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THE EVOLUTION OF HRM PRACTICE IN SERBIA: THE ANALYSIS BASED ON TWO SUCCESSIVE CRANET RESEARCHES

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Abstract: *This paper explores the evolution of the human resource management (HRM) in Serbian organizations in period from 2008 to 2015. HRM as a management concept was underdeveloped in Serbian business environment until 2000. In the past, many organizations had only personnel function with only administrative role for daily transactional activities. During the great changes that Serbia has experienced: the fall of the former regime, transition to the market economy, and the entrance of the foreign capital; HRM function started to develop. In 2008 and 2009 Serbian economy was largely threatened by the economic crisis. Based on the mentioned, it was very interesting to explore the development path of HRM in Serbia in the light of the changes that happened in the past. We explore the changes in the HRM practice of Serbian organizations based on the analysis of the available literature and data of two successive Cranet research rounds in 2008/10 and 2014/15.*

Keywords: human resource management, Central and Eastern Europe, Serbia, Cranet

JEL Code: **M12, M50, O15**

Introduction

Human resource management includes different activities that have a significant impact on the efficiency and effectiveness of employees' work directing employees towards achieving organizational goals, while balancing it with their own professional and personal goals. The evolution of the HRM usually is presented through several phases, from administrative function, with a paternalistic approach to employees, to contemporary view of HRM as strategic business partner in the firm. The evolution of HRM is different regarding the business environment and economic development of countries. In the most of market economies HRM is more developed, has a strategically important function, while in former planned economies the state and its administration had had the largest influence on business till 1990. There is considerable evidence that HRM in Eastern and Central Europe, as a former communist bloc, has experienced many changes since 1990 and which are still ongoing (Poór et al., 2010; Poór et al., 2011; Poór, 2012, Kohont et al., 2015). The point of departure of many of these economies in terms of their transition journey is now reasonably well understood, the unfolding journey over the past 25 years is somewhat known, but the transition to what is not yet entirely clear (Morley et al., 2016).

Based on the above mentioned, this paper explores the evolution of HRM in Serbian organizations, with the focus on the period from 2008 until 2015, when Serbia became Cranet partner and first gathered internationally comparable data on HR practice. We explore the development path of Serbian HRM in the light of the changes

that happened in the last 15 years. The paper is based on theoretical resources on Serbian HRM practice and empirical data collected among Serbian firms in 2008 and in 2015 during two successive Cranet research rounds.

Theoretical Background

When exploring a development of HRM, it is important to point out at least three different perspectives: *business function* - which focuses attention on the question of how strategic the HRM function is, or could or should be, in organizations, *occupation/profession* - which asks the question of when specific and rounded up tasks started to be performed by a special occupation often placed by organizations in a special personnel department, and *division of responsibility and authority* - which examines the question of the distribution of authority and influence between all of the various stakeholders (Kohont et al., 2015, p. 926).

The issue of strategic importance of the HRM for organizations is quite common research theme (Slavić & Berber, 2013; Ananthram et al., 2013; Gurbuz & Mert, 2011). There is widespread opinion that HRM which is strategically implemented in organizations can be an important factor for gaining competitive advantage (Wright et al., 1994; Bowen & Ostroff 2004; Pološki Vokić & Vidović, 2008; Albrecht et al. 2015). The power of the HR function is defined in relation to its strategic significance within the firm (Gooderham et al., 2015). According to them, this comprises three mechanisms: whether the HR function has achieved board membership; whether the HR function has a substantial degree of involvement in the development of the firm strategy; and whether line managers are involved in its evaluation. The issues of HR profession (Kohont et al., 2015; Ulrich et al., 2013; Wright, 2008; Hempel, 2004) and authority and decision making (Kohont et al., 2015; Slavić & Berber, 2015; Gooderham et al., 2015; Sheehan et al., 2014a;) are also very common themes for HR researchers. The HR profession has experienced great changes in the past, transforming from administrative to strategic. HR managers are seen an "*internal consultant* and *strategic business partners* providing strategic advice to senior managers, advocating organizational change, and focused on 'adding value' appears to have further opened up HR activities to increased competition" (Wright, 2008, p. 1083). Also, HR professionals today must be able to support the reengineering of the HR function, organizational and work-design changes enabled by technology, and the proper managerial climate for innovative and knowledge-based organizations (Hempel, 2004). When exploring the level of authority and responsibility of the HRM, it is important to examine how authority and influence are distributed among the players, such as the HRM and other professions, line and top management, employees and their representative bodies (trade unions, work councils), owners and even politicians (Kohont et al., 2015).

Beside these three perspectives, in the research of the evolution of HRM practice in a country or a region, it is important to take into account the economic, cultural and historic factors that were in place. Those factors determine the entire business environment of one country/region. For the purpose of this research, we decided to explore some characteristics of the HRM in Central and Eastern Europe since Serbian HRM is usually explored in this context (Morley et al., 2016; Slavić & Berber, 2015; Berber et al., 2014; Kazlauskaite et al., 2013; Poór et al., 2012). Also, we have presented a short historical path of Serbian HRM development from WWII until 2008.

HRM in CEE and Serbia

According to Morley et al. (2012) transition and transformation are the synonyms for the situation in the CEE region, characterized by a rising economic heterogeneity and a rapidly changing socio-cultural context, underscored by restructuring, privatization and increasing foreign direct investment. Before the '90s, long tenure and relevant work experience were highly regarded, and relative to other job categories, production and technical positions were well-respected. The Socialist model of management was centralized with a strong emphasis on rules (Pundziene & Bučiuniene, 2009) and personnel management followed a similar pattern. The Socialist system was not conducive to the growth of more sophisticated, value adding activities, resulting in serious difficulties for emerging, transitioning economies of CEE to be able to support, sustain and expand a developmental trajectory based on free market principles (Morley et al., 2016).

Kazlauskaite et al. (2013) prove that the CEE countries are rather heterogeneous in their HRM patterns and the region should not be taken as a uniform management model just due to their socialist heritage and transitional processes. Slavić, Šušnjar and Poór (2012) note that 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, where companies are faced with radical changes in their economic, social and political environment, HRM practices may change frequently and become diverse from that applied in a neighbouring 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.

Describing the characteristics of HRM practice in Serbia it is important to underline that the national culture of Serbia is making the adaptation of western management techniques difficult. Based on Hofstede's (1980) dimensions, Serbia is a country with high power distance (76), uncertainty avoidance (88) and explicitly individualistic (27) and feminine (27) values. According to Janićijević (2003) the dimensions of national culture affects the organizational culture, as well, and results in authoritative leadership style, the high importance of informal relations – networking, and high bureaucracy. This is while the Anglo-Saxon management techniques could not be used directly, but only after studious adaptation.

Table 1. The development of HRM practice in Serbia

Time period	Phase	Main characteristics
1945–1960	Administrative-ideological period	Personnel policy consisted of employment, payment, and the assurance of employees 'social standard. It was determined by the state and implemented through legislation. Personnel function had to recruit employees for key positions who were not only professionally but also politically suitable. The director of personnel had to be politically credible without any special training in the field. There were no trained personnel professionals and Communist Party representatives continued to make key personnel decisions.
1960–1970	Initiation	Economic reforms failed and former Yugoslavia faced with economic crisis followed by high rates of inflation and increasing foreign debts. In the late 1950 the first courses for personnel managers were organised, and in the 1960s courses were also offered at a post-secondary level. Personnel function remained administrative, and personnel policy stayed firmly within the hands of the state. The personnel function became visible although not professionalized. The main players in the field were managers, who received some training and were still more or less influenced politically, self-management bodies such as boards for personnel and social issues, and Communist Party representatives.
1970–1980	Pioneering	Questions concerning salaries, the social standard, and workers' rights were increasingly dealt with by enterprises' work councils and their committees. At a macro level, personnel policy was formally defined in so-called social agreements which were adopted by 'self-managed communities of interest' organised on a local, regional and state level as a kind of association of stakeholders interested in a well-functioning employment system. Personnel function remained administrative, the education and expertise of personnel officers was relatively low, and their role in decision making about personnel matters was unimportant. Personnel function was most often organized in one department together with the legal function, and led by lawyers. The first undergraduate PM programme was established at the University of Belgrade.
1980–2000	Personnel management (PM)	During the 1990s Serbia faced with civil wars, extreme hyperinflation, the loss of former markets, UN economic sanctions on foreign trade and FDI, the maintenance of social ownership, NATO air strikes, spontaneous and tycoon privatization, a strengthening of the informal sector, and considerable economic crisis. This situation was reflected in the role and position of the personnel function within companies which remained rather unchanged. In many companies executives could not understand how the HR function could make the vision of growing human asset a reality. HR professional associations still did not exist, the number of relevant HR articles and books was still small, there was no relevant HR journal, the market for HR services was still undeveloped, and HR had yet to be recognized as a profession.
2000–2008	PM/HRM	The role of HRM function was very weak, but a growing number of companies were introducing HRM departments. The majority of these recently established HRM departments had limited functions – mostly performing administrative tasks, without real strategic involvement. The lack of competences of HRM professionals was the result of inappropriate university-level education of future HRM experts. 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.

Source: Kohont et al., 2015; Bogićević Milikić et al., 2008; Slavić et al., 2012; Štangl Šušnjar & Leković, 2009.

Table 1 presents main characteristics of the HRM practice in Serbia in previous period. It is obvious that the HRM practices were influenced by the Socialist model of development and political and economic situation in Serbia. Also, researches, scientific journals, university programs in the HRM field were very scarce. Usually researches were performed in only several enterprises, without comparative approach, which is quite important for contemporary HRM.

Slavić, Šušnjar, Poór (2012) based on Cranet 2008-10 research results analysed the HRM practice of Serbia and Hungary and stress that there are signs for convergence and divergence in the HRM practice. The *convergence* is manifested in the similarities of significance of HRM expressed by labour 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 manger, as the signs of significance of HRM, as well as in all analysed indicators of the key players and main decision makers in HRM fields. Štangl Šušnjar and Leković (2009) claim that the majority of HRM responsibilities (staffing, compensation) are formally in the line managers' authority, but the main responsibility for these HRM issues is, indeed, in the hands of top managers.

In their theoretical overview Bogićević Milikić et al. (2012) emphasized the findings about HRM in Serbia:

- strategic orientation of HRM is still not fully present among selected companies;
- lack of professional competence of the head of personnel/HR department is evident, since they are mostly recruited from the non-personnel positions either from or outside the organization;
- rare use of external providers for various HR services;
- increased role of line managers in HRM as the consequence of downsizing HR departments has not been found, since over-employment of HR departments is present in almost all observed companies;
- emphasized link between HRM and organizational performance has not been found,
- more emphasis on individual forms of interaction and representation in Serbian companies has not been found either - the role of trade unions is very weak and communication with all employee categories is inadequate and insufficient either through the individual or collective forms of interaction and representation,
- there is no evidence of a reorientation from a primarily humanistic to a more organizationally driven value system.

The study of Milikić et al. (2012) revealed some signs of positive change in Serbian HRM, too, because it found that the HRM function was organized within the separate department, with the HR manager who possess university degree in subject areas other than Law. Also, HR departments are included in making major policy decisions regarding HR issues, written policy in some HR areas, such as pay and benefits, recruitment and selection and training and development exist in organizations, more HR staff has university degree instead of clerical staff, etc. The change towards modern HRM approach in Serbian companies will be hard, due to the existing traditions and values of national culture (high uncertainty avoidance, femininity, high power distance and collectivism). But the Serbian Cranet research data from 2008 and 2015 show the evolution of HRM function in that transition period. Based on Cranet 2008/10 data Slavić, Štangl Šušnjar, and Poór (2012) claim that in Serbia about 60% of HR directors have a place on the Board of Directors. But Slavić and Berber (2014) emphasize that 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.

As far as staffing activities are concerned, Leković, Slavić and Berber (2015) stress that about half of the companies prefer internal recruitment - not only for managerial and professional positions, but for clerical and manual positions, too. The obtained data about training budget in Serbian companies (Leković et al., 2015) speak about the importance of training. As companies on average spend about 2,68% of their annual payroll costs on training; it indicates a moderate importance of training. The extensiveness of training is moderate too, as employees on average spend 7 days on training. According to the Labour Law in Serbia the employees are eligible for the following compensation types: basic pay for the work done and time spent on the workplace, incentives and benefits. The recent Cranet data (Leković et al., 2015) indicate that from possible incentives, bonuses based on individual goals/performances are the most popular. Beside statutory benefits (medical and pension insurance) only about ¼ of analysed companies offer flexible benefits. The

reason may be the fact that flexible benefits are not included in the labour law system of Serbia, yet. But the employees are eligible for some types of benefits, like for the remuneration of the costs of travelling for work, for travelling and accommodation cost during field-work or business trip, meals during work and vacation allowance.

Methodology and Data

In this research the authors used the methodology of CRANET research (www.cranet.org). Cranet is a network of scientific institutions from different countries that collect unique and mutually comparable data on the policies and practices of HRM. This network, which was founded in 1989, conducts the largest survey of HRM practice around the world, and has a current picture of the state of the practice in Member States. Coordination of activities is carried out by Centre of European HRM in Cranfield School of Management in the UK. Currently, the organization has about 40 members worldwide. Faculty of Economics in Subotica conducted this research in Serbia for the second time. As the only member of the international scientific network in this country, Faculty of Economics in 2008 participated in Cranet project for the first time with 50 analysed organizations. In 2015 the authors examined 160 organizations from the territory of Serbia. The answers to the questionnaire were given by HR managers or executives in organizations with more than 50 employees (Leković et al., 2015).

Table 2. Structure of the sample according to the size of organization in Serbia

	2008		2015	
Size of organization	Frequency	Percent	Frequency	Percent
1-249	29	58.0	96	60.0
250-1000	17	34.0	43	26.9
1000+	4	8.0	21	13.1
Total	**50**	**100.0**	**160**	**100.0**

Source: Authors' analysis based on CRANET data

According to the data from table 2 the largest share of the sample in Serbia in 2015 was SME sector, 60%, like in 2008 sample. There are 27% of large organizations and 13% of very large, with more than 1000 employees. In 2008 there were 34% of large organizations and only 8% of very large, with more than 1000 employees.

The sample of 2015 research consisted mainly from organizations from private (66%) sector, like in 2008. In 2015 about 37% of analysed organizations were from production sector, and 63% of organizations are from service sector, while in 2008 the Serbian sample was consisted of 60% organizations from production and 40% from service sector. In both research periods the majority of analyzed organizations are from food production, trade, telecommunication, and IT (Leković et al., 2015).

Results of the Analysis

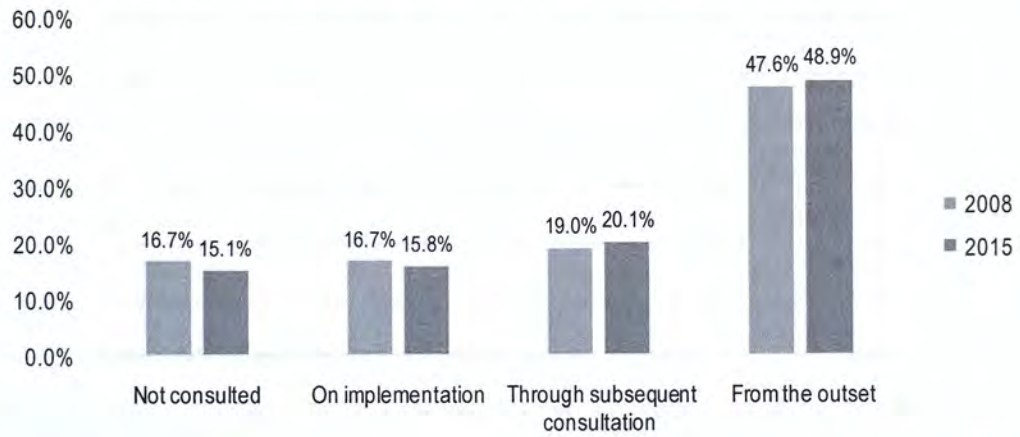
Cranet data from 2015 show that now more Serbian organisations (almost 73% of them) have HR department then in the previous period, when only 53% of organizations claimed they had a HR department. Also, an interesting data is that manager responsible for HR issues has its seat in top management board in more than 60% of explored organizations, while in 2008 there were about 65%. Slavić and Berber (2014) emphasize that the position of HR manager in management board does not have to be a sign of the high significance of HRM, but the result of a functional organizational structure of examined companies. Regarding the existence of organizational mission, business and HR strategy, there is an evidence of the increase, since organizations in Serbia in all three areas have larger share of organizations that possess these kinds of strategies. In case of HR strategy, which is the most interesting for our research topic, in 2015 about 58% organizations have written HR strategy compared to 2008, when the share was 44%.

Figure 1 presents the role of HR managers in the process of business strategy formulation. This is an important element for HRM practice of an organization since it points to the more strategic position of HRM.

Involvement of HR manager in this process from the outset can be a sign that the HRM and all the personnel issues are included in the strategy of the organization. From the data we can see that the involvement of HR manager in strategy formulation remains almost the same in two observed periods, with some small increase of the share of organizations in which HR manager is involved in strategy formulation from the outset of the process (from 48% to 49%).

Figure 1. The role of HR manager in strategy formulation in organizations in Serbia (%)

1. The role of HR manager in strategy formulation in organizations in Serbia (%)



Source: Authors' research based on Cranet data

Regarding the importance of HRM in an organization, data from table 3 presents the primary responsibility for decision making process in main HR activities – rewarding, staffing, training and development, industrial relations, and employment changes.

Table 3. Primary responsibility for main HR practices in organizations in Serbia (%)

Year	Primary responsibility for major policy decisions on Pay and Benefits				Total
	Line Management	Line Mgt. in consultation with HR dept.	HR dept. in consultation with line Mgt.	HR Department	
2008	72.9	20.8	4.2	2.1	100.0
2015	57.5	23.8	15.6	3.1	100.0
	Primary responsibility for major policy decisions on Recruitment and Selection				
2008	52.1	33.3	10.4	4.2	100.0
2015	40.6	28.8	23.8	6.9	100.0
	Primary responsibility for major policy decisions on Training and Development				
2008	50.0	29.2	14.6	6.3	100.0
2015	42.1	22.6	24.5	10.7	100.0
	Primary responsibility for major policy decisions on Industrial Relations				
2008	47.9	29.2	16.7	6.3	100.0
2015	43.0	19.6	20.9	16.5	100.0
	Primary responsibility for major policy decisions on Workforce expansion/reduction				
2008	66.0	21.3	10.6	2.1	100.0
2015	51.3	25.6	18.8	4.4	100.0

Source: Authors' research based on Cranet data

The comparison of data from two periods, 2008/2015 shows that in case of rewarding, in 2008 line managers were mostly responsible for employees' rewards. In 2015 there is a slight positive change since more

organization now claim that HR department alone (3%) or in consultation with line managers (16%) makes decisions on pay and benefits. Similar trend is found in all other HR areas in table 3. HR department (alone or in consultations) is mostly engaged in decision making in staffing, training, and industrial relations. It is *important* to emphasize that in Serbian organizations line manager is still the most responsible for HR decisions, like in the previous period.

Employee turnover and absenteeism are two indicators of low working morale and dissatisfaction of employees. Many HRM practices can be used to decrease absenteeism and turnover, from job design techniques to more complex staffing, career development and reward approaches. In 2012 the CIPD reported that the average length of absenteeism was 6.8 days per employee per year (Armstrong & Taylor, 2014, p. 254). In case of Serbian organizations the average absenteeism was 7 days per employee per year in 2008 and 7.1 day in 2015. There were no significant changes regarding this indicator in two observed periods in Serbia. Employee turnover (known as 'attrition') is a very complex problem within the framework of HRM. It represents the departure of employees from the organization because of employees' personal interests or the needs of the organization (downsizing, layoffs, etc.). The CIPD (2013) survey found that the average rate of turnover in the UK was 11.9 per cent (Armstrong & Taylor, 2014, p. 249), while the average turnover rate from Cranet data for the sample of UK, US, Denmark, Norway, Sweden, Austria, Germany, Netherlands, Belgium, and Slovenia was 9.4% (Croucher et al., 2011, p. 614). The results in Serbia are similar in two periods, almost 7%.

Besides turnover and absenteeism, two more interesting indicators of HRM is the percentage of the operating costs in the total labour costs, and percentage of the annual payroll costs spent on training. The share of labour costs in total operating costs is an important indicator which shows the potential importance of HRM departments in the company. If the share of labour costs is higher, the actions of HRM may significantly affect the operating results of the company (Štangl Šušnjar & Slavić, 2012, p. 36). The percentage of the operating costs is accounted for by labour costs in Serbia in 2008 was 32.44%, and it did not change much in 2015 (34.48%). The percentage of the annual payroll costs spent on training is an indicator of the investment of an organization into its human capital. Based on Cranet data, the average in the Europe was about 4% of annual payroll costs (Poór et al., 2012, p. 278), while in high-tech companies these costs can amount even more than 10%. In Serbia in two observed periods this share was about 2.7% of payroll costs, which place Serbia in countries with low investment in employees' training and development.

Table 4. Number of employees in organizations and in HR sector of organizations in Serbia

		Total number of employees	Number of male employees	Number of female employees	Total number of people employed in HR	Number of male employees in HR	Number of female employees in HR
2008	**Mean**	**341,28**	**199,98**	**138,38**	**4,96**	**1,38**	**3,58**
	Sum	*17064*	*9999*	*6919*	*129*	*36*	*93*
2015	**Mean**	**556,94**	**309,84**	**226,28**	**7,11**	**2,09**	**5,18**
	Sum	*89110*	*49264*	*35978*	*896*	*249*	*647*

Source: Authors' research based on Cranet data

The last table presents the structure of employees and one more important HR characteristic, the HR ratio, as a number of employees per HR staff. In the previous period, the sample of Serbian organization consisted of 17,064 employees, while the average per organization was 341.28 employees. There were more male than female employees (59:41%), and the situation is similar in 2015. In new Cranet research period, there are 160 Serbian organizations analyzed with total 89,110 employees, among them 58% males and 42% female employees. Regarding the HR department, there are more women than men employed, in both observed periods. The HR ratio in 2008 was 132, which means that on the average, one HR professional/manger/staff was engaged for 132 employees in organization. In 2015 it was found that one HR manager is engaged for 99 employees. This can be explained in the sense that one HR employee is engaged for smaller number of employees, which can lead to the conclusion that HR activities in these organizations maybe now have higher importance than in the past period (Berber & Slavić, 2015).

Conclusion

The HRM in Serbia went through several phases, from poor administrative function in the 1950 and 1960, personnel function with the influence of the strong Communist Party in the 1970 and 1980, and offices for human and material resources in 1990, to the HRM in the sense of management function important for overall organizational success nowadays. In the previous period, HRM in Serbia has not been given the importance, and this function was established as centralized function in an enterprise, without power or authority for decision making on employees' questions. HR/personnel managers did not have enough competencies, knowledge, and even formal education in the field of human resources. With the changes in the political and economic system from 2000, Serbian HRM started to develop in more Anglo-Saxon manner, since more organizations established HR departments, with HR managers who are educated in the areas of law, organizational science, management and economics, and psychology. According to the data from Cranet researches in Serbia, from 2008 and 2015 we found that HRM got more strategic role than in the past. HR managers are usually in the top management boards and they are consulted from the outset in the business strategy formulation process. There is an evidence of the increase of those organizations that possess written organizational mission, business and HR strategies. Regarding authority questions, it is important to emphasize that in Serbian organizations line manager is still the most responsible person for HR decisions. HR department (alone or in consultations with the line manager) is mostly engaged in decision making according to staffing, training, and industrial relations. With average results on absenteeism and employees' turnover, Serbian organizations spend less money on training and compensation than other European countries. The HR ratio in 2015 is 99 employees per one HR staff. This can be explained in the sense that one HR employee is engaged for smaller number of employees, which can lead to the conclusion that HR activities in these organizations maybe now have higher importance than in the past period.

Based on the results in this research and other empirical and theoretical papers on the theme, we can conclude that Serbian HRM evolved into more sophisticated management concept. There are many other questions and issues in this area and they will be explored in the future.

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