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In focus: Hungarian and Central Eastern European characteristics of human resource management – an international comparative survey*

*Zsuzsa Karoliny, Ferenc Farkas, József Poór***

The HR practices of the former state-socialist countries have gone through significant changes. The analysis of the developments, built on the Cranet (2004) survey, intends to describe the similarities and differences found between 6 countries of the Central Eastern European region and the total sample of 32 countries participating in the survey. The primary aim of the paper is to highlight the strands of international human resource management, investigating the main focuses, strong and weak elements of both CHRM and HRM. Moreover, it attempts to formulate suggestions on where and how to increase the explanatory power of the current models of CHRM, based on the experiences gained by this analysis.

Die HR-Praxis in den ehemaligen sozialistischen Ländern hat wesentliche Veränderungen erfahren. Die Analyse der Entwicklungen, die auf der Cranet-Umfrage (2004) aufgebaut sind, zeigt Ähnlichkeiten und Unterschiede zwischen 6 Ländern dieser Region und der Gesamtstichprobe von 32 Ländern. Das primäre Ziele dieses Beitrages liegt darin, den Ist-Zustand und Hauptfokus im internationalen Personalmanagement aufzuzeigen sowie die Stärken und Schwächen von CHRM und HRM zu ermitteln. Darüberhinaus wird versucht, Vorschläge zu formulieren, auf welche Weise und wo die Aussagekraft der aktuellen CHRM-Modelle erhöht werden kann.

Key-words: Comparative Human Resource Management (CHRM), Central Eastern Europe, international comparison, convergences-divergences

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1. Introduction

In recent years the issue of managing people has gained more and more importance for organisations, strategy makers and trade unions in various national environments. The globalisation of business has resulted in the increasing recognition of the well-managed workforce and the development of the HR role from being an administrative or support function to one fulfilling strategic importance. The competitiveness of companies and even countries, or regions has increasingly been recognised to stem from the calibre of their people and people management strategies (Porter 1990; Pucik 1992).

2. Approaches, debates, recent models and findings in Comparative HRM

2.1. Three strands of International HRM and the debate on convergences and divergences

The research on HRM in an international context has been approached by a number of different disciplines (from international business and cross-cultural management, through HRM to comparative management and strategic management) and covers a widespectrum of issues, ranging from comparative studies of individual HR practices across the countries to sources of variance in HR strategies in MNC subsidiaries. Based on the review of twenty years of research on the management of human resources in comparative and international perspective literature, Clark et al. (1999) conclude that “a central issue concerns what is constant and what varies across nations”.

In the same year (1999) De Cieri and Dowling proposed an identification of three broad strands within the field of International HRM literature:

- HRM in MNCs – focusing on the management of human resources in international companies;
- Cross-cultural management (CCM) – dealing with the impact of cultural differences on management practices;
- Comparative human resource management (CHRM) – comparing HRM systems and practices at both organisational and national level.

No matter how each strand stems from a different disciplinary area and has its own characteristics, there is at least one common feature in all three areas. Each concerns the debate around the tendency to convergence, as against continuing diversity of organisational forms, management and human resource management practices in varying national setting.

(1) The literature on HRM in MNCs had, for a long time, dealt almost exclusively with expatriate management, implying that managing international work assignment is the only way in which HRM changes in international firms

(Harris/Brewster 1999). Later on the literature evolved to a broader, holistic and even strategic view of HRM in MNCs. The various research projects are strengthening one or the other side of the two lines of the debate on this field. The common argument of the first approach is that markets, technological and managerial forces compel MNCs to adopt common strategies and practices, fostering economic, organizational and employment homogenization across borders. MNCs are seen as being carriers of globalisation, spreading managerial knowledge and techniques internationally through the dissemination of ‘best practice’ (Martin/Beaumont 1998).

The institutional approach suggests an alternative stance. Hollingsworth and Boyer (1997) emphasizes that the massive institutional complexity that MNCs face acts as a counterweight to pressure for convergence.

Hall and Soskice (2001) developed a balanced view of the two distinctive lines. They argue that at the same time as globalization forces promote the standardisation of certain elements of management systems – including personnel issues – local culture and institutional arrangements manifest the resilience of capitalist variety.

(2) The objective of studies in the cross cultural management (CCM) approach is to explain differences in employee behaviour and attitudes as well as management practices using “culture” as an explanatory variable. According to this approach variations in practices are in line with different cultural contexts, which may cut across national boundaries. Although the “culturalist” school is a very broad-ranging one, these approaches have a commonality: this being that they treat culture as a given.

According to Mayer and Whittington’s (2002) point of view, the notion of convergence is central to the ongoing debate of CCM about the relationship between globalisation and evolving patterns of national management. In Keating and Thompson’s (2004) interpretation there are two conflicting schools of thought on this matter: the culturalist, or culture-bound and the culture-free theorists.

The culturalists (Hofstede 1980; House et al. 2004) believe that there can be no universal model of management. In contrast, culture-free theorists (Hickson et al. 1974) argue, that non-cultural factors, such as the level of industrialisation or technological development in a society as well as industry and organisational characteristics, can override the influence of culture in organisations. These non-cultural factors will act in the same direction upon management practices and as the pressure for convergence gets stronger, they predict that a worldwide convergence of management practice will occur.

Some authors maintain that neither theory alone explains adequately the research findings and both similarities and differences are evident in organisations around the world. Others recently argued that both convergence

and divergence may occur at both macro- and micro-level variables. The debate continues.

(3) Comparative HRM (CHRM) involves the comparison of HR systems and practices across nations and regions around the world. The objective of CHRM research is to describe and explain differences in and identify broad patterns of national HRM systems.

CHRM studies have consistently revealed that there are significant differences in HRM around the world (Keating/Thompson 2004). Variations have been attributed to differences in national cultural and institutional (legal, economic and social) environments (Clark 1996; Brewster et al. 2000). Because of the increasing volume and importance of international business and the role the MNCs play in it, there was a strong assumption and some claims of convergence (Sparrow et al. 1994) in HRM models, practices and issues across national borders.

The academic concept of HRM was created in the USA which has been adopted by academics in Western Europe and elsewhere in the last two to three decades. Consequently one of the main consideration of the CHRM researches is whether the HR models created and developed in the US are really ‘universal’, and would work anywhere in the world, as it lies in it’s undeclared assumption, or not. In other words as business becomes more global,

- is HR becoming more uniform?—because of the convergences occurring,
- does HR remain different?— keeping the status quo,
- is HR becoming more different? – because of the diverging trend in its developments in different national or regional areas of the world?

The need to understand HRM from a European – as opposed to the US’s – perspective has become a dominant theme (Sparrow/Hiltrop 1997; Geppert et al. 2002; Brewster 2004). The main focus of the comparisons is to identify and explain the differences.

- Differences in contextual factors or contingent variables between the US and Europe (for a long time meaning and describing solely Western Europe) explaining the deviation from a “universal” US model of HRM.
- Differences in contextual factors among different regions or clusters of Europe explaining the reasons of differing models of HRM in Europe.
- Differences in contextual factors between individual European countries pointing out the explanations for European HRM remaining different.

Although the issue of convergence and divergence are central in all the three strands of IHRM, the terms themselves are used in a number of ways in HR

literature (Mayrhofer/Reichel 2006). On the one end of the spectrum, convergence and divergence are used to describe commonalities and differences between HRM in two different entities of analysis at a certain point in time. On the other end of the spectrum, the terms are explicitly used, when considering longer term developments. With the Cranet network's contributions over the last decade a more nuanced theory of convergence and divergence has been developed and tested. Mayrhofer et al. (2004) propose that one should differentiate between three different forms of convergence: directional convergence, final convergence and majority convergence. In their view directional convergence can be identified when the development tendency between various countries – regardless of the starting level – goes in the same direction. Final convergence emerges if the developments of a variable in different countries point towards a common end point. In other words, the difference between countries decreases. And majority convergence occurs if organisations in a country become more homogenous in the use of a certain management concept or tool.

2.2. HRM models and comparative HRM studies

The practice of various methods and techniques of HRM has a history as old and complex as the history of work organisations. Consequently, people management is a universal phenomenon. Although the functions and the operational aspects of HRM have been practiced from an earlier time internationally, the rhetoric of HRM, as coined in the US and described by both American and British academics, has been enjoying wider popularity and international recognition only in the last two to three decades (Ozbilgin 2004). From the early days, there have been calls for comparative HRM, studying similarities and differences in management systems and in the way people are managed in different countries (Adler 1983).

While the academic concept of HRM was created and developed in North America, in the 1980s it was adopted in Western Europe, in the 1990s in the developing countries and afterwards in the less developed regions. Research in CHRM tends to come predominantly from Britain and to a lesser extent from the rest of Europe. These researchers have critically observed the nature of HRM concept and models imported to Europe from the US since the 1980s and have compared approaches to HRM in various countries (Keating/Thompson 2004). Consequently the majority of comparative HRM studies are focusing on the differences between the US' and European model of HRM, with identifying the factors and variables moreover the details of subcomponents determining cross-national HRM (Budhwar/Sparrow 2002). The main CHRM research questions are establishing:

- how notions of HRM, HRM systems, policies and practices differ worldwide,

- if they are converging or diverging,
- if there is an universal model of HRM,
- what determines national HRMS?

In the majority of its models, HRM is presented as being context-specific. In the new millennium it is argued that with the increased level of globalization and internalization of business, the growth of new markets (such as Eastern Europe, China, India, Latin America) world-wide, and increased levels of competition among firms at both a national and an international level has resulted in an increase in comparative HRM studies.

One track of the rationale behind the raising demand is the need of managers and policy makers to know how human resources are managed in different regions of the world and how their counterparts in different parts of the globe perceive or react to similar concepts and pressures. It has been seen to be also important to have an understanding about the main determinants of HRM policies and practices in different regional and national settings.

Academics have responded to these needs with the development of different models of HRM, but interestingly most models of HRM have an Anglo-Saxon base. Nevertheless, they accept that under the current circumstances of the 'global business village' the lessons learned from the Anglo-Saxon experience became questionable. It has now become clear that the study of HRM needs a cross-national comparative dimension and an international perspective, and an effective framework to conduct such an analysis.

The research framework of CHRM can be described by four questions or dimensions. These and the results of past CHRM research categorised by Mayrhofer (2007) are as follows:

1. What to compare? The core themes that can be addressed: HR practices; HR configurations; link to organisation; link to context.

Past CHRM research put emphasis on HR practices and configurations, with less – but recently growing – focus on various outcome measures at the HR and organisational level.

2. Whom to compare? The potential levels of analysis/The degree of social complexity: Individual; Group; Organisation; Networks of organisations; Supra-national units; 'World'

Past CHRM research projects put strong emphasis on organisations, followed by country and individuals. Little is done at the group, network and supra-national level.

3. Why compare and how to explain? The potential types of reasoning when choosing the perspective of comparison and explaining results: theory; phenomenon.

The type of reasoning was almost exclusively phenomenon driven, with little solid theoretical foundations.

4. When to compare? Embeddedness in time: snapshot/cross-sectional; longitudinal, continuously.

The time dimension of past CHRM was almost exclusively snapshot/cross-sectional, and longitudinal studies were very rare.

In order to evaluate and highlight the context-specific nature of HRM in different national or regional settings, the first step is to identify the main factors and variables that could determine HRM in such settings. From one point of view it does not seem a hard job because as a good starting point the factors tested by the other two streams of IHRM in their comparative practice could have been incorporated easily. But the factors, variables used as dichotomies in each separate strand differ in many considerations and need redefinition to serve CHRM purposes.

The issues regarding the selection and choice for certain contingent variables and organisational and HR strategies and policies (from a long available list) as possible determinants of HRM also needs serious attention. According to Budhwar and Sparrow's point of view (2002), a sensible way to tackle this mammoth task is to understand the complex interaction between HRM practices and their determining variables on the basis of empirical data. However there is a scarcity of research in this area. This is partly due to the fact that the number of methodological issues involved in cross-national research, and partly due to the absence of a comprehensive framework for conducting such studies (Cavusgil/Das 1997).

2.3. Recent theoretical developments and empirical findings in CHRM

One important innovation has been accepted after the appearance of Pieper (1990), a German authority's, view on an important factor causing major difference between HRM in the US and in (Western) Europe. According to his view it is "the degree to which HRM is influenced and determined by state regulations. Companies (in Western Europe) have narrower scope of choice in regard to personnel management than in the US." The three aspects of this concept are the degree of employment protection, the legislative requirements on pay and hours of work and legislation on forms of employment contract.

This opinion is in line with a wider normative concept about the role of the state should play in the economic area. In *Capitalisme contre Capitalisme*, Albert (1991) distinguished between capitalisms, identifying the

- Anglo-Saxon (including USA and UK) model, and
- continental, (Western) European type of capitalism labelling it to "Rhineland" model.

In the “shareholder economies” of the Anglo-Saxon capitalism, private enterprises are concerned with maximizing short-term profits for investors, rather than any broader harmony of interest. In contrast the “stakeholder economies” of the Rhineland regulated market economies, government, employers’ organisations and labour unions consult each other about economic goals to try to achieve harmony of interests. The state “patrolling” this economy acts variously: as referee, guarantor and owner, and tends to see itself as ‘model employer’.

Several other clusters have been created from the CCM perspective, incorporating a number of approaches, from the business system approach, through the notion of institutional embeddedness to social contexts. One of the most well-known representatives of the CCM approach is Rhonen and Shenkar (1985). When synthesising their findings with Hofstede’s (1980) work they developed eight country clusters, four of which were European based: the Nordic (Norway, Denmark Sweden, Finland), the Germanic (Germany Switzerland, Austria), Anglo (UK, Ireland), Latin European (Belgium, Italy, Spain, Portugal, France) and Greece included into the Near-East cluster.

From a much narrower and HR focused aspect two models of employee relations and cluster of countries were defined by Due et al., (1991) using again the role of the state as the main differentiating factor. State with limited role was found in: UK, Ireland and the Nordic countries. State functioning with central role was found in the Roman-Germanic countries, such as France, Spain, Germany, Italy, Belgium, Greece and the Netherlands. Evaluating the six HR clusters characterised by Brewster (2004) the clusters were developed more on institutional similarities or geographical patterns, and had little in common in terms of cultural characteristics. And only one took into considerations several CEE countries, when creating the HR clusters in Europe.

In the new century, in addition to the theoretical developments introduced above, there was a substantial development on the field of the models of CHRM. One of the best integrative models was developed in the UK by Budhwar and Sparrow (2002). They have presented the range of the main national factors that create a metalogic for HRM and their various components. In their interpretation the influence of all the different facets of the four main national factors (i.e. national culture, national institutions, dynamic business environment and industry sector), contingent variables (such as size, age, nature, life cycle, stage of organization, presence of unions and HR strategies) and the strategy with its different organisational strategies and policies of HRM is context-specific. Different configurations of cultural, institutional industry sector or business dynamic metalogics alter the specific impact that the individual contingency factors have.

Complementing the substantial theoretical development, Brewster (2004) in one of his recent works identifies the strands of convergence views from European perspectives:

Most of the arguments behind the convergence views are using the factors (power of markets and importance of cost, quality and productivity pressures, the emergence of transaction cost economics and the like-minded international cadres) known – as described above – as elements of the culture-free approach of HRM in MNCs. The widespread emphasis on the benchmarking practices of organizations and attempts at the diffusion of “best practices” as well as similar curricula in business education are additional factors mentioned by Brewster (2004), emphasising that most of these views centre on convergence towards a US model of HRM.

There is also a view that convergence may be towards regional models. This approach borrows its mixed argument both from the culturalist’s approach, explaining regional similarities and from the institutional approach, emphasising country differences (in this case the continuously searched-for differences really indicate regional-level similarities; just like the case of the role of state in different types of capitalism – as also seen above). Based on this consideration, theoretically there are also two to three possibilities:

- As policies of market deregulation and state decontrol – as institutional factors – are spreading from the US to Europe, European firms move towards the North American HRM.
- Because of the increasing economic, political and even more legal integration of European Union countries, there is convergence towards a distinctly European practice under way.
- And there is of course, a third theoretical possibility, that European firms are so locked into their respective national institutional settings, that no common model is likely to emerge for the foreseeable future.

Proponents of the divergence thesis argue that since HRM systems reflect national context and cultures and these do not respond readily to the imperatives of technology or the market (the culture-free factors), each country will continue to be distinctive.

Attempts by the Cranet network to explore this issue over the last decade or more, using the nuanced theory of convergence and divergence described above and the empirical basis of several survey rounds resulted in evidence of development about (Western) Europe in the last decade of the previous century. While some aspects of HRM were converging in terms of the general direction of development, in others there occurred no convergence or even divergence.

- From the directional convergence point of view, there seem to be positive indications of convergence on issues like the comparatively decreasing

size of the HR department, the increases in training and development and the increasing provision of information about strategy and finance.

- From the final convergence point of view, the answer is no longer a clear positive. None of the HR practices converged at the end of the 1990's. Rather, the maximum point of convergence is reached in the middle of the decade with signs of divergence after that.

2.4. New needs towards CHRM from CEE perspective

As shown above, when clustering the capitalist world or only Europe almost none of the research took into consideration the CEE region. Before the 1990's this can be easily explained by the very different political-social-economic systems of this region. Although more than 15 years after the beginning of the transitional period the need of the academics, policy makers, managers and HR practitioners for closer investigation, meaning described and explained empirical findings both from Western and from Eastern European is evident.

From a Western European perspective Brewster (2004) recognised the ex-communist states from Central and Eastern Europe as a region with significant 'test-bed' possibilities, being important and worthy of close study but having been less well researched in Europe.

From the perspective of the formerly socialist regions' countries, at the beginning of the transitional period the interest has emerged as a new demand for HRM, only several years after the term and concept of HRM has gained recognition in the English-speaking part of the world. The main reason of this attention was the vacuum of knowledge and the lack of organisational-level experience of good practices in the field of managing people. Afterwards either the term or the concept, sometimes both with more or less modification became dominant during the transitional period of the Central and Eastern European region (Alas/Svetlik 2004; Koubek/Vatchkova 2004; Vatchkova 2007; Poór et al. 1998/2007; Karoliny, 2001/2003/2006; Karoliny et al. 2000). These developments created a new need for both empirical data and comparative analysis from the CEE-side to understand and analyse the developments in the field of HRM that occurred in the 15 years of the transition period from a state-socialist, planned economy to a new capitalist market economy of this new cluster of the old Europe.

To reflect to the general need for more empirical studies, and to provide data especially from the former socialist countries, in this paper we are presenting the empirical findings of the survey about the key HR functions, with special focus on Hungary and Central Eastern Europe. The focus of the comparison and analysis is to find the similarities and differences of HRM practices in six CEE Cranet network countries (Bulgaria, Czech Republic, Estonia, Hungary, Slovakia and Slovenia), compared to the global (from the total 32 countries) and Hungarian findings. The findings presented are the result of a snapshot analysis.

The reason for this is that the survey round of 2004 was the first in which our team – representing Hungary – participated in the continuously developing network of the Cranet project. Although for being able to explain the findings, we provide a short outlook about the similarities of the region.

Before presenting the findings for the international readers of this journal, as an addition to the literature review, we are pointing out the special needs of the interests groups in the CEE region perceived by the authors, during their sharing of findings. Lessons learned from these experiences are useful both in CHRM when explaining the empirical similarities or differences and in developing the theoretical background or model of CHRM. The two most important areas found, were as follows:

1. Building on the theoretical background paved by the authors defining different types of capitalism, we felt the necessity to characterise the CEE countries as a specific region of the ‘new capitalism’ by describing the commonalities of these countries in history during the 40 years of socialism and the commonalities and differences during the transition period.

We came to this conclusion by perceiving the differing needs of the audiences. Those, who were more or less aware of the main features of the similarities among the region of the former socialist countries and knowing the common historical background were totally satisfied only with the description and presentation of empirical evidences about the HRM practices. For the audience lacking this background, the description of the new cluster of countries in the old Europe helps a lot in explaining or understanding the current situation. One intention to provide this background is summarised by Karoliny (2008).

2. Beside or even before the usual considerations of the Anglo-Saxon questions of analysis, the new audience of the new region has new needs against CHRM.

One track of the rational – mentioned above – behind the raising demand in an increase in comparative HRM is very sensitive from one point of view. However understandably, they are expressing only one side of the interest, namely those of the developed regions’ representatives: the interest of those nations and organisations that are going abroad, becoming more international and making the world more global.

From the other side of the coin, where the countries receive the MNCs or other foreign investors and are incorporated into the global village, the questions of the policy makers, managers, HR practitioners and academics sound a little bit different. This argument is especially true in the “ex-communist” countries. Here, after several years of resistance and vacuum in the personnel area they have a lot of new questions to answer. They wonder:

- whether the developments of HR during and after the transitional period are going in a proper direction, or not,
- how fast are they developing,

- what kind of similarities and differences are there among the formerly almost homogenous socialist HR policies and practices,
- if they are converging toward some kind of international trends (assuming, there is any such thing),
- if they are still similar in any HR issue,
- if not, what the main influencing factors of the differences are,
- and how to modify the contingency factors affecting HR systems either on country or on organisation levels, to reach higher effectiveness.

The lessons learned from an analysis of the literature review, summarised above, and the empirical findings, coming next, will be incorporated into the final considerations of the paper.

3. The survey and the participating organisations

Despite the limitations of the survey methods, and the methodological constraints, the Cranet network's surveys are providing large-scale empirical data since 1990. Doing so, contributing meaningfully both to the description and understanding of the developments of HRM practices in a continuously growing number of countries and to the theoretical developments in CHRM.

The Cranet project is co-ordinated by Cranfield Business School, Cranfield University in the United Kingdom (Brewster et al. 2004; Tregasikis et al. 2004). Although the international survey method has been the subject of much criticism, the Cranet project pursues this approach. The quantification, by necessity shapes the types of questions and data that can be asked. Taking these into consideration, the survey covers the following areas: HR departments and HR strategy, recruitment policies, pay and benefits, training and appraisal, working arrangements and flexi-time, industrial relations and employee communication.

Research teams serve as critical resources in international comparative surveys, as they are responsible for interpreting the data (Brewster et al. 2006). The institution of the authors, Department of Management, Faculty of Business and Economics, University of Pécs (Hungary), became such a critical resource by joining the international research team in 2004. Our admission into the project was based on literature references presented in this article (Elbert et al. 1994; Karoliny et al. 2005), and our recent empirical studies (Karoliny 2006; Farkas et al. 2007; Poór et al. 2007) that are in line with the subject of the research.

3.1. Questionnaire

The standardised CRANET questionnaire, which served as the basis of our research project, includes nearly sixty questions exploring the following areas:

- Section I examines the roles of HR function, and the position of the HR specialists/departments in the organisational hierarchy of the responding organisations.
- Section II of the questionnaire asks respondents about staffing practices.
- Section III includes questions concerning the employee development, performance appraisal, and career development.
- Section IV explores practices related to compensation and benefits.
- Section V of the questionnaire is concerned with the presence and forms of employee relations and communication in the organisation.
- Section VI includes questions designed to find out about the organisational details of the organisations taking part in the survey.
- Section VII aims to obtain information about the person and the organisation completing the questionnaire.

To facilitate statistical analysis, the CRANET questionnaire contains closed questions: respondents are requested to make their choice from sets of alternative, pre-formulated answers largely covering the specific areas to be studied. Respondents, however, always have the opportunity to elaborate on answers other than the ones offered in the questionnaire. The research data was processed using SPSS software.

3.2. Samples

Through the above described standardised questionnaire, the 2004-2005 CRANET database received data and comments related to the policies and practices of organisations in the fields of staffing, employment and human resource management from 32 countries, including Hungary for the first time.

What follows is a comparison of the characteristic features of these three groups - which are, in essence, each other's subsets - made with the aim of exploring areas of similarities and differences, as well as the extent of these similarities and differences. We will focus on the Hungarian and Central and Eastern European characteristics of human resource management. Our evaluation will be based on the information gleaned from the data - comparable due to the uniformity of questionnaires - of organisations from another 26 countries of the world.

Ninety-seven Hungarian companies and institutions are in the focus of our analyses. The primary benchmark is made up by the entire Central and Eastern European sample, including 864 companies and institutions from six countries (Bulgaria, the Czech Republic, Estonia, Hungary, Slovakia and Slovenia). The total sample comprises 7952 companies and institutions from 32 countries, several of which are outside Europe. Table 1 lists all the participating countries, as well as the numbers and percentages of responding organisations in these countries.

Table 1. Cranet database: Number and percentage of respondents by country

| Countries | Number of responding organisations | Percentage of responding organisations by country (%) |
|------------------|---|--|
| United Kingdom | 1101 | 13.85 |
| Denmark | 516 | 6.49 |
| Canada | 456 | 5.73 |
| Netherlands | 397 | 4.99 |
| Sweden | 383 | 4.82 |
| Germany | 347 | 4.36 |
| Switzerland | 311 | 3.91 |
| Norway | 303 | 3.81 |
| Finland | 293 | 3.68 |
| New Zealand | 286 | 3.60 |
| Austria | 270 | 3.40 |
| USA | 260 | 3.27 |
| Australia | 259 | 3.26 |
| Slovakia | 259 | 3.26 |
| Belgium | 230 | 2.89 |
| Nepal | 204 | 2.57 |
| Tunisia | 189 | 2.38 |
| Greece | 180 | 2.26 |
| Israel | 175 | 2.20 |
| Turkey | 171 | 2.15 |
| Slovenia | 161 | 2.02 |
| Spain | 158 | 1.99 |
| Bulgaria | 157 | 1.97 |
| France | 140 | 1.76 |
| Estonia | 118 | 1.48 |
| Italy | 117 | 1.47 |
| Iceland | 114 | 1.43 |
| Hungary | 97 | 1.22 |
| Turkish Cyprus | 87 | 1.09 |
| Cyprus | 85 | 1.07 |
| Czech Republic | 72 | 0.91 |
| Philippines | 56 | 0.70 |
| Total | 7952 | 100.00 |

Note: The number of the Hungarian respondents was increased to 97 after the Cranet database was closed, and this is the basis of the analysis of the properties of the Hungarian sample. The number of the elements of the total sample was adjusted accordingly to 7952.

3.3. The main characteristics of the three samples studied

Before we analyse the characteristics of the HR practices of the organisations in the Hungarian, the Central Eastern European, and the total samples, let us highlight the similarities and differences between the subsets in terms of

economic activity and size of organisation. We will also present some special characteristics studied only in the Hungarian sample.

As regards the sectoral distribution of the organisations participating in the research project, it can be established (see Table 2) that whilst nearly half of the organisations in the total sample belong to the service sector, the organisations in the Hungarian and, to an even larger extent, in the CEE samples (46.2% and 52.6%, respectively) are primarily engaged in building and manufacturing. The proportion of service sector firms in the CEE - and, similarly, in the Hungarian - sample is below 40%. Whilst both in the total sample and in the Eastern European sample there are agricultural firms (slightly more than 2%), no organisation engaged in agriculture is represented in the Hungarian sample.

Table 2. Percentage distribution of organisations in the Hungarian (n=97), the Eastern European (n=864) and the total (n=7952) samples of the research project

| Sectors | Country(ies) | | | Number of employees | Country(ies) | | |
|---------------|--------------|------------------|-------|---------------------|--------------|------------------|-------|
| | Hungary | Eastern European | All | | Hungary | Eastern European | All |
| Agriculture | 0.0 | 2.2 | 2.1 | 250 | 38.5 | 41.6 | 33.4 |
| Manufacturing | 46.2 | 52.6 | 38.8 | 251 - 1000 | 34.4 | 43.0 | 43.0 |
| Services | 39.8 | 39.7 | 48.0 | 1001 - 5000 | 20.8 | 13.3 | 17.3 |
| Other | 14.0 | 5.5 | 11.1 | 5001 | 6.3 | 2.1 | 6.3 |
| Total | 100.0 | 100.0 | 100.0 | Total | 100.0 | 100.0 | 100.0 |

With regard to the size of organisations, the data in the second segment of Table 2 indicates that more than two thirds (66.60%) of the respondents of the total sample are large companies employing more than 250 people. Though the majority of these organisations (43%) belong to the smallest size category with 251-1000 employees, almost a quarter of them do belong to the category of very large companies with 1000, or even over 5000 people on their payrolls. The average number of employees in the responding organisations is 1878.9.

The Hungarian sample is different in terms of its composition by *size* in that whilst the proportion of the companies belonging to the two largest size categories is the highest (27.1%) compared to the corresponding categories of the other two samples, the smallest size category companies (employing fewer than 250 employees) are dominant in the Hungarian sample, accounting for 40% of the respondents. Consequently, the 251-1000 size category, which includes the majority of the companies in the total sample, comprises hardly more than one third of the respondents in the Hungarian sample. In contrast, the combined weight of small companies (fewer than 250 employees, 41.6%) and the smallest size category of companies (251-1000 employees, 43%) are significant in the CEE sample - it almost reaches 85%.

As to the ownership of responding organisations, it can be stated that private sector organisations are prevalent: they account for more than two thirds of the organisations in the total sample. The distribution of Hungarian organisations is very similar to that of the total sample, but in the case of CEE organisations the proportion of private sector organisations is even higher, exceeding 70%.

In the Hungarian survey, in addition to posing the standardised Cranet questions, we set out to find out about e.g. the owners of the organisations. Our findings show that indigenous and foreign-owned companies are represented almost in equal proportions: 49.5% and 50.5%, respectively. It may be of interest what we have concluded on the basis of this supplementary aspect: foreign-owned companies rated themselves more successful in terms of profitability than their Hungarian-owned counterparts (KSH, 2002).

4. Survey findings in key functions of HRM

4.1. Staffing

The questionnaire explored the importance and areas of, as well as the practices applied in staffing. In the following part of the paper we will outline the specific features characterising this field.

Table 3. Percentage changes in the number of employees in the Hungarian (n=97), the Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey

| Number of employees | Hungary | Eastern European countries | All surveyed countries |
|---------------------|---------|----------------------------|------------------------|
| Increased | 37.1 | 40.1 | 41.0 |
| Same | 19.6 | 20.1 | 20.6 |
| Decreased | 42.3 | 39.2 | 37.6 |
| Does not know | 1.0 | 0.7 | 0.8 |
| Total | 100.0 | 100.0 | 100.0 |

4.1.1. Changes in the number of employees

The sum totals of employees (full time employment equivalents) working for the organisations of our samples have changed in roughly the same way (see Table 3) in the last three years. Slightly more than 40% of organisations increased their workforce, while a little less than 40% of the organisations were forced to make some staff redundant. The proportion of organisations where there was no change in staff numbers is around one fifth. The same proportion was reported by Hungarian respondents, too.

The data of the Hungarian sample shows that 51.0% of foreign-owned companies increased their workforce, whilst 32.7% of them reduced their workforce. The opposite trend holds true for indigenous companies: 22.9% increased and 52.1% decreased the number of employees.

When comparing changes in the number of employees and profitability (see Table 6), it can be observed that organisations rating themselves as highly profitable have had a 10 percentage point higher increase in staff numbers than the average in both the total and the Central Eastern European samples in the last three years. The organisations that reported lower levels of profitability show the opposite trend: 60% of them decreased staff, and three quarters of those that made large losses were forced to do the same.

4.1.2. Methods of recruitment and selection

In all three samples, workforce reduction most frequently took the form of internal transfer, recruitment freeze, redundancies and not renewing fixed term contracts. More than 70% of the respondents in all three samples reported that they had used all of the above-mentioned methods when reducing workforce. Except for Hungarian respondents, early retirement was used less than the other methods in the CEE sample (50%) and in the total sample (60%). Outsourcing was used the least for this purpose: the proportion of organisations applying this method was below 50% in the total and the CEE samples, whilst over 55% of Hungarian organisations outsourced functions to reduce the number of employees.

The most often used resources and practices in workforce expansion, recruitment and selection were investigated according to staff categories, therefore we will present the results along the same lines. Firstly, we will analyse recruitment.

The firms participating in the survey rely on internal resources mostly when filling management positions. They will also use the services of recruitment agencies and head-hunters in this situation. In the total sample, internal recruitment and head-hunters account for 40% and 30% of the cases, respectively. The use of job advertisements is notable, too (1/5). According to CEE respondents (including Hungarians, too) the importance of using internal resources is 10 percentage points higher in their organisations. Hungarian respondents revealed that the use of head-hunters was quite popular, whereas job advertisements were placed only in 9% of the cases.

When sourcing professional and clerical employees, organisations in all three samples turned to job advertisements. The other methods frequently used by organisations in the total sample - recruitment agencies and internal resources - are present in the CEE and the Hungarian samples, too, but their ranking is the

opposite. Although the use of electronic recruitment is low - it does not exceed 6% in any of the samples -, it can still be seen as valid practice.

Manual workers are most often recruited through advertisements. In the total and CEE samples advertisements account for around 40% of recruitment, whereas in Hungary they nearly reach 50%. Word of mouth is another important way of sourcing employees: it ranks as the second or the third most frequently used method.

The analyses of the methods and techniques used or avoided in the selection procedure generated some further characteristic features.

- All the data show that special attention is paid to the selection of managers. On the one hand, this is clear from the fact that certain methods (e.g. Assessment Centres) are only used when filling management positions. On the other hand, selection decisions are made following the simultaneous use of various techniques.
- The data also indicate that selection decisions on manual workers represent the other end of the scale of importance: such employees are usually selected by means of more simple and inexpensive methods.

The use of specific selection methods varies according to specific groups of countries. Let us start with a similarity, and then we will discuss some differences.

- A common feature of the studied samples is that one of the interview types almost certainly has a role in selection, but at least it is the flagship method among the most often used techniques.
- Application forms rank as the second or the third most important method in almost all staff sub-categories of the total sample. Although the frequency of use of this method is usually lower in the CEE countries, its place in the ranking of techniques is similar, except in Hungary, where only about 20% of the organisations reported using it irrespective of staff categories.
- In the total sample, references are used across the board, although at slightly decreasing rates: applicants for management (61%) and professional positions (58%), clerical (52%) or manual jobs (40%) are frequently requested to present references. CEE organisations show a similarly decreasing rate of use in the above-mentioned staff categories, with a frequency that is not much behind. However, while Hungarian respondents do rely on references in the case of filling management positions (42%), they hardly use them when selecting manual workers (8%).
- Psychometric tests are mainly, - but not too often (35% of the total sample) - used in management selection. A similar trend can be observed

in every CEE country included in the sample (see Table 14) but at a frequency of about 10 percentage points lower.

- Finally, graphology is the selection method that is ignored by respondents the most often. In none of the subsets of the survey does its reported rate of use reach 5%. Hungarian organisations are the exception here, too, as respondents claimed that they relied on graphological information (among other sources) in the case of professional and management positions (6.2% and 14.4%, respectively).

4.1.3. *Forms of employment and working arrangements*

It can be concluded that traditional forms of employment with matching work schedules and working arrangements still prevail in the organisations in the total sample. The actual use of the various forms, show some similarities and some significant differences, too:

- In all the studied samples *overtime* is by far the most frequently used working arrangement. Only 12-16% of respondents indicated that they did not use it at all. Nearly all organisations know and adopt this practice, but it is typically restricted to a limited number (0-5%; 6-10%) and a certain category of employees.
- Similarly, *shift work* presents a rather coherent picture in our samples. Nearly one third of the organisations reported that they did not use this working arrangement. Those who do (up to one quarter of the respondents), however, have the majority (over 50%) of their employees working in this arrangement.
- *Flexi-time* is also used by the organisations in all three samples in similar and quite high proportions (55-60%). There are differences, though, in terms of the percentage of the employees on flexi-time. In the total and the Hungarian samples, the highest rate of respondents - nearly one fifth of the organisations - have the majority of the employees (>50%) on flexi-time. In the CEE sample, though, the highest proportion of organisations (23%) stated that flexi-time was available to only a small part (0-5%) of their employees.
- The working arrangements that the majority of the organisations (over 70%) in all three samples reported no use of are *home based work*, *teleworking* and the *compressed working week*. In this respect the Hungarian practice stays even below the low values of the total and the CEE samples. If an organisation happens to have such arrangements, it will only offer them to a small group of employees.
- *Job sharing* and *annual hour's contracts* are working arrangements that are known and used - though on a small scale - by organisations in the total and the CEE samples. These solutions are hardly, if ever, adopted by Hungarian respondents.

- *Part-time work* and *fixed-term contracts* are widely known and used by organisations in the total sample. Hungarian respondents report a frequency of use similar to that of the total sample, whilst in other countries of CEE a surprisingly high proportion (around 40-50%) of respondents claimed not to use such arrangements.

The analysis of the Hungarian patterns of forms of employment and applied working arrangements led us to some interesting conclusions. We found a relationship between the use of overtime and changes in the number of employees (correlation value: 0.216). The data in the cross-table show that the higher the use of overtime by an organisation is, the more likely it is that the organisation is growing in terms of employee numbers, too; and, vice versa, more than one quarter of the growing companies expect over 50% of their employees to work overtime. Consequently, increasing capacity requirements emerge simultaneously in terms of overtime and employee numbers.

Another relationship that we observed is that a large-scale use of the surveyed forms of employment and working arrangements, mostly ones that ensure flexibility - weekend work, shift work, overtime, annual hours contracts, part-time work, job sharing, flexi-time, temporary/casual work, fixed-term contracts, home based work, teleworking, the compressed working week -, do not seem to pay off. These forms account for a maximum of 5% of the working arrangements employed by organisations classifying themselves as highly profitable.

4.2. Employee Development

4.2.1. Performance appraisal

On the basis of the data in the submitted Hungarian questionnaires it can be stated that performance appraisal systems were quite widely used in the year of the survey. They are used by 80% of the responding organisations when evaluating employees in management and professional positions. Moreover, nearly three quarters of the organisations use them in the case of clerical workers, too. The role of performance appraisal is the smallest in the staff category of manual workers: a little more than half of the responding organisations assess manual workers via a formal appraisal system.

As it can be seen in Table 4, the Hungarian and CEE data are similar only in the staff category of manual workers, revealing a slightly over 50% use of formal appraisal systems. In this category the difference from the average value of the total sample is 10 percentage points. In the other staff categories, however, the Hungarian practice is either similar to the total sample - clerical workers: 71% - or exceeds that.

As regards the frequency of the adoption of appraisal systems, the Hungarian data show the same tendency as can be seen in Anglo-Saxon cultures, where the use of appraisal systems in management staff categories is the highest (88.24%). Northern European countries are next in line (88.22%), and the EU-average is over 80%. The Hungarian practice, therefore, is in harmony with that of the developed European countries.

Table 4. Assessment via formal appraisal systems in the Hungarian (n=97), the Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey

| Country(ies) | Percentage of use of formal appraisal systems | | | |
|------------------|---|--------------------|----------------|--------------|
| | Management | Professional staff | Clerical staff | Manual staff |
| Hungary | 80.00 | 80.00 | 71.00 | 52.50 |
| Eastern European | 62.70 | 59.10 | 60.70 | 53.00 |
| All surveyed | 72.50 | 72.10 | 71.03 | 63.80 |

A separately studied aspect of the appraisal process is who is expected to provide input data for the appraisal system, i.e. who is expected to evaluate employees. Respondents had to answer this closed question by simply marking (yes - no) potential appraisers. In this way we can see who takes part in performance appraisals formally, and we can also establish who is typically excluded from it in each sample.

It can be concluded from the data that in each sample it is the immediate superior that has a key role in performance appraisal: nearly everywhere (in more than 97% of the cases) he/she takes part in it. In the total sample, the second most important participant (80%) in the process is the employee himself/herself. This means that in the global sample appraisal systems require and include self-appraisal, too. The third typical participant making an input for evaluation is the supervisor's supervisor (73%).

Whilst, as we have seen, in the total sample the appraisal system involves at least two, but often, three participants, in the other two samples appraisal is mostly a two-person game. In the Hungarian sample, the supervisor's supervisor has a limited role; appraisal data usually reflect the opinion of the supervisor and the self-appraiser. In the other Eastern European organisations self-appraisal opportunities are few and far between (68% of them do not use it), while in addition to the immediate superior's opinion, another supervisor's views will be considered in a lot of cases (70%), too.

Upward appraisal - when subordinates may be included in the group of appraisers - occurs in similar proportions (20%) in the Hungarian and the total samples, whilst in other Eastern European organisations this practice is hardly adopted (below 10%).

The involvement of peers as appraisers is limited (20%) in the total sample. Hungarian respondents reported a stronger role (26%), while Eastern European organisations reported a weaker (15%) role for peers in appraisal.

Finally, a surprising element found across the board: customers or external clients are rated as the least significant participants in the appraisal process. Our supplementary research on Hungarian companies revealed that self-appraisal is conducted mostly at foreign-owned companies (79% of them reported it), while the corresponding figure in the case of indigenous companies is only 40% (Karoliny et al. 2003a/b).

One further aspect of performance appraisal systems was investigated: what other HR fields rely on and use information originating from appraisals. The answers provided in the questionnaire simply had to be marked (yes - no) if appropriate.

With respect to nearly all functions, Hungarian respondents gave the highest rates, which are very similar to the rates of the total sample. According to the data, appraisal results are considered the most often (86-87%) when planning training and development needs. In the Hungarian sample, next come career and pay determination with the same level of importance (77%). The corresponding values in the total sample are 78% and 72%, respectively. HR planning and organisation of work occupy the last two places in the rank. According to CEE respondents the ranking is the following: pay determination (78%), analysis of training needs (72%), career (58%), HR planning (57%) and organisation of work (57%).

4.2.2. Training and employee development

Performance appraisal systems can - and, as we have seen above, do - have an important role in determining training and human resource development needs. The importance of training and development in the life of the surveyed organisations can be presented through the analysis of what proportion of the organisations' annual payroll costs is spent on training. As Table 5 shows us, with the exception of the Hungarian sample, the proportion of those respondents is the highest whose training cost ratio is so low that it can hardly be expressed as a percentage. The proportion of such organisations is the highest (41%) in the Eastern European sample. If we examine the organisations that spend up to 2% of their annual payroll costs on training, we can see that they account for around 55% of the Hungarian and the total samples, while the corresponding figure in CEE is as high as 60%. We can therefore conclude that there are a rather high proportion of organisations that spend relatively very little on employee development.

The Hungarian figure is the highest (3.54%) of the sample averages of the training cost ratios found in our three samples, though it does not much exceed

the average value of the total sample (3.36%). Eastern European organisations spend 3.15% of their annual payroll costs on training on average, which means they are another 0.2 percentage points behind.

Table 5. Proportion of annual payroll costs spent on training in the Hungarian (n=97), the Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey

| Cost ratio (%) | Country(ies) | | |
|----------------|--------------|------------------|--------------|
| | Hungary | Eastern European | All surveyed |
| -1 | 24 | 41 | 31 |
| 1.01-2 | 30 | 19 | 25 |
| 2.01-4 | 28 | 18 | 20 |
| 4.01-6 | 11 | 10 | 14 |
| 6.01- | 7 | 12 | 11 |

According to our analysis, internal training is the most widely used in all three samples, as nearly half of the employees take part in this kind of training programme. In contrast, only a little more than one fifth of the employees participate in external training. Hungarian employees receive more external or internal training than employees in the total sample, while the proportion of CEE employees receiving training is somewhat smaller than that. However, the proportion of those Eastern European employees that are provided with training of both types is higher than that in Hungarian organisations.

The time spent in training is an indicator that can reflect the importance of training very well. When we examine the number of days spent with training by staff categories (see Table 6), there is a notable difference between the practice of CEE organisations and that of the total sample. In CEE, the training provided for managers and professional employees is longer than that given to manual workers. Managers spend the most time in training, then come professional and clerical employees, and, finally, manual workers.

The Hungarian practice is, again, closer to the average values of the total sample. The employees of foreign-owned companies receive more training - 1.5 days more on average. When comparing the number of days spent with training and profitability in the total sample, we observed a strong positive relationship between the variables in all staff categories. The employees of companies generating more profits spend more days in training. An interesting finding is that the number of days spent with training does not decline by much in the last two categories of the scale of profitability - where companies reported smaller or larger losses -, either.

Finally, we were also able to form a view of training in terms of which of the potential actors, and to what extent, can influence the various phases of training - (1) defining training needs, (2) designing training activities and (3) implementing training activities.

Table 6. Number of training days/year in the Hungarian (n=97), the Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey

| Country(ies) | Number of training days/year | | | |
|------------------|------------------------------|--------------------|----------------|--------------|
| | Management | Professional staff | Clerical staff | Manual staff |
| Hungary | 5.9 | 6.2 | 3.7 | 4.3 |
| Eastern European | 7.2 | 6.8 | 4.2 | 3.8 |
| All surveyed | 6.1 | 6.1 | 4.0 | 4.2 |

In general, we can establish that the role of trade unions in any phase of the training process is negligible. Line managers have the most influence on defining training needs, whereas the HR department has primary responsibility for designing and implementing training activities. The differences between the samples in this area are not particularly marked, but as they are still typical.

The role of line managers in defining training needs is the highest in the Hungarian sample. The CEE respondents reported that the HR department and the individual had an equal measure of influence on training needs, which is higher than what we can see in Hungary. In the total sample it can be observed that the role of the individual in defining his/her training needs increases at the expense of the influence of the line manager.

The phase of designing training belongs to the field of competence of the HR department in all three samples, but it has to be mentioned that the influence of line managers on this aspect of the training process is rather strong, too, especially in the CEE sample.

According to CEE - including Hungarian - respondents, the implementation of training activities is primarily the responsibility of the HR department. When comparing the role of line managers of all three samples in this phase of the training process, we can see that the ones in the total sample have the strongest influence.

4.2.3. Methods used in career development

In the Hungarian sample - similarly to the other two samples, but with slightly stronger values - the most frequently used methods in managerial career development are participation in project team work, involvement in cross-organisational tasks and other special tasks to stimulate learning. In addition to these methods, the respondents of the CEE and the total samples reported a rather high use of networking (24%). In contrast, Hungarian organisations hardly use it. Two other methods, preparing formal career and succession plans, were marked in all samples, even if their importance is not very significant (around 15%).

The three most commonly employed career development methods in non-managerial staff categories are the same as the ones in the managerial category, but they are used to a smaller extent.

4.3. Compensation and benefits

The survey explores three of the crucial areas of this HR function in relation to the formerly introduced four staff categories. The first question is designed to find out the level at which basic pay is determined, the second is concerned with to what extent and on what basis variable pay is offered, finally, the third explores the forms and beneficiaries of financial participation.

4.3.1. Levels of basic pay determination

The tendencies that the responses revealed concerning managerial staff members and manual workers are supported by the data in Table 7. The specific features that characterise the determination of professional and clerical employees' basic pay will be outlined in relation to the data in Table 7.

Table 7. The role of various levels in basic pay determination (%) in staff categories in the Hungarian (n=97), the Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey

| Levels | Managers | | | Manual staff | | |
|--|--------------|------------------|--------------|--------------|------------------|--------------|
| | Country(ies) | | | Country(ies) | | |
| | Hungary | Eastern European | All surveyed | Hungary | Eastern European | All surveyed |
| National/industry-wide collective bargaining | 8.2 | 17.4 | 22.6 | 9.3 | 21.9 | 37.9 |
| Regional collective bargaining | 3.1 | 6.6 | 5.8 | 4.1 | 11.9 | 14.6 |
| Company/division | 39.2 | 35.2 | 35.1 | 38.1 | 30.8 | 25.2 |
| Establishment/site | 20.6 | 11.7 | 17.8 | 25.8 | 23.1 | 16.9 |
| Individual | 42.3 | 50.0 | 49.3 | 20.6 | 20.1 | 17.0 |

The following distinct characteristic features and differences may be identified in the four staff categories with reference to the special levels of basic pay determination:

The basic pay offered to managers is determined primarily at the individual level, secondly at the company or division level. The results of the survey in all samples show negligible differences in this area.

In the total sample comprising 32 countries, the basic pay of manual workers is predominantly determined on the basis of national or industry-wide collective bargaining; with the next most important level being company level pay determination. The data in Table 7 reveal significant differences between the

practice adopted by organisations in the total sample and that of CEE, especially Hungarian organisations. Pay determination is primarily a company- or division-level responsibility, but, on the other hand, establishment/site- and individual-level forms of pay determination are relevant, too. This is due to the fact that the trade unions and the agreements they reach have a rather limited effect on the regional, industry-wide and national levels.

The above-mentioned three levels or forms of pay determination - individual, company and national/industry-wide bargaining - take an almost equal share in the case of professional and clerical employees in the total sample. The weakness of CEE and, especially, Hungarian trade unions in such matters is well reflected by the fact that in these staff categories in the total sample national or industry-wide collective bargaining accounts for 30%, in the Eastern European sample it is 20%, while in the Hungarian one it is only around 10%. As a result, typical levels of pay determination and their order of ranking - company/division, establishment, individual - are different from the above outlined trends prevalent in the total sample.

It can thus be concluded that basic pay determination at the level of local establishments is much more significant in the CEE sample, and within that, in Hungarian organisations than in the total sample.

Regional collective bargaining - as a level or form of pay determination - is the least often used in all sub-categories of all surveyed samples. In the case of managers its relevance is virtually negligible (see Table 7). As regards the other staff categories, however, its share of over 10% in both the total and the CEE samples should not be overlooked.

4.3.2. Variable, performance-related pay and financial participation

Based on the responses given to the questions inquiring about variable pay, i.e. pay offered in addition to the basic pay, the basis on which it is paid, and the adopted forms of financial participation, it can be established that managers in all three samples enjoy various privileges:

- The frequency of use of the two examined solutions is the highest in the management staff category.
- On the basis of the data it can also be presumed that managers can benefit from more than one of the listed forms of variable pay or financial participation at the same time.
- Variable pay is determined primarily on the basis of the company-wide performance in this staff category – according to CEE respondents, in a dominant way.

Based on the information in Tables 8 and 9, as well as on data not included in them, the following can be established in connection with the forms under investigation:

Table 8. The rate of use (%) of performance-related pay (PRP) in the compensation of managers and professional employees in the Hungarian (n=97), the Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey

| Basis of determining PRP | Managers | | | Professional employees | | |
|--------------------------|--------------|------------------|--------------|------------------------|------------------|--------------|
| | Country(ies) | | | Country(ies) | | |
| | Hungary | Eastern European | All surveyed | Hungary | Eastern European | All surveyed |
| Team/dept. performance | 20 | 34 | 21 | 20 | 34 | 18 |
| Individual performance | 36 | 47 | 41 | 34 | 54 | 35 |
| Company-wide performance | 48 | 57 | 39 | 26 | 38 | 24 |

Table 9. The rate of use (%) of various forms of financial participation in the compensation of managers and professional employees in the Hungarian (n=97), the Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey

| Forms of financial participation | Managers | | | Professional employees | | |
|----------------------------------|--------------|------------------|--------------|------------------------|------------------|--------------|
| | Country(ies) | | | Country(ies) | | |
| | Hungary | Eastern European | All surveyed | Hungary | Eastern European | All surveyed |
| Employee share schemes | 20 | 17 | 16 | 14 | 10 | 12 |
| Profit sharing | 16 | 32 | 27 | 8 | 17 | 20 |
| Stock options | 20 | 11 | 15 | 2 | 5 | 6 |

- variable pay, which is related to a specific level of performance and the purpose of which is to motivate employees to improve performance, is far more often given to employees in all staff categories than various forms of financial participation;
- usual level of determining variable pay is firstly the individual performance, and, secondly, the company-wide performance. (It is only in the case of managers that it is the other way around);
- in spite of the fact that the importance of teamwork is so often stressed in various places, team or department performance as a factor influencing variable pay scale occupies only the third, i.e. the last place in the ranking in every surveyed sample;
- with regard to the rate of use of variable pay, a comparison of the samples show that - irrespective of staff categories - the significance of variable pay in Hungarian organisations is slightly higher, whereas in CEE

organisations it is considerably higher than in the organisations of the total sample;

- Profit sharing is the most commonly offered form of financial participation in every staff category. It is mostly managers that receive a share of the profits, next come professional employees (20%, see Table 15), followed by clerical employees (17%) and manual workers (14%). The data on clerical and manual workers in the studied samples of countries are consistent with the trend revealed by Table 22 in connection with professional employees. The frequency of use in the total sample is somewhat higher than that in the CEE sample, and it is significantly higher than in Hungary.
- Employee share schemes are used in a rather limited circle, but CEE organisations offering such schemes have a slight edge over the organisations in the total sample.
- Stock options are given to 15% of the managers of the organisations in the total sample. On the basis of the responses given by the organisations in the Hungarian sample, it can be added that members of the management of foreign-owned companies are offered stock options on a much larger scale (43%) than the managers of indigenous companies (10%).

4.4. Employee relations and communication

4.4.1. Internal communication

To explore this area we asked organisations which employee categories and to what extent are provided with formal briefing about topical issues related to business strategy, financial performance and organisation of work. On the other hand, we wanted to find out about the changes that had taken place in the different types of channels of communication: in top-down communication - which serves the purposes of informing employees - and in bottom-up communication, which is used to inform management and to convey employees' opinions to management.

With reference to the first area of interest, we can establish the following:

All three samples are the same in the sense that the extent to which specific staff categories are informed - in connection with all three issues under study - is different. In all respects managers are the first to be provided with information (80-90% extent of knowledge).

As regards the briefing of employees on issues related to business strategy and the organisation's financial performance, the extent of briefing of professional employees is about 20%, while that of clerical employees is another 10% lower.

Manual workers are the least well-informed about such issues: it is only in the total sample that their extent of briefing exceeds 30%.

Issues concerning the organisation of work produce the above outlined ranking but the differences between the various staff categories in terms of how well-informed they are, are significantly smaller (managers: 81-84%; professional and clerical employees: 71-78%; manual workers: 62-73%). CEE and Hungarian manual workers are given the most information on such issues.

According to the respondents, the changes that took place in the three years preceding the survey in the use of top-down communications channels are as follows:

Whilst all samples agree that the decrease in the use of any form of communication was negligible, there are differences between the samples in terms of which channels are not used by them and to what extent.

The sharpest increase was seen in the use of electronic communication in every sample. The rate of growth in the Hungarian sample was higher (75%) than in the total sample (69%), whilst CEE organisations reported a lower (54%) growth rate.

Verbal and written communication direct to employees either showed the same level of importance or increased considerably in most cases.

Team-briefing - which is a special type of two-way communication - occupies the position described above in the total and the CEE samples - that is, it retained or significantly increased its importance. In contrast, there was only a small increase in the use of team-briefing in Hungarian organisations, and a relatively high proportion of respondents (24%) reported that they did not make use of this form of communication at all.

Communicating major issues through representative staff bodies - trade unions - reveals similarities and differences between the characteristic features of the three samples. What is similar is that this form of communication was the one on which a far bigger number of respondents reported that they did not use it than on other ones. However, there are significant differences in the proportions of respondents marking no in answer to this question. (Total sample: 25%; CEE sample: 36%, Hungarian sample: 42 %.) This practice already indicates the weakness of trade unions in CEE, and, especially, in Hungary, which will be discussed in the next section.

On the basis of the responses related to the changes in the channels and methods of bottom-up communication it should be pointed out that the conclusions that can be made, are in many respects very similar to the ones outlined above in connection with the top-down forms of communication. The most important ones being:

- The most dramatic increase took place in the use of electronic communication.
- Employees do not go through trade union representatives and works councils when communicating their views to management in a lot of countries - this trend is the most marked in the CEE sample.

The typical forms and channels of communication that have kept their importance or have even increased are:

- Communicating views through the immediate superior or direct to senior managers.
- Strong preference is given to regular workforce meetings and team briefings, too, in the total sample. These forms of communication are less used or are gaining ground only slowly in the Eastern European sample, mainly in Hungary.
- Lastly, it should be mentioned that although attitude surveys are quite high on the list of methods not used, they are among the methods that are becoming more widespread - faster in the total sample, and more slowly in the CEE and the Hungarian samples.

4.4.2. Trade unions

Our research findings show that the Hungarian sample has the highest proportion of non-unionised organisations (34.7%) and the lowest proportion of organisations where over three quarters of the workforce are unionised (6.3%).

In the other CEE countries - with the exception of Slovenia - the proportion of organisations employing only non-unionised workers is similar to that of Hungary, and is considerably (by over 10 percentage points) higher than the corresponding data of the other surveyed countries (20.25%).

Table 10. Levels of unionisation in the Hungarian (n=97), the Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey

| Proportion of trade union members | Country(ies) | | |
|-----------------------------------|--------------|--------------------|----------------|
| | Hungary % | Eastern European % | All surveyed % |
| 0 | 34.7 | 32.8 | 20.25 |
| 1–10% | 8.4 | 6.7 | 11.86 |
| 11–25% | 11.6 | 7.9 | 9.76 |
| 26–50% | 16.8 | 15.0 | 11.52 |
| 51–75% | 17.9 | 19.5 | 14.39 |
| 76–100% | 6.3 | 10.0 | 21.85 |
| Doesn't know | 4.2 | 8.1 | 10.37 |
| Total | 100.0 | 100.0 | 100.0 |

In this respect, therefore, CEE countries show similarity to the practice of organisations in the U.S. and in Canada, where the proportion of non-unionised organisations is very high, too.

Levels of unionisation in various parts of the world have always been different by virtue of traditions, legal and political institutional systems, as well as the development of trade unions. The role of trade unions is perceptibly shrinking all over the world. The one-time quasi 100% unionisation level that former socialist countries boasted of is a thing of the past so much so - at least in the organisations participating in the survey - that in the total sample the proportion of organisations with over 75% unionisation is much higher (over 20%) than in CEE organisations (10%), and, especially, in Hungary (6.3%).

Our further research on the trade union related aspects of Hungarian organisations revealed that trade unions were able to exercise greater influence or increasing influence on large organisations. In moderately large companies – 1200-1500 employees – there was no change or there was a decline in the influence of trade unions, whilst trade unions had no influence at all on smaller size companies (employing 764 people). The influence of trade unions varies significantly depending on company size, which is confirmed by the value of the ANOVA F test (3.6), and its probability (0.017) (see Table 11).

As the ANOVA values and their significance levels in Table 11 show, the relationship between company sizes determined by the number of employees and trade union influence, and the changes in the level of influence can be observed in the other two samples. However, this relationship covers situations different from the Hungarian one.

Table 11. The relationship between changes in trade union influence and the average number of employees in organisations in the Hungarian (n=97), the Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey

| Trade union influence | Average number of employees in organisations / country(ies) | | |
|-----------------------|---|------------------|--------------|
| | Hungary | Eastern European | All surveyed |
| Increased | 6773.9 | 2066.6 | 2145.7 |
| Same | 1570.2 | 859.3 | 2243.2 |
| Decreased | 1263.8 | 100.3 | 2253.2 |
| No influence | 764.1 | 327.2 | 947.5 |
| Total | 1947.2 | 845.1 | 1905.7 |
| ANOVA F-test | 3.605 | 11.597 | 6.192 |
| Significance | 0.017 | 0.000 | 0.000 |

In the CEE sample the influence of trade unions on organisations of roughly the size of the sample average (845 employees) did not change, in the case of organisations smaller than the average it decreased (100 employees) or was non

existent (327 employees). Similarly to Hungarian organisations, respondents reported an increase in the influence of trade unions on larger size companies (2066 employees) - though these are much smaller than Hungarian organisations.

The relationship found in the total sample is that the organisations that saw a change - an increase or a decrease - in the influence of trade unions are relatively large, the number of people they employ (2150-2250 employees) is slightly more than the average which is quite similar to the Hungarian sample. At the same time, the organisations where there was no change in the influence of trade unions belong to this organisational size category, too. The organisations that reported no influence exercised by trade unions are medium sized (947 employees).

Table 12. The proportion of unionised employees in organisations with different ownership in the Hungarian sample (n=97)

| | Ownership | | |
|--------------|-----------|-----------|-------|
| | Foreign | Hungarian | Total |
| 0 | 23.2 | 11.6 | 34.7 |
| 1 – 10% | 7.4 | 1.1 | 8.4 |
| 11 – 25% | 5.3 | 6.3 | 11.6 |
| 26 – 50% | 6.3 | 10.5 | 16.8 |
| 51 – 75% | 4.2 | 13.7 | 17.9 |
| 76 – 100% | 1.1 | 5.3 | 6.3 |
| Doesn't know | 2.1 | 2.1 | 4.2 |
| Total | 49.5 | 50.5 | 100.0 |

It can also be observed in the Hungarian sample that the proportion of unionised staff is higher in public sector organisations than in private sector ones - the correlation value is 0.305. Professional employees are less willing to become members of trade unions. We found that the higher the percentage of the payroll these groups account for, the smaller the proportion of trade union members in the organisation.

The unparalleled weakness of Hungarian trade unions is demonstrated by the fact - as we have seen it above in the section on compensation - that the role of national and/or industry-wide collective bargaining in determining basic pay is negligible in every staff category.

As it can be seen in Table 12, in the Hungarian sample indigenous companies have a higher proportion of trade union members than foreign-owned ones. Conversely, within the category of foreign-owned firms, there are a significantly higher number of organisations where there are no unionised employees or their proportion is insignificant – below 10%.

5. Limitations and future directions of the research

The limitations of the research are the following:

The Hungarian sample with its 97 elements is statistically rather small. Consequently, it is impossible to draw unquestionable conclusions from them. Not all respondents answered every question, as a result of which the number of actual responses might even be lower in some cases. Random uncertainty may thus significantly affect our findings. For this reason, we only mentioned statistically relevant relationships in our analysis, and we did not make conclusions based on the (not impossibly, apparent) lack of a relationship between certain questions. This way we tried to avoid making the mistake of regarding certain interdependent properties as independent. Whilst the relationships presented here are absolutely true for the 97 organisations in the sample, generalizing them for a larger multitude (e.g. for all the Hungarian organisations) should be done with circumspection and due criticism. Similarly, responses where fewer than 10 organisations fell into one group or class interval were not analysed as the ensuing relationships could be regarded accidental to the extent that it would be a bit of an exaggeration to call them statistical relationships. Every test was conducted at a 5% significance level so that we could make "strong" statements and decrease the possibility of coming to the wrong conclusions.

All in all, the total sample including 7952 elements from the 32 countries of the survey can be considered large, but it should be noted that there were quite a lot of countries the samples of which were relatively small (e.g. the Philippines=52, France=140), thus to avoid potential pitfalls we adopted the approach to analysing such data outlined above.

6. Conclusions

6.1. The main areas of similarities and differences

Characteristics related to the **importance of the HR function** and the **role of the HR department**, and demonstrating similarities in all six CEE countries – making it a specific HR cluster – were as follows:

- The labour cost ratio is rather low (below 40%).
- In large companies the influence of local offices, establishments on HR policies is perceived to be strong.
- The use of external HR service providers in the fields of pay and benefits, workforce reduction and pensions is much less typical than in the total sample.
- One important difference found between Hungary and the rest of the CEE countries on this issue is that line managers were reported to have a significantly larger role in and primary responsibility for every studied

HR function than any other decision makers who may have influence on HR policies.

Similarities found between Hungary and the global sample:

- The distribution of HR departments and their typical size (1-5 employees) show a strong similarity. The level of involvement of the HR director in the development of the business strategy. In all functions of HR decisions, shared responsibility is common: management and HR specialists make decisions together. Typical areas include recruitment and selection and workforce expansion/reduction. Management typically dominates decision-making on workforce expansion/reduction and pay and benefits (in both samples they account for around 20% each).
- A relationship could be observed between the labour cost ratio and organisational performance: above a threshold value the higher the labour cost ratio of an organisation, the lower its profitability. As it can be seen above in some areas Hungarian practices were found to be more similar to the CEE cluster, whilst in other areas similarities with the characteristics of the total sample is evident. The later ones are representing more the HR than the PM characteristics.

The features of practices and techniques that are preferred or ignored when carrying out HR functions presenting similarities among CEE countries does not create a long list in the four key HR functions studied, but several of them is important from our particular point of view:

- Staffing, managerial selection relies heavily on internal resources; Performance appraisal is used the least often in the case of manual workers, despite the fact that before the transition this tool was almost exclusively used to evaluate the performance of this staff category; The implementation of training activities is regarded as a field dominated by the HR department.
- With regard to compensation, respondents indicated that local establishments have a powerful role in determining basic pay. As such reflecting the socialist value of equality and leading to huge differences between staff categories. (Karoliny 2008)
- The proportion of companies that do not employ trade union members is high. The organizational level of trade unions is low; therefore their role and influence are accordingly moderate – reflecting the TU's historical background in socialists' regimes and affecting also the above-mentioned situation.
- It is thus not surprising that internal communication does not make use of trade union representatives or works councils: they were indicated as 'not used' in the highest proportion.

- Beside the above-mentioned differences between the CEE region and the ‘global’ sample, the study of practices and techniques that are preferred or ignored when carrying out HR functions produced a long list of similarities on this consideration. The universally shared and used methods can be seen as a potential sign of homogeneity, universality - as a result of the convergence in HRM.

6.2. Summary and methodological proposals

Several of the above-mentioned *common* characteristics of the CEE region deviate/differ a lot from the Western European commonalities, defined by Morley et al. (1996): e.g. tradition of collectivism and social legitimacy of trade unions, and seem to converge to the US-coined solutions.

Consequently, since the year of the analysed survey round, the enlarged European Union has had a distinct HR cluster, a new capitalist region, showing differing features from the old Western Europe, making the new Europe more divergent than the old (Western) part was.

The CEE characteristics on one hand stem from the market pressures of the competitiveness and effectiveness (culture-free factors) and the role of the MNCs or foreign investors as carriers of globalisation and the dissemination of good practices. On the other hand both an unbalanced reaction to the newly questioned values of the old regime (equality), and the constraints of several old or new institutional factors explain the similarities and differences found in the region. All these signs increase the need for a developed contextual CHRM model which would support not only the snapshot analysis, but also a longitudinal one. Several recommendations in this respect have been drawn from the analysis of the commonalities of the socialist history (where the state exerted total role on ‘HR’ issues) and the developments of the transitional period (Karoliny 2008) taking into consideration both the path-dependent feature of changes and the path-creation phases of it (Makó/Illéssy 2007).

Only few of the current theoretical CHRM models are free from the simple dichotomies implemented by different IHRM strands, with using the factor as an ‘either/or’ question. Based on our lessons learned during the analysis we propose to consider the culture-free, cultural and institutional factors in parallel. As an alternative to following the CCM assumption and treating ‘culture as given’ where the institutions and culture are considered as two separate entities or one being a part of the other, we recommend to observe these as two interactively changing factors, which are balancing the culture-free factors, when playing a role together – with varying power in time – in new path-creation.

To summarise, we feel that the findings of the Cranet (2004-2005) survey round confirm our previous research experience which suggested that a much needed

paradigm shift had taken place in the HRM of Hungarian companies. On the basis of the comparative studies discussed in this paper we can also establish that the once rather similar HR practices of the former socialist countries have gone through significant changes, which are, however, different in terms of their direction and extent. The changes in Hungary seem to be faster in many ways than those in the other countries in the CEE region, which brings Hungary closer to the fictional average of the global sample.

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