

If there is no separate department HR in the subsidiaries of Kazakh MNCs, CEOs (18%) can act as HR decision-makers in the implementation of all HRFP, followed by the heads of administration (10%) and the head of the finance department (3%) (Figure 15 - Left).



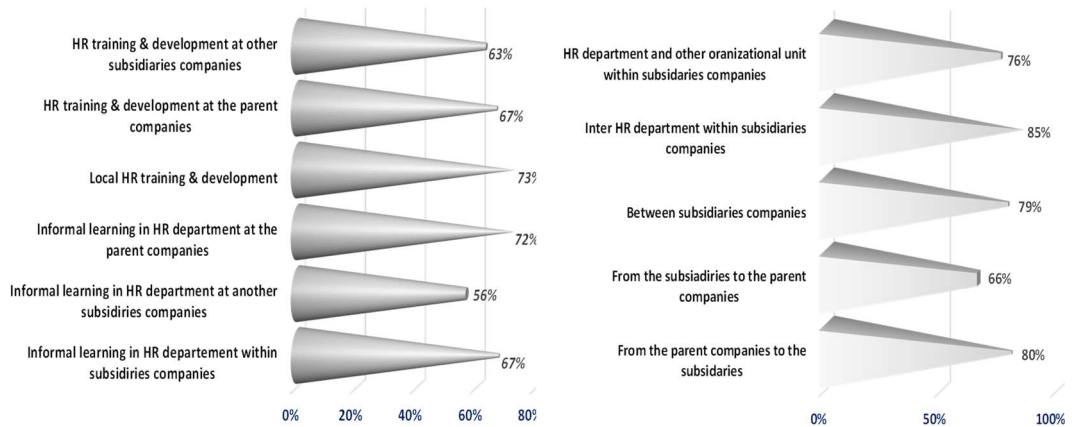
Source: Poor et al. (2017) – own modified

Figure 15 – HR Decision Makers in Non-existence HR Department (Left) and HR “Hot” Issues for Staff Retention (Right)

Figure 15 (Right) describes the hottest topics in employee retention from HR. It was found that competitive wages topped the list at 97%, followed by workers with foreign language skills (94%) and well-trained technical professionals (89%). The highest point of wages was reportedly due to the devaluation of the Kazakh currency during the survey period between 2015 and 2016 (Poór et al., 2017).

Figure 16, on the other hand, shows the compelling methods of HR people in their skill development and knowledge transfer flow. The methods HR of staff competence development can be built through both formal and informal learning conducted internally and externally. It can be seen that 73% of local formal HR education and training and 72% of informal learning in the parent companies are the main contribution of the methods (Figure 16 - Left). This means that both methods should be combined to achieve the best results of HR skills development. To achieve the best results HR of knowledge transfer between subsidiaries of MNCs, the survey revealed that knowledge flow between HR departments within subsidiaries is the most significant contributor (about 85%), followed by knowledge flow from parent companies to subsidiaries (about 80%) and also between subsidiaries (79%) (Figure 16 - Right). However, according to Bengoa & Kaufmann (2014), in order to achieve the best results in knowledge transfer and key practises, the parties involved, including local companies, subsidiaries and parent companies, should perform dynamic interactive actions. They also argued that both parties,

especially the parent companies, should respect the structural dependence on the local culture.



Source: Poor et al. (2017) – own modified

Figure 16 – The Importance Methods between HR Personnel Competence Development (Left) and HR Knowledge Transfer Flows (Right)

Conclusion, Managerial Implications and Limitation

This report has already discussed and analyzed the international HRM functions and practices in the subsidiaries of the multinational companies in Kazakhstan. There are four main findings related to the national cultural cluster type in Kazakhstan and comparable HRM functions and practices. First, Kazakhstan belongs to the Eastern European cultural clusters with high scores on the cultural dimensions of power distance and group collectivism in terms of social cultural practices. In terms of leadership style, Kazakhs promote charismatic and team-oriented styles. Therefore, it is believed that Kazakh societies can cooperate with other communities that have very similar values, including other Eastern European countries and Asian cultures. Second, the subsidiaries of the multinational companies in Kazakhstan tend to adopt the divergence of HRM functions and practices instead of the convergence approach by giving more freedom to the local HR departments to manage their HR roles and policies and also giving more authority to the local HR department to make their own HR decisions, which is

considered to be the best for the companies. Third, most subsidiaries of MNCs outsource their HR practices, especially in talent management and recruitment, in order to attract the best and most productive employees to the company. Fourth, most of the expatriates and in-patriates working in the MNCs' subsidiaries are in managerial positions to ensure knowledge transfer between the parents' home companies and the local host country and to comply with the Kazakh government's quota policy for foreign workers.

This study is of great use to researchers, HR practitioners in the private sector and public administration to understand the importance of the characteristics and behaviours of human resource policies and practices in subsidiaries of multinational companies in a country to improve labour productivity and business efficiency. To achieve better results when working with different national cultures, fostering cultural intelligence and knowledge acquisition between expatriates and local employees is of utmost importance (Kozhakhmet & Nurgabdeshev, [2022](#)).

However, in addition to its advantages, this study has its limitations as it is based only on secondary data and information from previous research and surveys. Therefore, further field studies are needed to comprehensively investigate HRM practices and their implementation.

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