



# Management Re-Imagined

Programme and Proceedings  
of the 11th World Congress of the  
International Federation of Scholarly  
Associations of Management

Michael J. Morley  
Conference Chair

Kemmy Business School  
University of Limerick, Ireland  
26th-29th June 2012

Interesource Group Publishing

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First published in Ireland in 2012 by

Interresource Group Publishing  
Interresource Group (Ireland) Limited  
48 South William Street  
Dublin 2, Ireland

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A catalogue of this book is available from the British Library

Paperback ISBN 978-1-907300-04-2  
CD-ROM ISBN 978-1-907300-05-9

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INTERRESOURCE GROUP PUBLISHING

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**THE ROLE OF HRM IN SERBIAN AND HUNGARIAN COMPANIES – IN THE LIGHT OF  
THE CRANET 2008 SURVEY**

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**Key words:** Human resource management, HRM strategy, HRM activities, Serbia, Hungary

## **ABSTRACT**

The aim of this work is to present the differences and similarities in the role of HRM in Serbian and Hungarian companies in the light of the Cranet<sup>1</sup> 2008 survey data. The data of these two neighboring countries will be compared with the average answers from 17 European countries participating in the Cranet research. The paper will present the labor cost/operating costs ratio, the presence of HR manager at the Board of Directors, the recruitment sources of senior HR directors, the development of corporate and HR strategy, as well as the primary responsibilities for main HR activities. For data analysis descriptive statistical models will be used and the data will be presented graphically. Based on the data analysis the possible cultural and economical causes of the divergences in the role of HRM in Serbia and Hungary will be submitted. The findings may be important for foreign investors and HR managers of companies planning to collaborate with Serbian or Hungarian partners in order to develop their country-specific approaches.

## **1. THEORETICAL BACKGROUND**

### **1.1. Convergence and divergence in the international human resource management**

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<sup>1</sup>The Cranfield Network on International Human Resource Management (Cranet) is collaboration between over 40 universities and business schools which carries out a regular international comparative survey of organizational policies and practices in comparative human resource management across the world.

Comparative human resource management, one of basic elements of international human resource management focuses on the differences and similarities of the HRM practices of different countries. The divergences may be the result of the companies' different internal and external environment worldwide. On the other side, due to globalization and intensified presence of multinational companies and their standardized HRM practice, there are signs of convergence, too. Sahadev and Demirbag (2010) cite Brewster's view and state that factors influencing convergence vs. divergence conflict are the following: local market conditions, ownership structures, organization specific factors, and influence of regulator institutions. Beside inter-country differences, Bedo, Demirbag and Wood (2011) call attention to the inter-country diversity. It emerges in different HRM contexts within one country. According to Serbian research, for example, there is a significant difference between the HRM practice of private and state-owned companies.

Mayrhofer, Sparrow and Brewster (2012) emphasize the differences between the European and the North American HRM practice. The authors claim that the European HRM unfolds a unique context and has developed unique characteristics, patterns and practices. The main differences are in the following aspects of HRM practice:

- *Stakeholder rather than shareholder approach* – The American shareholder approach insists on the HRM's ultimate aim to increase organizational performances, evaluated based on its impact on corporate strategy, customers or shareholders. The European stakeholder view makes it possible for a greater number of actors to influence HRM decisions based on their legal rights for it. This way the interests of employees, customers, trade unions, creditors and NGOs may be taken into account beside the influence of owners and managers.

- *The role of the state*—In Europe state regulations have a more significant influence on a company's HRM activity than in the US. In Europe, the European Union or even regions within a country may have their own HRM policies. Besides, in Europe state is a large employer, too, with special employment practices.
- *People's rights in and to their jobs* - The majority of the European states guarantee peoples' rights in and to their jobs. In the US with the national culture characterized by high level of individualism and low uncertainty avoidance, there is less legislative control over employee relations.
- *Importance of consultation and collective representation* – In Europe trade unions are supported by the legislation, and play a more important part in companies' HRM activities than in most part of the world.

According to one school of thought, HRM practices always depend on the context. Based on a longitudinal study conducted in 18 European countries Nikandrou, Apospori and Papalexandris (2005) emphasize that European HRM is characterized by internal variations among clusters of countries and at the same time by external uniformity compared to the rest of the world. Europe offers a mix of hetero- and homogeneity leading to a unique context for organizational decision makers about HRM matters. Mayrhofer, Sparrow and Brewster (2012) have a similar view and distinguish elements of internal and external context influencing HRM activities. The elements of external context are dimensions of national culture, institutional environment, economic factors, social characteristics, education and political systems, while the internal context consists of company's size, structure, demography and strategy.

Ignjatović and Svetlik (2003) analyzed data of 24 European countries (the Cranet survey from 1999 and 2000 research period) and determined four European HRM clusters:

- The *Nordic cluster* is characterized by employee-focused HRM of medium intensity;
- The *Central Southern cluster* where HRM is of low intensity and mainly gives administrative support to managers;
- In the *Western cluster* HRM activities are intensive and professional and HRM is a strategic partner of management;
- In the *Peripheral cluster* (with mainly CEE countries) HRM has a low status and management-focus.

## **1.2. Labor market situation and HRM practice in Serbia**

The Republic of Serbia is located at the crossroads of Central and Southeast Europe, covering 88 361 km<sup>2</sup>. According to the first results of the Census organized in October 2011, Serbia has 7 120 666 inhabitants. Unique in Europe based on its policy of “openness to all” Serbia is an ideal location for companies who are looking for a service hub of both East and West. While the Serbian economy suffered from isolation during the 90s, the last ten years of political and macroeconomic stability have rapidly transformed Serbia into the most attractive business environment in Southeast Europe. The following table presents the main economic indicators of Serbia.

**Insert table 1 here**

The period of 2001-2007 was characterized by privatization and/or collapse of the old economy, as well as by a very slow expansion of the so-called new economy. Furthermore, the public sector

remained unreformed. Foreign direct investments were increasing very slowly and they were mainly to do with the sale of the existing Serbian resources, while the Greenfield investments were almost symbolic. By the end of 2011, the FDI inflow into the country exceeded 16 billion Euros.

The GDP kept growing over the 2001-2007 period at the rate of about 5.6% a year on average, although that rate varied from 2.5% in 2003 to 8.4% in 2004. According to the Statistical Office of the Republic of Serbia, the GDP was € 13.1 billion at the end of 2001 and € 31.0 billion at the end of 2007. Such an increase is largely owed to a big expansion of the services sector, particularly in its financial and commercial segments, while the expansion of industrial and agricultural sectors was very slow. However, it should be emphasized that such a growth, expressed in Euros, resulted from a depreciated exchange rate. From August 2010 the National Bank of Serbia kept tightening its monetary stance with a view to stabilizing inflation around the target in the medium term. Monetary policy was tightened in order to prevent second-round effects of food price growth, i.e. its spillover to other prices through higher inflation expectations.

Serbia is facing with declining and aging population. Its labor force combines exceptional working efficiency with sizable labor supply. With a unique combination of high quality and low costs, it is one of the key factors in achieving a strong business performance. The quality of the local labor force is best reflected in industrial productivity, rising at an 11% rate between 2004 and 2008. In 2011 labor supply in Serbia comprises of 730,000 unemployed that increase by 42,000 university and 2-year college graduates and 74,000 high school graduates each year. Most of the unemployed are secondary school graduates – most of the active labor population contingent has also completed that educational level. However, this fact also indicates that Serbia's secondary school system is inadequate and non-responsive to the country's economic needs.



Technical education is particularly strong—high school students are among the best performers at world contests in natural sciences, while Serbian engineers are well-known for their expertise. In addition, Serbia boasts the highest English speaking proficiency in Eastern Europe. Management education has also been improved by the introduction of joint graduate and post-graduate courses organized by local universities and renowned Western business schools.

According to Arandarenko and Nojković (2007) traditionally higher rates of formal unemployment compared with the corresponding rates defined by the ILO can mostly be ascribed to two factors – first, there is a considerable number of informally employed or self-employed persons who are not covered by formal employment statistics; second, a large number of the informally employed and persons of working age not participating in the labor force have been registered as unemployed, because the unemployment status entitles them to health insurance and some other social benefits.

Stajić (2006) claims that trade unions in Serbia are facing serious problems of a transitional economy. They try to relieve the effects of transition: at the same time they are changing and modernizing their functioning and the hardest part, the employees' consciousness about the role of unions in a market economy. In that process they encounter external and internal difficulties. The hard macroeconomic situation, the delay in legislation and the state's negative attitude towards trade unions and real tripartism do not facilitate their position. The main internal problem is the fragmentation of trade unions. In 2006 there were 27 trade union confederations registered in Serbia, while the total number of employees was about 2 million. The huge number of trade unions and the competition among them seriously weakened their position. Besides, the inadequate leadership and authoritative behavior of union leaders taken over from domestic leaders of political parties are causing intra and inter-union conflicts.

Milikić, Janićijević and Petković (2008) analyzed the position of HRM in Serbia based on interviews with HRM managers and HRM directors in 38 selected Serbian companies. They have found that the role of HRM function is very weak, but a growing number of companies are introducing HRM departments. The majority of these recently established HRM departments have limited functions – mostly performing administrative tasks. In Serbia the absence of more strategic involvement of HRM is characteristic. According to the cited authors it is due to the lack of competences of HRM professionals, which is the result of inappropriate HRM education at university level. Besides, the change of the managers' mindset is required with the improvement of competences and capabilities of HRM department. The integration of HRM with the business strategy is low, managers do not regard HRM department as a strategic partner and do not view HRM as a vital factor of the company's success. Leković and Šušnjar (2009) claim that the majority of HRM responsibilities (staffing, compensation) are in the line managers' authority, but the main responsibility for these HRM issues is, in deed, in the hands of top managers.

The change towards modern HRM approach will be hard, due to the existing traditions and values of national culture (high uncertainty avoidance, femininity, high power distance and collectivism).

As far as staffing activities are concerned, it has to be stated that the selecting techniques common in market-developed countries (psychometric tests, assessment centers) in Serbia are rare, but interview as a direct communication method is used most often. The cited authors explain it with the influence of collectivism and femininity values. The different forms of financial incentives are rare too, partly because of the undeveloped financial market, partly because of national values of collectivism and uncertainty avoidance. This is why the performance appraisal is mostly informal, implicit and group-based, not formal, explicit and individual-based as in the countries implementing the US HRM model.

### **1.3. Labor market situation and HRM practice in Hungary**

Hungary is located in Central Europe covering 93 030 km<sup>2</sup>. According to the first results of 2011 census, Hungary has about 9982 000 inhabitants. This country is well-connected with Western Europe, with four major European transportation corridors running through the country, and has easy access to public utilities as well. Its favorable geographical position in Europe has led to its emergence as a potential logistics and production hub in Europe.

The economy of Hungary is a medium-sized, structurally, politically and institutionally open economy in Central Europe and is part of the European Union's (EU) single market. Hungary experienced market liberalization in the early 1990s as part of the transition from a socialist economy to a market economy, similarly to most countries in the former Eastern Bloc. Hungary has been a member of the OECD since 1995, a member of the WTO since 1996, and a member of the European Union since 2004. Now the private sector accounts for more than 80% of GDP. Foreign ownership of and investment in Hungarian firms are widespread, with cumulative foreign direct investment worth more than \$70 billion. The main indicators of the Hungarian economy are presented in Table 2.

**Insert table 2 here**

The availability of highly productive, skilled labor has also helped the rapid development of some industries and has led to several global multinationals setting up their R&D centers in the country, particularly in the fields of telecommunications, electronics and medical research. The country touts over 200 industrial parks with state-of-the-art infrastructure, and boasts of seven of the top ten global

Engineering Manufacturing Services (EMS) firms, providing contract design, manufacturing and related product support worldwide. Hungary has emerged as an important global Shared Services Center (SSC), capitalizing on the availability of its skilled, educated and productive workforce at a competitive cost. Since 2000, more than half of the total foreign capital invested in Hungary has been in the service sector, a boom to employment in the country.

One of the most valuable sources of information about the HRM activity in the Hungarian companies is the Cranet research database – obtained during the 2005 and 2008 survey period. Below the basic characteristics of the Hungarian HRM activities will be enumerated as based on data from 2005. Farkas, Karoliny and Poór (2007) emphasize that the traditional HRM department in Hungary before transitional processes consisted of two parts: one for white collar and other for the blue collar workers. The Hungarian Personnel Department was supervised by the chief executive manager, who has no control over wages and only little on non-wage benefits. The HRM department was responsible for the traditional personnel functions as selection, career management and so on. The new labor law came into force in 1992 cutting an end of the egalitarian system and making place for the development and implementation of modern HRM activities.

According to the research data of 97 organizations obtained by Farkas, Karoliny and Poór (2007) in 2005 the average HRM department in Hungary has one to five employees. Female employees are prevalent in HRM jobs as they make up 80% of all HRM staff. More than one third of the companies do not have a computerized HRM informational system and less than half of them have an independent HRM informational system. Nearly half of the responding organizations have increased the use of external HRM service providers mainly in the field of training and development and benefits. Concerning staffing, the majority of companies rely on their internal sources, but use external

sources, as well. Special attention is being paid to the attraction of managers. HRM departments use various techniques, such as Assessment Centers, and invest significant resources in the process of finding the most appropriate candidates for managerial positions. On the contrary, manual workers are selected by means of more simple and inexpensive methods. The modern flexible working arrangements are not frequently used in Hungary. The most popular working arrangements are the traditional ones: overtime and shift work. About 20% of respondents confirmed that about half of their employees work flex-time. Home based work and compressed work-week is rarely used.

Karoliny (2010) analyzed the performance appraisal system in Hungarian companies based on the Cranet data from 2005 and 2008. She claims that appraisal is widely used, not only in large companies. But formal evaluation is mainly used for managers and professional staff. The results of performance appraisal are utilized when identifying training needs, ways of career development and for pay determination. The importance of training and development can be presented through the proportion of the organizations' annual payroll cost spent on training. In 2005 it was 3.54%, while in 2008, more than 4%. As the amount is significant, it may be concluded that Hungarian companies find it important to continually improve the skills and knowledge of their employees. The number of days spent on training confirms it as managers and professional staff spent on average 6-7 days on training, clerical staff about 3-4 days, while manual workers had only two paid days off for training purposes. The fact that most of the employers do not evaluate the effectiveness of T&D programs shows that there is still place for improvement.

Farkas, Karoliny and Poór (2007) point out that line managers identify training needs of their employees, but the implementation of training programs is the responsibility of the HRM department.

One of the features of the Hungarian compensation system is that the base pay of managers is determined on an individual level, while the base pay of manual workers on industry level, based on industry-wide collective bargaining processes. Managers are the beneficiaries of a variable pay system, mainly based on company-wide performances. In Hungary profit-sharing is the most popular financial incentive. About one third of employees are not unionized, and only 6.3% of employees belong to a trade union. In Hungary trade unions have more influence in larger organizations.

Having presented the labor market situation and the HRM practices in Serbia and Serbia and Hungary it may be concluded that even though neighboring countries in Central and Eastern Europe, there are significant differences in their political, cultural and economical situation, as well as in their HRM practice, which the foreign investors have to be acquainted with. Hungary is an EU member, where HRM discipline has been taught at university level and educated HR managers have developed a high concern for the human side of organization. To date, Serbia is not an EU member, facing deep economical and political problems and huge unemployment, and the HRM approach is still in its early stages. The implementation of modern HRM techniques in Serbian companies is difficult, since the national culture is significantly different from those in Anglo Saxon countries, where these management techniques originated from.

## **2. RESEARCH METHODOLOGY AND RESULTS**

### **2.1. Research methodology of the Cranet survey**

This current research is based on the Cranet data obtained in the period of 2008 - 2010. The Cranfield Network of International Human Resources Management (Cranet) was established in 1989, and is now a collaboration of more than 40 universities and business schools, representing a country from all over the world. In this paper the authors analyze the data of the latest Cranet survey round (2008-2010), when the European sample was created by the respondent companies from 19 EU countries (Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Lithuania, Netherlands, Slovakia, Slovenia, Sweden, United Kingdom) and five other European countries (Iceland, Norway, Russia, Serbia and Switzerland).

The Hungarian sample consisted of 139 responding companies, while in Serbia 50 HR managers filled in the survey questionnaires. From 19 EU member countries there were in all 3199 answers. The respondents were made up of companies mainly from the manufacturing and service sector in private ownership, with less than 1000 employees.

The aim of this work is to analyze the significance of HRM function and the key players in HRM in Serbia, Hungary and the EU based on Cranet data from the 2008-2010 research period. The *significance* of HRM function is investigated through the following indicators: labor cost/operating cost, the place of HRM manger on the Board of Directors, the recruitment source of senior HRM manger, presence of corporate and HRM strategy and the involvement of HRM department to the strategy formulation process. The *key players* in HRM were examined through the primary responsibility for the most important HRM activities: for recruitment and selection, compensation and training and development.

## **2.2. Significance of HRM function**

### *Labor cost/operating cost*

The labor cost/operating cost ratio indicates the significance of HRM activities, as it is believed that the higher ratio marks quantitative and qualitative improvement in HRM specialization. As this indicator is 33% in Serbia, 37% in Hungary and 42% in the EU, it is easy to conclude that HRM activities are the least important in Serbia. As the unemployment is high and the workforce is cheap, the employers do not invest much effort into sophisticated HRM activities to attract and retain workers. In Hungary this indicator is slightly higher referring to longer HRM tradition. The labor market of the EU is known for its well-educated labor force protected by law regulations and employee-centered HRM activities; therefore the labor cost/operating cost is the highest there.

### *Place of the head of HRM department on the Board of Directors*

The second analyzed indicator refers to the position of HRM activities in the companies. According to the obtained data in 64% of Serbian companies HRM manager has a place on the Board of Directors or equivalent body. In Hungary this rate is only 36%, while in the EU it is 66%. Based on the data it can be easily stated that in Serbia HRM has almost the same position as in the EU countries, it is a strategic partner of top management. In our opinion, the data tell more about the most common organizational structure in Serbia. In the majority of companies the functional organizational structure is used, with the managers of all business functions making the Board of Directors. As almost every large and medium-sized company has a separate HRM or personnel department, HR managers have a



place in the top management. As the following data will present, the HRM departments in Serbia still have only an administrative role even though having place on the Board of Directors.

#### *The recruitment source of the senior HR director*

The place where the senior HR manager is recruited from mirrors the general attitude towards HRM activities: whether it requires specialized knowledge and skills or not. The attained data are presented at Figure 1.

**Insert figure 1 here**

The obtained data bear witness to three different practices. In Serbia more than a half of the senior HR managers were recruited from internal sources, from within the HRM department – they are HRM professionals promoted to this position. In Hungary the majority of HRM directors are not HRM professionals, as they were promoted to this position from other departments. In a great number of companies from the EU HRM directors are recruited from external sources, they are HRM specialists headhunted from other organizations. While in Serbia and Hungary the described recruitment method is dominant, the companies in the EU use diverse sources: beside the external source in some cases they promote insider HRM specialists or non-HRM specialists to the position of senior HR manager.

#### *The existence of corporate and HR strategy*

The existence of a detailed, written HRM strategy indicates a more sophisticated HRM approach. Figure 2 illustrates the presence of company-level and HR strategy in the selected regions.

Insert figure 2 here

While about 65-80% of companies in all three regions have a written company strategy, not all of them have developed a written HR strategy. In Serbia and Hungary about 40% of companies, while in the EU region about 50% of companies have a written HR strategy. The fact that about 30-40% of companies have an unwritten HR strategy may refer to the increasingly improving role of HRM function and predict future domination of companies with a detailed written HR strategy.

*The stage at which the HR department is involved in the development of a business strategy*

Noe, et al. (1997) emphasize that the strategy formulation process usually takes place at the level of top management, but it almost always has implication of people-related issues. However, the involvement of HR function in the process of strategic planning may be different. The cited authors distinguish four types of linkage between strategic planning and HRM:

- *Administrative linkage* – the company's strategy is formulated without any input from the HRM department. It is only involved in administrative work unrelated to company's core business needs.
- *One-way linkage* – HRM function is only informed after the development of the firm's strategic business plan. The role of the HRM department is to develop HR programs that implement the strategy.

- *Two-way linkage* allows inputs from HRM department into the company's strategic business plan. First the HRM function is informed about the various strategies company's top management is considering. Then, the HRM department analyzes the various strategies, their implication to human resources and presents their remarks to the team for strategic planning. Finally, after the strategic decision has been made, the HR executive gets it and develops programs to implement it.
- *Integrative linkage* allows dynamic, continuing interaction between the strategic planning and HR department. In most cases the HR executive is an integral member of strategic planning team and HR aspects are integrated into the strategy formulation and implementation processes.

Figure 3 presents the obtained data about the involvement of the HRM department into the development of business strategy in Serbia, Hungary and the analyzed EU member states.

Insert figure 3 here

It can be seen that in a great part of companies HR is involved from the outset to the development of a business strategy. It indicates that there is an integrated linkage between strategic planning function and the HRM department, so it is already, or soon will become a strategic partner of the top management. The other three forms of linkage between strategic planning and HRM function are present in analyzed companies, too, but in minor part. About 10-15% of companies use two-sided, one-sided and administrative linkage, respectively. There is no significant difference among the practices of the three regions in this aspect.

### **2.3. Key players in HRM – primary responsibility for HRM activities**

The following figures will present data on the responsibility for main HRM activities: staffing, compensations, as well as training and development.

#### *Primary responsibility for recruitment and selection*

Figure 4 exhibits the primary responsible bodies for decisions considering employee recruitment and selection.

**Insert figure 4 here**

In about half of the analyzed Serbian and Hungarian companies line management is responsible for labor force recruitment and selection, while in about 30% of them this decision is made by line management after consulting HR department. Only in a smaller part of companies does the HR department have power in this field, to make decisions about staffing issues alone or after consultation with line managers. In the EU the decisions about recruitment and selection are the result of consultation between line managers and HR managers. About 10% of EU managers have autonomy to make this decision alone.

#### *Primary responsibility for compensation*

The following figure 5 shows the primary responsible bodies for compensation system.

Insert figure 5 here

At the majority of respondent companies in Serbia and Hungary line managers are primary responsible for compensation system, while to a lesser extent that decision is a result of consultation between line management and the HR department. The situation in the EU is different: line managers with HR managers and HR managers with line managers make this decision equally, in about 30% of companies. In about 10% of respondents from the EU region HR department has the authority to determine employees' compensations alone.

#### *Primary responsibility for training and development*

Figure 6 illustrates who has the primary responsibility for making decisions about training and development function in the companies of Serbia, Hungary and in the analyzed EU countries.

Insert figure 6 here

In the dominant part of Serbian and Hungarian companies line managers are responsible for the training and development of their employees. It is important to emphasize that in Hungary the second most common way of making decision about T&D is when the HR department commands it after consultation with line managers. In the majority of companies of the EU HR managers decide about

T&D issues after consulting line managers. About 10% of managers in the EU region make decision about training and development activities alone.

### **3. KEY FINDINGS AND CONCLUSION**

The obtained data of the Cranet 2008-10 research period point out to some differences and similarities in HRM practice of Serbia, Hungary and the analyzed EU member states.

From the examined regions, the *significance of HRM* is the highest in the analyzed EU member states. There the labor cost/operating cost indicator is the highest; the great number of HR managers has a place on the Board of Directors, the senior HR director is a HR specialist recruited from outside of the company and somewhat more companies have written HRM strategy than in the two other regions. As the majority of EU respondents came from developed EU countries with long HR tradition, this kind of result was to be expected.

But the difference between the significance of HRM in Serbia and Hungary is lower expected. The labor cost/operating cost is very similar in both countries. In Serbia a significantly larger part of HR directors have a place on the Board of Directors than in Hungary. But it is presumably not a sign of the high significance of HRM, but the result of a functional organizational structure of the majority of the examined companies. The senior HR managers in Serbia are recruited from internal sources; they are usually HR professionals from the HRM department promoted to this position. In Hungary the

situation is slightly different. The companies there use internal sources, as well, but they usually attract outstanding individuals without HRM knowledge and experience for this position.

The similarities according to the significance of HRM in the examined regions are reflected in the existence of corporate and HRM strategy and in the stage at which HRM is involved to the business strategy development process. The majority (about 65-80%) of companies in all three regions have written corporate strategy, while about 40-45% of them have written HR strategy. HRM is involved in the development of business strategy from the outset in the majority of examined companies. So, it can be concluded that there is an integrative linkage between the strategic planning and HRM in Serbia, Hungary and in the examined EU countries, as well.

According to the *key players and primary responsible bodies for different HR activities* there are significant differences among Serbian, Hungarian and EU companies. In the majority of Serbian and Hungarian companies line managers are primarily responsible for main HR decisions. They make decisions about recruitment and selection, compensation and training and development, as well, alone, even without consultation with the HR managers. In the companies operating in the EU the situation is different. There the main HRM decisions are the result of consultation between line managers and the HR department. Furthermore, in about 10% of companies in the EU HRM managers have the autonomy to make major HRM decisions alone.

The obtained data may be summarized as there are signs for convergence and divergence in the HRM practice of Serbia, Hungary and the EU, too. The *convergence* is manifested in the similarities of significance of HRM expressed by labor cost/operating cost ratio, the existence of corporate and HRM

strategy and the stage of involvement of HRM in the business strategy development process. The *divergence* is present in the form of place of the HRM manager at the Board of Directors and in the recruitment source of a senior HR manager, as the signs of significance of HRM, as well as in all analyzed indicators of the key players and main decision makers in HRM fields.

Before concluding the paper, it is important to point out its *limitations*: the 50 responding Serbian companies do not represent the average Serbian employer. The majority of companies in Serbia does not have a real HRM approach and did not find it important to participate in this research. It must be pointed out that their practice would result in more significant differences between the HRM practice of Serbia (with short HRM tradition and mainly autocratic leadership style) and Hungary (with longer HRM tradition and more sophisticated HRM practice).

Countries from a relatively homogenous region may have similar HRM practice, but the existing differences in their external and internal HRM context may predict significant divergences, too. In Central and Eastern Europe (CEE), where companies are faced with radical changes in their economical, social and political environment, HRM practices may change frequently and become diverse from that applied in a neighboring country. This is why the similarities and differences in various aspects of HRM practice of different CEE countries may be determined only after detailed analyses.

Foreign investors and HRM managers of multinational companies planning to collaborate with Serbian and Hungarian partners are advised to consider the above described convergences and divergences in order to develop successful country-specific HRM approaches.



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Table 1: The main economic indicators of Serbia

<b>Indicator</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Gross Domestic Product (GDP), EUR million	20 306	23 305	28 785	33 418	29 967	29 343
GDP per capita, EUR	2 729	3 144	3 900	4 547	4 093	4 016
GDP, real growth rate, %	5.6	5.2	6.9	5.5	-3.1	1.5
Inflation rate	17.7	6.6	11	8.6	6.6	10.3
Average net salary, EUR	210	258	347	402	338	332
Employed, average (thousands)	2 069	2 026	2 002	1 999	1 889	1 796
Unemployed, end of period, (thousands)	896	916	758	728	730	730
Unemployment rate	21.8	21.6	18.8	14.4	16.9	20
Inward FDI, EUR million	1 329	2 601	4 279	2 255	1 810	949

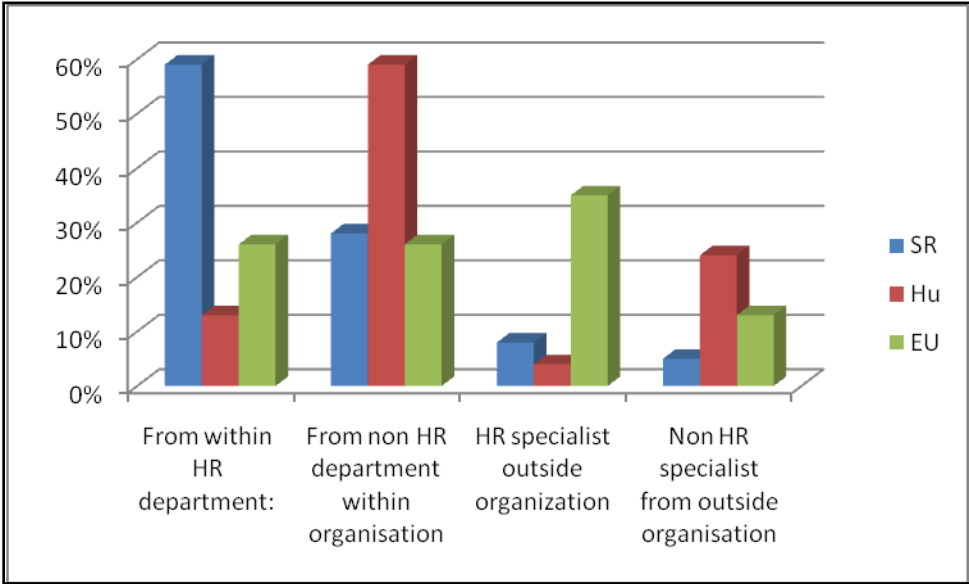
Source: SIEPA (2011)

Table 2: The main economic indicators of Hungary

<b>Indicator</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Gross Domestic Product, billion US dollars	110 134	112 791	137 897	156 712	129 339	128 960
GDP per capita, US \$	10 907	11 194	13 699	15 600	18 307	12 879
GDP, real growth rate, %	3.49	3.31	0.77	0.83	-6.7	1.21
Inflation rate	3.5	6.5	7.4	3.5	5.6	4.2
Employed, average (thousands)	3 880.0	3 863.3	3 858.8	3 719.4	3 719.5	3 719.5
Unemployed, end of period, (thousands)	302.1	315.2	311.3	328.5	419.9	474.1
Unemployment rate	7.3	7.5	7.7	8	10.1	11.2
Inward FDI, millions of US \$	7 709	6 818	3 951	7 384	2 044	2 377

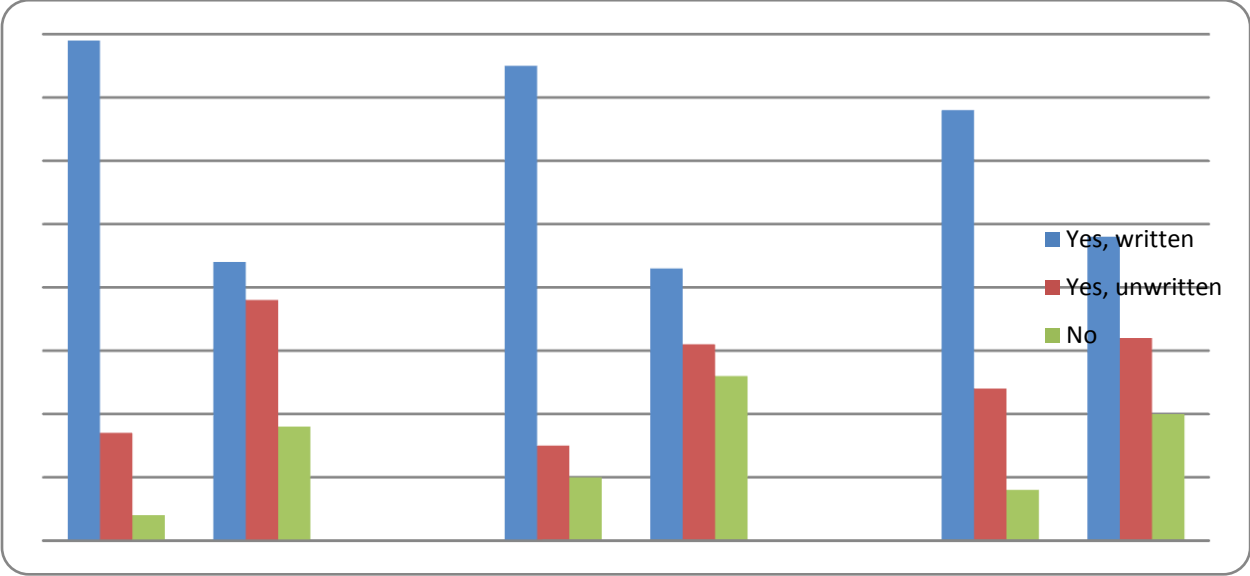
Source: Hungarian Central Statistical Office, UNCTAD

Figure 1: The recruitment source of the senior HR director



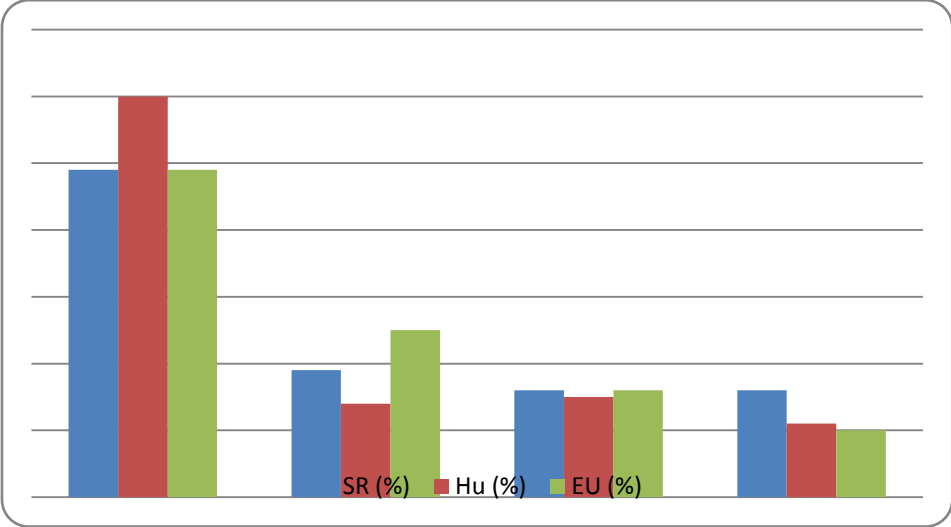
Source: Cranet (2011)

Figure 2: The existence of corporate and HR strategy



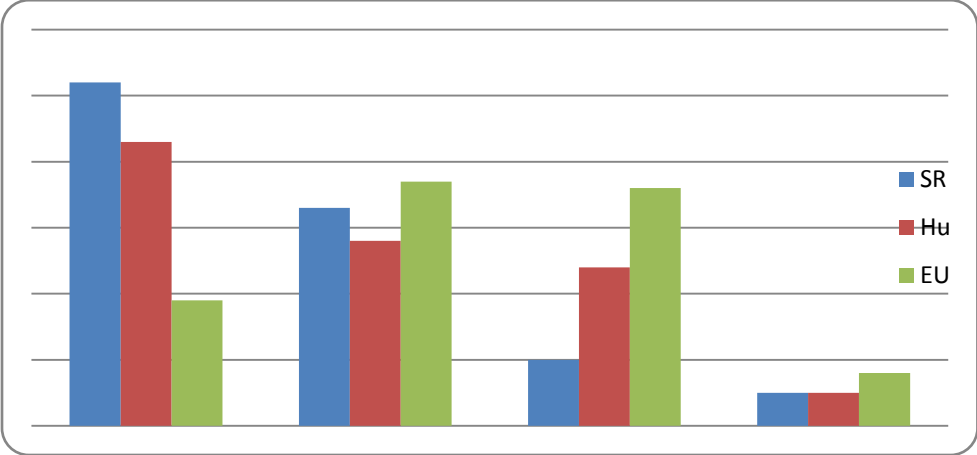
Source: Cranet (2010)

Figure 3: The stage at which the HR department is involved in the development of a business strategy



Source: Cranet (2010)

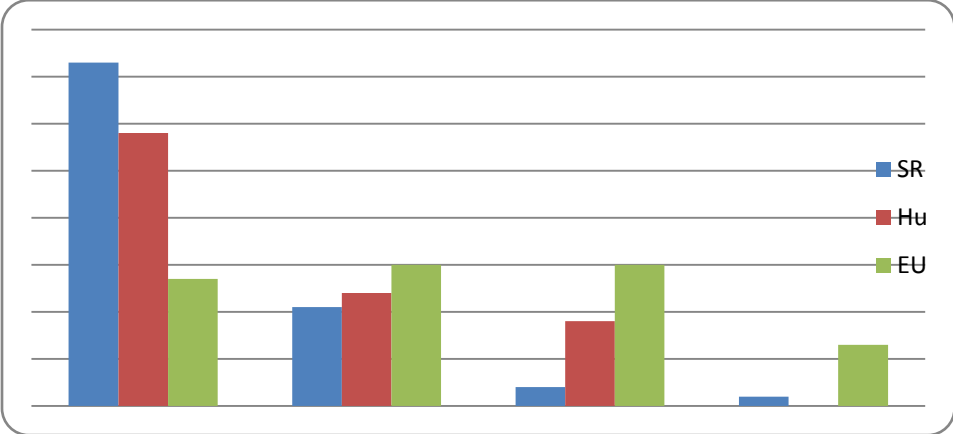
Figure 4: Primary responsibility for recruitment and selection



Source: Cranet (2011)

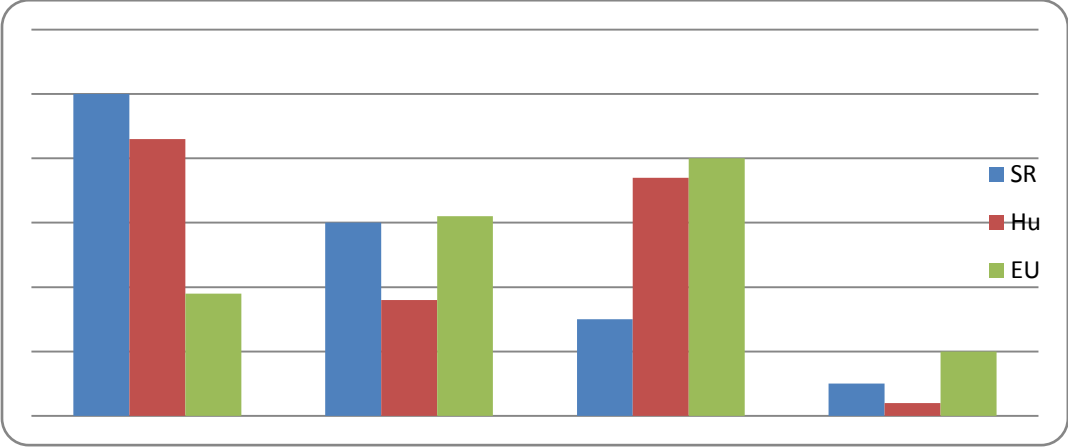


Figure 5: Primary responsibility for compensation



Source: Cranet (2011)

Figure 6: Primary responsibility for training and development



Source: Cranet (2011)