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**A COMPARATIVE OVERVIEW OF HR POLICIES
& PRACTICES IN SOUTH-EAST EUROPE: A
CROSS-NATIONAL ANALYSIS**

Abstract

Nowadays, companies are operating in a very competitive environment that is also affected by the “pressures” of globalization and internationalization. Companies have realized that HR management is very important in order to compete in this kind of circumstances and the policies and practices that can be implemented can not only give them competitive advantages, but also can be used in the internationalization of the companies. The aim of this research is to present the cross national perspective of HR policies and practices that managers are implementing in order to improve management of employees. Nevertheless, a lot of theories have been written in order to help companies to manage better their employees and in order to increase their efficiency and effectiveness in the global market. According to the literature review, there are some disagreements regarding to the use of same policies and practices of the companies when they expand globally. Even though, the HR policies and practices are specific everywhere, there are differences in the level of their implementation and in the way that they are perceived among companies. In order to present the impact of globalization on HR policies and practices, northern and southern European countries are used. Furthermore, from the research made in those countries, it was concluded that northern European countries are practicing more consistently the HR policies and practices, and the HR manager is directly involved with the decision-making process in the companies. From another point of view, the southern European countries are still practicing basic HR and in some of them the HR tools and techniques are based on benchmarking. Although,

the European Union is considered to be the best example for trying to standardize the HR policies and practices across its member states, the discussion of empirical finding suggests that there are still differences in the level of implementation of HR tools and techniques, due to the different developments and cultural features across the EU countries.

Key words: HR policy, HR practice, EU countries.

INTRODUCTION

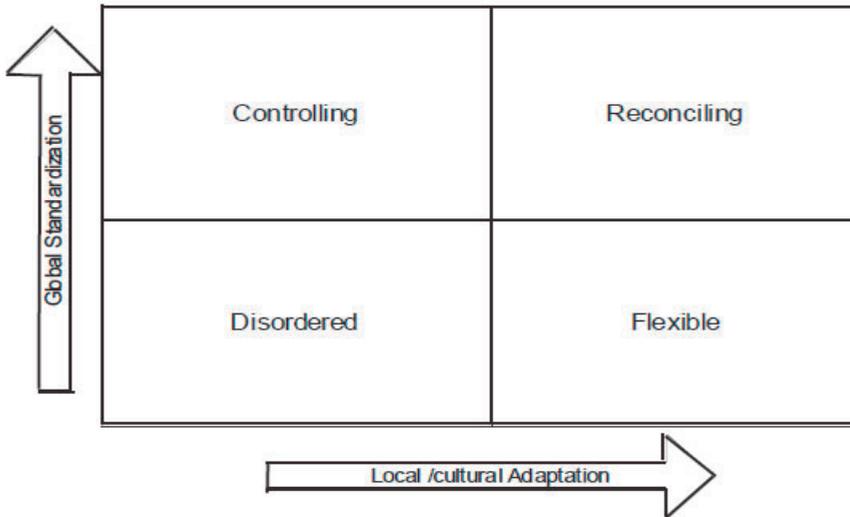
Living at era where globalization is a part of everyday activities, Human Resource (HR) Managers have a crucial role in order to maximize the benefits of the company from its internationalization without destroying the local and organizational culture. Nevertheless, HR managers and their ability to manage people across borders are fundamental regarding the different level of country's development in terms of technological progress, as well as differences amongst the states with regard to employees' registrations, regulations, wages etc (Friedman, 2007). Nevertheless, most of the models are related upon Anglo- Saxon features. Therefore, these can give "even harder times for the manager" due to the fact that these models referred to the view of HR policies and practices in the Anglo-Saxon countries which are different conceptualized in the rest of the world (Budhwar and Sparrow, 2002), which means that HR managers should have realized until which extend they can apply those models in their companies in order not to have negative outcomes form their application.

The aim of this paper is to identify the HR strategies as well as policies and practices that managers are applying in order to enable organizations to compete better in cross-national market. Nevertheless, the main research will be based on the differences between northern and southern Europe countries in the scope of exercising different external environmental tools in the aim of strategies, policies and practices that HR managers are using in order to maximize the benefits of the organizations.

LITERATURE REVIEW

According to Lundy (1994), Strategic HR Management acquires the implementation of variety of tools and positions, such as: treating the employees as a "resource", maintaining open communication channels between employees and managers in order to increase workers' participation and involvement regarding to organization performance, as well as training and pay/ rewards programs which will increase the employees motivation for mounting the quality of the outcomes. This kind of situation is giving hard times as well as triggers the HR managers to exercise different strategies in order to "*maintain balance between the global standardization and local flexibility*" (Razi, 2006, p.63), which means that companies should use their own policies and practices, but they should still adapt to the local culture.

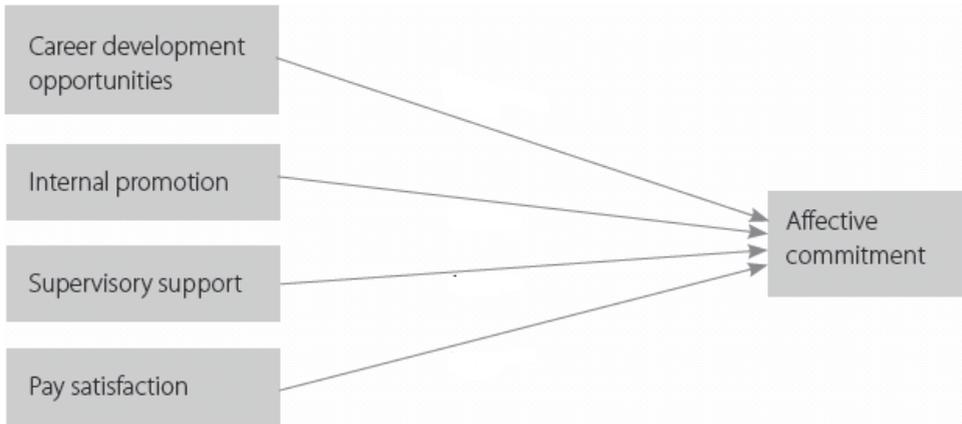
Figure 1: *Balance between the global standardization and local flexibility*



(Adapted from “Employing O. D. Strategies in Globalization of HR” by Nazneen Razi, p. 63.)

A lot of theoreticians have argued that SHR managers should implement “best practice” and “best fit” strategies in order to increase the competitiveness of the companies in the global market. According to Bae and Rowley (2001), HR managers should implement the “best practice” or benchmarking in order to gain competitive advantages, which is contradictory according to Delery and Doty (1996) who argue that “best practice” and benchmarking cannot always lead to “best fit” or positive outcomes while in many cases it is difficult or even impossible to be transferred in subsidiaries that operate in a different cultural context (Garham and Trevor, 2000).

Figure 2: *Common best fit components*



(Adapted from “Work and Organizational Commitment: Am I attached to the organization?” by PSYCH, Lesson 12)

Figure 3: *Common best practice components*



(Adapted from “Work and Organizational Commitment: Am I attached to the organization?” by PSYCH, Lesson 12)

On the other side, according to Morton and Beaumont (1998), the best practices of the HR management can be transferred globally only if the inside organizational benchmarking is used, but the local culture is important as well, which means that the managerial tools (policies and practices) should be adapted to the local population. According to Lepak and Shaw (2007), HR policies characterize the processes, techniques and programs (resourcing, development, rewarding and employment relationship) that should be implemented by the organization in order to maximize the outcomes of the HR practices. From another point of view, HR practices stand for the actual programs, techniques and processes applied by the company. Additionally, depending on the employee's preferences, HR managers can reward them by offering monetary value or personal development and training.

According to Delery and Doty (1996), HR management performance is based on three perspectives *universalistic, configurational and contingency*. According to the universalistic perspective the companies should apply equal practice for the global market such as same wage, employee's security, training and information sharing (Pfeffer, 1995). Nowadays, companies are going internationally in order to accomplish 'the economy of scale' by increasing profits and lowering cost (Babcock, 2004; Noe, 2006), and this universalistic perspective cannot be implemented. The configurational perspective suggests that companies should implement different practices in different countries in order to increase its efficient and effective performance. Additionally, contingency perspective applies a combination of universalistic and configurational perspectives in order to gain the maximum level of specific circumstances. Even though, same practices and policies can be applied in different geographical areas, the quality of the outcomes can fluctuate because of the different mentality of the human resources. Furthermore, Brewster et al. (2005) argue that global HR management is not just practicing tools and model for managing people, but also involves the PEST analysis (political, economical, social and technology development) and as well as culture, institutional roles and policies. According to Bae and Rowley (2001), as the globalization trend increases, the managerial tools and techniques that are implemented by HR managers are similar, which particularly lead to "universal" practices and policies that can be implemented globally. Brewster et al (2005) made a model of the main elements that companies should focus on in order to apply the global human resource practices. This research has limitations because it refer only on multinational corporation, and gives negative results in its implementation because of the nature of some factors that cannot be managed (such as the willingness of information sharing between departments) as well as the mentality and beliefs of the employees regarding to the importance of HR management. Additionally, Gerhart and Fang (2005, p.974) suggest that "*the generalization of HR policies and practices depends on the*

characteristics of the particular country”; which means that the same techniques can be used if the countries have or share similar characteristic such as mentality, behavior, technical development etc. Furthermore, Brewster et al. (2005) argue that global HR is more than HR management in the home country, and recruitment, reward management, communication as well as knowledge and technology can be crucial for the business in the process of transferring, based on the different values and perspectives that employees and as well as customers are sharing in other countries. Additionally, global HR managers have important role when expatriates are chosen for international assignments, which are crucial in gaining positive or negative results based on the ability and professional attitude of the expatriates. Furthermore, Budhwar and Sparrow (2002) suggest four management frameworks for understanding cross-national HR practices, but for the purpose of this assignment the environmental approach is taken into consideration, which is specifically based on the “assumption that managerial effectiveness is a function of the external environmental factors such as socio- cultural, economics, education, legal and political” (Budhwar and Sparrow, 2002, p.381).

Moreover, according to Smale (2008), when companies are operating internationally they can apply the mechanism for global HR management integration. Nevertheless, this model contains all the tools and models that were discussed above, which have been divided into four categories:

1. Centralisation--based mechanism is related with the authority that the headquarters are practicing and is also connected with the decision making processes, determination of salary as well as programs which are related with recruitment and development of the employees.
2. Formalisation-based mechanism is related to the procedures and policies that are established on global level. Additionally, formal and informal control and communication are characteristics of this category.
3. Information--based mechanism is related to the quality of information flow between headquarters and subsidiaries.
4. People based--mechanism is related with the knowledge and culture that are transferred between countries using expatriates.

RESULTS OF THE COMPARATIVE DATA ANALYSIS

According to the theories and findings explained in the literature review, countries across the world have managed to implement similar policies and practices, but the main difference is the level of their implementation, which is based on the organizational perspectives for the importance of the policies and practices, as

well as the culture that is present in the organizational or country level. In order to identify the differences in the cross-national perspectives for HR policies and practices, northern and southern European countries will be used as a sample.

According to the research made by Brewster (2004), northern Europe countries are practicing more strategic HR management, emphasizing more on communication with employees, but weak internal recruitment is present. Additionally, the northern Europe countries are characterized by flexible operations which are based on external training and high market orientation (Ignjatović and Svetlik, 2003). These kinds of circumstances give positive effects on the organizations performance in northern Europe, while this is not the case for southern Europe countries where those findings were negative. The findings of the aforementioned research further confirmed by Nikandrou et al. (2005), who argue that countries in northern Europe (Sweden, Germany, Norway) have hard involvement of the HR managers in their strategic decisions, where the rest of the countries still practice the basic HR management participation. Furthermore, the “*collective incentive programs as well as calculative practices*” are used more in northern Europe countries (Denmark, Netherlands and Belgium) which is not the case in southern Europe where the employees are more concentrated on collaboration and team work orientation (Poutsma, et al., 2006, p.541). According to Kiriazov et al (2000), southern Europe countries (with concentration on the eastern European countries) are using job training which is more based on memorizing instead of learning, and it is characterized with low level of employees discipline (Russian case). From the generic presentation for northern and southern Europe, it can be concluded that companies which operate in developed countries, such as Germany, Netherlands, Sweden etc, the HR policies and practices are very important, due to the fact that those countries are considering employees as a source of competitive advantage. Additionally, by using similar tools for managing the work-force, there is an opportunity for the companies to go internationally and use the same HR policies and practices as in the host country, knowing that the methods used will give positive results in the subsidiaries.

From another point of view, empirical research (Fay et al., 2000; Fay and Bjorkman, 2001) shows that the Russian companies are implementing the HR management policies and practices and that HR department is playing significant role in the decentralization of the decision making which is related with motivation and empowerment of the employees, and as a result the outcomes for the organizations were defined as significantly positive. Furthermore, the research shows that HR managers are using different motivational tools regarding to employees position. Nevertheless, job security and good salary were used as motivation tools for low level employees, while personal and career development was offered to managers and career -oriented employees. Furthermore, in northern countries (UK and Germany)

employees are practicing more flexibility in terms of tasks, “*low perceived need for centralizations and strong vertical hierarchy*” (Faulkner et al., 2002 p. 108). Employee’s education, with regard to the employment process, is very important in France, where companies prefer to employ people with formal education and qualification for particular tasks, which is not the case in Britain (Ramirez and Fornerino, 2007). Additionally, this research shows that in both countries the HR policies and practices are evidently implemented in organizations that use high technology, which means that the training, development and job rotation are very important. As opposite of this, the companies that do not use a lot of technology have insufficient training and development programs included in the HR policies and practices. Katou and Budhwar (2006; 2010) conduct a research based on Greek territory. The results that they found show that the involvement of the HR managers in company’s strategies and operation can have positive outcomes. Additionally, the employee’s behavior related with motivation, two-way communication, increased satisfaction as well as health relationship between managers and employee’s have great impact regarding to organizations performance which gives contentment results of the company’s outcomes regarding profits. Nevertheless, the reward and training programs have given positive results towards employee’s productivity and higher involvement in their tasks. Moreover, based on the research made by Lucas et al. (2004) in Slovenia, regarding the hotel industries, the data show that hotel organizations are using benchmarking as an HR strategy most of the time. Additionally, most of the hotels were using internal recruitment for employees, which can be considered as insufficient method for using new “brains” for gathering entrepreneurial and innovative ideas. Nevertheless, job rotations as well as professional training programs are not the case in the Slovenian hotel industry. Consequently, even though, Slovenia is a part of EU, the level of implementation for HR policies and practices is different in countries with Germany, France, Greece and other EU members.

In the case of Serbia, HR management department has insufficient number of employees, who are indirectly involved with the organizations strategies and decision-making, HR managers are not so much preoccupied with the practices related with their department but rather performing administrative tasks (Milikic et al., 2008). Considering the recruiting programs, Serbian organizations are using the same programs as Slovenians companies, or internal recruitment. Additionally, according to Milikic et al. (2008) training programs are considered an important part of the employment in order to achieve better organizational performance, but the development programs such as job rotation and carrier opportunities are not implemented at all. As opposite from Serbia and Slovenia, Portugal has established a strong culture which is related with a higher need for HR managers, but the HR

managers still do not have the freedom for taking serious decisions, due to the fact that HR management is relatively new for the Portuguese organizations, and the number of HR professionals is low. Additionally, according to the research made by Cabral-Cardoso (2004), the line managers are playing the role of HR managers in terms of making decisions. Nevertheless, in organizations, where HR management is adopted, the recruitment process is made by the HR managers and in some cases the line managers are involved. Regarding to development programs, Portuguese companies appear to be similar with Serbian and Slovenian ones, which means that enlargement as a part of HR model is missing. Croatian organizations have similar characteristics with regard to the HR policies and practices in companies with the countries that were discussed above. The research for the territory of Croatia was conducted by Pološki Vokić and Vidović (2008), and the data collected show that organizations have not still developed HR departments or managers. Nevertheless, in organizations that the HR managers exist, their performance with regard to the implemented policies and practices were estimated as poor and insufficient for managing employees in order to sustain a competitive advantage. Additionally, most of the companies are using benchmarking HR, but according to Pološki Vokić and Vidović (2008) this method is not considered to be the proper one, due to the negative performance of HR and the insufficient use of the tools and methods in comparison with those that Western countries are following.

Additionally, most of the countries that were discussed above, such as: Greece, the UK, Germany, France etc. are part of the European Union, and due to the regulations of EU these countries should follow same HR policies and practices. Nevertheless, using the aforementioned assumptions, it can be concluded that the EU countries cannot fully implement the same tool and techniques due to the different cultural features and developments in these countries. Furthermore, the non EU countries are trying to implement the policies and practices that are used in EU, but the level of their implementation is still different across the EU states. Even though the EU is trying to bring a convergence in the 'adopted' HR policies and practices through various ways (e.g. Directives, Regulations, common employment policy etc), these policies and practices are still significantly divergent across EU nations due to the different perspectives on HRM and variances in cultural values.

CONCLUSION

Bearing in mind all of the above-mentioned, it can be concluded that HR management has a crucial role for the organizational performance. Nevertheless, based on the cultural and states regulations, the level of implementation of HR

policies and practices are different across nations. According to the literature review, theoreticians are trying to help companies to implement similar tools and techniques, in order to compete in international borders. Furthermore, different perspectives for HR policies and practices such as: best practices and best fit, global HR management of integration, universalistic, configurational and contingency perspectives, cannot be fully adapted across different countries. Moreover, based on the empirical findings, it can be concluded that organizations across different nations have managed to implement similar tools and techniques, for example: northern Europe are practicing stronger HR in terms of managers involvement in decisions making as well as considering the training and development programs as important for the outcomes of the companies. On the other hand, southern countries are still practicing the basic HR. Overall, the European Union can be considered as the best example for trying to bring a potential convergence in the adopted HR policies and practices. In particular, the EU is trying to standardize the tools and techniques that HR managers should use across the nations. However, from the discussion of findings it can be suggested that some countries cannot fully implement the EU regulations and divergence of the HR policies and practices. Taking into consideration all of the facts mentioned above, one can conclude that even though theoreticians are making efforts to conduct cross-national HR models, based on the differences of the countries that were discussed in the empirical findings, it is most probably that the application of the model can bring negative results.

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