The Internationalization of Central and Eastern European Companies

Foreign Market Entry Strategies and Human Resource Management

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List of Acronyms

BRIC	Brazil, Russia, India, and China
CEE	Central and Eastern Europe
CEEC	Central and Eastern European Company
cf.	*confer* (compare)
COVID-19	Coronavirus Disease 2019
CSA	Country-specific Advantage
CSR	Corporate Social Responsibility
DM	Diversity Management
EEM	Emerging Economy Multinational
e.g.	*exempli gratia* (for example)
EMF	Emerging Market Firm
EU	European Union
FDI	Foreign Direct Investment
FSA	Firm-specific Advantage
HRM	Human Resource Management
HQ	Headquarters
i.e.	*id est* (that is)
IEA	International Energy Agency
IMF	International Monetary Fund
LGBTQ	Lesbian, Gay, Bisexual, Transgender, and Queer
MNE	Multinational Enterprise
OECD	Organisation for Economic Co-operation and Development
OFDI	Outward Foreign Direct Investment
PSE	Post-Socialist Economy
RQ	Research Question
UNCTAD	United Nations Conference on Trade and Development

1 Introduction

Internationalization research has been a major focus of international business research literature for decades, producing theory as early as the 1960s, with Hymer's (1960) theory of the multinational firm and Vernon's (1966) seminal article on international investment and trade in the product cycle. Since then, various prominent precepts explain the internationalization of companies, such as product life cycle theory (Vernon, 1966, 1979), the stages model of internationalization (Johanson & Vahlne, 1977) and the updated network view (Johanson & Vahlne, 2009) as well as the eclectic paradigm (Dunning, 1979). However, after the turn of the millennium, seminal research (e.g. Chittoor et al., 2009; Guillen & García-Canal, 2009; Cuervo-Cazurra, 2012; Madhok & Keyhani, 2012; Athreye, 2021) has remarked that internationalization research and the resulting insights, such as the aforementioned theories, have been based on analyses of the international business of North American, Japanese, and Western European multinationals from several decades ago and that data on economies outside this advanced economy triad have rarely been used for major theory building (for Asian-based exceptions see Glover & Wilkinson, 2007; Luo & Tung, 2007; Luo & Tung, 2018).

This appears to be in contrast with the changing international business landscape. Since the turn of the millennium, emerging market multinationals (EMNEs), for instance, have internationalized globally and reached market capitalizations of tens of billions of dollars (Dunning et al., 2008). Consequently, they have to be considered a major economic force that causes a shift in global economic and corporate hegemony (Demirbag & Yaprak, 2015; Grosse, 2016). These EMNEs have violated most of the core tenets of the classic internationalization theories, as they have been found to internationalize at a much faster pace than the stages model would suggest (cf. Mathews, 2002; Guillen & Garcia-Canal, 2009; Madhok & Keyhani, 2012), they have targeted countries that are physically, culturally, or economically distant before entering more proximate and similar countries (Ramamurti, 2012), internationalize despite significantly fewer ownership advantages violating the investment development path

(Narula, 2006) and despite significant liabilities of foreignness, origin, and emergingness (e.g. Luo & Tung, 2007; Gubbi et al., 2010; Cuervo-Cazurra, 2012; Madhok & Keyhani, 2012; Cui & Aulakh, 2018; Estrin et al., 2018; Park & Roh, 2019). Nevertheless, Western management ideals, theories, and practices continue to dominate the theoretical foundations of international business (Athreye, 2021). This is prevalent in more recent publications by the authors of classic internationalization theories who insist on a fit or slight adaptation of canonical Western models to current events (Narula, 2006; Narula & Dunning, 2010; Narula & Guimón, 2010; Johanson & Vahlne, 2017; Hernandez & Guillén, 2018). In contrast, some authors find that canonical theories are not adequate to explain the behaviour of less advanced economies and call for more systematic extensions, theories fitting to new types of companies (Oviatt & McDougall, 1994; Mathews, 2002) or new theorizing to reflect new realities (Luo & Tung, 2007; Chittoor et al., 2009; Ramamurti, 2012; Cuervo-Cazurra, 2012; Hennart, 2012; Williamson et al., 2013; Luo & Zhang, 2016; Luo & Tung, 2018).

1.1 Research Motivation

This schism within the international business research landscape creates an opportunity and necessity to reassess the current frameworks in international business by comparing established and emerging knowledge with new empirical data from diverse contexts (cf. Aharoni, 2012; Cuervo-Cazurra, 2012; Hennart, 2012; Ramamurti, 2012; Williamson et al., 2013; Luo & Zhang, 2016). This includes the application of concepts derived from studying advanced and emerging economies, as the latter are the primary source of knowledge apart from triad economies to countries and regions that are less prominent due to their low economic size and power. Inspired by divergent findings from emerging economies and the impact of the home country on internationalization (Cuervo-Cazurra et al., 2018; Becker-Ritterspach & Fourati, 2021), other regions and their specific contexts may yield results which are capable of informing the international business discourse by testing the current state of research (Welch et al., 2022). This is supported by Meyer (2007), Meyer and Peng (2016), and Athreye (2021) who stress the contributory strength of context-specific knowledge if the research is contextualized to showcase its relation to other contexts. Consequently, this dissertation aims to contribute to the contextual diversification of international business research beyond the advanced economies in North America, Western Europe, and Japan, as well as beyond the large emerging economies of Brazil, Russia, India, and China (BRIC).

1.2 Focal Region: Central and Eastern Europe

As suggested by Meyer and Peng (2005), Meyer and Peng (2016), Kostova and Hult (2016), and Ipsmiller and Dikova (2021), Central and Eastern Europe (CEE) is a valuable source of empirical data to test or develop theories for novel insights into international corporate strategy and international human resource management beyond the aforenoted more prominent contexts. Depending on the geographical, political, or cultural aspects, CEE may be defined in various ways. Among the most popular, is to define the region as encompassing the independent countries located in Europe which have been part or allies of the Eastern Bloc (cf. Depkat & Steger, 2015; Jaklič et al., 2018). This definition presents us with the post-socialist economies that comprise the Eastern European Group of the United Nations (United Nations, 2022; see Figure 1). They currently are Bosnia and Herzegovina, Croatia, Kosovo, Montenegro, North Macedonia, Serbia, and Slovenia, which are former member states of the Socialist Federal Republic of Yugoslavia, as well as Belarus, Estonia, Latvia, Lithuania, Moldova, Russia, and Ukraine as former member states of the Union of Soviet Socialist Republics. Apart from those, the group also includes the former Socialist Republics of Albania, Bulgaria, Hungary, the Czech Republic, Poland, Slovakia, and Romania.

Figure 1: Central and Eastern Europe according to the United Nations Country Group.

1.2.1 Historical and Institutional Context

It becomes apparent that the boundaries of CEE are shaped by its socialist past. However, concerning the regions boundary conditions, Depkat and Steger (2015) present strong similarities between the CEE region's development of legal and institutional systems in the early 20th century and the countries in Western Europe, with the notable exception of Russia, the Baltics, and Ukraine due to their incorporation in the Soviet Union since 1917. The national contexts across the region became more homogenous after the Second world war when the countries of Central and Eastern Europe were absorbed into the socialist sphere of the Easter Bloc. This set them on a dramatically different development path compared to the West and resulted in an "ideological divide between West and East" (Jaklič et al., 2018, p. 3) after the Second World War, which caused global tensions known as the Cold War. The first versus the second world thinking from this period still resonates in the management literature on CEE up to this day (Ateljević & Trivić, 2016). Notably, in Western discourse, the CEE region is less defined by a common identity but externally constructed as a singular economic, political, social, and geographic entity shaped predominantly by its socialist past, while the West is presented as a community of values forged by individualism, liberal democracy, and free-market capitalism (Depkat & Steger, 2015; Jaklič, 2016). Deeply embedded in this binarity is the continuous depiction of the CEE region's business context as inherently inferior to Western normative ideals (Depkat & Steger, 2015). In contrast, CEE countries initiated a transition process characterized by liberalization, macroeconomic stabilization, privatization, and legal and institutional reforms in the late 1980s and the 1990s to transform from socialism to capitalism (IMF, 2000). CEE countries, except for members of the Soviet Union, have been able to reclaim pre-socialist legislation and the experience of former lawmakers and justice personnel to shape business-friendly regulative environments after the fall of the iron curtain (Depkat & Steger, 2015). Financial market laws, however, were also strongly influenced by an Anglo-American orientation, while corporate laws and legislation were inspired by German legal principles (Depkat & Steger, 2015) resulting in an East-West regulative melange across the region. Institutional change, marked by an influx of foreign capital, was also driven by Western supranational institutions such as the World Bank, helping the CEE countries to catch up to the European average in terms of GDP per capita and strongly increased their inclusion into the global economy and its value chains (UNCTAD, 2018; Jaklič et al., 2018, 2020).

Subsequently, CEE countries are currently at a unique intersection between advanced, emerging, and developing economies (Hoskisson et al., 2013) as well as between emerging, transition, and developed markets (Jaklič et al., 2018). In addition to this classificatory liminality, they are somehow stuck in the middle between the constructs of the West and East since they are European, albeit also an Eastern enigma (Wallace, 2008). Despite or even because of the lack of clarity regarding their status, it is particularly interesting to analyse the role of CEE in the global economic arena.

1.2.2 International Business in CEE

In the socialist era, system-escape investments were present on a small scale. In that, outward foreign direct investment, defined as "the establishment of a lasting interest in, and a significant degree of influence over, the operations of an enterprise in one economy by an investor in another economy" (OECD, 2015, p. 5), is utilised to circumvent the restrictions of the socialist economy and to access strategic partners in Western markets (Jaklič & Svetličič, 2003). Afterwards, gradual transformation at the macro level was accompanied by gradual and sequential internationalization of larger, often split up previously existing enterprises on the one hand, and with rapid adjustments and transformations of private or privatized small and medium-sized companies' internationalization on the other hand (Jaklič, 2016). Since the mid-1990s, global inward foreign direct investment has gained importance in an increasing number of CEE countries. By the turn of the millennium, inward foreign direct investment had become the most important driver of reintegration into the world economy (Kalotay, 2004). Studies point to a strong increase in outward foreign direct investment (OFDI) in the latter part of the 1990s and its subsequent acceleration in the 2000s, although the gap between inward and outward foreign direct investment remains relatively large (Jaklič et al., 2020). Gorynia et al. (2015) and Jaklič et al. (2020) also point to the geographic concentration of CEE firms' OFDI in Europe within neighbouring countries. Wright et al. (2005) and Jaklič (2016) claimed that the entry of CEE countries into the European Union has major implications for their access to foreign and specifically developed markets.

Resource constraints concerning budgets, natural resources, market size, and capital accumulation hamper business activity but also induce continuous business model, social, efficiency, and market innovation in CEE which are based on a highly educated workforce and digital capabilities (Jaklič et al., 2018, 2020). Due to their small domestic markets and strong regional business relationships, for example within the European Union, Central and Eastern European companies (CEECs) have become strongly internationalized (Jaklič et al., 2018, 2020). While deemed far-fetched for a long time, companies from CEE compete with advanced economy companies in CEE as well as in the advanced domestic markets through exports and foreign direct investment by now (e.g., Nowiński & Criado, 2013; Jindra et al., 2015; Panibratov and Klishevich, 2020; Jaklič et al., 2020).

1.3 Structure of the Dissertation

Due to diverse trajectories in their respective transition processes as well as unique cultural and institutional features, CEE countries are far from homogenous (Meyer & Peng, 2016; Jaklič et al., 2020). The contextual richness and diversity in Central and Eastern Europe offer unique research opportunities to push the boundaries of our understanding of strategic and human resource management, advance international business research, and inform business practices (Jaklič et al., 2018). Since the beginning of the transition period, CEE countries have primarily been researched as investment targets (Narula & Guimón, 2010; Popescu, 2014; Szent-Ivány, 2017; cf. Ipsmiller & Dikova, 2021), often examining the economic opportunities for Western businesses during and after the great transformation of CEE (Kornai, 2008; Depkat & Steger, 2015). The region had developed into "a fascinating research laboratory in which to assess the explanatory and predictive power of different theories" (Meyer & Peng, 2005, p. 600). Fifteen years after Meyer and Peng (2005), Rašković et al. (2020) claimed that CEE still provides a set of learning laboratories, which offer the potential insights into the transition process, institutional development, and impact of economic, political, and socio-cultural integration and disintegration.

Recent research on the internationalization of CEECs and the emergence of MNEs from the region has been a major turn in perspective (Ipsmiller & Dikova, 2021). Consequently, Ipsmiller and Dikova (2021) argue in their review on CEEC internationalization that new insights into the challenges and opportunities for CEEC internationalization are vital for a better understanding of the region, its countries, and its companies. Research may seize the opportunity to test prevailing theories and concepts under new conditions by checking whether CEE firms act differently in terms of strategy and organization (Dikova et al., 2016; Jaklič et al., 2018). According to Jaklič et al. (2018), international business scholarship should focus on three specific areas in CEE: the effects of institutional environments, differences in CEECs' goals and strategies compared to other companies, and the benefits of internationalization.

1.3.1 Research Focus

Heeding these recommendations, this dissertation forms part of the phenomenon-driven stream of international business literature by investigating the internationalization of CEE companies while considering institutional boundary conditions in the home and host markets. More specifically, this dissertation deals with international strategic and human resource management activities of Central and Eastern European companies, to address three core topics of international business research. Each topic provides one of the three overarching research questions (RQ) of this dissertation.

Research on the first topic, CEE countries' OFDI, has become more popular since the late 2000s (e.g., Gorynia et al., 2008; Ferencikova & Ferencikova, 2012; Radło, 2012; Jaworek et al., 2019; cf. Ipsmiller & Dikova, 2021). However, only a small number of studies, such as Pergelova et al. (2018) and Trąpczyński et al. (2020), focus specifically on entry mode decisions. Despite the proven relevance of institutional distance for CEE internationalization (Panibratov et al., 2018; Trąpczyński et al., 2020) even less is known about different types of target markets. Theories, even though they aim to exclude context to be widely applicable, bear traits of the contexts they have been developed in (Athreye, 2021).In this context, the application or creation of theoretical models explaining CEE foreign market-entry modes and particularly outward foreign direct investment in advanced economies is lacking (Nowiński & Criado, 2013; Sedziniauskiene et al., 2019; Panibratov et al., 2018). Therefore, this dissertation examines the foreign market entry decisions of CEECs as its first core topic, with a distinct focus on entry to advanced economies guided by the first overarching research question:

(1) How and why do CEECs enter advanced economies?

Companies operating abroad must decide upon the appropriate organization of their activities across countries and units. As Ferner et al. (2005) put it, control, and thus the balance between centralized policymaking and local subsidiary autonomy, is the central issue of headquarters-subsidiary relationships within international business. Research on headquarters-subsidiary relationships in an international or cross-cultural context has traditionally focused on companies from developed markets and their global activities (e.g. Child, 1973; Mintzberg, 1979; Andersson & Forsgren, 1996; Dörrenbächer & Gammelgaard, 2011; Brenner & Ambos, 2013). However, a few more recent and relevant studies focusing on the headquarters-subsidiary relationships of emerging market firms (EMFs) have been conducted (cf. Chang et al., 2009; Wang et al., 2014; Mellahi et al., 2016; Patel et al., 2018). However, they all pay exclusive attention to the BRIC countries and Taiwan, despite the established relevance of the institutional duality between home and host countries (Kostova & Roth, 2002). There is support for the positive effect of foreign investors' control of CEE companies on their internationalization (e.g., Filatotchev et al., 2008; Hagemejer & Tyrowicz, 2012). How CEECs manage their subsidiaries, particularly in advanced economies, has not been sufficiently analysed, though, and warrants further investigation (cf. Schuh, 2012). Accordingly, the second topic of this dissertation is the management of foreign subsidiaries of CEECs in advanced economies following a call by Mense-Petermann (2021), to analyse the headquarters-subsidiary relations combined questions of multiple embeddedness and country hierarchies. After exploring how and why CEECs enter advanced economies in the first question, the follow-up question that necessarily arises is the second research question of this dissertation:

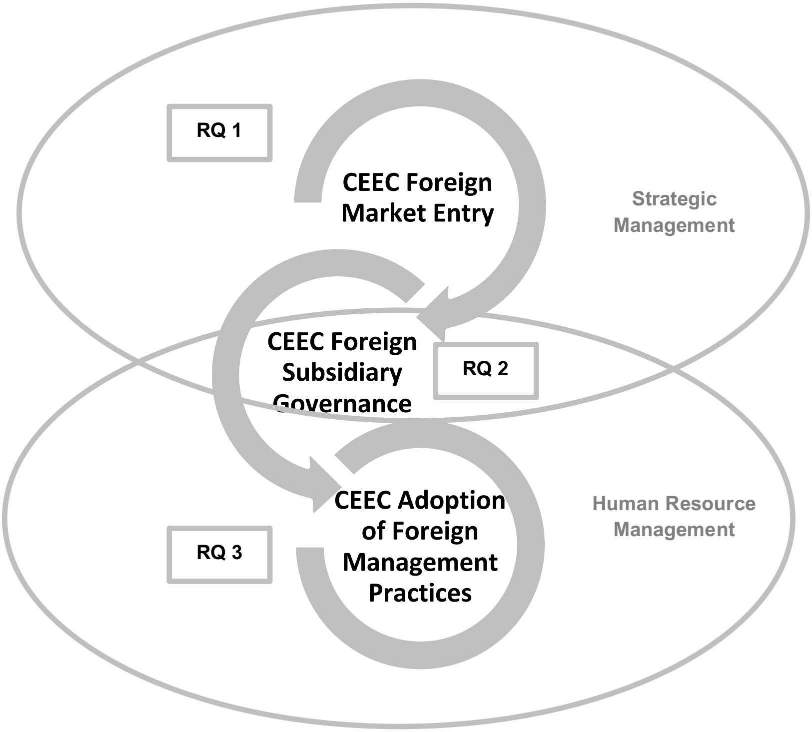
(2) How do CEECs manage their subsidiaries in advanced economies?

The universalism of Western management practices and their applicability to CEE is a core feature of international business research on CEE. Authors often find the reason for the limited applicability or fruitfulness of the application of Western practices in CEECs in inferior institutional contexts (Depkat & Steger, 2015). Even so, research has established a global convergence of management practices, which is spurred by international corporate activity and may drive isomorphism towards universal Western practices in CEECs (Levitt, 1983; Pudelko & Harzing, 2007; Depkat & Steger, 2015). Internationalized CEECs may consequently be subject to isomorphic pressures in their host markets, which may trigger mimetic processes abroad (Kostova and Roth, 2002) as well as at home, because CEECs are among the recipients of the Western management practice ideologies (McCann et al., 2021). As a result, the third topic is the adoption of dominant global management practices, specifically in the area of human resource management, within CEECs. Thus, the third research question is as follows.

(3) How does internationalization affect human resource management in CEECs?

These three topics and research questions depict the commencement, conduct, and consequences of CEECs' international activities of CEECs (see Figure 2). The topics form part of strategic management, of which foreign market entry strategies and subsidiary governance are integral, as well as international human resource management, where the global transfer of management practices is discussed. In this dissertation, they are clustered to generate a holistic analysis of the international activities of CEECs in advanced economies.

Figure 2: Thematic Framework of the Dissertation.



1.3.2 Approach

Pressured by the demands of the global applicability of theories, the necessary simplification of reality for theory-building, and the quantitative confirmability of phenomena, international business research struggles with its identity as a discipline (Rašković et al., 2020; Athreye, 2021; Geppert & Bozkurt, 2021). What makes international business research truly worthwhile, however, is the development of "rich contextual knowledge of the phenomena we study and of the locations where we situate our research becomes our differentiation" (Delios, 2017b, p. 4), because home and host contexts are of major relevance in international business (Delios, 2017a; Welch et al., 2022). Consequently, there is a need for more context-sensitive and -reflective research, which is aware of the relevance of history, culture, politics, institutional frameworks, and socioeconomic transformation processes (Poulis et al., 2013; Buckley et al., 2017; Delios, 2017a; Welch et al., 2022). In order to able to tackle the posed research questions, it becomes imperative to care for the contexts in which CEECs are embedded because institutional idiosyncrasies and resource constraints, in addition to specific managerial approaches, are the boundary conditions that create distinct behaviour (Cantwell, 2016; Welch et al., 2022).

The struggles of international business literature in general resonate with the current literature on CEE because the diversity among the countries in this region is hardly acknowledged (Depkat & Steger, 2015). Depkat and Steger (2015) trace this back to an overall lack of knowledge and understanding of the situations, contexts, and processes in post–Cold War CEE. Additionally, and perhaps causal for this, researchers primarily apply quantitative methods to analyse CEE, while critical qualitative studies are lacking (Ipsmiller & Dikova, 2021). Improved appreciation of CEE and other non-Western regions and the opportunity to decipher patterns in decision-making processes, reasonings, and relationships may come from qualitative context-specific institutional perspectives, which also include home and host market levels of development, to combat scattergun approaches, and to test the applicability of theories whose replication has been limited to the environments in which they have been conceived (Depkat & Steger, 2015; Meyer & Peng, 2016; Jaklič et al., 2018). To do the contextual richness of the CEE countries justice, each part of this dissertation focuses on a specific CEE host country (Slovenia in Chapter 2 and the Czech Republic in Chapter 3) or analyses the national contexts of the countries under investigation in depth (Chapter 4).

To investigate the phenomenon of CEEC internationalization and address the overarching questions, a qualitative research design was adopted throughout the dissertation. Qualitative research offers the opportunity to delve deep into the material and offers the opportunity to provide contextualised explanations (Welch et al., 2022), which combat the problem of being out of touch with reality or too abstract (Delios, 2017a; 2017b). Due to the regional focus of the topics and questions which arise in this dissertation, a special focus is put on the institutional and overall country context to engage "with the real world of international business" (Delios, 2017a, pp. 396). Because research questions (1) and (2) aim to answer how and why questions regarding CEEC internationalization as a process of managerial choice (Buckley et al., 2016), a case study design was adopted to address them, as suggested by Yin (2014). As Delios (2017a, pp. 395) put it, international business scholars "need to enter the nether regions of the countries in which their research is situated to generate a visceral feel for the important issues in the country". For this reason, the CEE countries of the Czech Republic and Slovenia were extensively visited, including 17 on-site company visits and exchanges with important intermediaries in home and host countries (e.g., the German-Czech Chamber of Commerce in Prague, CzechInvest Düsseldorf, and Regensburg Chamber of Commerce and Industry) for this dissertation, as long as the COVID-19 pandemic situation and company policies allowed researchers to enter. Research question (3), while also investigating managerial action, requires a technique to compare Western diversity management practices with those adopted by CEECs. The authors of this part of the dissertation, therefore, opted for a discourse analysis guided by a deductive content analysis of corporate communication data. The analysis was informed by dimensions of diversity, which were developed in North America and applied across Western European and North American research and practice as the 'other' the CEE practices are compared with. Content analysis (Maying, 2014) methodologically binds this dissertation together. This is the result of the search for in-depth information on strategic managerial approaches and practices in larger amounts of text as the primary source of data to identify patterns across countries and companies. Illustrative quantifications of the qualitative results to increase clarity and comparability were applied to the third topic.

As stated by Depkat and Steger (2015) and Athreye (2021), Western arguments dominate the managerial discourse. While the literature implicitly sets Western business practices as the norm, in this dissertation they are consciously not taken for granted but seen as one possible way of conducting business and an important basis for theorising, which are compared to other, and specifically CEE business practices. This becomes possible because of an objective and descriptive collection of data on CEE management practices, which, in an ethnographic approach, refrains from performative evaluations in comparison to Western practices, to engage in a culturally and contextually conscious treatment of emic practices. Consequently, each constituent article of this dissertation includes authors from CEE, who were included in the primary qualitative data collection in the region, and the interpretation of the findings to combat paternalistic Western interpretations of local actions. This triangulation based on the author's backgrounds from CEE and Western Europe combined with ethnographic elements is meant to avoid domestic or foreign bias and to reduce misjudgements based on unfamiliarity, to conduct research not only on but also with CEE, as Rašković et al. (2020) demand. The aim is to treat the region, its countries, and the CEECs as emancipated elements of global business, which provide ample sources of untapped information for the international business research community (cf. Meyer and Peng, 2016; Jaklič et al. 2020; Ipsmiller & Dikova, 2021).

1.3.3 Segmentation

Hence, this chapter presents a guideline for the reader that binds the three individual articles that form the core of this dissertation together to fulfil this aim. An overview of each article and their respective key facts are presented in Table 1.

The **first Article**, presented in Chapter 2, identifies the motives and competitive advantages of outward foreign direct investment (OFDI) by PSE companies in advanced economies, thereby addressing the first research question of this dissertation. This study identifies the motives and competitive advantages of outward foreign direct investment (OFDI) by PSE companies in advanced economies. The authors analyse Slovenian international business in Germany by juxtaposing eight Slovene foreign investors and three exporters using a multiple case study approach. Rich data from semi-structured interviews, field notes, key figures, and internal and external documents were examined via content analysis to gain comprehensive and in-depth insights into PSE investments in advanced economies. Contrary to findings from other emerging economies, Slovene companies employ firm- and country-specific advantages, such as high technology, high service quality, and a highly educated labour force, to enter the German market based on market-seeking motives. Our study fills a gap in the theory-testing contextualized explanations of PSE investment in more advanced host economies by offering new insights into the specific motives and competitive advantages that differ from other emerging economy companies. It also expands our knowledge of the relevance of OFDI direction from PSEs and cross-border EU investments.

The **second Article,** in Chapter 3 of this dissertation, examines control perceptions among Central and Eastern European parent companies and their subsidiaries in developed markets based on human resource management and corporate social responsibility practices. The article, therefore, deals with the second topic of the dissertation regarding CEEC subsidiary management in the West and simultaneously targets the second research question. Using a multiple case study approach, we find impersonal and personal control mechanisms being used across three parent companies from the Czech Republic in their subsidiaries in Germany. We also identified perception gaps regarding the intensity of asserted parental control of subsidiary practices. Due to isomorphic pressures, controlled practices with high contextuality in the developed host market result in the perception of being tightly controlled in the subsidiary, which is in contrast to the parent’s perception. Nevertheless, we demonstrate that close personal ties between parent and subsidiary managers alleviate the control perception on the subsidiary side, and consequently, the overall control perception gap.

In the **third Article**, the dissertation's fourth chapter, we examine the extent to which home and host country contexts shape the communication of diversity management in the Oil and Gas industry across Central and Eastern Europe (CEE) through a qualitative approach. Therefore, the second topic regarding Western practice adoption and the third research question are covered. The article maps the institutional boundary conditions of diversity management across nine CEE countries and finds a lack of effective pro-diversity pressures across CEE, except for cultural and legal enforcement in European Union member countries. However, based on content analyses of the corporate discourse in the CEE oil and gas industry, we find that the industry reports a broader focus on diversity management than previous studies suggest. Companies with subsidiaries in the Global North report etic diversity approaches to a higher degree. The authors deduct a convergence of diversity practices in CEE oil and gas MNEs towards the Western diversity paradigms suggests dominance effects in global diversity management.

Following this brief overview, the dissertation continues by presenting the first constituent article, which deals with the topic of CEEC foreign market entries in Chapter two, the second article, revolving around CEEC subsidiary management, is presented in Chapter 3, while the third article on the effects of CEEC internationalisation and institutional environments on their management practices, constitutes Chapter 4. Each chapter presenting a constituent article is followed immediately by the respective references and an optional appendix to increase readability. Owing to the differing target outlets of the articles, the chapters’ structure and format vary considerably in terms of citation, headlines, and literature presentation, based on the target journal conventions. Additionally, the terms emerging market and emerging economy are used interchangeably. The variation is based on the co-authors' and target outlet’s preferences. However, the numbering of figures and tables is consecutive to avoid confusion. The dissertation closes with a concluding chapter that refers back to the core topics and overarching questions of the dissertation by conflating the findings, calling for research implications for practice, and limitations of the aforementioned elements of the dissertation.

Table 1: Constituent articles of the dissertation.

	1st Article RQ 1 Chapter 2	**2nd Article** RQ 2 Chapter 3	**3rd Article** RQ 3 Chapter 4
Title	Outward Foreign Direct Investment from Post-Socialist Economies in Advanced Economies: Motives and Competitive Advantages of Slovene Investment in Germany	Control and its perception in CEE parent companies and their developed market subsidiaries	Against all odds: How the institutional context shapes Diversity Management in the Central and Eastern European Oil and Gas Industry
Authors	• Andreas M. Hilger • Zlatko Nedelko, University of Maribor, Slovenia • Thomas Steger, University of Regensburg, Germany	• Emil Velinov, Škoda Auto University, Czech Republic • Andreas M. Hilger	• Andreas M. Hilger • Emil Velinov, Škoda Auto University, Czech Republic • Mustafa Özbilgin, Brunel University, United Kingdom
Method	Multiple Case Study	Multiple Case Study	Document analysis
Country context	Slovenia (CEE Home Country) and Germany (Western Advanced Host Country)	Czech Republic (CEE Home Country) and Germany (Western Advanced Host Country)	CEE Countries Bulgaria, Croatia, Hungary, Latvia, Poland, Romania, Russia, Serbia, and Slovenia

Data	• Secondary data from the SloExport database, corporate communication from eight investors and three exporters • Semi-structured interviews, and field notes in each headquarter as primary data sources	• Secondary data from the MARKUS database, corporate communication, press reports from three cases as primary data sources • Semi-structured interviews in the Headquarter and the subsidiaries of the case companies	Secondary data from 66 external corporate communication documents of 17 CEE Oil and Gas companies; seven national diversity charters, nine national constitutions, nine labour legislations, and European values survey data for eight countries
Outlet	International Journal of Emerging Markets	Journal of East European Management Studies	Equality, Diversity, and Inclusion – An International Journal

2 Outward Foreign Direct Investment from Post-Socialist to Advanced Economies: Motives and Competitive Advantages of Slovene Investment in Germany

2.1 Introduction

Historically, outward foreign direct investment (OFDI) was the domain of multinational enterprises from advanced economies (Estrin et al., 2018). Consequently, most knowledge of OFDI is based on findings about multinationals from advanced economies in North America, Western Europe or Japan (Madhok and Keyhani, 2012; Athreye, 2021). However, seminal research on emerging economy multinationals (EEMs) has drawn attention to OFDI undertaken by corporations from Brazil, Russia, India, and China (BRIC), which contradicts the conventional pattern of OFDI flowing from advanced to emerging economies (e.g. Cuervo-Cazurra and Ramamurti, 2014; Madhok and Keyhani, 2012; Hernandez and Guillén, 2018; Luo and Tung, 2018). OFDI involves higher levels of investment, risks, and potential benefits than non-equity forms of entry, and it has been established that motives and the driving competitive advantages differ greatly depending on the direction of the OFDI (Chikhouni et al., 2017). Thus, the paradox of EEM OFDI "was further aggravated by their rapid expansion into economies more advanced than their home country" (Knoerich, 2019, p. 52). The EEMs' OFDI is motivated by the compensation for lacking resource endowments and experience as well as significant liabilities of foreignness, origin and emergingness via asset and knowledge acquisition (Luo and Tung, 2007; Madhok and Keyhani, 2012; Cuervo-Cazurra and Ramamurti, 2014; Munjal et al., 2022; Ozkan et al., 2022).

Research on this paradox reveals gaps that warrant research efforts due to the diversity of contexts across emerging economies (Meyer and Peng, 2005; Buckley et al., 2023) as the "raison d'être of international business scholarship is to understand how differences in context affect business" (Welch et al., 2022, p. 6) and, consequently, corporate strategy and performance (Meyer and Peng, 2016). Kostova and Hult (2016) as well as Ipsmiller and Dikova (2021) outline the strong potential for research into post-socialist economies (PSEs) in Central and Eastern Europe (CEE) and highlight their distinctness. A particular trait of PSEs is that they had been industrialised before transitioning, which sets them apart from many other emerging economies (Jaklič et al., 2018). However, under socialism, the socialist state's monopoly on foreign trade meant that companies from these countries had limited access to Western advanced markets (Hoskisson et al., 2000). From the outset of the transition process in the late 1980s and early 1990s, they suffered from a lack of internationalization experience in Western markets and were forced to catch up rapidly in order to compete with foreign counterparts in their domestic markets and abroad (Sedziniauskiene et al., 2019; Panibratov and Klishevich, 2020). In the 2000s, OFDI accelerated across the PSEs, (Jaklič et al., 2018; UNCTAD, 2022) and the average CEE PSE net OFDI increased even further, by 131%, between 2013 and 2021 (see Appendix I). The dynamism of OFDI in PSEs is illustrated by the increase in importance of OFDI for PSEs; the share of OFDI in the gross domestic product increased by about 74 % in the CEE PSEs between 2013 and 2021 while it only increased by about 8 % in the other EU countries over the same period (see Appendix II).

While PSEs have been a frequent and constant object of interest in research on inward FDI (e.g. Götz et al., 2023), they provide unique contexts for observing the development of organizational motives, capabilities and contextual influences concerning their companies' international expansion, which has received far less scholarly attention than inward FDI (Meyer and Peng, 2016; Panibratov and Klishevich, 2020; Ipsmiller and Dikova, 2021) and also than OFDI from other emerging economies such as the BRICs (Meyer and Peng, 2016; Kowalski, 2018; Trąpczyński, 2018; Trąpczyński and Gorynia, 2018; Ipsmiller and Dikova, 2021). Despite its steady increase in importance and size over the last decade, there is an apparent lack of research applying established theory to explain EEM but especially PSE company OFDI motives and capabilities in advanced economies (see Ipsmiller and Dikova, 2021; Ozkan et al., 2022). The few theory-based articles focusing on OFDI from PSEs apart from Russia such as those of Wrona and Trąpczyński (2012), Gorynia et al. (2015), Trąpczyński and Banalieva

(2016), Jaklič (2016), Jaklič et al. (2018), and Błaszczyk et al. (2023), do not examine the specific motives and competitive advantages of PSE companies in advanced economies. While Nowiński and Criado (2013) and Jindra et al. (2015) provide general insights into the internationalisation motives, they fail to provide insights into specific host countries. The most consistently identified competitive advantage of PSEs are different kinds of networks (Manolova et al., 2010; Musteen et al., 2014; Jindra et al., 2015; Sedziniauskiene et al., 2019, Błaszczyk et al., 2023); however, research following that view fails to include the OFDI motives. Additionally, Becker-Ritterspach and Fourati (2021), as well as Hartmann et al. (2022), highlight the lack of international business research on the impacts of supranational institutions, despite their relevance, especially in CEE PSEs (Trąpczyński et al., 2022).

As a result, there is a need for contextualised explanations of foreign investment by PSEs, including their embeddedness in supranational institutional frameworks, to understand the motives and competitive advantages that drive OFDI in advanced economies despite the risks and various liabilities of PSEs (Kostova and Hult, 2016; Trąpczyński and Gorynia, 2018; Barnard, 2021; Welch et al., 2022). Thereby PSE OFDI can be used to test an established theory, distinguished from other entry decisions, and the PSE companies' motives and competitive advantages may be compared with other EEMs and their foreign activities in advanced economies. This research gap creates the following two research questions focusing on the application of competitive advantages (1) and the motives (2) behind OFDI from PSEs in advanced economies.

(1) Why do PSE companies enter advanced economies via OFDI?

(2) How do competitive advantages drive PSE companies' OFDI in advanced economies?

As the successor states of Yugoslavia have received far less attention in FDI research than other post-socialist regions (Deichmann et al., 2022), we address these questions through multiple case studies of companies from the small and open PSE of Slovenia (Jaklič et al., 2018) that have entered the advanced economy of Germany. PSE companies increased their OFDI to Germany by 285% between 2013 and 2021, showcasing the relevance of the phenomenon of PSE OFDI to advanced economies (see Appendix III). The home and host country context of our case companies provides us with a rationale for motives and capabilities which may be common in similar contexts but differ in others. Due to its holistic approach to internationalization, we draw on Dunning's eclectic paradigm (1998, 2000) as an explanatory model since it provides the most relevant theoretical basis for explaining motives, competitive advantages and contextual factors driving OFDI (Wagner, 2020). It goes further in identifying internal and external enablers of OFDI than theories of organisational learning (Johansen and Vahlne, 1977), dynamic capabilities (Teece et al., 1997), or purely institutional perspectives, and it cares about the investor's motives, which enables us to answer the first research question. Even though it is frequently applied in PSEs (e.g. Manolova et al., 2010; Musteen et al., 2014), the theory of international new ventures (Oviatt and McDougall, 1994) limits the scope to a specific company type, and thus its explanatory power. OFDI from emerging economies and the motives behind it can however be explained through the springboard view (Luo and Tung, 2007, 2018). Despite its emerging economy base, the springboard view has not yet been applied thoroughly to PSE companies, and thus our article bears novelty by testing an established theory in a new context.

In our study, we first address the outlined research gap by applying the eclectic paradigm and the springboard view to a PSE. Second, we contribute to research by identifying the use of firm- and country-specific advantages by PSE companies, such as a technological premium and a highly educated workforce, to enter an advanced host economy. We find that PSE companies employ traditional firm-specific advantages such as high technology and innovative capacity, despite home country liabilities and constraints. Third, our results also clearly distinguish the motives of PSE companies from what we know from studying other EEMs in advanced economies, as we find that market-seeking OFDI is the dominant reason for Slovenian companies to enter

Germany. Theoretically, we support a reconciliation between demand- and exploitation views on OFDI, as our cases express seeking behaviour while showcasing the necessary capabilities for OFDI. Fourth, we offer novel insights into the effects of institutional harmonization on OFDI. The European Union (EU) acts as a double-edged sword as it facilitates OFDI within the Union but also decreases the need for OFDI. We thus propose a more contextualised theorizing on OFDI from emerging economies as prescriptions from BRIC countries do not fit the realities of the PSEs.

2.2 Theoretical Background

2.2.1 Eclectic Paradigm

According to Dunning (1998, 2000) companies select their entry mode for a specific country by exploiting ownership, location, and internalization advantages (Knoerich, 2019). Ownership advantages as push factors for internationalization can take the form of firm-specific advantages (FSAs) which are owned specifically by the investing company, such as technological knowledge or manufacturing capabilities (Brouthers et al., 2008) or experience in the host country (Slangen and Hennart, 2007). Domestically based assets such as natural resources, educational or industrial strength and cost advantages represent country-specific advantages (CSAs) that can be exploited to internationalize (Dunning and Lundan, 2008; Rugman and Nguyen, 2014).

According to Dunning (2000), international location choice is impacted by efficiency, resource, market, and strategic asset-seeking motives acting as pull factors for target countries (Dunning 2000). Buckley et al. (2014) further added the impact of home-host country linkages, such as trade relationships, or socio-political-economic linkages, such as the common membership of a single market or supranational associations.

Lastly, internalisation prescribes that OFDI is executed when the transaction and coordination costs of using external market mechanisms exceed the costs of coordinating actions in the country through an organisational structure (Dunning, 2000).Springboard Theory

2.2.2 Springboard Theory

In their home countries, most EEMs face country-specific disadvantages, such as weak institutional environments, excessive bureaucracy, underdeveloped infrastructure, political risks, and a lack of transparency (McCarthy and Puffer, 2016; Luiz and Barnard, 2022). The explanatory power of the eclectic paradigm has thus been found to be limited for companies from emerging economies (Cuervo-Cazurra and Ramamurti, 2014). As a result of the constrained applicability, the springboard view was derived from EEM internationalisation behaviour (Luo and Tung, 2007). According to this theory, an EEM’s internationalisation is characterised by rapid, recurrent, agile, and asset-seeking OFDI through radical, high-commitment entry modes, such as mergers and acquisitions or greenfield investment (Luo and Tung, 2007, 2018). EEMs are seeking opportunities in stable foreign institutional environments in advanced economies (Cui et al., 2014; James et al., 2020) through institutional arbitrage to counter home country deficiencies, resulting in a leapfrogging behaviour (Luo and Tung, 2007; Boisot and Meyer, 2008; Xia et al., 2014). Due to a lack of traditional technology-based FSAs and the ability to engage in innovative activities (Luo and Tung, 2007, 2018; Knoerich, 2019), EEMs aim to enhance their capabilities through asset seeking to combat their latecomer status in global markets (Cui et al., 2017; Luo and Tung, 2018; Knoerich, 2019; see Liang et al., 2021). However, they rarely expand abroad to access cheaper labour or production costs since they already possess them in the form of CSAs (Fey et al., 2016). Consequently, their OFDI is demand-driven (Knoerich, 2019).

2.3 Review of Motives and Determinants of PSEs OFDI in advanced economies

Apart from what we know from EEMs in general, several authors have examined the specific contexts of PSEs. Research suggests that PSEs, like other emerging economies, are characterised by weaker institutional support but are also distinctly marked by the traditions of planned economies (Jaklič et al., 2018; Meyer and Peng, 2016; Panibratov and Klishevich, 2020; Kostova and Hult, 2016; Trąpczyński and Gorynia, 2018). Jaklič (2016) finds that the entry of CEE countries into the EU has major implications for their access to advanced economies. Yet, research points to a geographic concentration of PSE companies' OFDI within neighbouring CEE countries (Gorynia et al., 2015).

Limited amounts of research examine the capabilities of internationalisation in PSEs. Jaklič et al. (2018) found that PSE companies lack ownership advantages, failed to innovate and suffered from resource constraints. Wrona and Trąpczyński (2012) indicate that FSAs, such as differentiated products or prior experience, increase Polish companies' resource commitment to foreign markets. In four cases from Poland analysed by Nowiński and Criado (2013), the competitive advantage for entry into Western Europe and North America came from innovation. Jaklič (2016) finds that despite unfavourable circumstances, Slovene companies possess FSAs, especially technological know-how, high skill intensity, research intensity, and innovation capacities. Trąpczyński (2018) found that managerial capabilities are relevant to the success of Polish companies in more advanced economies. Panibratov et al. (2018) similarly show the importance of research and development as well as a high technological standard for PSEs' international success. Jindra et al. (2015) identify entrepreneurial and managerial skills, as well as networks as drivers of entry into Western EU countries. Similarly, Trąpczyński and Banalieva (2016) show that first-time entrants from Poland to an advanced economy need to develop network relationships. Manolova et al. (2010) emphasise the role of personal and inter-company networks in the internationalisation of new ventures from Bulgaria, as do Musteen et al. (2014) for Czech manufacturing companies entering advanced economies. Zapletalová (2015) states that in her sample of 297 Czech companies, the time required to enter foreign markets after the foundation is eight years on average, which is not rapid.

Jindra et al. (2015) find knowledge-seeking motives in OFDI from PSEs to the EU15 countries and that location probability within EU15 countries is positively related to a country's knowledge-related assets. Examining foreign mergers and acquisition data from the Czech Republic, Hungary, Poland, and Slovakia, Radło (2012) deems OFDI to advanced economies in Scandinavian and Western Europe to be market-seeking, as do Jaworek et al. (2019) for Polish OFDI in Western Europe. Gorynia et al. (2015) show that Polish companies engage in market- and strategic asset-seeking investments, taking a median position.

A core tenet of both the Eclectic Paradigm and the springboard view is the motives for OFDI, which we address in our first research questions to identify these motives for PSE companies. The springboard view cemented the asset-seeking motive of EEMs, which has been established across EEM research (Luo and Tung, 2007; Madhok and Keyhani, 2012; Cuervo-Cazurra and Ramamurti, 2014; Estrin et al., 2018; Munjal et al., 2022; Ozkan et al., 2022). The literature on PSE OFDI presents a mixed pattern of their OFDI motives in advanced economies. Thus we stick to the theoretical suggestion:

Proposition 1: PSE companies engage in asset-seeking OFDI in advanced economies.

As demonstrated, a less favourable background in the home country is common to EEMs (Luo and Tung, 2007; Madhok and Keyhani, 2012; Cuervo-Cazurra and Ramamurti, 2015; McCarthy and Puffer, 2016; Panibratov et al., 2018; Luiz and Barnard, 2022), which has also been reported in PSEs (Jaklič et al., 2018; Meyer and Peng, 2016; Panibratov and Klishevich, 2020; Kostova and Hult, 2016; Trąpczyński and Gorynia, 2018) and affects OFDI negatively through a lack of traditional CSAs. According to the eclectic paradigm, this lack of CSAs discourages the market entry of PSE companies, especially in advanced economies.

Proposition 2: PSE companies suffer a liability of origin for OFDI in advanced economies.

While established research suggests a lack of FSAs for advanced market entry in EEMs (Luo and Tung, 2007; Knoerich 2019; Munjal et al., 2022; Ozkan et al., 2022) and PSEs (Jaklič et al., 2018), several findings suggest that PSE companies differ from other EEMs in their possession of FSAs (Wrona and Trąpczyński, 2012; Nowiński and Criado, 2013; Jaklič, 2016; Trąpczyński, 2018) and primarily rely on network relations in the target market (Jindra et al., 2015; Trąpczyński and Banalieva, 2016; Sedziniauskiene et al., 2019; Musteen et al., 2014). Hence we propose:

Proposition 3: PSE companies possess FSAs for OFDI in advanced economies.

A common theme of EEMs and central to the springboard perspective is the rapidity of OFDI (Luo and Tung, 2007). However, PSE companies have shown a slower pace when entering advanced economies (Zapletalová, 2015), thus we examine this proposition, which would set PSE companies apart from other EEMs.

Proposition 4: PSE companies engage in incremental OFDI in advanced economies.

However, we follow the springboard view prescription of a leapfrogging behaviour, in which they enter advanced economies before they enter other emerging economies, (Luo and Tung, 2007, 2018), which has not been tested in PSEs so far.

Proposition 5: PSE companies engage in leapfrogging OFDI.

2.4 Methodology

As our study aims to answer questions of 'why?' and 'how?' in specific home and host contexts, the methodology is based on Yin (2017), with content analysis integrated into a qualitative case study approach to testing our propositions. According to Yin (2017), the aim of case studies is to understand complex social phenomena and real-life events, such as managerial processes and their outcomes. According to Welch et al. (2022), their main strength is reconciling theory and context. The case study approach is therefore useful for examining the applicability of theories on OFDI and the impact of its direction in the PSE context and has been used occasionally in PSE OFDI research (Nowiński and Criado, 2013; Ciszewska-Mlinarić et al., 2016; Panibratov and Klishevich, 2020).

2.4.1 Research Design

Yin’s (2017) established qualitative case study design (applied in OFDI research e.g. by Holtbrügge et al., 2012; Gorynia et al., 2015; Hänle et al., 2022) comprises five components: research questions, propositions, units of analysis, the logic linking the data to the propositions, and interpretation criteria. Based on our research questions, we have conducted an extensive literature review on the phenomenon of PSE OFDI in advanced economies, which resulted in the presented propositions. The choice of our units of analysis, Slovene companies in Germany, will be explained in detail following the description of the context. The logic linking the data to the propositions is the need to reconcile theory and context by generating rich data and contextualised explanations for the motives and competitive advantages of PSE companies, which is the main strength of a case study (Welch et al., 2022). Consequently, we applied an explanatory multiple-case study approach to provide in-depth explanations of the phenomenon of PSE OFDI in advanced economies by testing the aforementioned literature-based propositions to answer our questions (Yin, 2017). The explanations are based on a directive approach to structuring content analysis, which is directed by the two presented theories as well as our literature-based propositions (Hsieh and Shannon, 2005; Mayring, 2015).

2.4.2 Context

Following Yin’s (2017) suggestion, we conducted a theoretical sampling by searching for PSE companies with international operations that could provide information-rich cases. Guided by our propositions, we chose Slovenia, a former member state of the Socialist Federal Republic of Yugoslavia, as the context for our study. With just over 2.1 million inhabitants, the sixth lowest in the EU, an area of 20,273 km2, the fourth smallest in the EU (European Union, 2022), and a gross domestic product (GDP) of EUR 52.208 million (Republic of Slovenia Statistical Office, 2022) Slovenia is a small country and economy. However, the Slovenian PSE takes a median position regarding GDP per capita in the EU, at 90% of the EU average (European Union, 2022). While Slovenia was a major industrial hub in the Socialist Federal Republic of Yugoslavia and the most internationalised of the republics, it lost a large portion of its domestic market following its secession in 1991 (Jaklič et al., 2018; Bučiūnienė, 2019). The country's export-oriented open economy is still dominated by manufacturing (European Union, 2022; Jaklič et al., 2018) but its FDI volume is among the lowest in Europe, around 18.4 million Euros in 2021 (see Appendix IV). Slovenia serves as a prime example for PSEs based on its socialist past and its positive development since its breakaway from Yugoslav socialism, with an average annual growth of 13.6 per cent in OFDI between 1994 and 2020, amounting to EUR 7 billion stock at the end of 2020 (Bank of Slovenia, 2022). The most important recipients of Slovenian OFDI are the former Yugoslav republics of Croatia, Serbia, Bosnia and Herzegovina, Kosovo, and North Macedonia, which accounted for more than two-thirds of total outward FDI, and Russia (Bank of Slovenia, 2022).

2.4.3 Case Selection

We chose Germany's advanced target economy due to the fact that it is an increasingly relevant OFDI target for CEE countries (see Appendix III) and that it is Slovenia's most relevant advanced trade partner in terms of imports and exports (Bank of Slovenia, 2022). Furthermore, Germany represents the most attractive FDI target in terms of the number of investments in 2021 (Germany Trade and Invest 2022), highlighting the representativeness of the target economy for other advanced economies. To gather data on Slovene foreign investors, we accessed the SloExport database at the Slovenian Chamber of Commerce. The database provides extensive data on over 70,000 companies headquartered and registered in Slovenia, including organisational form, revenue, company size, age, export regions, and field of activity.

We identified 2,197 Slovene companies exporting to Germany and 50 Slovene companies with registered entities in Germany in the database. We sent enquiries to 40 companies with listed contact information. We received twelve positive responses for case studies. After noting increasing redundancies and conducting an in-depth analysis of the cases, we selected eight informative and representative cases of OFDI in Germany as our units of analysis, in line with Yin's (2017) recommendation to limit the number of cases as has been numerously applied on OFDI,e.g. by Holtbrügge et al. (2012) with eight, Gorynia et al. (2015) with ten, or Hänle et al. (2022) with seven cases. Their core data, including the founding date, number of employees, revenue, and main products, are presented in Table 2.

Table 2: Investment case data for 2021.

Company	**Foundation**	**Employees**	**Revenue**	**Products**
Investor 1	1987	200	19 Mio. €	Edge-banding tapes and wood products
Investor 2	1989	750	56 Mio. €	Cable harnesses, plastic and silicone products
Investor 3	1973	91	10 Mio. €	Circuit Boards
Investor 4	1945	681	125 Mio. €	Smart metering solutions
Investor 5	1992	80	5 Mio. €	Microprocessors and microcontrollers
Investor 6	1992	196	62 Mio. €	Wood processing machinery
Investor 7	1957	250	33 Mio. €	Electrical measuring and testing equipment
Investor 8	1945	248	35 Mio. €	Furniture engineering for hotel chains

To triangulate information on the internalisation decision, we chose one small, one medium, and one large contrasting case without foreign direct investments, but engaged in exports to Germany. The exporters' core data are presented in Table 3.

Table 3: Export case data for 2021.

Company	Foundation	Employees	Revenue	Product
Exporter 1	1825	104	1 Bn. €	Aluminium semi-products
Exporter 2	1951	205	15 Mio. €	Industrial magnets, magnetic assemblies, and metallurgic alloys
Exporter 3	1995	6	< 1 Mio. €	Metal forming tools

2.4.4 Data Collection

For our case studies, we accessed various data sources by looking at investors and exporters to gain a holistic perception of the topic (Yin, 2017). We also applied different data collection methods, by conducting semi-structured interviews and engaging in document analysis, to gain in-depth insights into each case (Yin, 2017). We conducted content analyses of various sources, which are listed in Table IV. We retrieved the company profiles from the SloExport-database and, where available, also examined all case companies' homepages in Slovene, German, and English, as well as reports and press releases. We gathered rich data from 69 internal and external documents in addition to field notes for each case. We then conducted semi-structured interviews with 14 key decision-makers whose functions are listed in Table IV, to gain an understanding of the behaviour and reasoning behind their OFDI in Germany (Sinkovics et al., 2008)

Table 4: Data sources for Chapter 2.

Company	Documents (No. of Documents)	Interview Partners (No. of Interviewees)
Investor 1	Database Profile; Homepage (3); Industry Report (1); Field notes (1)	Director of International Sales (1)
Investor 2	Database Profile; Homepage (3); Field notes (1)	Sales Director (1)
Investor 3	Database Profile; Homepage (3); Field notes (1)	Sales Director/Key Account Manager Germany and Austria (1)
Investor 4	Database Profile; Homepage (2); Market Reports (2), Industry report (1), News Article (2); Field notes (1)	Head of Sales Region Europe (1)
Investor 5	Database Profile; Homepage (1); Press Release (3); Industry Report (2); News Article (2); Field notes (1)	CEO (1)
Investor 6	Database Profile; Homepage (3); Industry Report (3); News Article (4); Field notes (1)	Executive Director; Sales Manager (2)
Investor 7	Database Profile; Homepage (3); Field notes (1)	Sales Director and Executive Assistant (2)
Investor 8	Database Profile; Homepage (3); News Article (1)	CEO (1)
Exporter 1	Database Profile; Homepage (3); Annual Report 2020 (1); Industry Reports (3); Field notes (1)	Sales Director (1)
Exporter 2	Database Profile; Homepage (3); Industry Report (2); Field notes (1)	Managing Director; Executive Vice President Sales (2)
Exporter 3	Database Profile; Homepage (3); Annual Report 2020 (1); Field notes (1)	CEO (1)

The interviews took place in the summer of 2020, with a duration between 45 and 75 minutes, and were conducted by two of the authors in person, as well as three times via video conferencing due to the Covid-19 pandemic. We asked questions regarding the demographics of the interview subjects, while questions on market entry decisions to Germany and evaluations of competitive advantages and the home and host contexts were of main interest. The interviews were conducted in English or German depending on the interviewee's preferences. All interviews were recorded and transcribed verbatim using f4transkript and NVivo transcription software to facilitate content analysis before being translated from German to English by the interviewers, if applicable (Tracy, 2010).

2.4.5 Cross-case Content Analysis

A qualitative content analysis of the documents and transcripts was applied at the phrase level to structure content into categories (Mayring, 2015). We filtered and assessed the material using previously defined classification criteria based on the eclectic paradigm and the springboard view as the backbone of the deductive coding in a directed content analysis via MAXQDA software which subsumes codes into sub- and categories, to identify supporting and non-supporting evidence (Sinkovics *et al.,* 2008). We thereby ensure the credibility and confirmability of our study (Hsieh and Shannon, 2005).

Each case was first examined independently. Company information from the database was structured according to *Foundation, Employees, Size, Products, Foreign Markets, and Foreign Representative Bodies* to acquire a basic company profile. Additional theory-led deductive categorisation of the text- data, based on *Firm-* and *Country-specific Advantages*, *Host location Advantage* including the motives (*Resource-, Efficiency-, Asset- and Market-seeking*) as subcodes, and *Internalisation Advantage* (*Production, Sales, Logistics Subsidiary)*, for the eclectic paradigm, *Springboard Theory* (subcodes *Leapfrog OFDI, Liabilities, Rapid FDI)* and *EEM specificities* (subcodes *Following customers, Network expansion, Lack of Branding*) was applied (Mayring, 2015). We also created a deductive *Export* category, which subsumes reasons supporting export and discouraging OFDI.

After the first round of coding, the data for all cases were re-encoded to check for the presence of inductive codes specific to the material through a cross-case comparison to identify the similarities and differences between cases to further expand and enrich our knowledge of PSE OFDI (Yin, 2017; Hsieh and Shannon, 2008). Thus the *PSE specificities* inductive subcodes of *Collaborative Innovation* and *Importance of language* were included. To ensure intersubjectivity and reflexivity, this was done individually by each author and then the other authors checked the material and its coding to ensure credibility through investigator triangulation. Afterwards, the material was interpreted jointly by the authors to ensure objectivity (Yin, 2017; Tracy, 2010). All categories are listed in Appendix V. This resulted in 209 occurrences of codes across the data. The primary use of deductive codes as well as the introduction of a select few inductive ones will, together with the provision of a list of codes, increase the transferability of our method to other cases and contexts (Tracy, 2010). By exemplifying data and the information drawn from it through original quotes, we aim to enhance the credibility and confirmability of our research process (Tracy, 2010)

2.5 Results

Table 5 presents the cases' entry modes, timing, subsidiary type, and size of their subsidiaries. Five of them conducted greenfield investments, two acquired existing companies in Germany, and Investor 5 morphed into a German-Slovene joint venture with research and production in Slovenia and global sales operations in Germany. Only Investor 1, who bought a bankrupt competitor, produces goods in Germany. All other subsidiaries provide either logistics or sales, or both.

Table 5: Market entry mode and timing as well as German subsidiary type and size.

Company	**Entry Mode**	**OFDI in Germany**	**Subsidiary Type**	**Subsidiary size (2021)**
Investor 1	Acquisition	2011	Production and Sales	36
Investor 2	Greenfield Investment	1992	Logistics and Sales	< 10
Investor 3	Greenfield Investment	1990	Sales	5
Investor 4	Greenfield Investment	1992	Sales	1
Investor 5	Joint Venture	1993	Sales	80
Investor 6	Greenfield Investment	1996	Sales	2
Investor 7	Greenfield Investment	2005	Sales	7
Investor 8	Greenfield Investment	2018	Sales	5
Exporter 1	Export	(-)	(-)	0
Exporter 2	Export	(-)	(-)	0
Exporter 3	Export	(-)	(-)	0

2.5.1 Slovene Firm-specific Advantages (FSAs)

We find the cases to be knowledge-intensive manufacturing companies. FSAs, such as recognised brands, are present at Investors 6 and 7. All others produce intermediate products or products without visible branding. They create an FSA as specialised providers with **customer-oriented industrial products**. The German customer expectation is based on high quality, which was mentioned as highly relevant across ten investing and exporting cases. Being able to live up to high customer demands sets Slovene companies apart from Asian and other emerging economy suppliers (Exporter 2 Interview). This goes hand in hand with the second FSA, the **technological premium**, which was also mentioned by investors and exporters. Several companies started to produce tailored engineering products on demand for foreign customers building networks in Germany, also engaging in collaborative innovation, as mentioned by the exporters and Investors 3, 4, and 6. However, investors also claimed a special focus on their research and development and innovative capacity as relevant drivers of OFDI. Another example of a technological premium is Investor 4's participation in the German industry councils and consulting Federal Ministries (Investor 4 Interview), setting nationwide industry standards.

> "*One thing is quality. The second thing for us is the level of service we offer since we are smaller, and we are from a production point of view a little bit specific. (…) Service might be the key thing for us*." (Interview Investor 1).

This quote exemplifies a high level of **service orientation** for customers as a third company-specific advantage. High-quality service is valued in Germany, especially since the Slovene companies offer one-stop development, laboratories, testing, production and service (Investor 2, Exporter 2, Investor 3, Investor 4). A fourth FSA was an established **network** among German customers, relevant for Investors 3, 4, and 8 and all exporters. A very important factor mentioned in all but one interview was the importance of German language knowledge. Investors 1, 2, 3, 6, and 8 also mentioned **competitive pricing** as an advantage. While more expensive than their Asian counterparts, being cheaper than competitors from the host market is an advantage. Lastly, proof of **sustainability**, via ISO 14001 as the second most reported certification after the quality management certification ISO 9001, proves advantageous.

2.5.2 Slovene Country-specific Advantages (CSAs)

The **highly educated labour force** of Slovenia, particularly with regard to engineering, which is a remnant of socialist times, where Slovenia was the Yugoslav industrial hub, is a strong CSA. Education also includes proficiency in German (Investor 3 interview), which many Slovenes provide. In that regard, all spokespeople had received their education in Slovenia without any need to leave the country for education, which provided all our interview partners with at least a graduate degree in either economics or engineering. Additionally,

> *"the **labour costs** are cheaper in Slovenia, so we can offer at lower prices."* (Exporter 1 Interview)

This gives Slovenia country-specific advantages when entering the advanced and expensive German market, as reported by the exporters the Investors 1 and 2, 4, 6, and 8.

The most important CSA for entering Germany, however, is **EU membership** providing stable and almost identical institutional contexts in the home and the host country. This can be exemplified by a quote from Investor 1:

> "*Everything is similar. Slovenia has been in the EU for a lot of years now. (…). Nothing is special, there are no adjustments we need to do to be present there. Basically, you can work and sell*."

The **close geographic and cultural distance** between Germany and Slovenia, mentioned by Investors 2, 3, 4, and 8, is also a Slovene CSA that facilitates the establishment of relationships.

> *"Slovenians have always been a little bit exception in the Balkan region, you know. Our brothers from Ex-Yugoslavia were always telling us: we are the Balkan Germans."* (Investor 5 interview)

The traditional international outlook of Slovenia and its **industrialised past** act as CSAs facilitating network building, as several case companies are spin-offs of former large state-owned companies with an international reputation. Only Investor 6 mentioned the liability of emergingness. Investors 2, 3, and 6, as well as Exporters 1 and 3, see a lack of branding skills as a Slovene country-specific disadvantage countering international success. This can also be exemplified with Investor 5, where a joint venture was created to sell Slovene engineering and after-sales support was combined with a German venture for global sales and marketing.

2.5.3 Motives of Slovene OFDI in Germany

Strong cultural similitude was mentioned as a host location advantage, as the differences between German and Slovene contexts resemble regional differences within

Germany (Investor 2 Interview). Six companies state the small domestic market as a reason to enter Germany's big market, where the automotive clusters were a relevant motive for Investor 2 and Exporters 1 and 2's market entry. All case companies named Germany as a big target market for them, and eight companies mentioned Germany as their most important market (Exporters 1 and 2; Investors 2, 3, 4, 6, 7, and 8). Consequently, all companies were driven by market-seeking motives when they decided to enter Germany, regardless of the entry mode. The investing company, which also focused on logistics (Investor 2), avoided tariffs before Slovenia joined the EU in efficiency-seeking behaviour (Investor 2 Interview). Investor 1 mentioned opportunity-seeking behaviour when a competitor went bankrupt and bought the struggling company for horizontal integration, unrelated to the location and technologies of the company. Thus, we can rule out resource-seeking as well as strategic asset-seeking behaviour. Efficiency-seeking OFDI is aimed at other CEE countries, as Table 6 presents the paths of OFDI of the case companies.

Table 6: OFDI timeline of the examined companies.

Company	OFDI Timeline
Investor 1	Bosnia and Herzegovina 2006; Croatia 2006; Serbia 2010; Germany 2011
Investor 2	Germany 1992/2019; Hungary 1997; Poland 2003; Turkey 2006; Serbia 2011; Bosnia and Herzegovina 2015; Romania 2019
Investor 3	Germany 1990
Investor 4	Germany 1992; Sweden 1995; United Kingdom 1995; Malaysia 1996; Switzerland; 2003; Netherlands 2006; Egypt 2008, Argentina 2018; 2016; India 2019
Investor 5	Germany 1993; United States of America 2015
Investor 6	Germany 1997; Austria 1992/1998; Russia 2008
Investor 7	Germany 2005; United Kingdom 2005
Investor 8	Switzerland 2004; Bulgaria 2015; Germany 2018
Exporter 1	United States of America 1990; Serbia 2002; Croatia 2016; Hungary 2012; Brazil 2018
Exporter 2	(-)
Exporter 3	(-)

The three exporting companies stated that there was little need for a subsidiary in Germany (Exporter 3 Interview) due to the small geographic and institutional distance between the home and host markets (Exporters 2 and 3). Investors 2, 3, 4, and 7, however, mentioned that having a subsidiary in Germany is mandatory and necessary for them to be close to their customers, all of whom entered the market before or immediately after EU accession. All investors opted for limited liability companies in Germany that required a minimum investment of EUR 25’000.

> *“It is a daughter company, just to make some things easier, you know, that we have, let’s say, an address, and a bank account, that we have some infrastructure to use. But basically, everything is controlled from here.”* (Investor 8 Interview).

The reason for incorporation is that German customers like to make deals with companies located in Germany and operate under German law, which signals legitimacy (Investor 7 Interview).

Nevertheless, all investors, except for Investor 5, who joined the joint venture, mentioned that all decision power lies in the hands of the Slovene headquarters. Except for Investor 1, the subsidiaries are merely internalised sales agents with less than ten employees to own a German office that writes invoices, establishes customer contact, or ships goods easily in the case of Investor 2. Investors 3 and 4 went as far as calling their subsidiaries “…*almost a shell company with one employee since everything is nowadays done from Slovenia*” (Investor 4 Interview). At Investors 1 and 2, we find that their subsidiary in Germany is currently seen as a failure because investment has not yet been regained.

Only in the case of Investor 2 could rapid internationalisation be noted, which came about due to the demand of their prime customers who wanted a logistics facility close. Other investors take considerably more time to enter the German market but show leapfrogging behaviour by entering advanced economies before other emerging economies (Table 6).

2.6 Discussion

To answer the first research question, we have shown that important clients of the studied PSE companies are located in large and advanced economies. Those clients require an investment to engage with partners providing a local address or spokesperson, driving market-seeking OFDI of PSE companies despite liabilities as the reason behind Slovene OFDI in Germany, with occasional pre-EU efficiency-seeking, instead of asset-seeking. This distinguishes PSE companies from the extant literature on EEMs from BRIC countries (see Liang *et al.*, 2021) specifying the market-seeking findings of Jaworek *et al.* (2019), Jaklič (2016) and Radło (2012) for advanced host countries. We thus find a lack of asset-seeking motives as a core tenet of the springboard view and EEM behaviour overall (Luo and Tung, 2007; Madhok and Keyhani, 2012; Cuervo-Cazurra and Ramamurti, 2014; Estrin *et al.*, 2018; Knoerich, 2019; Munjal *et al.*, 2022; Ozkan *et al.,* 2022). Because neither assets, knowledge, nor resources were targeted, our cases cannot be explained by **Proposition 1** for Slovene companies. Hence, our cases do not concur with the findings on EEMs by Chikhouni *et al*. (2017) and PSE companies by Jindra *et al*. (2015) but partially support Gorynia *et al.* (2015) and support Radło (2012). A similar institutional framework differentiates them from EEMs aiming for institutional arbitrage (Boisot and Meyer, 2008; Xia *et al.,* 2014; Cui *et al.,* 2014).

The second research question is directed at the employment of competitive advantages in PSE company OFDI in advanced economies. EEMs have often been found to suffer from high levels of environmental uncertainty abroad due to unfamiliarity with local customs and regulations (Luo and Tung, 2007; Madhok and Keyhani, 2012; Cuervo-Cazurra and Ramamurti, 2015; McCarthy and Puffer, 2016; Panibratov *et al.,* 2018), which has also been reported in PSEs (Meyer and Peng, 2016; Kostova and Hult, 2016; Jaklič *et al.*, 2018; Trąpczyński and Gorynia, 2018; Panibratov and Klishevich, 2020). However, Slovene companies in Germany show high institutional familiarity and do not suffer from uncertainty based on the EU membership as a CSA, which the common socio-political framework as well as cultural proximity, while liabilities of origin, emergingness and foreignness were also not detected. This sharply differentiates them from other EEMs, e.g. from East Asia (Luo and Tung, 2007, 2018; Ramamurti, 2012) or Africa (Luiz and Barnard, 2022). Although the EU entry has had major implications for some PSEs' access to developed markets, as observed by Gorynia *et al.* (2015) and Jaklič (2016), it did not immediately spur OFDI in our cases. We see OFDI concentration within our cases at the beginning of the transition process until 1996, supporting the findings of Jaklič (2016). The EU's supranational institutional framework works as a facilitator but not as an immediate creator of intra-European OFDI. Within the EU, host location advantages seem to lose their power to attract intra-EU OFDI from PSEs because of strong institutional similarities and close distances. This may be the reason behind Jaklič's (2016) observation that Slovenian OFDI did not increase as intensively as expected after the EU accession. Nevertheless, our PSE cases' OFDI benefits greatly from socio-political-economic linkages, such as the common membership of a single market or supranational associations as CSAs, as suggested by Buckley *et al.* (2014) and showcasing the relevance of supranational institutions as contextual factors, supporting Becker-Ritterspach and Fourati (2021) as well as Hartmann *et al.* (2022) and Trąpczyński *et al.*, (2022).

Thus, **Proposition 2** regarding PSE liabilities, and a lack of CSAs, does not equip us to describe Slovene PSE companies in advanced economies. PSE companies may employ significant CSAs despite lacking the CSA of a large domestic market. Slovenian companies strive to make use of their advantages and are not primarily defined by their deficiencies and liabilities, as the emerging economy literature suggests. Slovenia also provides EEM location advantages such as lower production costs than advanced economies (Fey *et al.*, 2018), but also offers advanced economy traits such as highly skilled labour (Dunning and Lundan, 2008). For lower labour costs, the PSE case companies enter other CEE markets, which supports the findings of Gorynia *et al.* (2015). Despite high-skilled labour, technological know-how, and institutional similarity driven by EU membership, Slovene companies lack domestic customers for their specialised and high-technology products.

PSE companies combine their CSAs with FSAs based on strong technological knowledge or capabilities, which enables our manufacturing cases to enter advanced markets, as suggested by Panibratov *et al.* (2018). They are not merely cheap suppliers but possess FSAs. This supports the relevance of such FSAs for OFDI, as suggested by Brouthers *et al.* (2008) and Slangen and Hennart (2007). Slovene companies have been found to act as innovators with high-quality products and services as well as competitive pricing. Our findings are in line with the broad consensus on the relevance of networks and networking ability in OFDI from PSEs (Musteen *et al.*, 2014; Jindra *et al*., 2015; Trąpczyński and Banalieva, 2016; Trąpczyński, 2018; Sedziniauskiene *et al.,* 2019). We thus suggest the presence of the necessary FSAs for OFDI supporting similar findings from PSEs (Wrona and Trąpczyński, 2012; Nowiński and Criado, 2013; Jaklič, 2016; Trąpczyński, 2018). The CSAs and FSAs we find are in part remnants from socialist times, when Slovenia was an industrialised part of Yugoslavia, with internationally renowned state-owned companies as predecessors of several case companies (Bučiūnienė, 2019). The presence of such ownership advantages indicates the applicability of the eclectic paradigm to PSEs (Dunning 1998, 2000) and **supports Proposition 3**. Thus we cannot support the findings of EEMs lacking competitive advantages driving springboard activity (Luo and Tung, 2007; Xia *et al.*, 2014; Knoerich, 2019) which was supported by Jaklič *et al.* (2018) for PSEs.

In contrast to other EEMs (Luo and Tung, 2007; Knoerich, 2019), our findings, except for Investor 1, are also consistent with Zapletalová's (2015) findings that the OFDI of PSE companies happens at a low speed. Thus, **Proposition 4** only explains the behaviour in one case and not the other PSEs. This supports the lack of applicability of the springboard approach (Luo and Tung, 2007, 2018). Albeit slowly, eight of our cases leapfrogged to an advanced economy as their first foreign direct investment, which is in line with the springboard approach, supporting the applicability **of Proposition 5** (Luo and Tung, 2007).

2.7 Conclusion

The CSAs and FSAs we find are, in part, remnants of an industrialised tradition from socialist times coupled with access to the EU common market and the stabilizing supranational institutional framework of the EU. The EU acts as a double-edged sword as it eases internationalization but also reduces the necessity for OFDI. Based on such support and the considerable time to access international markets, PSE companies develop motives and competitive advantages, which thus far have been associated with advanced economy multinationals. Those motives and the OFDI behaviour may echo in other PSEs, especially within the European Union. In line with Welch et al. (2022), our findings also imply that context should be taken seriously in EEM research to identify contextual factors, motives, and competitive advantages relevant to OFDI. We suggest that PSEs, due to their long-standing tradition of trade within the Eastern Bloc as well as over thirty years of experience in global trade, are at a turning point from typical EEM demand-driven OFDI to advanced economy exploitation of advantages abroad.

Our findings have theoretical implications as they alter our view of the existing divide in OFDI theory, which we thereby move forward. EEMs from PSEs possess the necessary capabilities traditional theory suggests, while still suffering from EEM liabilities and are thus seeking markets and not assets abroad. Consequently, neither the advanced nor the emerging economy theoretical perspective equips us with fully satisfactory explanations, but the eclectic paradigm bears more explanatory power than the springboard view for PSEs in advanced economies. We present arguments for changing the narrative from purely deficiency-driven asset and resource-seeking motives in PSEs, as emerging economy theories suggest, and towards embracing that they are internationalising to where opportunities arise. This kind of behaviour may be present in other emerging economies apart from the BRICs.

As a practical implication for PSE companies, our findings highlight the need to develop firm-specific advantages based on innovation and service orientation to penetrate advanced economies. The reliance on supplying intermediate products and collaborative innovation creates a fragile dependency on international manufacturing customers. This has enabled international network expansion but may become unsustainable as soon as more cost-efficient suppliers emerge. The next step for PSE companies should be to escape the anonymity of unbranded intermediate products in the shadows of advanced economy industrial giants by investing in brands and stronger visibility for consumers. Some of our case companies have entered this path, and their international success is a good example of the rising confidence in PSE companies supported by the EU framework. Trade is eased enormously within the EU, which is why joining supranational entities bears the power to alleviate some of the most pressing hurdles for PSEs and other emerging economies as it may reduce the liabilities of origin, foreignness and emergingness.

This study is limited by its case study approach, which cannot claim full applicability of our results to all Slovene or PSE foreign investors. Despite their similarities, PSEs, like emerging economies in general, do not constitute a homogeneous group. Consequently, generalisations should be derived with caution and take local contexts into account. Further research on OFDI from PSEs could highlight similarities and differences among countries in the region and could provide more insights into their relations with other advanced and emerging economies. It will also be fruitful to examine whether other emerging economies develop similar motives and capabilities after some thirty years of involvement in global investment. Additionally, PSE OFDI in non-European target markets might present itself very differently, which represents another research avenue. OFDI within trading blocs and socio-economic unions is a topic that has not been sufficiently explored in relation to EEMs in general. Our finding that such frameworks make FDI less urgent could be tested and confirmed by large-scale studies on EEMs. We urge that historical and institutional contexts be taken seriously in these efforts to test the limits of theory and to do justice to the complexity and diversity of emerging markets.

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Appendix for Chapter 2

Table 7: Code system for Chapter 2.

List of Codes	Frequency
Export	3
Export\No need for Subsidiary	3
Export\No Success of FDI	2
Export\Little Geographic Distance	6
PSE Specificities	0
PSE Specificities\Lack of Branding	4
PSE Specificities\Importance of language	10
PSE Specificities\Collaborative innovation	6
Springboard	0
Springboard\Leapfrog OFDI	8
Springboard\Rapid OFDI	1
Springboard\Following Customers	9
Springboard \Liability	1
Internalization	0
Internalization\Sales Subsidiary	8
Internalization\Production Subsidiary	1
Internalization\HQ Value driver	7
Internalization\Post box company	2
Internalization\Logistics Subsidiary	1
Internalization\Subsidiary is mandatory / key	5
Host Location	0
Host Location\Resources Seeking	0

Host Location\Asset Seeking	2
Host Location\Efficiency Seeking	1
Host Location\Market-Seeking	11
Host Location\Market-Seeking\Most important market	9
Host Location\Market-Seeking\Big target market	11
Host Location\Market-Seeking\Small home market	6
Host Location\Resource Seeking	0
Cultural similitude	10
Firm-specific Advantage	0
Firm-specific Advantage\Sustainability and Certificates	15
Firm-specific Advantage\Good Reputation	3
Firm-specific Advantage\Competitive pricing	6
Firm-specific Advantage\High Quality - Lower Quantity	13
Firm-specific Advantage\Service	12
Firm-specific Advantage\Technological premium R&D	12
Country-Specific Advantage	0
Country-Specific Advantage\EU institutional similarity	9
Country-Specific Advantage\Education in Engineering	6
Country-Specific Advantage\Lower labour costs than target	6

3 Control and its Perception in CEE Parent Companies and their Developed Market Subsidiaries

3.1 Introduction

The control of subsidiary practices by the parent company presents a classic area of tension within multinational enterprises (MNEs) (Andersson/Forsgren, 1996; Asakawa 1996; Kostova/Roth 2002; Ahworegba 2018). The dynamics of the parent-subsidiary relationship manifest themselves in perception gaps and subsidiary control issues (Andersson/Forsgren 1996; Birkinshaw et al. 1998; Paterson/Brock 2002). Current knowledge on perception gaps and subsidiary control originates from research on MNEs from advanced economies (Wang et al. 2014), in which well-developed institutions present stable business environments (Dunning 1988). However, institutions in emerging economies are less stable and advantageous for doing business. This creates a situation in which emerging market firm (EMF) parents and their subsidiaries in developed countries are embedded in very different institutional environments (Kostova/Roth 2002; Demirbag et al. 2007; Tempel/Walgenbach 2012; Wang et al. 2014). This institutional duality has been identified as the main source of divergent perceptions (Asakawa 1996; Birkinshaw et al. 2000; Kostova/Roth 2002; Chini et al. 2005). Despite an obvious deficit, research on subsidiary control and perception gaps has mostly neglected EMFs and their foreign activities in developed markets, the so-called south-north investment, even though EMFs have been rolling out control mechanisms to their subsidiaries abroad for more than 20 years (Nuruzzaman et al. 2020).

To fill this gap, we applied Harzing's (1999) typology of control in EMFs to detect whether perception gaps between EMFs and their developed market subsidiaries arise with regard to the control of subsidiary practices, specifically regarding headquarters (HQ) mandates on the execution of human resource management (HRM) and corporate social responsibility (CSR) practices in the subsidiary. We employ Chini et al.'s (2005) and Asakawa's (2001) findings regarding the influence of institutional context on perception gaps. To achieve a holistic view of the control relationship within EMFs and contextual determinism, we include parent and subsidiary perspectives (see Seus 2021). We thereby aim to advance research on control and perception gaps by extending the scope towards EMFs and their international activities. To expand the focus on perception gaps presented by Birkinshaw et al. (2000), we check whether perception gaps among the controlling and controlled entities exist not only regarding the role but also regarding the asserted control of practices. We do so by answering two research questions.

(1) *How is parent control perceived at the EMF headquarters and the subsidiary and do control perception gaps arise?*

(2) *How do institutional duality and market hierarchy influence control perceptions?*

We examine parental control of HRM and CSR practices qualitatively by applying a case study approach to EMFs from Central and Eastern Europe (CEE) and their developed market subsidiaries to address institutional duality. We aim to identify parent company interference at the subsidiary level concerning HRM and CSR practices and whether this leaves a perception of being tightly or loosely controlled by the headquarters in the subsidiary, that is the subsidiaries' control perception. Compared to the subsidiary's control perception, we check whether the parent's perception of how much they interfere with the subsidiary's practices, the headquarters' control perception, is aligned with the subsidiary's perception, or whether a control perception gap arises. Thus, a control perception gap is defined as conflicting perceptions between the parent and subsidiary in terms of the extent to which the parent determines subsidiary practices.

Our study provides an overview of the concept of perception gaps and parent control, followed by their contextualisation through a new institutionalist framework based on institutional duality and Scott's pillars (2001). This leads to a methodology based on Yin's (2014) case study approach to identify control perceptions in subsidiaries and parent companies. We find control perception gaps and strong contextual influence, which we discuss based on the relevant literature. The study closes with a conclusion, limitations, and suggestions for further research.

3.2 Literature Review

3.2.1 Parent-subsidiary Perception Gaps

We follow Birkinshaw, Hood, and Jonsson (1998:224) in defining MNE subsidiaries as "any operational unit controlled by the MNE and situated outside the home country". While Taggart (1998:663) describes foreign subsidiaries as "ganglia to impulses sent downward through the bureaucratic nervous system", other scholars find that subsidiaries often act on their behalf within certain constraints (Birkinshaw et al. 1998, 2005; Dörrenbächer/Gammelgaard 2011; Tempel/Walgenbach 2012).

An important element of the parent-subsidiary relationship is the different roles that subsidiaries fulfil within the MNE (Schmid/Daniel, 2009). Subsidiaries with a strategic role are preferably given the power to make strategic and operating decisions on their own (Mellahi et al. 2016). In contrast, subsidiaries with less important roles tend to tolerate more control from the HQ (O'Donnell/Blumentritt 1999). Birkinshaw et al. (2000) treat the subsidiary's role as a construct emerging from constant negotiations between the HQ and the subsidiary. Actions and corresponding reactions send a strong signal about what the HQ and the subsidiary think about the role the subsidiary should play, constituting perception gaps between both. According to Birkinshaw et al. (2000), three forms of role perception gaps arise: subsidiary overestimation, where subsidiary management overestimates its role in relation to HQ; similar perceptions of the subsidiary role where there is no gap; and HQ overestimation, in which subsidiary management underestimates their strategic role in relation to HQ. When HQ managers have limited knowledge of the subsidiary, it encourages them to increase their level of control over the subsidiary. Based on this, Birkinshaw et al. (2000) suggested a vicious circle of perception gaps leading to intense control, resulting in cooperation problems that create even greater perception gaps.

The literature presents further studies on parent-subsidiary perception gaps, most of which focus on their consequences. Holm et al. (1995) examine the perception gap between HQs and subsidiaries arising through local business networks regarding the development of technology and business knowledge. A more recent study by Chen and Tsou (2020) found that subsidiaries should focus on cooperation to incorporate their abilities into the MNE and improve the parent-subsidiary relationship. Seus (2021) links perception gaps to team cognition and bases them on fundamental differences in the understanding of the task and the teamwork environment.

Asakawa (1996) examined foreign research and development managers and their Japanese HQ managers, focusing on autonomy and control tensions, specifically the discrepancy in the degree of subsidiary autonomy and control perceived by parents and subsidiaries. (Asakawa 1996). According to Asakawa (1996, 2001), autonomy-control tension is the result of tension between the different institutional environments of parents and their foreign subsidiaries. Based on that, Chini et al. (2005) focused on the link between a subsidiary's strategic environment and perception gaps. They provide evidence that certain strategic environments bear a higher risk of perception gaps regarding subsidiaries' autonomy.

3.2.2 Parent Control

As highlighted, control is a central element in the perception gap literature, either as the source (Asakawa 1996, 2001; Chini et al. 2005) or as a result (Birkinshaw et al. 2000) of perception gaps. A long tradition of literature that focuses on MNEs has produced various types of control mechanisms. According to Ouchi (1977), behaviour and output are organisational phenomena that can be monitored and evaluated well by the HQ. In his seminal work, Child (1973) claims that organisations may choose between direct personal control systems and indirect bureaucratic control systems to monitor output or behaviour. Harzing (1999) aggregated the previous literature, providing a more fine-grained typology than the most prominent threefold of output/performance control, behaviour control, and cultural control presented by Baliga and Jaeger (1984).

Table 8: Types of control according to Harzing (1999).

	Direct/Explicit	Indirect/Implicit
Personal/Cultural	Personal centralised	Socialisation and networks
Impersonal/Bureaucratic	Bureaucratic formalised	Output

First, personal centralised control means that decisions are made at the HQ, and their execution is ensured by direct personal control methods such as surveillance and direct supervision. In the MNE context, personal or direct control also involves placing trustworthy personnel from the HQ in key positions. Second, bureaucratic formalised control aims to control subsidiary employee behaviour through the formalisation of rules and procedures. Control through socialisation and networks, a third form of parent control, focuses on the transfer of HQ norms and values. Finally, there is output control, in which outputs are aligned with the targets set by the HQ. Harzing's findings applied to several countries are shown in Table 2.

Table 9: Control types used by companies from developed markets (Harzing 1999).

	Japan	USA	Germany	Sweden
Personal centralised	medium	medium	very high	low
Bureaucratic formalised	low	very high	medium-high	medium
Socialisation and networks	low	medium	medium	high
Output	very low	medium	high	medium
Expatriates	very high	very low	high	medium

Expatriates are often employed to execute behavioural and cultural controls either directly or indirectly (Harzing, 2001). Using Harzing's typology, Legewie (2002:909) finds that "Japanese MNCs (multinational companies) employ large numbers of expatriates in their overseas subsidiaries and strongly rely on them to control and coordinate their overseas activities". Applying Harzing's (1999) typology not only at the business unit level but also at the practice level, Schmid et al. (2016) find that MNEs from Germany centralise planning and the control of marketing activities and coordinate via direct personal supervision and informal communication. To our knowledge, Harzing's typology has not yet been used in emerging market research. Consequently, exploring the types of control EMFs assert on their developed market subsidiaries is novel.

3.2.3 Institutional Context

In our study, we treat multinational EMFs as a single dispersed entity whose entities are embedded in multiple and shared contexts, both internal and external to the organisation (Kostova/Roth 2002; Cuervo-Cazurra et al. 2017). International Business literature has demonstrated that the international operations of MNEs bring at least two institutional contexts into interaction (Bartlett/Ghoshal 2002). These are the institutions in the home and host countries of the MNE (Kostova/Roth 2002; Tempel et al. 2006). The resulting institutional duality leads to the exposition of MNE subsidiaries to dual institutional pressures stemming from the parent company and their home market pressures, as well as the host country context. While the parent and its expectations are primarily influenced by the institutional home country context, the subsidiary's practices are also expected to gradually become homogenous or isomorphic with the host country context (Kostova/Roth 2002; Tempel et al. 2006; Ahworegba 2018). Consequently, institutional duality is a key management issue in sustaining harmony in the relationship between the parent and its subsidiaries, as well as between subsidiaries and their host countries (Ahworegba 2018).

Following Scott (2001), the institutional context is shaped by supra-individual social entities causing social as well as organisational phenomena that cannot be directly ascribed to individual attributes or actions, but to external controls on individual and organisational behaviour. Scott introduced the concept of social institutions in each country influencing organisational behaviour through a combination of cultural-cognitive, normative, and regulative factors (Scott 2001). According to Scott (2001), regulative institutions represent the rules of the game, which consist of written and unwritten codes such as laws and regulations, as well as enforcement mechanisms. Normative institutions are norms and values that structure actions and societal aspirations and define legitimate means to accomplish them (Scott 2007). Cultural-cognitive institutions can be understood as conceptions shared throughout a social environment in which meaning is constructed through interactions and subjective interpretations (Scott 2001). We use Scott's institutional pillars to determine whether HRM and CSR practice implementation is influenced by institutional duality and how this relates to subsidiaries' perception of control. Combining the perception gap, control, and institutional context, we deduct several propositions for our subsequent study on control within EMFs from the current state of literature.

3.3 Propositions

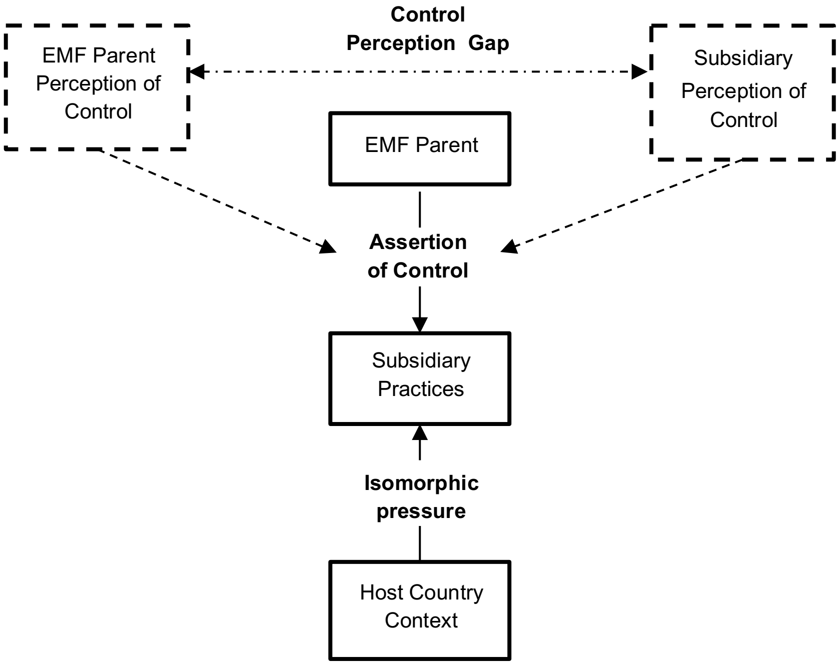
Research shows that MNEs from different contexts exert different types of control over their foreign business units (e.g., Chow et al. 1999; van der Stede 2003). Nevertheless, findings on the control of EMFs and their contexts are scarce. For example, Patel et al. (2018) found that Indian MNEs in Australia rely on expatriates to transport their corporate culture as their main mechanism of control over their subsidiaries in developed countries. Chang et al. (2009) found that the UK-based subsidiaries of EMFs from Taiwan were intensively controlled. Mellahi et al. (2016) found Brazilian EMFs to exert intense bureaucratic control via centralised and standardised performance management systems in their subsidiaries in a Western style. Absent from these discussions are the experiences and conduct of CEE firms acting in developed economies; yet, understanding how they control their subsidiaries is of crucial importance to interpret the perceptions of that control.

Proposition 1: CEE EMFs control their developed market subsidiaries intensively via expatriates and bureaucratic control.

Perception gaps concerning parent control are likely to be tense when parent intervention is frequent and intense, and the subsidiary does not have enough decision authority to adapt to local market demands (Chini et al. 2005). Host country institutions affect the level of uncertainty perceived by decision-makers and shape the strategic approaches of investing firms (van Hoorn & Maseland 2016). As described by Asakawa (1996, 2001), the perception gap and resulting autonomy-control tension may be the result of different institutional contexts. This may also be observable at the practice level and may be evident in EMFs controlling developed market entities (see Figure 3).

Proposition 2: Perception gaps between the EMF's HQ and their developed market subsidiaries arise when a controlled practice is highly contextual.

Figure 3: Proposed Model of Control Perception Gaps.



The third proposition is based on studies by Smith and Meiksins (1995), Ferner et al. (2005), and Wilkinson et al. (2014). They suggest that a socioeconomic gap between countries forms dominance perceptions in firms from less advanced countries. The latter experience disadvantages because of the perceived weakness and lack of global dominance of the home country's economy (Wilkinson et al. 2014). Consequently, they appreciate the adoption of managerial and business practices from more advanced dominant markets (Ferner et al. 2005). Similarly, Smith and Meiksins (1995) argue that the hierarchical order between national economies creates dominance effects, whereby firms from countries lower in the hierarchy may perceive an interest in adopting practices from those based in more advanced economies. Their hierarchical position can ultimately give subsidiaries in highly developed markets a feeling of superiority in terms of managerial and technical knowledge over emerging market parent practices. This may lead the subsidiary to refuse to be controlled or to question the legitimacy and viability of managerial practices originating from the HQ.

Proposition 3: The hierarchy between home and host country creates a reverse dominance effect between the EMF HQ and its developed market subsidiary.

3.4 Methodology

The literature on perception gaps primarily applies quantitative methods (cf. Dzikowska 2019), even though qualitative research methods are particularly suitable for investigating social relationships, such as the parent-subsidiary dyad (Flick 2009; for a fruitful application see Seus 2021). Thus, we apply a qualitative methodology to assess the social reality within EMFs and their subsidiaries from the perspective of the actors to check the aforementioned propositions (Flick 2009). According to Yin (2014), the aim of case studies is to understand complex social phenomena and real-life events such as firm and managerial processes. Consequently, our methodological approach is based on Yin (2014) and Mayring (2015), with content analysis integrated into case studies. Thus, a comprehensive understanding of social reality across the investigated parent-subsidiary dyads was generated.

3.4.1 Sampling

Yin's (2014) research design comprises five components: the study's questions, propositions, units of analysis, the logic linking the data to the propositions, and the criteria for interpreting the findings. Based on our research questions, we conducted an extensive literature review on perception gaps and subsidiary control, as presented in the previous chapters, which resulted in the presented propositions.

In the following section, we define the units of analysis: EMFs often suffer from high levels of environmental uncertainty in developed markets due to unfamiliarity with local customs and regulations and a lack of legitimacy in the host country associated with perceptions of weak institutions in the home market (Hoskisson et al. 2000, Thomas, et al. 2007). While recent findings from China have opened up the perception gap literature to emerging markets (Chen/Tsou 2020), knowledge of the diverse field of EMFs is still lacking, particularly regarding EMFs' global activities in developed markets. The Czech Republic is labelled an emerging market in CEE (MSCI Inc. 2019; S&P Dow Jones Indices 2019; FTSE Russell 2020). Consequently, we opted for EMFs from the Czech Republic with established subsidiaries in its neighbouring developed market, Germany, to answer the research questions in a theoretical sampling process (MSCI Inc. 2019; S&P Dow Jones Indices 2019; FTSE Russell 2020). To access primary empirical sources in both countries, we used the Markus Database to find 111 Czech companies with registered entities in Germany as the developed target market. Following Birkinshaw et al. (1998) and Meyer et al. (2020), we focus on wholly-owned subsidiaries. We were left with 35 parent companies, whose contact information was provided in the database to which we sent interview inquiries via email addressed to the managing directors and spokespeople of the subsidiaries. Three companies were selected based on conducting interviews with foreign subsidiary representatives and parent company spokespeople to obtain a balanced picture of the parent-subsidiary relationship and granted access to additional company information. On one hand, the three selected cases are based in different industries and of different sizes and backgrounds to create enough heterogeneity to create variance among our cases. On the other hand, through the parent company's location, as well as their established presence in Germany, they are sufficiently similar to account for a theoretical replication, and we were able to link our data to the propositions. By focusing on three cases, we aim to draw a holistic picture of the social reality of the objects of investigation and their dual contexts (Yin 2014). The following cases of Czech companies with subsidiaries in Germany were examined.

Case 1

The firm was founded in 2012 in Prague and offers consulting services and business-software solutions. The group comprises 15 subsidiaries in total, has about 250 employees, and achieved total revenue of EUR 11 million in 2018 by conducting business in Austria, Switzerland, the Czech Republic, Germany, Finland, Hungary, Poland, and Sweden. Market entry to Germany was conducted as a greenfield investment, culminating in the foundation of the subsidiary in 2019 as in addition to existing subsidiaries in Hungary and Poland. The firm faces much higher competitive pressure in Germany with 36 competitors, whereas, in the Czech Republic, they only rival six competitors and enjoy a leading market position.

Case 2

The second case company, founded in Prague in 1993 as a family business, is a specialised wholesaler and producer of chemical and electronic car accessories, barbecue equipment, and machinery fluids. During their early years, their activities focused on the distribution of major European brands throughout the Czech Republic. At the end of the 1990s, the firm started to source products in Asia and distribute them via local channels using its own branding. Sales are conducted primarily via gas stations, hardware stores, supermarkets, and online platforms. In 2010 and 2016, the company integrated the two brands in upward integration. Case company 2 has six subsidiaries in their corporate family and employs around 100 employees across the Czech Republic, Slovakia, and Germany, and achieved a revenue of approximately EUR 30 million in 2019. The German market was entered via greenfield investment through a sales subsidiary in 2015; this was the company’s second international expansion after entering Slovakia in 2015.

Case 3

The third case study was conducted in an investment group established in 1994. The group reported assets of 11.2 billion Euro in 2019 and the total comprehensive income was 270 million Euros in 2019. They specialize in long-term investments in healthcare, media, manufacturing, retail, and financial services, and are also active in the real estate branch as well as in greenfield and brownfield investments. The Group established the HQ in the Czech Republic in 2001 and since then has acted as a Czech-Slovak-governed firm. Company 3 employs approximately 200 people in the HQ and almost 37,000 people worldwide through its portfolio of companies. They entered the

German market in 2012 through the acquisition of a 75 % stake in an automotive company founded in 1926. Subsequently, the stake was increased to become a wholly-owned subsidiary. While the production and global HQ of the German subsidiary are based in Germany, they own subsidiaries in the US, Mexico, China, India, France, the UK, and Italy. The subsidiary currently employs around 800 people worldwide, of whom 530 work in Germany. By the end of 2020, the bankrupt subsidiary had been sold to a competitor.

3.4.2 Data collection

Yin (2014) recommended that case study research should be based on multiple sources of evidence that converge in a triangulating manner. He suggests that researchers utilize different evidentiary sources, such as documentation, archives, interviews, direct observation, participant observation, and physical artefacts, as each has its specific disadvantages and advantages. Based on these suggestions, we chose to triangulate by applying different data collection methods, that is, semi-structured interviews and document analysis, as well as data sources, that is, spokespeople from the parent company and subsidiary, as well as company publications and media sources. We collected data through the MARKUS database, corporate communication, press reports, and in-depth interviews, facilitating an in-depth view of the three HQ-subsidiary dyads (see Appendix). The interview partners were selected according to their ability to provide information on the research questions. We chose to conduct interviews with the executive managers of the German subsidiaries as well as market managers, if applicable, or the CEO of the Czech parent company to receive a holistic view of the dyadic nature of the research objects and their independent, but interdependent, interests (Seus 2021). The interviews took place from September 2019 to February 2020, with a duration of 35–70 minutes, and were conducted in person as well as via video conferencing. We relied on semi-structured interviews to increase replicability and objectivity. We asked questions regarding the general socio-demographic characteristics of the interview subjects, such as gender, family status, and nationality, as well as biographic information such as education, company tenure, position, and international experience. The core focus was on questions regarding HRM practices including employee empowerment, training measures, quality management tools, and diversity and inclusion practices, and included questions on CSR practices, all of which focused implicitly on parental practice control. Additionally, questions on perceived cultural differences and the control relationship were asked. To avoid linguistic hurdles, the interviews were conducted in English, Czech, or German, depending on the interviewee's preferences. All interviews were recorded and translated by the respective interviewers from German or Czech into English, if applicable, and then paraphrased and transcribed via NVIVO to facilitate discussion and analysis.

We also gathered data from annual reports, company newsletters, company websites in Czech, German, and English, as well as different media outlets, such as local print media articles from Germany (Case 3) and LinkedIn profiles of the companies and the interview partners. We specifically focused on information published on the parent-subsidiary relationship and what secondary information can be found regarding their relationship in the media, such as local newspapers and business networks reporting on the acquisition of a German company. Additionally, information was gathered on company identity, targets, and profile as background information.

3.4.3 Content Analysis

A qualitative content analysis of the data was applied to structure manifest and latent content into categories (Mayring 2015). We filtered and assessed the material using previously defined classification criteria (Mayring 2015). A structuring deductive categorisation of content based on Harzing's (1999) types of control and Scott's (2001) pillars of institutions was applied. The questionnaire did not explicitly ask for perceptions of control, but implicitly asked for different managerial practices, who was driving them, and how the footprint of the subsidiary was evaluated. From these questions, deductive categories were designed to include statements regarding the central latent concepts of control and control perception to be able to answer the research questions and increase the transferability of the results. Additionally, deductive categories of executive characteristics based on the corresponding questions from the guided interviews (*Age, Sex, Country of Origin, Family Status, Educational Background, Migration background, Current Position, Time in Company, Time in current, position, Study abroad, Work abroad*) for sociodemographic information were applied.

The information gathered through interviews and additional sources was subsequently structured according to the resulting theory- and question-based categorisation with the help of relevant sample quotes in Microsoft Excel. To ensure intersubjectivity and to increase objectivity, this was done by one author from a German background before the other author from a Czech background checked the material and its coding. The structured segments, in our case, the basis of analysis was at the sentence level, were then interpreted together to ensure objectivity and to extract the main messages of the categories in order to be able to answer the research questions.

3.5 Results

Across all three parent companies, the people responsible for the subsidiary are home country nationals and the German business unit executives are host country nationals. The subsidiary managers were all 45 years or older and married with children, while the two HQ market managers were under 45 and single without children, with one older than 45 and married with children.

3.5.1 Control of HRM and CSR Practices

In the following section, we describe the HRM and CSR practice mandates. In Cases 1 and 3, both parent companies required their subsidiaries to introduce employee quality management (EQM) tools even though the HQ had not implemented them at home to keep track of performance. In contrast, Case 2 did not implement quality management tools in either the HQ or the subsidiary, the reason for this was the direct reporting of the subsidiary manager to the CEO and their personal connection, which left no need for institutionalised EQM.

The ability to use CSR practice as a reflection of parent-subsidiary relations depends on whether we refer to value or practice. All HQs and their subsidiaries supported CSR. The subsidiaries of Cases 1 and 2 lacked CSR measures, and the HQ felt no need to engage in the local community before the subsidiary yielded more revenue, despite having CSR measures in place at the firm level (Chapter 3 Interviews 1, 2, 4, and 5). The subsidiary in Case 2 expressed a wish to engage in local CSR measures. The subsidiary in Case 1 stated that it was urged to focus on revenue and did not have time to worry about CSR. In Case 3, CSR measures were in place in the subsidiary until they were repealed because of pressure from the HQ. However, the CSR measures were applied at the HQ level. This led to frustration at the subsidiary level due to the loss of established local connections.

Employee training measures in the Case 3 subsidiary were abolished by the HQ, despite being a vital component at the HQ level, where each employee can spend 6 % of their salary on training.

> "*For many years we had a leadership and talent management program, but now we have to focus on numbers so much that we don't have anything like that anymore*" (Chapter 3 Interview 7).

Similarly, in Case 2, the German subsidiary does not offer training, whereas the headquarters do. In Case 1, the local subsidiary does not offer its own training, but each employee must go to the HQ to receive training (Chapter 3 Interview 2).

Regarding staffing decisions, Case 3 changed the top management team of the German subsidiary several times.

> "*In terms of the manager, like his style or something, we don't impose anything, the vision for the company we have, of course, he goes through an interview process. If we like him overall, then, of course, we select him. Their manager has failed as he has tried to change. We rather changed the CEO himself or herself.*" (Chapter 3 Interview 6).

The firm also confirms that it would like to exercise full management control over its subsidiaries abroad to reach its profitability goals, and it did not trust the local firm's management, which was in place before the acquisition. When Case 3 acquired its German subsidiary, the Prague-based investor publicly claimed in the local newspaper that the acquisition would not affect employees or strategy. Nevertheless, a firm-wide value-raising programme was rolled out with the support of an automotive consulting firm, resulting in an almost completely new leadership structure and personnel at the firm one year after the acquisition (Newspaper Coverage). Apart from top-level management, the HQ claimed to not interfere with staffing decisions in the subsidiary; however, the subsidiary claimed that HQ staffs every key position. The CEO of the subsidiary was replaced by HQ one year after the acquisition. Case 2 stated that their goal was to "*create and stabilise a local structure through a close control and personal relationship, despite hiring local employees*" (Chapter 3 Interview 4). Additionally, across all three cases, the usage of information and communication technology (ICT) is highly encouraged to nurture close contact.

> "*They want us to use everything with regard to modern communication and that can measure the processes, customer relationship management tools, SharePoint, Weflow, everything you can imagine*" (Chapter 3 Interview 7).

In Case 2, the subsidiary manager said:

> "*The owner really likes to use things like Skype, WhatsApp and WeChat even though I prefer the classic telephone calls or meeting in person*" (Chapter 3 Interview 5).

3.5.2 Type of Control

As seen above, most implementation decisions regarding HRM and CSR practices across all three cases are made at the HQ or require consultation. The methods used to control the subsidiaries were also not subtle but rather direct and outspoken. Nevertheless, we noted a complete absence of expatriates in all three cases. However, personal direct control is depicted through employee hiring and firing decisions as well as the placement of trustworthy key host country personnel as subsidiary CEOs in Cases 2 and 3. In Case 1, this was not detectable. However, in Case 1, because all bonifications are based on KPIs, a high level of output control is visible. Output control is also executed to a great extent through weekly all-hands meetings with HQ, where targets are set and practices are discussed. Additionally, socialisation through compulsory training is planned and executed at the HQ (Chapter 3 Interviews 2 and 3). The intensive use of ICT already before the COVID-19 pandemic can be interpreted as a preference for the exercise of impersonal control. Consequently, all three companies engage in impersonal control mechanisms. First, output control through a strong focus on key performance indicators to align subsidiary processes with targets set by the HQ is apparent across all three companies. Due to the abolishment of CSR practices in Case 3 and the strict focus on subsidiaries' revenue and core tasks, output control can be attested across all dyads.

3.5.3 Control Perceptions

In Case 1, the HQ claims that the subsidiary has its own footprint. In contrast, the subsidiary claimed they were made to follow the practices and guidelines of the HQ very strictly.

> There is "*no error culture, errors are failures and result in consequences by the HQ*" (Chapter 3 Interview 2).

This results in the perception that they had to fight for anything done their way, resulting in a clear perception gap. In Case 3, CSR and local training measures were abolished despite opposition from the subsidiary's CEO, who was subsequently removed from his position.

> *"We did a lot, sponsoring half-marathons, renovating the local church organ, different things. In the last years* [after takeover] *we did virtually nothing."* (Chapter 3 Interview 7).

Additionally, the HQ conducts budgeting and monthly budget tracking, which is a clear sign of the extent of output control. Overall, it leads to the subsidiary's perception of limited power, high centralisation, and the feeling of being a mere puppet of the parent company. On the other hand, the parent stated that they would not interfere with daily business and merely steer the subsidiary's strategic decisions to ensure that set goals are reached. While the parent company claims that there is high subsidiary autonomy in daily business, opposing viewpoints create a steep perception gap. The HQ in Case 3 claimed to let managers make decisions on their own; however, the subsidiary revealed that any practices not streamlined as required by HQ were cancelled in line with strict budgeting and financial statement rules.

> "*Small things like you know, changing some employees or accepting some small projects or something, they are fully responsible for the business, and we manage them mostly through the annual budget. So, they have to make the plan for the next year, which change and then we are tracking on monthly basis, how the business is performing. So, this is the kind of management to which we control the business. So, they cannot make anything which is outside our control framework.*" (Chapter 3 Interview 6).

Additionally, they stated that the firm has full management control over its German subsidiary (Case 3 Annual Report, 2019). In Case 2, the subsidiary executive stated:

> "*The exchange is very tight, and I inform him [the parent company CEO] daily about what's going on, he's informed about every decision, […] he's the owner, he's the decider.*" (Chapter 3 Interview 5)

He must pitch his ideas regarding management practices, which are mostly accepted (Chapter 3 Interview 5). Decisive power is always in the hands of the CEO, resulting in a perception of high personal-direct control. The subsidiary executive is in constant and direct contact with the CEO about the sales figures, as they count the most, indicating a high extent of output control. The parent states that the HQ does not make decisions regarding management practices. (Chapter 3 Interview 4). The subsidiary executive is not perceived to be excessively controlled compared to the other cases, which is attributed to the close personal relationship between the subsidiary executive and the company CEO. Thus, personal relationships affect the perception of subsidiary control.

> "*It's a question of trust and trust is given on both sides and that's an important basis to work together*" (Chapter 3 Interview 5).

Table 10: Subsidiary perspective on EMF control type.

	Case 2	Case 1	Case 3
Personal centralised	Medium-high	Medium	Medium-high
Bureaucratic formalised	Low	Medium-High	Medium-High
Socialisation and networks	Low	Medium	Medium
Output	High	Very high	Very high

Table 11: Parent perspective on EMF control type.

	Case 2	Case 1	Case 3
Personal centralised	Low	Low	Medium
Bureaucratic formalised	Low	Low	Medium
Socialisation and networks	Low	Medium	Low
Output	Medium	Medium	High

3.5.4 Manifestations of Institutional Duality

Case 1 HQ named the strict employment protection regulations in Germany as a problem. They despise German regulations and attempt to avoid those regulations.

> "*We Germans have rules and mostly stick to it; the Czechs aim to find a way to interpret each rule in their favour.*" (Chapter 3 Interview 2).

This, according to the German subsidiary's CEO, hinders business. General data rights protection, for example, is viewed as a significant obstacle by Czech parent companies. Case 1 HQ is trying to circumvent these guidelines because they are uncommon in the Czech Republic and are seen as overprotective and strict (Chapter 3 Interview 2). To be able to deliver a good performance regarding key performance indicators (KPI), the German subsidiary deviates from the HQ's stance, since in Germany, it is impossible to conduct business without adhering to the data regulations as well as German business law (Chapter 3 Interview 2). The German business unit's deviation from the HQ's stance leads to conflicts, as it is perceived as a lack of cooperation, and having to adhere to the HQ creates a loss of power on the subsidiary side. German law's prohibition of cold calls creates a specific area of conflict between the HQ of Cases 1 and 2 and the subsidiary's host country (Chapter 3 Interview 1). The HQs have expressed frustration at the loss of potential revenue because of this prohibition since "*outcomes* *should precede the rules"* (Chapter 3 Interview 4), whereas the subsidiary managers see them as an unethical way of conducting business and feel forced to behave unethically, resulting in a perception of being controlled (Chapter 3 Interview 2).

In the Czech Republic, working long hours and being available to the company anytime means being grateful for a good job, which all employees in Cases 1 and 2 were expected to feel like (Chapter 3 Interviews 1 and 5). In contrast, free time is valued much more in Germany, which creates a normative difference (Chapter 3 Interviews 3 and 5). Vacation is seen as a right and sought after in Germany. When the HQ wanted to offer subsidiaries only the bare minimum of holidays required by law, the German business units strongly opposed the control intent to hinder the lack of employer attractiveness. Their reasoning was based on the national labour market context:

> "*60 % of the companies offer 30 days or more, […] it starts with the wage and ends with benefits.*" (Chapter 3 Interview 2).

The stricter German labour law provides more free time and vacation to employees, resulting in a regulative struggle. German employees expect time for self-actualisation and high salaries compared to the HQ:

> "*The topic work-life-balance is something the Czechs haven't heard about apparently, […], which is something the younger generation wants in Germany and what companies need to advertise here*" (Chapter 3 Interview 3).

These expectations are paired with a significant amount of vacation time and lower working hours, which generally cause irritation in the Czech HQ and a fight for power in the subsidiaries. Additionally, sick leave is paid for only three days in the Czech Republic, whereas German law requires continued payment for six weeks (Chapter 3 Interview 3). The HQs expressed disbelief, and the subsidiaries had to fight to adhere to local regulations because otherwise they either would get in trouble or would not be able to find suitable personnel (Chapter 3 Interview 2). In general, all subsidiary executives named the cultural differences and ignorance of HQ regarding the local way of doing things to be the main cause of conflict in the HQ-subsidiary relationship, whereas the HQ representatives saw many cultural similarities.

3.6 Discussion

To answer the first research question, we found that in all three investigated cases, the overall perceived EMF parent control in the subsidiaries of Czech companies in Germany was high. In the HQs in the Czech Republic, the perceptions included an acknowledgement of high control of strategic matters and the feeling of little interference with daily business. This results in a significant perception gap regarding the extent of control, which affects the perceived subsidiary decision-making power and negatively affects the relationship between the HQ and the subsidiary.

We find that Czech EMFs control differently compared to Harzing's findings in developed markets. Czech companies show a stronger focus on output than developed market companies do, and no expatriates were utilized, on which developed markets and other EMFs relied on. Overall, the cases exerted low bureaucratic control and only medium socialisation and networks, as well as medium personal control. Our results demonstrate that the subsidiaries feel very intensively controlled, while HQ is under the impression that they only interfere when necessary to keep the business on track. Interestingly, these findings coincide the most with German MNEs in Harzing's (1999) sample, indicating that EMFs employ control similarly to how the target market companies act abroad. This suggests an adaptation to local control practice, even though this seems to happen subconsciously since no statements regarding a conscious adaptation to local practice in that regard were detected.

We also find that **Proposition 1** partially describes our cases' behaviour, because the Czech EMFs control their developed market subsidiaries quite intensively from the subsidiaries' perspective, while parents' perception indicates much less control. Our findings coincide with results from Taiwanese MNEs' UK-based subsidiaries (Chang et al. 2009) confirming extensive control by EMFs. In contrast, the findings of Mellahi et al.

(2016) on bureaucratic control by EMFs do not fit our case companies. The findings of Patel et al. (2018) on EMFs' use of expatriates can also not be supported, and thus the latter part of the first proposition does not fit our findings. Along the same lines, our findings do not coincide with the employment of expatriate control in developed market Japanese companies identified by Legewie (2002). Constituting the notions that CEE EMF control of developed market subsidiaries is very particular in nature.

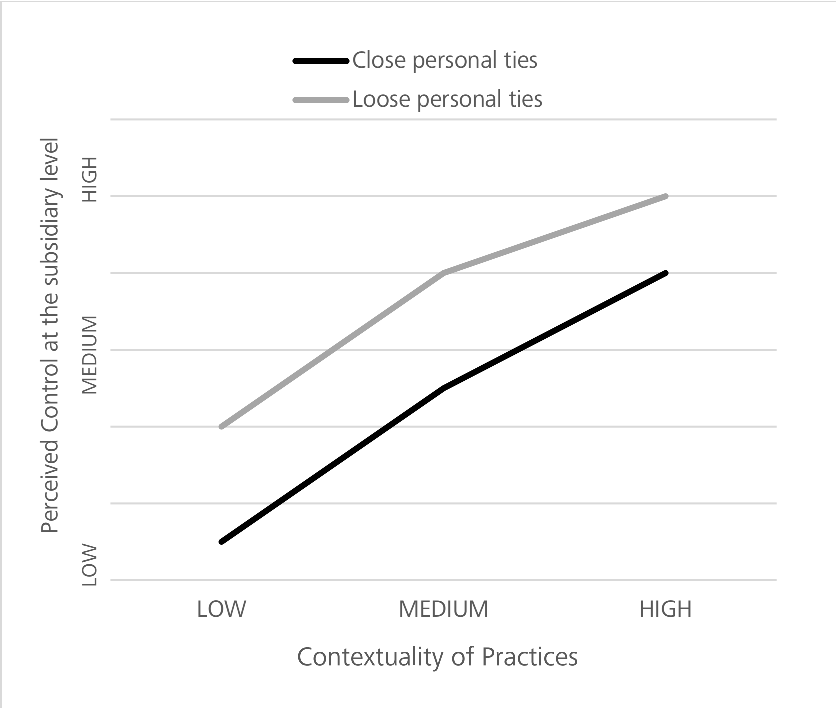
We also find significant control perception gaps between the HQ and its subsidiaries in Germany regarding HRM and CSR practices. Birkinshaw et al.'s (2000) forms of perception gaps can be applied to the control perception gaps identified in our study. Subsidiary overestimation with regard to control means that the subsidiary perceives to be controlled more strongly than the parent who perceives to control the subsidiary less strongly. This form of perception gap was identified across all three cases in our study. The second form would have similar perceptions of subsidiary control where there is no gap, which cannot be supported in our cases because the subsidiary feels more controlled than the HQ perceives. The third form, when the parent overestimates the amount of control it asserts, while the subsidiary does not feel controlled intensively, also does not occur in our cases. Birkinshaw et al.'s (2000) forms of gaps based on subsidiary role perceptions can also be transferred to control perception gaps.

As described by Asakawa (1996, 2001), the perception gap and the resulting tension may be the result of different institutional contexts, that is, institutional duality where HQ controls aspirations clash with isomorphic demands for localization in the host market, and subsidiaries are struggling to handle the duality of pressures (Ahworegba 2018). On the one hand, institutional duality triggers the development of subsidiary-specific agendas, providing further evidence for Birkinshaw et al. (2005), Tempel and Walgenbach (2012), and Dörrenbächer and Gammelgaard's (2011) claims regarding the subsidiary's struggle for power. However, it creates a struggle in the parent company to abide by stricter rules in the developed host market against the more liberal and less regulated home market environment.

However, we did not find evidence of a hierarchy effect proposed by Smith and Meiksins (1995), Ferner et al. (2005), and Wilkinson et al. (2014) between the home and host countries, despite the more liberal EMF home market. Thus, **Proposition 3** does not apply to our cases. Nowhere in the data the subsidiary tried to impose the German way on the parent or stated that the EMF parent came from an inferior market position. The subsidiaries struggled for decision-making power to meet the local institutional demands because their isomorphism was contested by the parents' control and precepts, not to impose their practices on the EMF parent in a reverse dominance effect. This leads to the deduction that isomorphic institutional pressure in the host country leads to defiance of HQ control and the implementation of localized practices (Kostova/Roth 2002), which creates a host-country institutional coherence and increased autonomy as opposed to intra-organisational coherence (Li 2005; Schotter/Beamish 2011).

Consequently, the host country's institutions matter a lot. This is visible where isomorphic pressures in the host country are influenced by the practices of the subsidiary, and where parent mandates would have caused deviance from the localized developed host market practice. Then, strong expressions of perceived control at the subsidiary level are detectable, which supports the applicability of **Proposition 2** because the parents did not state a perception of strong control in that regard. However, the closeness of personal ties between the CEO or market manager and the subsidiary manager, as in Case 2, is an inductive element that moderates the effect of control on perceived autonomy but does not rule out the effect of contextuality (see Figure 4 below). Thus, we demonstrate that close personal ties between parent and subsidiary managers alleviate the control perception on the subsidiary side, and consequently, the overall control perception gap.

Figure 4: Perceived Control and Contextuality of practices with and without personal ties.



3.7 Conclusion

We find that Czech EMFs control their developed country subsidiaries in Germany rather extensively, via impersonal and personal control mechanisms. Nevertheless, isomorphic pressure in the developed host market calls for a struggle for power to decide on their behalf in the subsidiaries, risking intra-organisational conflicts. This becomes apparent when we look at the opposing perceptions of the HQ and subsidiaries regarding the control of HRM and CSR practices, which are exceptionally striking when the controlled practices are highly contextual, that is, subject to isomorphic pressure. Yet, well-established personal relationships are a possible means of moderating feelings of constraint at the subsidiary level. We suggest that Harzing's (1999) typology is a suitable framework to research control relations in EMFs and their subsidiaries, due to its fine-grained arrangement.

This study contributes to the theory of HQ-subsidiary relations in general and, in particular, to the relationships of control within MNEs by depicting how CEE EMFs assert control over subsidiaries in developed countries and which perceptions are triggered by that. We advance the concept of perception gaps by widening the scope of their applicability towards control perceptions. In contrast to Birkinshaw et al. (2000), we find that perception gaps exist not only on an overall level regarding the subsidiary's role but also at the level of the control of practices. Additionally, the acknowledgement of the relevance of institutional duality and the influence of personal ties and trust is showcased, supporting the findings of Asakawa (1996) and Chini et al. (2005).

Despite the small geographical distance, personal contact has proven beneficial in Case 2 through a decreased control perception on the subsidiary side and a decreased control perception gap overall. This constitutes the relevance of further research and practical focus on relationship building and highlights the relevance of interpersonal connections in cross-border management in general, and particularly for CEE EMFs trying to enter developed markets.

3.8 Limitations and Future Research

Our study is limited by the fact that a two-country study only offers a glimpse into EMF management control in this specific dyad and its institutional surroundings. Additionally, the case study approach provides insight into specific configurations of parent-subsidiary relations. Therefore, caution is necessary regarding generalisations. Consequently, our findings may be transferred to a broader scale through an increase in sample size and quantitative research in subsequent studies to test our findings. Future research may resort to the application of mixed methods to maintain thoroughness while increasing the generalisability of the results. A fruitful approach would also be a multi-country and comparative approach to even out country-specific effects and to generate regional consistency, for example, across CEE. Our findings regarding Czech EMFs' entry into developed markets with less liberal employee protection standards may resonate in other emerging markets with liberal market economy structures across CEE.

Research building on our findings could dig deeper into other types of practices. It may be fruitful to examine emerging market companies with subsidiaries in developed markets, as this is an under-researched topic in International Human Resource Management. Further research is necessary on the role of discourse and sense-making in the perceptions of control and perception gaps between the HQ and subsidiary. Additionally, personal trust and conflict within the parent-subsidiary relationships of EMFs in developed markets present a research opportunity. Another path of research could focus on the location choices of CEE MNEs in developed markets, since all companies in this study stem from the Czech capital area but choose to reside in small towns across Germany. We subsequently conclude that EMF parent control subsidiary practices present a plethora of unanswered questions despite our interesting findings, constituting a necessity for control perception research.

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Appendix for Chapter 3

Table 12: Overview of data sources for Chapter 3.

Organisation	Industry	Location	Chapter 3 Interview Number	Interviewees	Secondary Sources (No. of Documents)
Case 1 HQ	IT Services	Prague (CZ)	1	Account Manager in the HQ (Male)	MARKUS database, Homepages (3), Press Releases (2), LinkedIn (2)
Case 1 Subsidiary	IT Services	Erding (DE)	2 3	- Executive Manager of the German subsidiary - Executive Assistant in the German market	Newspaper Article (1); LinkedIn (2)
Case 2 HQ	Automotive Retail	Prague (CZ)	4	Founder and Chief Executive	MARKUS database, Homepages (3), LinkedIn (1), Press Releases (3)
Case 2 Subsidiary	Automotive Retail	Lobberich (DE)	5	Executive Manager of the German subsidiary	
Case 3 HQ	Private Equity	Prague (CZ)	6	HQ Investment manager responsible for the German subsidiary	MARKUS database, homepages (3), Annual Report (2), LinkedIn (2)
Case 3 Subsidiary	Automotive Components	Ostfildern (DE)/ Naumburg (DE)	7	Executive Manager of the German subsidiary	Newspaper (2), Press Releases (2), LinkedIn (1)

4 Against all Odds: How the Institutional Context shapes Diversity Management in the Central and Eastern European Oil and Gas Industry

4.1 Introduction

In recent years, global movements have increased the pressure on companies to care about the diversity of their workforce (OECD, 2020; Özbilgin and Erbil, 2021). Thus, reporting on workforce diversity has become an important aspect of a positive corporate image (Johns *et al.*, 2012). However, findings, e.g. by Erdur (2020) or Bader *et al.* (2022), revealed that due to cross-national differences and local sensitivities, diversity management (DM) is often context specific. The pressures to comply with institutionalised diversity expectations may also differ immensely between advanced and emerging or developing economies (Küskü *et al.*, 2021).

During socialist times, women in Central and Eastern European (CEE) countries fared better in positions of power than in the West, while racial and religious discrimination was rampant (Weitz, 2002; Metcalfe and Afaniesseva, 2020). Since then, the CEE countries have taken various directions regarding diversity legislation, activism and acceptance, resulting in distinct national pressures on local companies (Buyantueva and Shevtsova, 2020). This is particularly evident in local diversity issues such as traditional gender roles, same-sex marriage, or reproductive and self-determination rights of women (Morley *et al.*, 2016) accompanied by prevailing xenophobia (Kalmar, 2018). Due to a global convergence of management practices (Pudelko and Harzing, 2007), multinational enterprises (MNEs) from the former Eastern Bloc are putting efforts into westernising their business practices, partially emulating American and Western-European companies (Latukha and Malko, 2019), where diversity management (DM) is an integral part of human resource management (HRM) (Syed and Özbilgin, 2009). Nevertheless, DiTomaso *et al.* (2007) as well as Küskü *et al.* (2021) among others highlight gaps in the literature regarding the context-dependency of DM. We also follow calls to contextualize DM beyond the Western context (e.g. Adams *et al.*, 2021; Erdur, 2020), especially in the challenging diversity contexts in CEE (Babonea and Ciora, 2018; Sliwa and Tobiasz-Adamczyk, 2018; Buyantueva and Shevtsova, 2020) and calls to advance the convergence versus divergence debate in non-Western MNEs (e.g. Paik *et al.,* 2011).

The global Oil and Gas industry is going through immense changes induced by the finiteness of its core resources, changing consumer behaviours, consolidation processes and changes in its workforce diversity (Williams *et al.*, 2014; IEA, 2020). Professional studies which focus on the topic paint a bleak picture of diversity (Rick *et al.*, 2017). Talent is mostly underutilised due to discrimination based on disability, race, or nationality, among other attributes (Rafferty, 2020). Across CEE, Oil and Gas is among the top three industries in revenue (Coface, 2020). Releasing the untapped potential of disadvantaged communities may help organisations (Tatli et al. 2013; Holck et al., 2016), to combat challenges within the Oil and Gas industry and social inequalities in CEE (Amis *et al.*, 2020). Despite its global and regional importance as well as sensitivities surrounding the energy crisis, sustainability, ethics, and diversity (IEA, 2020), diversity efforts in the Oil and Gas industry have received scant scientific attention (for exceptions, see Miller, 2004 and Williams *et al.*, 2014). There remains a major public and scientific interest in the diversity performance of this industry.

Consequently, our research goals are to identify the status quo on DM reporting in the industry as well as the influence of contextual pressures to report on diversity. Our study draws on a multidimensional diversity concept and examines the DM discourse based on a content analysis of corporate communication data from the fifteen largest independent Oil and Gas companies by turnover across CEE. Following Yang and Konrad's (2011) suggestions, we use new institutionalism as the theoretical backdrop to contextualise the respective contextual pressures to report on diversity. We make a distinction between global (etic) categories of diversity, which emanate from dominant Western pro-diversity concepts and local (emic) categories, which emerge from idiosyncratic local concerns such as traditionalist gender roles, controversy over same-sex marriage and abortion (Tatli and Özbilgin, 2012).

4.2 Literature Review

4.2.1 Diversity Management

A Academic support for multiculturalism in organizations has resulted in an ideological shift from corporate homogeneity to diversity (Jackson, 1992). The learning and integration paradigm by Ely and Thomas (2001) urges organizations to encourage employees to utilize demographic and cultural knowledge in the solution of organizational problems. Kossek and Pichler (2006) extend the paradigm, stating that managing diversity may support organizational justice and inclusion, reduce discrimination, and improve competitiveness. A way to combat such underutilization is diversity management, which refers to "policies and practices that seek to include people who are considered to be, in some way, different from the traditional member" (Herring and Henderson, 2011, p. 630). To address diversity through managerial action, organisations resort to a plethora of actions including, among others, inclusive recruitment, mentoring, affinity groups, diversity training programs, formal evaluation to reduce bias, organisational development, and institutionalization of support for underrepresented groups (Williams et al., 2012). The differences among organisational members manifest themselves in various forms. Milliken and Martins (1996) categorize diversity based on observable and underlying attributes. Observable attributes are age, gender, race, and nationality while underlying attributes are personality, education, tenure, etc.. Similarly, Loden and Rosener's (1991) internal dimensions of diversity, which include age, gender and identity, ethnicity, social background or class, religion or worldviews, sexual orientation, as well as physical and mental abilities, have been numerously applied in Western management (e.g., the German Diversity Charter) and research (e.g., Barnard and Mamabolo, 2021; Fitzsimmons et al., 2020).

4.2.2 Institutional Context and Diversity Management

Discourse on diversity must be understood in the social context and institutional framework within which it is defined. One of the most prominent foci in DM research hence is the identification of external antecedents of DM to explain differences. The resistance paradigm propounds that organizations maintain the status quo in the absence of pressure to increase diversity (Dass and Parker, 1999). According to institutional theory, common contexts create pressures on organisations which result in the isomorphism of organisational practises and routines to correspond to institutionalized expectations to ensure their survival (DiMaggio and Powell, 1983; Scott, 2001). In addition to home country pressures, each host country of MNEs presents unique institutional conditions that may differ drastically from the home country (Kostova and Roth, 2002). DM as well as research on DM consequently needs to be context-sensitive (DiTomaso *et al.*, 2007).

Scott (2001) defined institutions as supra-individual social entities that cause social as well as organisational phenomena through a combination of cultural-cognitive, normative, and regulative context factors. According to Scott (2001), regulative institutions create coercive pressure to conform in the form of rules and corresponding sanctions. Normative institutions create pressure in the form of social obligations, binding expectations, and the need for appropriateness of action. Lastly, cultural-cognitive institutions drive mimetic processes through shared understandings and actions as well as common beliefs.

DM research has primarily focused on the influence of government regulation and legislation, whereas knowledge about the interplay of cultural and normative antecedents as well as a combination of all of them is missing (Yang and Konrad, 2011; Küskü *et al.*, 2021). The majority of DM research has been executed in North American or Western European contexts. Woodhams and Corby (2007) show regulative pressure and its significance on the implementation of employer practices regarding employees with disabilities in the UK. Konrad *et al.* (2016) found that Canadian managers tailor DM practices to balance competitive and institutional pressures. Very little is known about companies from emerging markets, though (see Shore *et al.*, 2018). Abdullah *et al.* (2016) suggest based on findings from Malaysia that context plays a role in shaping the impact of female directors on performance. According to Tang *et al.* (2015), the Chinese understanding of inclusion is different and broader than that of Western literature; while Western theories and measurements can be applied, they may not be able to capture the Chinese context entirely. Küskü *et al.* (2021) find that the lack of supportive legal frameworks in Turkey allows diversity to be neglected. These studies highlight the significance of the local institutional context in shaping central DM concerns of EMNEs.

Studies examining DM across Central and Eastern European companies shed light on the importance of legal frameworks, economic pressure, and cultural attitudes towards diversity in the region (Heisz and Milovecz, 2014; Milovecz and Prikrylova, 2016; Babonea and Ciora, 2018). Considering the findings of previous literature on contextual impacts on DM, we create the following research proposition:

> *Proposition 1: Local normative, regulative, and cultural-cognitive pressures impact the discourse on DM in CEE MNEs.*

However, in the wake of globalization, companies are increasingly urged to develop global strategies, resulting in the coordinated internationalization of HRM (Paik *et al.,* 2011) as well as a global convergence of HRM practices (Pudelko and Harzing, 2007). Smith and Meiksins (1995) suggest a socioeconomic gap between countries to form dominance perceptions in firms from less advanced countries as they see a benefit in adopting practices from advanced and consequently dominant countries. With supposedly progressive Western approaches to management, MNEs hope to attract investors, global customers, and employees (Velinov *et al.*, 2018; Carrillo Arciniega, 2021) and to gain a competitive advantage by better utilising talent and increasing creativity (Kossek and Pichler, 2006; Peretz *et al.*, 2015). In CEE Latukha and Malko

(2019) found former Soviet countries to westernize their HRM to attract investors. This leads to the following Proposition for DM:

Proposition 2: CEE MNEs address Western dimensions of diversity.

Only looking at the domestic environment is ill-faced when looking at MNEs. Research has shown that due to the activity across several country contexts, also etic context may influence HRM. MNEs have been found to adapt their HRM considering institutional factors in their host markets (Hennekam *et al.,* 2017; Tsui-Auch and Chow, 2019) succumbing to isomorphic pressures (Kostova and Roth, 2002) which may provide the necessary impetus to apply DM (Dass and Parker, 1999; Bader *et al.*, 2022).

Proposition 3: The market presence in Western markets increases the implementation of DM.

In that regard, Bader *et al.* (2022) found that host countries with gender inequality and less institutional pressure on DM than the home countries make the implementation of DM practices difficult. This may apply to CEE and other emerging markets as for example Poland, Hungary, and Romania, demonstrate conservative tendencies and resistance toward LGBTQ+ rights and activism, while Russia promotes conservative and anti-Western discourse and shows growing discrimination toward queer people and activists (Buyantueva and Shevtsova, 2020).

Proposition 4: The market presence in other CEE or emerging markets does not increase the implementation of DM.

4.2.3 Industrial Context: Oil and Gas

Studying the CEE Oil and Gas industry provides insights beyond the regional and organisational levels. Spender (1989) explains that the industrial context has a strong explanatory power in terms of work practices even compared to the national and organisational context. Despite its global activity, diversity management in the Oil and Gas industry is studied mainly in North America and Western Europe (e.g., Williams *et* *al.*, 2014). Being an old boys club, companies still market themselves as promoters of diversity through tokenism in their corporate communication (Williams *et al.*, 2014). Williams *et al.* (2014) also state that DM in the industry focuses on gender and age, due to reluctance to tackle existing racial and ethnic diversity and extreme gender inequality, which overshadows the other dimensions. On the one hand, companies must ensure compliance with their respective institutional context and, on the other hand, must demonstrate to global shareholders and stakeholders that they are managing internal diversity ethically and efficiently (Johns *et al.*, 2012). By combining the gaps outlined in the introduction and the previous findings listed above with the lack of research and public and scientific interest concerning the industry, we deduct the following research questions (RQ) guiding our article:

> *RQ 1: How does the Oil and Gas industry in Central and Eastern Europe address diversity?*

> *RQ 2: How does institutional context shape Diversity Management approaches in the Central and Eastern European Oil and Gas industry?*

4.3 Sample and Methods

Our methodology relies on content analyses to examine the relations between the examined documents, constituting the corporate diversity discourse in the CEE oil and gas industry, and the respective home country context, also facilitated through content analyses, as well possible influences of foreign activity. Organisational documents are a staple in qualitative research, and the analysis of their content is a fruitful method for diversity management research (c.f. Austin, 2010). We analyse the corporate discourse of CEE oil and gas companies and their global audiences by examining whether they report on Western diversity dimensions in text and graphics to conform to domestic or international pressure.

The examined oil and gas companies result from a theoretical sampling process following two selection criteria: industry affiliation and headquarters location. Industry affiliation determines that oil and gas account for the majority of the sample companies' revenues. Thereby we ensure that all sample companies are exposed to the same isomorphic pressure of their organisational field (Meyer and Rowan, 1977). The company headquarters have to be located in Central and Eastern Europe, defined as all independent countries located in Europe which have been part of the Eastern Bloc, i.e. former member states of the Socialist Federal Republic of Yugoslavia, former Socialist Republics, and former geographically European member states of the Union of Soviet Socialist Republics. They also need to be free from foreign controlling stakes to exclude external influences. This results in the sample presented in Table 13.

Table 13: Sample of Oil and Gas companies from CEE.

Country	CEE Oil and Gas Companies							
Bulgaria	Bulgargas							
Croatia	INA							
Hungary	MOL							
Latvia	Latvijas Gaze							
Poland	PKN Orlen	LOTOS						
Romania	Romgaz							
Russia	LUKOIL	Tatneft	Rosneft	Gazprom	Surgutneftegas	Zarubezhneft	Novatek	Rusneftegaz
Slovenia	Petrol							
Serbia	SrbijaGas							

CEE oil and gas companies without an international presence are used as deviants to care for the effect of foreign market presence on DM. The MNEs included in the sample must have had at least one foreign operation. We identified 14 oil and gas MNEs from seven CEE countries, as well as three large companies without an international presence. International market presence is divided into four categories (*Domestic, Regional (CEE), Multinational (Western Europe), Global (Global North Outside Europe*) as shown in Table 14.

Table 14: Sample companies' market presence.

Domestic	**+ Regional (CEE)**	**+ Multinational (Western Europe)**	**+ Global (Global North Outside Europe)**
Bulgargaz	Romgaz	Petrol	LUKOIL
Latvijas Gaze	SrbijaGas	LOTOS	Tatneft
Surgutneftegas	Zarubezhneft	INA	Rosneft
		Novatek	Gazprom
			MOL
			PKN Orlen
			Rusneftegaz

In our data collection from November 2020 to April 2021, we focused on electronically available public communication documents of the companies listed in the tables above to analyse which dimensions of diversity are publicly addressed in the CEE oil and gas industry (Hsieh and Shannon, 2005). The resulting 66 documents, which depict the corporate discourse on diversity in the CEE oil and gas industry, are listed in Table 15.

Table 15: List of analysed documents on Diversity Management.

Country	Oil & Gas Company	Analysed documents
Bulgaria	Bulgargaz	Corporate Website, Non-financial declaration 2018, Annual Report 2019
Croatia	INA	Corporate Website, Integrated Annual Report 2019-2020, Sustainability Report 2020
Hungary	MOL	Corporate Website, Annual Reports 2019 and 2020, Sustainability report 2020, Code of Ethics
Latvia	Latvijas Gaze	Corporate Website, Annual Reports 2019 and 2020
Poland	PKN Orlen	Corporate Website, integrated Annual Report 2019 and 2020, Diversity policy 2020
Poland	LOTOS	Corporate Website, integrated Annual Report 2019 and 2020, Corporate Governance Report 2019
Romania	Romgaz	Corporate Website, Annual Reports 2019 and 2020, Sustainability Report 2020
Russia	Gazprom	Corporate Website, Code of Ethics; HR report 2020, Annual Reports 2019 and 2020
Russia	Tatneft	Corporate Website, Annual Reports 2019 and 2020, Code of Ethics
Russia	LUKOIL	Corporate Website, Code of Conduct 2020, HR Report 2020, Annual Reports 2019 and 2020
Russia	Rosneft	Corporate Website, Annual Reports 2019 and 2020, Code of Ethics
Russia	Surgutneftegas	Corporate Website, Annual Reports 2019 and 2020
Russia	Zarubezhneft	Corporate Website, Annual Reports 2019 and 2020
Russia	Novatek	Corporate Website, Annual Reports 2019 and 2020

Russia	Rusneftegaz	Corporate Website, Annual Reports 2019 and 2020
Serbia	SrbijaGas	Corporate Website, Annual Reports 2019 and 2020, Sustainability Report 2020
Slovenia	PETROL	Corporate Website, Sustainability Report 2020, Code of Conduct, Annual Reports 2019 and 2020, Diversity Report 2018

We first skimmed the documents to locate pertinent paragraphs, followed by an in-depth reading of the identified paragraphs and an interpretation of relevant phrases through content analysis (Bowen, 2009). Data on the sample companies were collected and studied in English if available and in native languages, and then translated by members of the research team aided by native speakers.

A directed analysis to offer supporting and non-supporting evidence qualitative content analysis of the data was applied to structure manifest and latent content into categories, following Mayring (2014). By that, we filter the documents using previously defined classification criteria in a structuring deductive categorisation of content based on seven deductive categories stemming from Loden and Rosener’s (1991) internal dimensions of organisational diversity to analyse the reporting of etic dimensions of diversity (Mayring, 2014). The use of an established diversity concept as the backbone of deductive coding supports the credibility and confirmability of our study (Hsieh and Shannon, 2005; Sinkovics *et al.,* 2008) and increases the transferability of our method to other cases and contexts (Tracy, 2010). These are Sex, gender, and identity (*Gender*), age (*Age*), race, ethnic background, colour, and nationality (*Ethnicity*), physical and mental (dis)ability (*Ability*), sexual orientation (*Sexuality*), religion and worldview (*Spirituality*), as well as social status and background (*Status*) to create a deductive categorization of explicit and implicit information on DM activity addressing etic dimensions of diversity with the help of relevant sample quotes. Additionally, we were open to the inclusion of inductive emic dimensions of diversity if they were to be found. As suggested by Mayring (2014) and Flick (2018), we transform the qualitative content analysis data and quantify the addressed etic dimensions of diversity to illustrate the effects of four different types of market presence.

To detect macro-level impacts on meso-level DM reports (Pringle and Ryan 2015), we collected data on Scott's (2001) institutional pillars in nine CEE countries:

To examine domestic normative pressures, we analyse national diversity charters, that is, voluntary initiatives aimed at encouraging organisations to implement and develop DM practices, in the preceding content analysis. The more companies, and particularly members of the organisational field, are part of the initiatives, the higher the normative pressure becomes. By joining, companies pledge to pro-diversity values and are obliged to report their actions aimed at reaching charter targets, creating high pro-diversity pressure. We applied a deductive categorization to the charter contents, based on the codes *Initial Funding*, detecting whether the initiative is funded by foreign actors, the addressed etic *Diversity Dimensions* based on Loden and Rosener (1991), and the number of *Oil and Gas Signatories,* a higher number in each of those implies higher pressure (Mayring, 2014). The information is compiled into a pro-diversity *Pressure* category ranging from none, over low, and medium to high, which is also used for the other pillars.

The regulative context of each home country is examined using a directed deductive content analysis of the national constitution and labour legislation in place regarding the etic dimensions of diversity (Mayring, 2014). We gathered the legal documents in English via the legislationline-database and coded the content on a phrase level according to seven deductive categories based on Loden and Rosener's (1991) diversity dimensions and deducted the pro-diversity pressure from none, over low (*Non-discriminatory), medium (Equality before the law/ Equality of rights and freedoms)*, to high *(Special protection/ Affirmative action).*

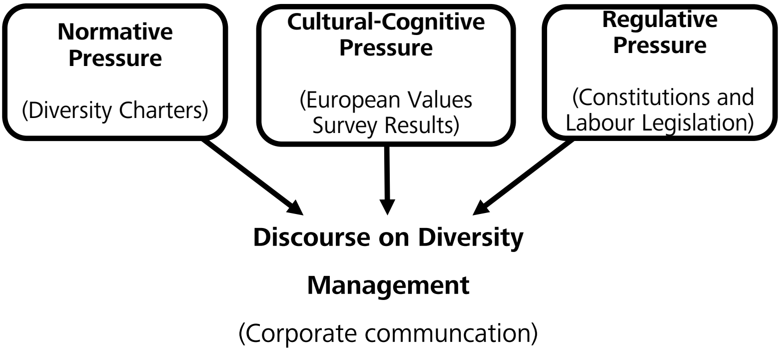
Furthermore, the third of Scott's pillars, cultural-cognitive institutions, is analysed through data on eight questions from the newest dataset of the European Values Study, a large-scale, cross-national survey on basic human values (EVS, 2020). The results are available for each country except for Latvia and have been used in recent diversity research, for example, by Nemeth *et al.* (2020). We coded the questions according to etic diversity dimensions and selected one question (two for *Gender* to be able to showcase gender roles) per dimension, which bears the highest congruence with one etic dimension by Loden and Rosener (1991) (Mayring, 2014). We identified data on gender roles (*Gender*), xenophobia with regard to *Ethnicity* and *Spirituality*, homophobia (*Sexuality*), support for people with disabilities and health issues (*Ability*), concern for the elderly (*Age*), and concern for the unemployed (*Status*) as listed in Table 16.

Table 16: Categorized questions from the European Values Survey (2020).

Gender (Average of both)	- Percentage of people that agree or strongly agree with the statement that a man's job is to earn the money, a woman's job is to look after home and family. - Percentage of people that believe that men make better business executives than women.
Age	Percentage of people that are much or very much concerned about the living conditions of elderly people in the country.
Ethnicity	Opinion on a scale of 1 to 100: Immigrants take jobs away from citizens.
Ability	Percentage of people that are much or very much concerned about the living conditions of sick and disabled people in the country.
Sexuality	Percentage of people that wouldn't like to have homosexuals as neighbours.
Spiritual-ity	Percentage of People that trust people from another religion completely or somewhat.
Status	Percentage of people that are much or very much concerned about living conditions of unemployed people.

The quantitative results are transformed into a qualitative six-level pro-diversity pressure scale that divides the value percentages from none (zero), over low, medium, and high in 20 % steps to match the other contextual influences (Mayring, 2014). Figure 5 depicts the proposed relationship between the institutional context and corporate communication on DM in the CEE oil and gas industry.

Figure 5: National institutional pillars and the affected corporate discourse in CEE Oil and Gas companies with the corresponding data sources in brackets.



4.4 Results

In the results, we first present our findings on the nine institutional country contexts before presenting our findings regarding DM in our sample companies.

4.4.1 Institutional Pressure

The normative context presents disparities between EU member states on the one hand and Serbia and Russia on the other, where no charters exist (see Table 17). In Bulgaria, Romania, and Slovenia, these initiatives were initiated and funded by EU programmes, while in Hungary, Poland, and Latvia, the initiatives were driven nationally. Only in Croatia, a domestic oil and gas company signed the charter, the sample company INA is a charter signatory, thus having succumbed to the isomorphic pressure. Nevertheless, the *Status* is not covered, and no competitors are signatories, supporting the conclusion that pressure is high but not very high. The same dimension is missing in the Hungarian charter and *Status* in the Latvian Charter, while in Romania, no dimensions are specified. Foreign competitors have signed in Romania, Hungary, and Bulgaria.

Table 17: Normative pressure based on the national diversity charters.

Charter Data	**Bulgaria**	**Croatia**	**Hungary**	**Latvia**	**Poland**	**Romania**	**Russia**	**Serbia**	**Slovenia**
Initial Funding	European Union	European Union	Domestic Public Authority	Domestic private entity	Domestic Public Authority	European Union	(-)	(-)	European Union
Domestic Oil and Gas Signatories	0	1	0	0	0	0	0	0	0
Foreign Oil and Gas Signatories	1	0	2	0	0	1	0	0	0
Diversity Dimensions	7/7	6/7 (sans status)	6/7 (sans status)	7/7	7/7	unspecified	0	0	7/7
Isomorphic pressure	Medium	High	High	Medium	Medium	Medium	None	None	Medium

Examining the regulative contexts shows that each sample country codified the equality of all citizens in their constitution (see Table 18). However, there are distinct differences in the explicitly addressed dimensions of diversity. Latvia refrains from mentioning any dimension of diversity in its constitution but instead grants equal treatment to anyone. Poland also refrains from mentioning any dimension except *Gender*, where the constitution grants equal rights to women and men. The age dimension is only listed in the Hungarian constitution, in which the elderly are granted special protection. Disability of any kind is also granted special protection in the Hungarian constitution and equal rights and freedoms in Slovenia. The protection of women is mentioned in Hungary, and all genders are protected from discrimination in Romania and granted equal rights in all other countries. Croatia lists gender equality as one of its highest constitutional values. Except for Poland and Latvia, all other countries specifically mention some form of *Ethnicity*, *Spirituality*, and *Status* by granting equal rights or protection from discrimination. Except for Latvia, all countries specifically mention protecting the rights of all genders. Strikingly, none of the examined countries names *Sexuality* in their constitution.

Table 18: Regulative pressure: Constitutional rights and labour regulation.

Dimension	**Bulgaria**	**Croatia**	**Hungary**	**Latvia**	**Poland**	**Romania**	**Russia**	**Serbia**	**Slovenia**
Gender	Equality before the law	Equality among highest values	Special protection of women	Equal rights to all human beings	Equal rights	Non-discriminatory	Non-discriminatory; Exclusion of females	Non-discriminatory	Equality of rights and freedoms
Age	(-)	(-)	Special protection of children and elderly	(-)	(-)	(-)	(-)	(-)	(-)
Ethnicity	Equality before the law	Equality of rights and freedoms	Non-discriminatory	(-)	(-)	Non-discriminatory	Non-discriminatory	Non-discriminatory	Equality of rights freedoms
Ability	(-)	(-)	Special protection	(-)	(-)	(-)	(-)	Non-discriminatory	Equality of rights and freedoms
Sexuality	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Spirituality	Equality before the law	Equality of rights and freedoms	Non-discriminatory	(-)	(-)	Non-discriminatory	Non-discriminatory	Non-discriminatory	Equality of rights and freedoms
Status	Equality before the law	Equality of rights and freedoms	Non-discriminatory	(-)	(-)	Non-discriminatory	Non-discriminatory	Non-discriminatory	Equality of rights and freedoms

Nevertheless, each country has put labour regulations in place to provide additional protection. While each country prohibits discrimination on behalf of or grants equal rights based on *Gender*, only Latvia and Slovenia specifically codify equality concerning working conditions, remuneration, and women's careers within their legal frameworks. Russia, on the other hand, prohibits women in almost 100 professions deemed too dangerous, thereby limiting equality and inclusion significantly with only negative pressure and actively discouraging DM action. All countries prohibit discrimination or foster equal rights based on *Age, Spirituality* as well as *Ethnicity.* Only Latvia and Slovenia promote non-discriminatory pay, working conditions, and career paths. The same applies to *Sexuality*. Each of the countries except Poland protects against discrimination or provides equal rights regardless of *Status*, whereas Latvia and Slovenia again grant the aforementioned advanced guarantees. Concerning *Ability,* each country except for Latvia codified affirmative action. While affirmative actions are represented by quotas of employees with disabilities ranging between 2 % and 6 % depending on the number of employees, Romania also offers an option to contribute to an inclusion fund to avoid integration. Consequently, we can state that the dimensions mainly covered by the United Nations declarations, *Gender, Ethnicity* and *Ability,* are all thoroughly integrated into the sample countries' regulatory framework, and *Gender* and *Ability* are most intensively cared for.

The analysis of the EVS results, representing the cultural-cognitive pillar, shows a heterogeneous picture (see Table 19). In the *Gender* dimension, people in Russia express very traditional views of gender roles, with men as the breadwinners and women taking care of housework, resulting in low institutional pressure, while values in Bulgaria, Romania, Hungary, Poland, and Serbia exert medium pressure on companies. Croatia and Slovenia express less traditional gender roles, resulting in high cultural-cognitive pressure. In the second category of the *Gender*-dimension regarding female leadership, the picture is similar but less pronounced. Russia exerts the lowest pressure, but here, it is medium, while in Romania, Hungary, Bulgaria, and Poland, the pressure is high, and in Croatia and Slovenia, it is very high.

Table 19: Cultural-cognitive pressure based on the European Values Survey (2020).

Dimension	Bulgaria	Croatia	Hungary	Latvia	Poland	Romania	Russia	Serbia	Slovenia
Gender	54,67	34,43	47,75	(-)	40,64	50,01	62,19	42,99	21,37
Age	77,48	71,22	46,30	(-)	63,70	71,36	57,11	58,65	60,73
Ethnicity	54,25	42,45	62,90	(-)	50,98	56,30	68,62	59,62	47,16
Ability	73,08	79,96	39,08	(-)	63,23	68,76	49,94	64,56	66,46
Sexuality	65,99	37,24	37,23	(-)	30,20	54,27	66,06	47,19	29,84
Spirituality	43,88	65,68	62,32	(-)	46,70	29,53	40,49	36,58	37,88
Status	43,01	65,40	15,90	(-)	30,64	43,71	25,48	49,25	40,81

Except for Slovenia and Croatia, the region still has a patriarchal concept of gender roles. Problems with homophobia were visible in Russia, Romania, Bulgaria, and Serbia. In the *Age*-dimension, caring for the elderly creates medium pressures in Russia, Hungary, and Serbia, as well as high pressures in Romania, Bulgaria, Poland, Croatia, and Slovenia. The opposite can be found in the *Ethnicity*-dimension, expressed through a statement of immigrants taking away jobs. The pressure in Russia and Hungary to implement DM measures in this dimension is low; in all other countries, the pressure is moderate (medium). Country values on taking care of people with physical and mental disabilities (*Ability*) result in high pressure for such actions in Slovenia, Croatia, Serbia, Poland, Bulgaria, and Romania. In Russia, the pressure is only medium; in Hungary, it is low. Homophobic beliefs and practices, such as objecting to homosexuals as neighbours, are interpreted as antipodes of DM on the *Sexuality* dimension. Institutional pressure is low in Russia and Bulgaria, where over 60 % of the respondents expressed homophobic values, medium in Romania and Serbia, and high in Hungary, Poland, Croatia, and Slovenia. As the cultural-cognitive data in Table 19 show, except for Slovenia and Croatia, the region still has a patriarchal concept of gender roles. Pressure regarding *Spirituality* is derived from trust in people from another religion and is low in Romania and Serbia, medium in Russia, Bulgaria, Poland, and Slovenia, but high in Hungary and Croatia. The second to last dimension, *Status*, uses data on caring for unemployed people and depicts a very diverse pattern across countries. We find very low pressure in Hungary, low pressure in Russia and Poland, medium pressure in Romania, Bulgaria, and Serbia, and high pressure in Croatia and Slovenia.

4.4.2 DM in the CEE Oil and Gas Industry

To answer research question one, the application of Western dimensions is indicated as follows. In general, we found heterogeneity in the communicated DM practices among the investigated companies within and across countries. Bulgargaz and Srbijagas relied almost entirely on financial insights and only reported the proportion of women in management and technical positions in their reports. In contrast, for companies from Poland, Slovenia, and Hungary, the information was diametrically available. In Russia, owing to the broader sample of companies, data availability and reporting activities were mixed.

In terms of *Gender*, the reported female workforce ratio ranges from 11 to 41 % in the sample companies. In particular, oil and gas MNEs in Russia have a ratio of between 26 % and 37 % of females in managerial positions, and the local and regional companies much less or do not report. We find a ratio of 26 % in Serbia, while Polish companies present a range of 22 to 31 %. The gender ratio was not disclosed at MOL from Hungary or Romgaz from Romania. While LOTOS from Poland and Petrol from Slovenia presented female company representatives and managers, only Gazprom displayed pictures that included women without a particular discernible function within the company.

The majority of the firms, except for Romgaz, Bulgargaz, and Latvijas Gaze, disclosed that they invested in initiatives for young talent. Such practices in the *Age*-dimension were particularly well-established in Russian and Slovene companies, where the initiatives and financial programs supported young as well as third-age employees or promoted recruitment regardless of age in employment plans, and not just the attraction of young talents. Additionally, in Polish MNEs, there are mentoring programs, where the older, that is, more experienced employees, provide consultations and mentoring to the younger ones, which helps to increase knowledge transfer and sharing experiences.

Reports on the *Ability* of employees have been reported in Slovene, Polish, and Hungarian firms, as they invest significantly in employee well-being activities such as sports events, medical check-ups, and healthcare days. Nevertheless, reports on the *Ability* of employees vary strongly across the companies. While Latvijas Gaze and Bulgargaz did not report on disabled employees, Russian companies reported charitable actions, such as donations to funds for people with disabilities and financial support for disadvantaged groups, especially for families with lower income. MOL, INA, PKN Orlen, LOTOS, Petrol, and Romgaz have reported DM in this regard.

Companies referring to *Spirituality*, *Ethnicity* and *Sexuality* are Petrol and INA, which claim respect for all religions during recruitment as well as respect for all ethnic groups and sexualities. A summary of the corporate discourse of the industry is depicted in Table 20.

Table 20: Reports of etic dimensions of diversity in the CEE Oil and Gas industry.

Oil & Gas Company	**Gender**	**Age**	**Ethnicity**	**Ability**	**Sexuality**	**Spiritual-ity**	**Status**
Bulgargaz	(-)	(-)	(-)	(-)	(-)	(-)	(-)
INA	(+)	(+)	(+)	(+)	(+)	(-)	(+)
MOL	(+)	(+)	(-)	(+)	(-)	(-)	(-)
Latvijas Gaze	(+)	(-)	(-)	(-)	(-)	(-)	(-)
PKN Orlen	(+)	(+)	(-)	(+)	(-)	(-)	(+)
LOTOS	(+)	(+)	(-)	(+)	(-)	(-)	(+)
Romgaz	(+)	(-)	(-)	(+)	(-)	(-)	(-)
Gazprom	(+)	(+)	(-)	(+)	(-)	(-)	(+)
Tatneft	(+)	(+)	(-)	(+)	(-)	(-)	(-)
LUKOIL	(+)	(+)	(-)	(+)	(-)	(-)	(+)
Rosneft	(+)	(+)	(-)	(+)	(-)	(-)	(+)
Surgutnefte-	(+)	(-)	(-)	(-)	(-)	(-)	(+)
Zarubezhneft	(-)	(-)	(-)	(+)	(-)	(-)	(+)
Novatek	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Rusneftegaz	(+)	(-)	(-)	(-)	(-)	(-)	(-)
SrbijaGas	(+)	(-)	(-)	(-)	(-)	(-)	(-)
PETROL	(+)	(+)	(+)	(+)	(+)	(+)	(+)
Total	14	9	1	11	2	1	8

DM is reported in the CEE oil and gas industry only when at least one home country's institutional pressure on an etic dimension is high. Nevertheless, not normative but cultural-cognitive factors matter in driving DM reports, as they correspond with higher domestic activity. Additionally, EU membership and the resulting obligation to include diversity reporting caused a slight increase in the reported DM practices. Overall, regulative and normative pressure are not the driving forces to implement DM practices, but rather cultural-cognitive pressure.

On average, the companies report fewer than three etic dimensions (2,8 average), and local companies report only one etic dimension on average. We find that oil and gas firms with international activities (MNEs) show higher DM activity and report more etic dimensions. MNEs operating in Western markets (3,5 average) are significantly more active than their counterparts which are only regional players in CEE (1,7 etic dimensions on average), proving the relevance of presence in a foreign context. MNEs often report *Gender,* followed by *Ability*, but neglect the *Ethnicity* dimension (except for Petrol). Due to the medium regulative pressure across CEE countries, as well as partially discriminatory regulations like in Russia, it is either cultural-cognitive or foreign market pressure that makes CEE oil and gas MNEs take up DM measures without legal necessity.

4.5 Discussion

Supporting Williams *et al.*'s (2014) findings from the Oil and Gas industry, 14 of 17 MNEs have reported on *gender*. Their actions might bring changes in the not-so-distant future to tackle the traditionalized gender roles in CEE (Morley *et al.*, 2016), because the findings of Williams *et al.* (2014), and Rick *et al.* (2017) of women remaining underrepresented can be supported for the CEE region as well. Williams and colleagues' (2014) findings on tokenism, however, cannot be supported in CEE corporate communication except for Gazprom, while overall representation is very low. Additionally, Williams *et al.*'s (2014) findings on *Age* can be supported for nine CEE Oil and Gas companies, making it a relevant dimension. Yet more than the CEE Oil and Gas industry reports on two additional etic dimensions, being *Ability* in eleven companies and *Status* in eight. Thereby the CEE companies seem to surpass the global industry, even though recent data are lacking.

Concerning **Proposition 1** and thus supporting the applicability of the findings by Konrad *et al.* (2016) and Abdullah *et al.* (2016) to our data we found contextual influences on DM in CEE. Contrary to Woodhams and Corby's (2007), Heisz and Milovecz's (2014) and Milovecz and Prikrylova's, (2016) findings, regulative impacts have not been a relevant driver of DM reporting in CEE just like normative pressures. Our findings partially support Konrad *et al.* (2016) in a way that the field adheres to cultural-cognitive pressures.

Contrary to the findings by Tang *et al.* (2015) in China and partially supporting the applicability of **Proposition 2** to our data, CEE MNEs report on Western definitions of diversity, even though sexuality, spirituality, and ethnicity are only found in a maximum of two companies. Nevertheless, CEE Oil and Gas companies with purely domestic operations are following etic DM mandates to a much lesser extent, corroborating **Proposition 4**, and the findings by Bader *et al.* (2022) as well as Küskü *et al.* (2021) on differing pressures to implement DM depending on local context.

The multinational activity of CEE Oil and Gas companies on the other hand has a positive impact on DM actions. CEE Oil and Gas MNEs with an established presence in the global north are westernising their business practises to a considerably larger extent, thereby supporting the applicability of **Proposition 3** to our data. They go beyond home-country institutional mandates to address DM in a Westernised way to fit foreign market demands. This supports a convergence towards dominant Western practice (Smith and Meiksins, 1995; Pudelko and Harzing, 2007; Paik *et al.,* 2011), which is driven by the international market presence and isomorphic processes in Western markets affecting CEE MNEs, to attract investors, global customers, and employees (Carrillo Arciniega, 2021; Velinov *et al.*, 2018; Kostova and Roth, 2002).

4.6 Conclusion

We conclude that MNEs from CEE operating in the West may assume a pioneering role in bringing DM topics forward within their national and regional organisational field as well as in their home and host contexts in general due to a global convergence and the dominance of Western approaches to DM. Our study shows that the CEE institutional environment is barely a driver and partially a barrier for the introduction of diversity management practices exemplified through queer-free zones in Poland, laws banning same-sex marriages in Hungary or barring women from certain jobs in Russia. The necessary pressures to break the resistance to implement DM are either cultural-cognitive or foreign target market-based.

4.6.1 Theoretical implications

Answering calls by Özbilgin and Tatli (2008), Erdur (2020), and Adams *et al.* (2021) to consider different and non-Western contexts in DM research, our findings also support the resistance paradigm (Dass and Parker, 1999) and the findings by Bader *et al.* (2022 concerning the necessity of pro-diversity pressure. We advance the convergence-divergence debate in HRM by showcasing the importance of international activity for a convergence of DM based on the application of globalised etic DM in CEE Oil and Gas companies competing in Western markets, while regional or purely domestic companies are still divergent. We thus transfer the findings by Smith and Meiksins (1995) and Pudelko and Harzing (2007) of the dominance of Western practice to DM.

4.6.2 Practical Implications

DM practices may be a gateway to being active in Western markets for CEE and other companies from the global south and east. Additionally, those companies may benefit from a more inclusive climate in the home country through better access to human resources on a global, national, and local scale and better access to foreign markets, which may drive them towards seeking an alteration of emic institutional structures through institutional entrepreneurship as long as they are still endowed with sufficient resources and power to lobby on their behalf. They may add to the global dominance of the Western approach to DM. While adhering to etic Western DM approaches could bring business success, it could also trigger a backlash in local contexts since CEE Oil and Gas companies tackle etic notions of diversity more skilfully than emic concerns. An accompanying emic approach to diversity on macro- and meso-levels is necessary as dominant etic approaches to diversity are insufficient to deal with local complexities of diversity. Our study suggests that responsible DM in the Oil and Gas industry requires organisations to navigate between Western demands and emic, i.e., national, and institutional circumstances, which may provide the impetus for organisations to innovate in HRM to effectively manage diversity in challenging contexts across CEE.

4.6.3 Limitations and Future Research

Western dimensions of diversity are not undisputed. To be culturally sensitive, it is necessary to acknowledge that Western values of diversity are not superior to other ideologies or local concepts of equal societies and responsible organisations. It is to abstain from cementing old-fashioned Cold Waresque juxtapositions of a progressive West and a hidebound East.

The information on meso-level DM based on corporate communication is treated as brushed-up versions of company DM practice, assuming that organisations have an interest in reporting on DM to meet external expectations. As suggested by Bowen (2009) though, public documents can't paint a full picture of how an organization operates as we should not treat their publications as firm evidence. In contexts that are less welcoming to DM practises, companies and representatives deliberately choose not to disclose information publicly, fearing a political or social backlash. The analysed regulations may not fully depict juridical national practice on affirmation and discrimination. The normative power of voluntary commitment may also be disputed. Similarly, the secondary data gathered on cultural institutions present a limitation because we relied on questionnaire results as proxies for this institution, which may only depict certain elements of the diversity dimension they represent, instead of broader assessments or profound analyses of local cultural values towards each specific diversity dimension. Gathering data on DM in CEE is difficult in times of crisis, after covid and with the ongoing war in Ukraine, as cross-country travel and research in the field have become severely limited, especially further to the east. In the aftermath of the war in Ukraine, Russian MNEs may deviate even further from Western values either by choice or due to home country pressures, despite possible negative repercussions abroad. Other CEE countries though, especially members and prospects of the European Union, may be driven further towards Western values. To detect and understand the motivations behind the communicated DM practices and to understand future developments better, in-depth interviews with decision-makers in further studies may be employed. Further, the industrial and regional foci are obvious limitations to global generalizability. Future studies may engage in comparative studies including developed and emerging markets as well as other regions and industries.

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5 Conclusions

Over thirty years after the fall of the Iron Curtain, the countries of CEE are well integrated into global or regional international business arenas and entered the foreign markets of emerging as well as advanced economies. Despite their common socialist institutional imprinting, the CEE countries, and consequently the CEECs' international strategic and human resource management, have proven to be quite diverse in this dissertation. Just as the West does not constitute a coherent entity (Depkat & Steger, 2015), it has become apparent throughout this dissertation that CEE does neither.

5.1 Main Findings

The overarching themes of this dissertation revolved around CEECs and their behaviour with regard to foreign, particularly advanced economies. The main findings on these topics and the answers to the overarching research questions are outlined below.

Research Question (1), how and why CEECs enter advanced economies, was answered by analysing Slovene companies entering Germany. Contrary to findings from other emerging economies, Slovene companies employ firm- and country-specific advantages, such as high technology, high service quality, and a highly educated labour force, to enter the German market based on market-seeking motives via OFDI. This includes OFDI as a result of firm-to-firm contracting within extensive networks. Despite their institutional familiarity with advanced economies, emerging economy traits continue to mark CEECs from Slovenia as well. Examples are leapfrogging behaviour. The findings resonate with the state of classificatory liminality of CEE countries as presented by Hoskisson et al. (2013) as well as (Jaklič et al., 2018) on a more granular business level. However, resource-intensive OFDI to members of the European Union has lost some of its allure, as the harmonization of institutional contexts reduces the liabilities of foreignness and because small geographic distances within the European Union make advanced economies easily accessible. Additionally, CEECs from Slovenia possess competitive advantages in niche segments that enable OFDI but also draw global customers even without foreign sales representation or foreign production.

This has implications for internationalization theory. The eclectic paradigm continues to live up to its paradigmatic nature and has not been refuted by the presented CEE cases from Slovenia, even though it is not a perfect fit. Nevertheless, also emerging economy theories bear explanatory power for the EEMs from Slovenia, even though core tenets such as asset seeking and institutional inferiority are not supported in their entirety. Regarding the schism within internationalization literature, this suggests that authors who call for systematic extensions or new theorizing are supported (Luo & Tung, 2007; Chittoor et al., 2009; Cuervo-Cazurra, 2012; Hennart, 2012; Ramamurti, 2012; Williamson et al., 2013; Luo & Zhang, 2016; Luo & Tung, 2018).

Concerning **Research Question (2),** how CEECs manage their subsidiaries in advanced economies, it was found that they control their developed country subsidiaries in Germany extensively via impersonal and personal control mechanisms. Isomorphic processes strongly influence the practices of CEECs and their subsidiaries in advanced economies. Institutional duality may result in perception gaps not only existing on an overall level regarding the subsidiary's role but also the level of control of practices. It may be argued that in CEE-advanced-West dyads, context plays a role in causing misconceptions. These perception gaps arise if personal ties are loose, and both parties of the relationship invest too little to form a bond. However, the cases from the Czech Republic did not show any intentions by the German subsidiaries to teach or transfer Western practices to the CEE parent company, as Depkat and Steger's (2015) discussion suggested, which could have caused a hierarchy effect between the CEE home country and the advanced host country (Smith and Meiksins, 1995; Ferner et al., 2005; Wilkinson et al., 2014).

The findings have important theoretical implications by laying the foundation for the twofold expansion of Birkinshaw et al.'s (2000) concept of perception gaps within MNEs by exemplifying its applicability first conceptually on a practice level and second geographically in emerging economy CEE contexts. This supports institution-based explanations of perception gaps in the headquarters-subsidiary relationship, as presented by Asakawa (1996) and Chini et al. (2005), which have been absent in recent literature.

Chapter 3's findings are supported by those presented in Chapter 4. To answer **Research Question (3)** on how the internationalization of CEECs affects their human resource management, it has been found that FDI in Western advanced markets leads to an increased amount of Western diversity management reporting, while its presence in other CEE countries does not spur diversity management reporting in Western categories. Consequently, as in Chapter 2 concerning market entry strategy, advanced and emerging economy traits are visible with regard to human resource management as well, highlighting the median position of CEE, being caught in the middle between the West and East. Hence, further internationalization of CEECs may increase the Westernization of management practices and support a convergence of practices towards such practices.

Consequently, the global convergence of human resource management practices based on the dominance of Western practices (Pudelko & Harzing, 2007; Chang et al., 2009; Paik et al., 2011) and thus a hierarchy effect between the CEE and advanced host countries (Smith & Meiksins, 1995; Ferner et al., 2005; Wilkinson et al., 2014) was detectable in corporate diversity management discourses on for global audiences in Chapter 4 and to a lesser extent with regard to human resource management best practice adoption in Chapter 3 to a lesser extent. Despite internationalising to an increasing extent, CEECs have not blindly adopted foreign practices in their host markets. Neither the hierarchy of countries nor the dominance of practices creates a subordinance of CEECs to advanced economy counterparts or subsidiaries. Despite the global dominance of Western practices, the organizational hierarchy is not overshadowed by hierarchies on a national level in the power struggles of quotidian international business.

5.2 Limitations

Even though we have presented and joined the criticism of the application of prescriptive Western or other foreign concepts on CEE, Western- and Asian-born concepts have been applied in the presented studies as well. While cultural and contextual consciousness in the application was intended, an iteration of backwards-oriented discourses may be stated at first glance. Adopting Western views on diversity management and applying them to CEE may irritate the reader and suggest that the authors in Chapter 4 have relapsed into toxic patterns, where Western companies are treated as unquestionable role models for CEECs, and that they adopted the paternalistic attitude criticized by Depkat and Steger (2015). This and contrasting CEEC behaviour with Western counterparts and theories bear the risk of resolidifying East-West trenches that are meant to be in the process of being overcome. While the authors' Western views on diversity management coincide with the prescribed practices, the goal of the chapter was different and analytical. Analysing how far CEE oil and gas companies follow Western diversity narratives and practices was matched with the context in which those companies operate. Thus, the goal was not to find out how these companies can be successful in their application of Western diversity practices, but what makes them adopt those practices, irrespective of the goals behind their application. While this approach was necessary to exclude paternalistic prescriptions to CEECs, it also pinpoints the weakness of Chapter 4: the lacking identification of motivations to apply Western diversity practices. Consequently, it is unknown whether CEE oil and gas companies follow Western narratives to increase diversity or whether the reports are merely incidents of pink-washing or window-dressing to allure foreign customers and investors.

The tension between the generalizability of the findings and their qualitative contextualization is a defining feature of international business research (Meyer & Peng, 2016). Findings on market entry and subsidiary management may differ greatly in cases other than the researched cases and countries. Thus, further investigation is necessary. Furthermore, the industrial and regional foci across this dissertation are obvious limitations to global generalizability. In particular, the findings from Chapters 3 and 4 are present for two specific country dyads, and the findings are strongly contextualised to safeguard "against the fallacy of over-generalization" (Meyer & Peng, 2016, p. 16). However, this strong contextualisation limits transferability to countries with similar social, cultural, and institutional contexts, such as other CEE EU members.

Institutional impacts and other contextual influences, while proven relevant, are certainly not the sole factors that drive corporate action. As behaviourist approaches to internationalization, such as Aharoni (1966) demonstrated, the influence of decision-makers on corporate action is significant. Additionally, other circumstances such as financial or shareholder pressure may gravely alter the direction of corporate decision-making.

5.3 Implications for Research

Despite its limitations, this dissertation exemplifies the benefits of qualitative and context-specific analyses and interpretations for international business research. These approaches are crucial to crack the Eastern enigma (Wallace, 2008) that CEE countries and CEECs present. This dissertation represents an antithesis to quantitative etic scattergun research approaches which treat CEE as a homogenous entity. Chapter 2, using a Slovene sample of companies, has shown that elements from advanced as well as emerging markets may describe their internationalization and shows strong institutional familiarity with the German target market. This is in contrast to most countries labelled as emerging economies, whose defining traits are "poorly functioning institutional environments" (Athreye, 2021, p. 67). This suggests that Slovenia is already or on the brink of being institutionally on par with advanced economies and may evolve out of the emerging economy status. Similarly, Chapter 3 exemplifies that CEECs from the Czech Republic resort to control mechanisms similar to advanced economy companies when they operate in Germany but also states cultural clashes within the MNEs. Chapter 4 presents very distinct institutional environments for diversity management across CEE. These heterogeneous findings support an emancipated individual treatment of CEE countries and highlight context specificity in CEE research to combat overgeneralization.

Taking home and host country contexts into account has proven relevant for the application of human resource management practices as well as terms of internationalization strategy. While Slovene company representatives found strong cultural similarities with the German target markets, Czech representatives experienced severe cultural clashes. Hence, it seems fruitful to examine other CEE and non-advanced economy companies with subsidiaries in advanced and emerging economies to draw comparisons. Based on the presented findings on management practices in subsidiaries of Czech companies in Germany, research may also dig deeper into other types of practices across HQ-subsidiary dyads, to test these findings in other contexts and companies. This may broaden Birkinshaw et al.'s (2000) concept of perception gaps even further than this dissertation did.

The focus of major internationalization research may benefit from a shift towards less prominent and smaller economies to provide different insights than the BRIC countries in order to test or create theory, as was done in this dissertation. Researchers may gain from treating local contexts in CEE and other non-advanced economies, as well as their companies, with respect and genuine interest in the historical and institutional frameworks and international networks in which they are embedded. Otherwise, they miss out on the explanatory breadth and depth the rich contexts provide for the behaviour of economic actors. More fine-grained analyses and context specificity may also impede excessive generalization across the region and the cold-waresque partitions of Europe. Apart from CEE, other contexts, such as African, Southeast Asian, and Latin American economies, provide ample opportunities for research on the internationalization of companies. Findings from these contexts may differ from what existing theories equip us with and consequently alter them, or they may be distinct overall. Consistent evaluation of the existing theoretical frameworks to find confirmation or discrepancies that may lead to incremental changes or paradigm shifts within international business theory (cf. Athreye, 2021)

Differences among EU and non-EU members from CEE have proven to be relevant, and not only their reporting practices but also the internationalization paths of CEECs from non-EU countries may differ greatly in terms of target countries, market entry modes, and subsidiary management, creating ample research opportunities. Despite the proven relevance of the EU entry for many CEE countries, (UNCTAD, 2018; Jaklič et al., 2018), market entry within common markets across several countries in general, and OFDI in particular, present an under-researched topic, and further insights through large scale inquiries and cross-country studies into the presented findings of decreasing OFDI relevancy within the EU common institutional and market frameworks are needed.

However, not only the context but also the research objects provide insights into further research opportunities. CEECs may inform theories fitting to new types of firms. Such theories could go beyond the binary developed West versus inferior East and developed versus emerging status quo and may reinvigorate theory creation in international business. Thus, companies from post-socialist economies may be an important addition to an enlarged set of archetypes with regard to internationalization paths based on their boundary conditions and targets. The set could include companies from advanced economies, large and emerging BRIC economies, and post-socialist economies, which are to be enlarged with additional contexts.

Also, to combat the monotonous fixation on MNEs, as criticised by Delios (2017a), other types of companies, such as SMEs or companies on a lower level of internationalization, such as exporters or domestically focused ones, have been included in the dissertation. They have offered a chance to broaden the perspective on internationalization and its effects on various corporate agents across CEE, which could inspire more authors to look beyond big multinational corporations, whose behaviour has been studied in-depth throughout several decades of international business research.

Degrading stereotypes about CEE, which "continue to play an important role in managerial discussions of CEE to this very day" (Depkat & Steger, 2015, p. 415), have not played a crucial role for the decision-makers in any of the analysed cases in this dissertation. However, future research may look deeper into the liabilities of origin and outsidership (Johansen & Vahlne, 2017) in CEECs and how such stereotypes are of importance today for global market entries. Broad-scale questionnaires of decision-makers' experiences with such stereotypes in market entries may paint a clearer picture of the topic.

Power struggles and practice transfer within MNEs continue to present ample opportunities for research within CEE. Not only is the relationship of EEMs and their subsidiaries in advanced economies scarcely researched, which we tackled in Chapter 4, but the transfer of various types of practices within multinationals from CEE to their global subsidiaries remains barely investigated. Examining relationships of control and power within multinational CEECs as well as sense-making processes within these relationships, and how these are influenced by institutional dualities may also be fruitful. This offers opportunities to contrast the headquarters-subsidiary relationships in different hierarchical constellations and thereby shed light on the impacts on practice transfers.

To detect and understand the motivations behind communicated DM practices in the CEE oil and gas industry, in-depth interviews with decision-makers in further studies may be employed. Further, industrial and regional foci may be widened to increase generalizability or prove regional or national context dependency. Future research could engage in comparative studies, including developed and emerging markets, as well as other regions and industries.

Additionally, as advocated by Geppert and Bozkurt (2021) for international business in general, research on the effects of wider societal and ecological phenomena on international business and management may bring vital insights into the prospects of CEECs and companies from all over the world in the global economic arena. Combined with interdisciplinary context-sensitive research in regions other than the triad and BRIC economies, international business research also needs to tackle more critical aspects of international business such as sweatshops, slavery, and the battle for finite and scarce natural resources. In general, a focus on the grand challenges concerning the earth's climate, armed conflicts, terrorism, migration, disease, and technology, as well as the challenges of different types of companies in an interconnected business world may yield results that give fresh impetus to revive the struggling international business discourse and the discipline as a whole as it was hoped for by Meyer and Peng (2016), Delios (2017a), Rašković et al. (2020), and Welch et al. (2022) among others (for insights into the discourse on the future of international business research see also Buckley et al., 2017 and Geppert & Bozkurt, 2021).

5.4 Implications for Policy and Practice

This dissertation also presents findings that are relevant to practitioners and policymakers. First, CEE market entries must not be feared in the West. The Slovene companies under examination are neither asset- nor technology-seeking. While they provide technological know-how and financial resources, they are targeting market shares abroad and, thus, function as a vital element for competition. However, looking at Chapters 2 and 3, CEECs may not only be competitors in advanced economies but offer prospects for cooperation and collaborative innovation as reliable, increasingly experienced and goal-driven business partners. As several cases have shown, collaboration on a round table or even in joint ventures may be beneficial for advanced market companies as well as CEECs; notably in Slovenia, very few institutional clashes are visible. The Czech subsidiaries were either sales subsidiaries or struggling manufacturing companies saved by foreign investors. Therefore, jobs in Germany were either created or retained. Nevertheless, headquarter-subsidiary conflicts may be based on different institutional contexts, as our Czech sample has shown. When both parties return to stereotypes and cliches, the approach should instead be to look for the causes of mandates and refusals and give issuing party credit or information.

Second, as the Slovene and Czech case studies have shown, there are plenty of business opportunities for CEECs in advanced economies, where they increasingly find themselves in positions of competitive parity. In order to be able to enter advanced economies, CEECs need to develop firm-specific advantages based on innovativeness and service orientation to penetrate markets or engage in collaborative innovation. In order to be successful abroad, CEECs may need to overcome their lack of branding and step out of the shadows of contract manufacturing. Rising costs of energy in labour across Europe are threatening CEE's unique selling proposition of cheap production costs as well, thus, the competitive price advantages are at risk and could be countered with added value offshoring of production further East as Slovenian companies are doing (see Chapter 2). Therefore, they need to rely on or rediscover surviving advantages from socialist times the many countries across the region possess, which differentiate them from other emerging economies, being industrial heritage, well-established systems of education, workforce equity and strong regional networks (Jaklič & Svetličič, 2003; Gorynia et al., 2014; Jaklič, 2016; see Chapters 2 and 4).

Thirdly, as presented in Chapters 2 and 3, when CEECs enter Germany, they have to deal with a shortage of skilled labour and a competitive labour market and demanding industrial clients, who may require their business partner to offer German-speaking personnel as well as a registered subsidiary. These demands paired with labour market difficulties, are met by reducing subsidiary sizes regarding human resources and foreign activities by CEEC, in extreme cases by listing a limited liabilities sales company with a German-speaking sales coordinator as the sole employee. This way CEECs meet customer demands in the market while at the same time reducing investment risk. Overall, high commitment OFDI in the West is less advantageous for CEECs. Non-EU members from CEE may find stronger internalisation advantages and OFDI in advanced EU economies. Even if the market entry may be more complicated for them than for CEE EU members, it could be worthwhile. In particular, CEE countries aiming to increase cooperation or eventually join the EU could benefit from institutional assimilation and may urge their policymakers to continue on the path towards economic and political cooperation and eventually EU membership.

Fourth, the CEE countries may not only look westwards in order to find profitable business relations. They may continue to capitalize on pre-capitalist economic ties within the CEE region, which are strong assets for CEECs and their internationalization. As showcased in Chapter 2 of this dissertation, the diversity of contexts presents opportunities for arbitrage within the region as labour and production costs as well as the supply of labour and other resources vary significantly across CEE. Existing ties among decision-makers in business and politics may facilitate network building to access the opportunities at hand.

For foreign business partners of CEECs, as shown in Chapter 3, it is beneficial to consider local contexts in detail and establish meaningful relationships. As trust has been found to be a remedy for conflict based on institutional duality, investing in close internal relationships and mutual respect for the cultural, social, legal, and overall economic realities the partners are embedded in, has proven vital.

Finally, the diversity of human resources is a resource itself if it is managed well. Where CEECs can define and deploy emic terms of diversity management, they may avail themselves of domestic or regional resources without reluctantly applying Western teachings to appeal to etic demands. In contrast to a climate of economic inclusivity, some CEE countries still have regulations in place that discriminate against women and other social groups, such as the Russian barring of women in many jobs. They thereby exclude major parts of their workforce, resulting in individual, economic and social detriment. CEECs may lead the way by maximising their inclusive activities within the confinements of the respective institutional frameworks. Even more, depending on their risk-aversion and power, they may raise their voice via self-commitments, overstep institutional boundaries or demand policy changes.

5.5 Concluding Remarks

As established throughout this dissertation, CEECs are now a part of the global economic arena, and many CEECs have oriented themselves towards the West, with remarkable success. Internationalization and Westernization at the business level coincide with political Westernization on the national level in many CEE countries looking for economic stability, international trade and amicable international relations. This development, made possible by the dissolution of the Eastern Bloc and the transformation of its former members, however, is not welcomed universally and has in several instances been met with hostility and aggression as several military conflicts and wars in the region have demonstrated and tragically continue to exemplify. This suggests that, at least where countries have not been able or willing to join supranational alliances, the current state of increasing economic vitality, institutional development, and peace remains fragile. Foreign cooperation on the national and business level with CEE as well as within the region may fortify prosperity and, hopefully, long-lasting harmony among CEE countries, companies and their neighbours.

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