

# Global Trends in Human Resource Management

Edited by Emma Parry, Eleni Stavrou  
and Mila Lazarova



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# 5

## Human Resource Management in the Central and Eastern European Region

*Rūta Kazlauskaitė, Ilona Bučiūnienė, József Poór, Zsuzsanna Karoliny, Ruth Alas, Andrej Kohont and Agnes Szlávicz*

### Introduction

The aim of this chapter is to examine recent developments of human resource management (HRM) practices in the Central and Eastern European (CEE) region and to compare these against the similarities and differences of their national contexts.

With an increasingly growing organizational dependency on international operations, the understanding of management practices across different countries has become of critical relevance not only to large multinationals (MNC), but also to small domestic firms. Human resource management, a potential source of competitive advantage in this context, constitutes one of the most complex challenges. Specifically, there has been an ongoing debate over the transferability of HRM practices across different national boundaries. Drawing on the contextual paradigm, which argues that HRM practices are context-specific rather than universal, a distinction has been made between the US model and European HRM models (Brewster, 2007). What makes HRM across the world dissimilar is the role of the state, national culture differences, varying patterns of consultation, and different patterns of ownership.

European HRM is not only different from the standpoint of respective practices in other continents, but it is also unique in terms of the diversity of HR practices across countries within its continental boundaries. Interestingly, on the one hand, the formation of the European Union has had important implications on the member state legislation, economy, market forces, etc., which in turn have developed a dynamic towards convergence (Nikandrou, Apospori & Papalexandris, 2005). On the other hand, despite the unified context provided by the EU, national cultural and institutional contexts still allow for differences at the country and/or organizational level.

The HRM convergence-divergence debate has received a lot of research attention in the past two decades, as there is no agreement on the effect of

globalization on HRM practices. Supporters of the convergence approach believe that HRM is becoming more alike across the world, while followers of the divergence approach argue that management practices continue to be country-specific. Some regional HRM similarities and traces of directional convergence have been determined (Mayrhofer & Brewster, 2005); however, they are insufficient to treat HRM in different European countries as a homogeneous bundle (Apospori et al., 2008). Rather, Europe can be argued to consist of a set of distinctive HRM regimes (Gooderham & Nordhaug, 2011), which in turn necessitates analysis of national antecedents of HRM developments.

Following the contextual paradigm and arguments on multiple HRM patterns across Europe, this chapter aims to look into HRM practices in Central and Eastern European countries. A comparative study of HRM patterns in the CEE region is relevant and necessary from both a national and international perspective, as it can be used as a benchmark for domestic companies in an attempt to enhance their performance, and a relevant source of information for MNCs that operate in or consider entering the CEE region. However, specialized and systematic research dedicated to HRM in the CEE region is still rather limited (Michailova, Heraty & Morley, 2009). Most of the prior research in the field is based on a single or two–three country analysis (Poór et al., 2011; Szerb, Richbell & Vitai, 2010; Kazlauskaitė & Bučiūnienė, 2010), which underlines a need for a more comprehensive study of HRM in the region. Further, although commonly conceived as a uniform cluster owing to the common socialist heritage and subsequent transition to the free market economy, the CEE countries are actually heterogeneous in respect to their HRM.

To examine HRM in the CEE region, in this chapter we first draw on some secondary data to reveal contextual differences between the countries. Next, we look into HRM practice specifics in eight CEE countries on the basis of 2008/10 Cranet survey data.

### CEE country context and HRM developments

Cultural and institutional theories are two dominant perspectives in comparative HRM studies. The first maintains that national culture is the decisive factor in shaping HRM in a country (Sparrow, Schuler & Jackson 1994), while the latter emphasizes the impact of national institutions such as the state, legal and financial systems, and the family (Edwards & Rees, 2006). The two approaches, however, can be viewed as complementary (Sorge, 2004). Sparrow and Hiltrop (1997) distinguished the following four sets of factors to account for differences in the national patterns of HRM in Europe: (1) HR role and competence, (2) business structure, (3) institutional and (4) cultural factors.

In this section of the chapter, following Sparrow and Hiltrop's (1997) national HRM model, we will first provide a brief overview of HRM practices, role and competence in the socialist period, which represents a common past and a unifying starting point in the post-socialist developments of HRM in CEE countries. Next, we will briefly look into the national context differences of CEE countries to reveal their institutional and cultural heterogeneity, which will serve as a premise for our argument on HRM differences across the region. Specifically, we will study eight CEE countries, namely Bulgaria, the Czech Republic, Estonia, Hungary, Lithuania, Slovakia, Slovenia (EU member states) and Serbia (an EU candidate state).

### HRM role and competence

Brewster, Morley and Bučiūnienė (2010) noted that charting the HRM landscape in contemporary CEE countries is a difficult task, as in contrast to other European countries, here HRM emerged in management thinking and became established as a management function only after the fall of the socialist regime. Therefore, to understand the current HRM role in CEE countries, it is essential to briefly review personnel management under socialist rule.

Personnel management was relatively uniform in the CEE countries under socialist rule, with a heavy emphasis on centralization and rule-making (Garavan, Morley & Heraty, 1998). The personnel management function, or the so-called cadre department, was typically managed by members of the Communist Party without relevant experience or competence, and first and foremost played a political role (Lucas et al., 2004; Pundzienė & Bučiūnienė, 2009). Management was not considered as a profession (Cakrt, 1993) and decisions regarding promotion were not based on performance assessment (Pearce, 1991). In several cases the selection of specialists and personnel-related decisions were greatly influenced by party and government politics and objectives.

In addition, personnel departments were responsible for some more traditional Western personnel management tasks such as maintaining employee records and overseeing training programmes. Besides, they held a very important responsibility for social and welfare activities (Soulsby & Clark, 1998). Personnel planning and compensation were carried out at the state level; labour markets did not exist in socialist countries, so selection was not relevant and labour turnover hardly existed (Pieper, 1992).

The socialist system was clearly not conducive to the growth of more sophisticated, value-adding activities (Brewster et al., 2010). There was a vacuum of knowledge and lack of organizational-level good practices in the field of managing people. It was only later in the transition period that either the HRM term or the concept, sometimes both with more or less modification, became dominant (Alas & Svetlik, 2004; Karoliny, 2008). After the fall of socialism the personnel management function had to develop

the competencies it was lacking and build up the reputation of a strategic partner.

Despite common historical developments, there is, however, evidence of significant variation in current personnel/HRM practices within CEE countries, which are largely explained by different levels of economic and social development, cultural and political factors and the willingness of people to change (Erutku & Valtee, 1997). The latter will be given a closer look in the subsequent sections of this chapter. Here we limit our comparison to prior empirical evidence on HRM differences in the region. Probably one of the most comprehensive studies in the field was carried out by Ignjatović and Svetlik (2003), who studied 24 European countries (4 CEE countries among them) and determined four distinctive clusters, each having different HRM models. The four CEE countries under their study fell into different clusters, that is, the Czech Republic and Slovenia fell under the Central Southern cluster, and Bulgaria and Estonia under the Peripheral cluster, which indicates some HRM differences between CEE countries.

### Business structure and environment

The CEE countries followed a uniform management model during the socialist period (Koubek, 2009). In the period of transition, however, the countries have taken different developmental paths, which have met varying levels of success. To demonstrate differences in the institutional context of CEE countries, we draw on two time periods – the years 2004 and 2008 (where data is available). The two points of time were selected to compare CEE country post-socialist developments prior to their joining the EU in 2004 and their achievements four years later. In this chapter we limit the study of the national context of CEE countries to the above-mentioned seven EU-member states. Serbia is excluded from the contextual analysis, for as a candidate country it was not included in the official EU statistics in either 2004 or in 2008 and thus comparable data is unavailable.

### Business structure

An important factor of the national economy and one of the antecedents of national HRM developments refers to organizational distribution with respect to size. As seen from data in Table 5.1, there is a clear dominance of micro-sized enterprises in all countries, with about three-quarters of the population employed in SMEs. Slovakia stands out in the region as having the largest proportion of large-sized enterprises, with about half of the country's population working in them. Data for 2008 is not provided by Eurostat; therefore country-specific developments in the course of time cannot be discussed.

The predominance of SMEs has important constraints on the HR function, for as a rule HRM in small firms is costly in terms of time and money, and the HRM resources and expertise they possess are limited. HRM usually

Table 5.1 Firm distribution by size (%) and impact of foreign-controlled enterprises, 2004 (% share of total)

| Country        | Distribution by size |              |             |             | Foreign-controlled enterprises |                        |
|----------------|----------------------|--------------|-------------|-------------|--------------------------------|------------------------|
|                | Large-sized          | Medium-sized | Small-sized | Micro-sized | % of enterprises               | % of staff value added |
| Bulgaria       | 0.3                  | 1.6          | 8.0         | 90.2        | 2.3                            | 13.5                   |
| Czech Republic | 0.2                  | 0.8          | 3.8         | 95.3        | 1.7                            | 20.8                   |
| Estonia        | 0.4                  | 3.0          | 15.1        | 81.5        | 19.6                           | 31.6                   |
| Hungary        | 0.1                  | n/a          | n/a         | n/a         | 0.3                            | 16.5                   |
| Lithuania      | 0.6                  | 4.3          | 19.7        | 75.5        | 3.4                            | 11.0                   |
| Slovakia       | 1.4                  | 5.5          | n/a         | n/a         | 5.7                            | 26.6                   |
| Slovenia       | 0.3                  | 1.3          | 5.5         | 92.9        | n/a                            | n/a                    |

Source: <http://epp.eurostat.ec.europa.eu>; n/a not available.

focuses on operational rather than strategic needs, and practices are more informal than in larger organizations and mainly refer to record keeping, staffing and to a lesser degree employee motivation and retention, while responsibility for HRM often lies in the hands of the general manager (Barret & Mayson, 2007).

Another important business structure indicator is the ownership pattern. After the fall of the socialist rule, the majority of enterprises have been privatized and today private enterprises dominate CEE economies. This change in ownership pattern had important implications for the development of the HR function, as to survive and gain competitive advantage firms had to invest more heavily in their human resources and their management. Another factor that was particularly important for economic development, employment and economic growth of CEE countries is foreign direct investment (FDI), which also made a significant contribution to the development of HRM competence and enhancement of its reputation (Lewis, 2005). As seen from Table 5.1, Estonia stands out in the region with the highest proportion of foreign-controlled enterprises. Along with Slovakia it leads in the number of people employed by foreign-controlled enterprises, while the biggest share of the value added is created by foreign-controlled enterprises in Slovakia and Hungary. Data for 2008 is not provided by Eurostat; therefore country-specific developments cannot be discussed.

As seen from the above data, the business structures of CEE countries share some similarities (organizational size and ownership pattern) and demonstrate some differences (FDI levels). Taking into consideration the SME predominance, the HR function in the CEE countries may be expected to perform an administrative rather than a strategic role. However, differences in the numbers of foreign-controlled enterprises lead to a presumption of certain HRM differences between the countries. It is likely that HRM competence

and role are more developed in Slovakia and Estonia in comparison to other CEE countries, as MNCs usually introduce managerial practices and missing competences to their subsidiaries and contribute to the promotion of the HR function image and relevance in the host country.

### Economy

In between joining the EU and the recent global economic crisis, CEE countries recorded unprecedented economic growth, outscoring many of the older EU members. Overall, however, CEE countries diverge in their economic achievements. As seen from Table 5.2, the selected CEE countries vary in their GDP to a great extent. Slovenia and the Czech Republic are clear leaders in the group, while Bulgaria, a latecomer to the EU, is lagging behind.

It is noteworthy however that, although Slovenia and the Czech Republic demonstrated the highest GDP in both 2004 and 2008, their growth during this period was more modest in comparison to Slovakia, which outperformed other CEE countries and stood in third place according to 2008 indicators. Bulgaria, Estonia and Lithuania also demonstrated faster growth than the leading countries in the group.

Economic growth is one of the key contributors to national HRM developments, as at such times firms have more financial resources and may invest more heavily in their HR function. Firms start investing more in employee training, motivation and retention, which in turn necessitates a more active HR function role and size. Drawing on the GDP data, significant HRM differences may be anticipated among CEE countries, with HRM in Slovenia, the Czech Republic and Slovakia standing out in the region.

### Labour market

Upon the end of the socialist period, which was characterized by nearly full employment, CEE countries faced a challenge in fighting against unemployment. As in other spheres of business activity, CEE countries reported varied results. In 2008, however, unemployment in most CEE countries was rather low (EU average of 7.1), which in turn necessitated heavier investment in HRM, as employee retention became a critical issue. Slovenia was a clear leader in the group with the lowest unemployment levels in both periods, which also leads to assumptions of its likely better performance in HRM.

### Demographics

Another significant indicator in respect to HRM development is the level of education. All CEE countries score higher (Table 5.2) than the EU average (respectively 68.4 and 71.4 per cent) in the proportion of population with at least upper secondary education. The Czech Republic and Lithuania lead the group. Lithuania also outperforms other CEE countries in tertiary education attainment. This has several implications for HRM. On the one hand, availability of skilled low-cost labour makes a country an attractive destination for outsourcing some functions/operations. On the other hand, the abundance of skilled labour leads to higher employer expectations and excessive demands in recruitment, especially for lower-level positions.

### Institutional factors

In this chapter we limit our analysis of institutional context to two factors of the Sparrow and Hiltrop (1997) model – trade union density and power, and corporate social responsibility. Under the socialist model, trade unions were government organizations with nearly 100 per cent membership. They mainly represented the goals of the Communist Party and did little to protect the rights of employees. Unions' main responsibilities included distribution of welfare benefits, social event organizing, overlooking of housing construction and provision of catering services (Kazlauskaitė & Bučiniene, 2010). After the fall of the socialist system, the unions lacked the competence to deal with employee relations. Besides, employees wanted to escape from the constraints of union membership and the payment of union membership fees (Zupan & Kase, 2005). Consequently, the level of unionization eroded drastically in CEE countries. During the 2000s, unions in CEE countries lost two million members (European Commission, 2010), with the biggest losses in Lithuania (–47.7 per cent), Estonia (–43.6 per cent), Slovakia (–43.4 per cent) and the Czech Republic (–27.9 per cent). Slovenia is perhaps the only exception in the region, where trade unions retained high density (around 40 per cent) and much of their power (Svetlik, 2009). Serbia demonstrates rather high union density too (about 30 per cent); however being rather fragmented, unions do not have much power (Stajić, 2006).

Table 5.2 Selected economic and demographic indicators

| Country        | GDP per capita (EUR, PPS) |       | Unemployment |      | % total population having completed at least upper secondary education (25–64) |      | % tertiary educational attainment (30–34) |      |
|----------------|---------------------------|-------|--------------|------|--------------------------------------------------------------------------------|------|-------------------------------------------|------|
|                | 2004                      | 2008  | 2004         | 2008 | 2004                                                                           | 2008 | 2004                                      | 2008 |
| Bulgaria       | 7500                      | 10900 | 12.1         | 5.6  | 71.7                                                                           | 77.5 | 25.2                                      | 27.1 |
| Czech Republic | 16900                     | 20200 | 8.3          | 4.4  | 89.1                                                                           | 90.9 | 12.7                                      | 15.4 |
| Estonia        | 12400                     | 17300 | 9.7          | 5.5  | 88.9                                                                           | 88.5 | 27.4                                      | 34.1 |
| Hungary        | 13600                     | 16000 | 6.1          | 7.8  | 75.3                                                                           | 79.7 | 18.5                                      | 22.4 |
| Lithuania      | 11000                     | 15400 | 11.4         | 5.8  | 86.6                                                                           | 90.6 | 31.1                                      | 39.9 |
| Slovakia       | 12300                     | 18100 | 18.2         | 9.5  | 87.0                                                                           | 89.9 | 12.9                                      | 15.8 |
| Slovenia       | 18800                     | 22700 | 6.3          | 4.4  | 79.7                                                                           | 82.0 | 25.1                                      | 30.9 |

Source: <http://lepp.eurostat.ec.europa.eu>

communication and participation; (3) expectations of manager-subordinate relationships and their implications for performance management and motivation; and (4) pay systems, socially healthy pay and the individualization of reward. Given the data in Table 5.3, there should be some similarities in the patterns of recruitment, communication and participation within the following country groups – Slovakia, Serbia, Slovenia and Bulgaria (higher power distance countries); Estonia, Lithuania and Hungary (lower power distance countries); and Serbia, Slovenia, Bulgaria and Hungary (higher uncertainty avoidance countries).

To conclude, the contextual analysis of the selected CEE countries suggests that although they share a common past, there are a number of differences between the countries with respect to their business structure, economic development, level of education and national culture, which in turn suggests that significant differences also exist in national HRM patterns in the CEE region.

### Research methodology

The present study of HRM patterns in CEE countries is based on 2008–10 Cranet survey data from eight CEE countries (Table 5.4). Our data consist of 1147 organizations. The respondents of the survey were HR directors/managers or employees with HRM responsibility.

The survey employed the standard Cranet questionnaire, which is aimed at a wide range of HRM policies and practices across numerous national contexts, such as staffing, development, compensation and benefits, employee relations and communication etc. This chapter will analyse the survey data following the conceptual model of Sparrow and Hiltrop (1997). Specifically we look at the HRM role, union situation and CSR, and at the HRM practices that are most likely to be affected by national

Table 5.4 Descriptive statistics of survey participants

|                | Country<br>(N) | Private<br>(%) | Public<br>(%) | Not for<br>profit (%) | Mixed<br>(public/<br>private) (%) | Other SME<br>(%) | Large<br>(%) |
|----------------|----------------|----------------|---------------|-----------------------|-----------------------------------|------------------|--------------|
| Bulgaria       | 267            | 70.20          | 17.40         | 3.30                  | 3.70                              | 5.40             | 71.90        |
| Czech Republic | 54             | n/a            | n/a           | n/a                   | n/a                               | n/a              | 20.40        |
| Estonia        | 74             | 69.00          | 25.40         | 1.40                  | 0.00                              | 4.20             | 62.20        |
| Hungary        | 139            | 68.30          | 22.30         | 1.40                  | 7.20                              | 0.70             | 60.40        |
| Lithuania      | 119            | 77.60          | 7.80          | 0.90                  | 3.40                              | 10.30            | 52.10        |
| Serbia         | 50             | 69.60          | 23.90         | 0.00                  | 2.20                              | 4.30             | 60.00        |
| Slovakia       | 225            | 88.70          | 9.50          | 0.50                  | 1.40                              | 0.00             | 54.20        |
| Slovenia       | 219            | 63.40          | 27.30         | 2.30                  | 3.70                              | 3.20             | 57.50        |

Trade union power has important implications for the HR function, specifically for the management of employee relations. Respectively such issues as communication, employee involvement, grievance and collective bargaining may be more critical in Slovenian firms in comparison to other CEE countries.

CSR is a relatively new concept in the CEE region; nevertheless, it is gaining more relevance recently, which has to a great extent been encouraged by respective MNCs' policies and practices in the region. The most tangible progress can be seen in Hungary and the Czech Republic, where the highest proportions of companies report on various CSR issues (Noorkoiv & Gröön, 2004). CSR has important implications for HRM, as employees become a relevant stakeholder; thus responsible firms are expected to invest more heavily into HRM.

### Cultural environment

Table 5.3 gives some insights into national culture divergence in CEE countries. Looking at this data, we can see that the CEE region is not culturally homogeneous. Slovakia and Serbia demonstrate the highest levels of power distance, while Lithuania, Estonia and Hungary score the lowest. In respect to individualism, Hungary scores highest, while Slovenia, Serbia and Bulgaria can be viewed as the most collectivistic countries. Slovakia and Hungary stand out as most masculine, while Slovenia is most feminine. In respect to uncertainty avoidance Serbia and Slovenia score highest, while Lithuania is least uncomfortable under uncertainty. Thus overall the region can be observed as heterogeneous, where in some cases cultural co-movements, as well as divergent tendencies can be observed (Jarabka, 2011).

Among the areas where the most obvious links between national culture and HRM can be observed, Sparrow and Hiltrop (1997) refer to (1) attitudes and definitions of effective managers; (2) levels of power distance and uncertainty avoidance with possible implications on recruitment,

Table 5.3 National culture indices

|                | Power distance | Individualism | Masculinity | Uncertainty avoidance |
|----------------|----------------|---------------|-------------|-----------------------|
| Bulgaria       | 70             | 30            | 40          | 85                    |
| Czech Republic | 57             | 58            | 57          | 74                    |
| Estonia        | 40             | 60            | 30          | 60                    |
| Hungary        | 46             | 80            | 88          | 82                    |
| Lithuania*     | 42             | 65            | 60          | 19                    |
| Serbia         | 86             | 25            | 43          | 92                    |
| Slovakia       | 104            | 52            | 110         | 51                    |
| Slovenia       | 71             | 27            | 19          | 88                    |

Source: [www.geert-hofstede.com](http://www.geert-hofstede.com); \* Hürtinger (2008).

culture and institutional specifics. To determine statistically significant differences between CEE countries, the means of individual countries were compared to the overall mean (sample under the present study), for no overall measures or indices of HRM practices in the CEE region have been determined in prior research that could be used as a point of reference for such a comparison.

## Research findings

### HR role and competence

The HR role in the selected CEE countries was studied with respect to the following aspects: HR department presence, strategic integration, and devolvement to line management (see Table 5.5).

First we looked into HR department presence. More than half of the respondent organizations have an HR department (Table 5.5). Czech and Lithuanian organizations reported a significantly higher level of HR department presence, while Bulgaria scored lower than the overall mean on this indicator.

Next we looked into HR strategic integration, which was measured by HR strategy availability, HR representation on the board, HR involvement in business strategy development, and evaluation of HR function performance.

Table 5.5 HR strategic integration, mean (standard deviation)

| Country        | HR department presence | Personnel/HR strategy availability | HR seat on the board/equivalent | HR involvement in business strategy development | Extent of HR function performance evaluation |
|----------------|------------------------|------------------------------------|---------------------------------|-------------------------------------------------|----------------------------------------------|
| Overall        | .65 (.48)              | 1.18 (.77)                         | .62 (.48)                       | 2.01 (1.08)                                     | 1.78 (1.26)                                  |
| Bulgaria       | .50*** (.50)           | 1.03*** (.83)                      | .28*** (.45)                    | 1.72*** (.1.17)                                 | 1.50*** (1.33)                               |
| Czech Republic | .91*** (.29)           | .80*** (.41)                       | .80*** (.41)                    | 1.73 (1.19)                                     | 2.46 (1.00)                                  |
| Estonia        | .68 (.47)              | 1.31 (.77)                         | .53 (.50)                       | 2.22 (.80)                                      | 2.03 (1.21)                                  |
| Hungary        | .60 (.49)              | 1.17 (.82)                         | .88*** (.33)                    | 2.28** (1.02)                                   | 1.65 (1.23)                                  |
| Lithuania      | .79*** (.41)           | 1.23 (.79)                         | .58 (.50)                       | 1.66*** (1.01)                                  | 1.75 (1.12)                                  |
| Serbia         | .53 (.50)              | 1.27 (.75)                         | .65 (.48)                       | 1.98 (1.16)                                     | 2.02 (1.12)                                  |
| Slovakia       | .69 (.46)              | 1.35*** (.79)                      | .80*** (.40)                    | 1.96 (1.10)                                     | 1.93 (1.33)                                  |
| Slovenia       | .70 (.46)              | 1.20 (.63)                         | .78*** (.42)                    | 2.32 (.92)                                      | 1.69 (1.21)                                  |

Notes: One sample t-test for equality means comparing with total mean; \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .005$ .

Measures: HR department presence: 1 = yes; 0 = no; HR strategy availability: 2 = written, 1 = unwritten, 0 = none; HR seat on the board: 1 = yes; 0 = no; HR involvement in business strategy development: 3 = from onset, 2 = subsequent consultation, 1 = on implementation, 0 = not at all; extent of HR function performance evaluation: 0 = not at all, 4 = to a very great extent).

Findings show statistically significant differences between the countries on all four indicators (Table 5.5).

*HR strategy availability.* Findings show that Slovakia reported higher than average on HR strategy possession, while the Czech Republic and Bulgaria scored lower than the overall mean.

*HR seat on the board.* Our findings show that HR representation on the board is more common in Hungary, the Czech Republic, Slovakia and Slovenia, while in Bulgaria it is lower than the overall mean.

*HR involvement in business strategy development.* Similar to HR representation on the board, Hungary scored higher than the overall mean on this indicator, while in Lithuania and Bulgaria the figures were below the mean.

Finally we looked at the *HR function performance evaluation*. Respondents were asked to what extent the HR function was measured in their organization (0 = not at all; 4 = to a very great extent). No statistically significant differences were determined in respect to this indicator, with the exception of Bulgaria, where HR performance evaluation was below the overall mean.

Findings on whose views are taken into consideration in the HR function evaluation process (Table 5.6) revealed some statistically significant differences between the countries. In Lithuania all four groups were involved in HR function performance evaluation to a lesser degree than the overall mean. In Bulgaria employee and personnel function were involved the least, while in Estonia and Slovenia, on the contrary, the views of those two groups were given the highest relevance. In Hungary and Slovakia the HR function was mainly evaluated by top management and line management.

*HR decentralization and devolvement to line management.* HR decentralization was measured by calculating the percentage of firms where responsibility for

Table 5.6 HR function evaluation, mean (standard deviation)

|                | Top management | Line management | Employees    | Personnel/HR function itself |
|----------------|----------------|-----------------|--------------|------------------------------|
| Overall        | .90 (.30)      | .80 (.40)       | .52 (.50)    | .53 (.50)                    |
| Bulgaria       | .84 (.37)      | .80 (.40)       | .13*** (.34) | .17*** (.38)                 |
| Czech Republic | 1.00 (.00)     | .93*** (.25)    | .66 (.48)    | .61 (.50)                    |
| Estonia        | .91 (.29)      | .95*** (.22)    | .85*** (.36) | .79*** (.41)                 |
| Hungary        | .97*** (.18)   | .89** (.31)     | .59 (.49)    | .49 (.50)                    |
| Lithuania      | .67*** (.47)   | .56** (.50)     | .26*** (.44) | .24*** (.43)                 |
| Serbia         | .96 (.19)      | .76 (.44)       | .42 (.51)    | .50 (.51)                    |
| Slovakia       | .95*** (.21)   | .78 (.42)       | .52 (.50)    | .61* (.49)                   |
| Slovenia       | .94 (.23)      | .85* (.36)      | .70*** (.46) | .75*** (.43)                 |

Notes: One sample t-test for equality means comparing with total mean; \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .005$ .

Measures: 0 = not at all, 4 = to a very great extent.

Table 5.7 Line manager responsibility for major policy decisions (% of firms)

| Country        | Pay & benefits | Recruitment & selection | Training & development | Industrial relations | Workforce expansion/reduction |
|----------------|----------------|-------------------------|------------------------|----------------------|-------------------------------|
| Overall        | 76.5           | 61.3                    | 56.7                   | 57.4                 | 70.9                          |
| Bulgaria       | 92.5           | 81.9                    | 81.7                   | 91.4                 | 91.3                          |
| Czech Republic | 58.5           | 52.8                    | 38.5                   | 45.3                 | 67.9                          |
| Estonia        | 81.7           | 55.6                    | 50.0                   | 50.7                 | 78.9                          |
| Hungary        | 81.5           | 71.6                    | 61.2                   | 52.2                 | 77.6                          |
| Lithuania      | 73.9           | 31.9                    | 33.9                   | 32.6                 | 73.5                          |
| Serbia         | 93.8           | 85.4                    | 79.2                   | 77.1                 | 87.2                          |
| Slovakia       | 60.1           | 51.6                    | 43.1                   | 43.1                 | 45.2                          |
| Slovenia       | 70.7           | 54.2                    | 52.1                   | 45.0                 | 60.5                          |

such HR policy decisions as pay and benefits, recruitment and selection, training and development, industrial relations, and workforce reduction/expansion was given predominantly to line managers – exclusively or in consultation with HR. In the remaining firms policy decisions were mainly made by HR – either exclusively or in consultation with line management. Our findings (Table 5.7) show that Bulgaria and Serbia scored higher than the overall mean on line manager decision-making in respect to all policies. Hungary came close to them, with the exception of line manager responsibility in industrial relations, where HR played a more important role. Slovenia, Slovakia and the Czech Republic stood out in the region, as here decision-making responsibility on all policies rested mainly in the hands of the HR function.

### Institutional factors

This section refers to trade unions and CSR issues, which, according to Sparrow and Hiltrop (1997), have significant implications for national HRM patterns. The findings with regard to unionization (Table 5.8) show that trade union influence was strongest in Slovenia, Serbia and the Czech Republic, while in Lithuania, Hungary and Bulgaria trade union impact was significantly lower. In respect to change in trade union impact over the three years of the surveys, the overall figures show that there was no change.

Trade union recognition in collective bargaining was also low in CEE countries (Table 5.8). It was higher in Serbia, the Czech Republic and Hungary. Similar trends are observed with respect to the presence of joint consultative committees/work councils and employer associations, which are not popular in the region. The only country in the region that stood out was Slovenia, with higher scores on both factors.

Table 5.8 Unionism and CSR (mean)

| Country        | Trade union influence | Change in trade union influence in past three years | Trade union recognition in collective bargaining | Joint consultative committee or works council | Member of employer association | Satisfaction with employer association | CSR statement availability |
|----------------|-----------------------|-----------------------------------------------------|--------------------------------------------------|-----------------------------------------------|--------------------------------|----------------------------------------|----------------------------|
| Overall        | .98                   | 1.95                                                | .54                                              | .40                                           | .38                            | 2.15                                   | .73                        |
| Bulgaria       | .63***                | 1.88                                                | .33***                                           | .21***                                        | .32*                           | 1.95                                   | .56***                     |
| Czech Republic | 1.60***               | 2.00                                                | .83***                                           | .46                                           | .48                            | 1.96                                   | n/a                        |
| Estonia        | .54                   | 1.92                                                | .29***                                           | .33                                           | .41                            | 2.37                                   | .83                        |
| Hungary        | .76*                  | 1.95                                                | .71***                                           | .43                                           | .22                            | 2.15                                   | .62                        |
| Lithuania      | .65***                | 1.97                                                | .58                                              | .42                                           | .38                            | 1.89                                   | .55                        |
| Serbia         | 1.40*                 | 2.11                                                | .81***                                           | .17***                                        | .36                            | 1.93                                   | .64                        |
| Slovakia       | .98                   | 1.89                                                | .59                                              | .49*                                          | .27***                         | 2.27                                   | .78                        |
| Slovenia       | 1.56***               | 2.00                                                | .54                                              | .55***                                        | .60***                         | 2.31*                                  | 1.00***                    |

Notes: One sample t-test for equality means comparing with total mean; \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .005$ . Measures: trade union influence in organisations: 0 = not at all, 4 = to a very great extent; changes in influence: 3 = increased, 2 = same, 1 = decreased; recognition in collective bargaining: 1 = yes, 0 = no; membership of employer association: 1 = yes, 0 = no; satisfaction with employer association: 0 = not at all, 4 = entirely; CSR statement availability: 2 = written, 1 = unwritten, 0 = none.

Table 5.9 Cultural factors, means (standard deviation)

| Country        | Reward individualization | Downward communication | Upward communication | Communication on strategy & performance |
|----------------|--------------------------|------------------------|----------------------|-----------------------------------------|
| Overall        | .50 (.41)                | 2.55 (1.07)            | 1.54 (.76)           | .68 (.26)                               |
| Bulgaria       | .62** (.44)              | 1.42*** (.80)          | .95*** (.57)         | .65 (.26)                               |
| Czech Republic | .28*** (.37)             | 2.89** (.77)           | 1.80* (.60)          | .73 (.24)                               |
| Estonia        | .70*** (.36)             | 3.14*** (.80)          | 1.84*** (.63)        | .74 (.25)                               |
| Hungary        | .66*** (.39)             | 2.45 (.97)             | 1.32*** (.66)        | .66 (.27)                               |
| Lithuania      | .38** (.40)              | 2.88** (1.01)          | 1.57 (.67)           | .56*** (.29)                            |
| Serbia         | .49 (.47)                | 2.54 (.79)             | 1.41 (.69)           | .70 (.19)                               |
| Slovakia       | .44 (.41)                | 2.84*** (.99)          | 1.63 (.72)           | .68 (.21)                               |
| Slovenia       | .40** (.32)              | 2.98*** (.80)          | 2.02*** (.73)        | .75*** (.24)                            |

Notes: t-test for equality means comparing with total mean; \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .005$ .

Reward individualization (basic pay determined at the individual pay): 1 = yes, 0 = no; downward communication and upward employee communication: 4 = to a very great extent, 0 = not at all; communication of strategy and performance outcome: 1 = yes, 0 = no.

CSR statement formalization was not given high relevance in CEE countries – not all respondent organizations had a CSR statement, and if they did, these were mostly in an unwritten form. Here Slovenia stood out again with a significantly higher score.

### Cultural factors

According to Sparrow and Hiltrop (1997), national culture differences may reveal cross-national differences in such HRM practices as reward individualization and communication. The findings (Table 5.9) show that reward individualization was highest in Estonia, while the Czech Republic, Lithuania, Slovenia, Slovakia and Serbia scored lower than average on the use of this practice. In respect to internal communication, Slovenia stood out as a country that practises both upward and downward communication most in the region, while in Bulgaria both upward and downward communication was at the lowest level in the region. Slovenia also reported a high score with respect to communication on strategy and financial performance.

### Conclusions and discussion

The overall aim of this chapter was to provide a comprehensive picture of HRM developments in CEE countries and to break the myth of the region's uniformity in the use of HRM practices. Specifically we compared eight CEE countries in respect to their institutional and cultural contexts and the

First, we looked at some contextual factors in the selected eight CEE countries; the analysis of which provided some support in respect to variances between the countries. As seen from GDP figures, Slovenia, the Czech Republic and Slovakia report the highest economic development, while Bulgaria, the latest EU entrant in the group, is lagging behind the region. Slovenia also stands out with the lowest unemployment rates. The CEE countries share some similarities in business structure, specifically with respect to organizational size and ownership pattern; however, some differences can be seen regarding FDI levels. Overall people in CEE countries are well educated, with Lithuania and Estonia scoring highest in numbers of tertiary education graduates. Most CEE countries reported low and declining trade union density and popularity, with the exception of Slovenia where they are both high in density and power, and Serbia where membership is high but unions lack power. Some national culture differences also differentiate the region; however, no clear culture-specific regional patterns can be observed.

Next we looked into the usage of a variety of HRM practices in the eight CEE countries. Our study revealed some interesting findings with respect to the strategic role of the HR function. For instance, more Czech and Lithuanian firms than those in other CEE countries reported having an HR department; however, the two countries do not reveal similarly high levels with respect to other indicators of HR strategic integration. This suggests that the presence of an HR function in a firm does not suffice. In the Czech Republic, the high HR department incidence rate can be to some extent explained by its sample composition – 80 per cent of the respondents represented large organizations, which are more likely to have an HR department. This most probably also accounts for a higher HR representation on the board in the Czech Republic. In Lithuania it can only be speculatively proposed that HR department presence is associated with a higher level of tertiary education graduates (degrees in management and economics being among the most popular in the country), with higher expectations from the employer and subsequently rising awareness of the HR function relevance. However, it is also noteworthy that in Lithuania HR is predominantly a female-dominated profession, which to some extent accounts for the rather low strategic integration of the function.

If we look at the HR representation on the board, we see that it is highest in the more economically developed countries of the region – Slovenia, the Czech Republic, Slovakia and Hungary. However, Slovakia is the only country in the region that has high HR strategy availability and formalization, while Hungary has high HR involvement in strategy development. The case of Slovakia might be associated with its high FDI and the power distance levels in the region. In Hungary this can also be explained by foreign ownership, which is very high (90 per cent) among large companies and in which HR involvement in strategy development is very common (Poór, Engle & Gross, 2010).

The level of economic development stands out as a significant factor in the development of HR for, in contrast to more economically advanced countries in the region, Bulgaria scored lowest on the HR strategic role. This may to some extent have been influenced by the Bulgarian sample, which comprises considerably more SMEs than in the case of other CEE countries.

In respect to another HR centralization aspect – devolvement to line managers – some rather controversial findings have been revealed. Traditionally a higher devolvement to the line is associated with a more strategic HR role in a firm, as it is line managers who are in more frequent and constant contact with employees and staffing decisions are increasingly made in real time (Larsen & Brewster, 2003). In the CEE, however, we see that devolvement to the line is not related to the overall HR strategic integration, for Slovenia, the Czech Republic and Slovakia score lower than average on this indicator, while Bulgaria, which scored lower or on average on other factors of HR strategic integration, reported the highest levels of devolvement to the line. The above findings lead to an assumption that devolvement to line managers may be associated with a lack of HR competence and resources rather than HR strategic integration, for as mentioned the Bulgarian sample predominantly represents SMEs.

Our findings also reveal differences in trade union influence in the region. Trade union power was reported to be strongest in Slovenia, the Czech Republic and Serbia, which is in parallel to prior research (Svetlik, 2009) and to secondary data in case of Slovenia. The Czech Republic findings may again have been influenced by the predominance of large organizations in the sample, while the Serbian situation may be accounted for by a high union density. Slovenia also reported the highest levels of employer association membership and satisfaction with it.

Some HR differences between the CEE countries have also been revealed in respect to internal communication and reward individualization. Slovenia, along with Estonia and the Czech Republic, stand out in respect to communication (upward and downward), while Estonia also scores the highest in reward individualization. These practices are usually viewed as culture-specific (Sparrow & Hiltrop, 1997). It is noteworthy that CEE countries were relatively heterogeneous with respect to national culture and that no culturally similar groups of countries can be identified. The above scores on reward individualization and communication were more likely to be affected by other factors rather than culture. In the case of Slovenia, where organizations reported using more methods of both upward and downward communication than the CEE average, this was more likely accounted for by strong trade unions and high employer association membership.

Overall, this chapter does show that the CEE countries are heterogeneous in their HRM patterns and that the region should not be taken as a uniform management model based only on their socialist heritage and transitional processes. This is an important finding that both foreign-controlled and

domestic companies should take into consideration. The findings provide information that may be useful for MNCs when making business expansion and staffing decisions. With regard to domestic organizations, our findings may serve as a benchmarking tool.

The chapter does, however, have limitations that should be noted here. First, samples of some of the countries under study are small and do not represent the total population. Respondents represent firms with 100 and more employees, which do not represent the typical HRM tendencies in countries with a predominance of SMEs. Our study is limited only to half of the CEE region owing to the fact that other countries did not participate in the Cranet survey. Thus further research needs to be undertaken to achieve an overall picture of the region. Finally, our chapter is purely descriptive and we have not controlled for organizational size, industry and sector. Therefore more sophisticated analyses need to be performed on HRM in the region to make causal inferences.

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