Quo vadis HRM?

An International Comparison of HRM Practices focusing on Hungary and Central Eastern Europe

PH.D THESIS

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1. BACKGROUND AND AIMS

The relationships between culture and the economy, together with the culture dependence of management solutions and opportunities, have long been major concerns for management sciences, and, from Hofstede’s epoch-making research to this day, a long line of researchers have been deeply involved. Their topics include comparative HR research into the relationships between different national environments, institutional arrangements and HRM practices. The founders of the global CRANET research network, which specializes in these, have set an ambitious goal: the exploration and international comparison of Human Resource Management (HRM) practices in different countries. On the one hand, network surveys allow the identification of trends in HRM (Brewster et al. 2010), whilst, on the other hand, as the network has become world-wide, it has become possible to compare different regions in terms of different management cultures and to identify groups, groups of countries or regions, with special and distinct HRM characteristics which differ from others (Karoliny-Poór 2013). Large-scale representative data from CRANET surveys support the national embeddedness of HRM and the dynamic nature of the evolution of national business systems (Brewster 2007). Following the system change, the involvement of many countries in the Central East European region, including Hungary, in the CRANET research network has enabled us to study and compare the HRM practices of the region - using the same methodology - with each other and with other regions. As a member of the SZIE Management and HR Research Centre, which operates under the leadership of Dr. József Poór, the author has been involved in this research network for a number of years, a period which has given birth to numerous publications. With this dissertation, and following the contextual research paradigm (Brewster 1999, 2007), this work is continued and deepened. The latest spell of data collection was completed at the end of 2016, which means that the empirical data of three consecutive surveys are available for the Central and East European region, providing a unique opportunity to compare phenomena over time.

The debate over theory and practice concerning studies of comparative management as a product of globalization has evolved over a lengthy period and centres on the dilemma of convergence and divergence. There have been numerous explanations of the differences between regions and countries. Other key questions ask whether these differences are increasing or decreasing, and, as business becomes more global, whether HRM is becoming more uniform, or, on the contrary, if different regions might even be becoming more distinct (Brewster 2004). This question is of particular interest in respect of the changing economies of Central and Eastern Europe, as, in these countries and since the collapse of the Socialist regimes, the expansion of multinational companies (MNCs) has led to the total transformation of people management practices, in that politically oriented personnel administration has been replaced by economically oriented HRM. With the inflow of foreign capital, management knowledge and practices have impacted hugely on the organisations of the region, and, from the `90s, HRM has become an integral part of management (Poór 2013). At the same time the Central and East European region is characterized by significant structural, institutional and configurational differences, along with significant practice differences in HRM, compared, that is, with other regions and territories (Morley et al. 2009). It is clear what the states in this region are in transition from, but it is not exactly clear how they will develop or whether they will represent a new Variety of Capitalism whilst the recent economic crisis has tended to exaggerate the differences (Brewster et al. 2010).
For these reasons a study of people management practices in this region can be considered timely and relevant.

As a result of the East European system changes (which commenced more than a quarter of a century ago) and the transformation since then, it is still timely to reflect on how transition and development in the countries of the region have evolved and what characteristics today’s HRM displays. In this dissertation I start from a review of the literature of the issue of globalization and the results of international cultural studies, and I move towards the scientific approaches to Human Resource Management, highlighting the regional differences in HR models. In addition to these theoretical approaches to HRM, I use the conceptual framework provided by cultural clusters and comparative economics by examining their interactions and correlations in explaining the phenomena.

This paper is the result of secondary research based on the CRANET questionnaire surveys. Its purpose is to examine the specificities and changes in HRM, to find trends, identical features and differences visible by comparing different countries and their cultural clusters in the six regions of Europe and in the ‘motherland’ of HRM, the United States, to seek responses to the increasingly intense globalization process, and to explore what characteristics the HR practices of the organizations in our region show today. Compared to economically developed countries, are there convergent trends which can be identified or are there divergent features in Central and Eastern Europe - and, in particular, in Hungary?

From this research I expected that HRM practices in organizations in the Central and East European region and in Hungary were basically converging with international trends, whilst the particular forms of the Central and East European HRM may also be present. I expected that the weakening of the role of HR, due to the crisis, would be followed by its strengthening in the companies of the region. However, despite the common socialist past, the countries of the region show cultural differences, in that, in addition to co-movement there are divergent traits which can be attributed to cultural origins and are also expressed in HR variables.

Creating models able to capture the relevant components of cultural and institutional differences between countries, is not simply an academic question – according, that is, to Brewster (2004), but it can also provide important information for practitioners to form an opinion and take action. Interpreting Central and East European, particularly domestic, HRM practices in a global context and exploring the trends can serve as a basis for the development of efficient HR activities and may help to strengthen the competitiveness of companies in the region. I hope also to contribute to the ever-expanding knowledge which promotes a better understanding of the trends associated with the HRM functions of companies, whilst also facilitating the future development of these HR operations, in accordance with global trends and with such modernization as meets local needs.
2. METHODOLOGY AND DATA

2.1. Research Paradigms in HRM

Brewster (1999, 2007; Brewster et al. 2010) differentiates two fundamental research paradigms: the universalist and the contextual point of view, and the contingent and configurational perspectives regarded as approaches fall within the universalist paradigm. The two paradigms build on the significant differences in research traditions in the USA and Europe. The universalist paradigm dominates research in the United States and assumes that the purpose of HRM is to improve the way in which Human Resources are managed strategically within organizations (Brewster et al. 2010). It is essentially a nomothetic social science approach formulating hypotheses should proceed deductively. This approach to identifying generalizable laws has many advantages but European authorities have criticized the ignoring of potential focuses other than management effectiveness. The contextual paradigm (Figure 1) by contrast is focused on the surrounding antecedents, rooted in the notion that HRM is embedded in particular contexts: in an organizational or in an external environment where it is influenced by its context (Brewster 2007) including the impact of social, institutional and political forces. These are considered not only as contingency variable, but exceed the organizational level and integrate the HR function into a macro-social framework with which it interacts. Context both conditions and is conditioned by the HRM strategy (Martín-Alcázar et al. 2005).

![Figure 1. The context of the contextual approach. Source: Based on (Martin-Alcázar et al. 2005:649) by the author](image-url)

The theoretical foundations of the contextual paradigm are essentially different from the other three perspectives, and are based mainly on the British approach to industrial relations where the link to organisational performance is seen as less important than explaining what causes the differences in HRM in different external environments (Brewster 2007). Its representatives,
following the research model based on the ideographic approach and inductive logic, look for patterns in data rather than test a priori theories searching for an understanding of what makes HRM unique in particular contexts. They use mainly simple, descriptive statistical techniques (such as an analysis of means and standard deviations) compared to other approaches which use other tools (e.g. regression, cluster and factor analysis) to enrich statistical strength (Martín-Alcázar et al. 2005).

Brewster (1999, 2007; and Brewster et al. 2010) draw our attention to the contextual in contrast with the universalist approach, and to the importance of comparative research on this basis. Such research, therefore, address the impact of different national and institutional environmental features on different aspects of HRM. Initially, the main direction of comparative HRM studies was whether the USA’s HRM models provided a universal solution which could be applied anywhere, as previously suggested by many, and primarily aimed at identifying the differences between American and European HR practices (Karoliny-Poór 2013). Comparative HRM has recently experienced a steady growth in research efforts and publications. European researchers in particular have made a number of significant contributions to theoretical, empirical and methodological advances in the field. CRANET surveys have been part of these efforts (Brewster et al. 2010).

2.2. Research Model and Hypotheses

Based on the approach of comparative HR research, I study HRM embedded in the specific environmental and organizational context in accordance with the contextual research paradigm. In my research, I examine a number of relevant HR variables, which also include tracking temporal changes based on the data of two consecutive CRANET surveys. In my work, starting with the contextual model presented in Figure 1 I follow a specific research model (Figure 2):

![Figure 2. The research model by the author](image-url)
The following hypotheses will be tested:

**H1:** A) The power of trade unions in European countries has weakened in recent times, and in this sense directional convergence can be observed. However, there are significant differences between the countries, depending on whether they are classified as Liberal Market Economies (LME) or Coordinated Market Economies (CME) for institutional arrangements.

B) Regarding the place and role of the trade union, the Central and East European region is not homogeneous, due to the differences inherited from the socialist era. Whilst in the South Slavic countries (Slovenia, Serbia) the unions are still relatively strong, trade unions in Hungary are increasingly weakened.

The European HRM – unlike American – is characterized by a stronger presence of trade unions in interest reconciliation (Brewster 1995, 2007; Poór 2006, 2013); however, there are significant differences in the institutional, business structures and the state and legal regulation of labour relations of the European nations (Brewster 2004, 2007; Brewster et al. 2004b; Poór 2013). In the German and Scandinavian countries which belong to Coordinated Market Economies (Hall-Soskice 2001) and in the former Yugoslav states (Hill 2015; Morley et al. 2017; Svetlik et al. 2010), the trade unions are stronger than in the Liberal Market Economies where the workers’ voice is weaker (Hall-Soskice 2001). Because of the increasing economic and political integration of European Union countries, providing institutional arrangements at supra-national level there is some convergence under way (Brewster 2004, 2007), which is facilitated by the weakening influence of the trade unions (Poór 2013).

Several research projects (Dimitrova 2005; Karoliny-Poór 2013; Morley et al. 2017; Scheuer 2011) showed that, in contrast to the practically total organization of the socialist era, during the transition to the market economy, the former role of trade unions in the Central and East European countries eroded and membership radically decreased. However, there are significant differences between the countries of the region in trade union traditions and industrial relations (Hill 2015; Morley et al. 2017; Svetlik et al. 2010), in the former Yugoslavia (Slovenia, Serbia and Croatia), according to specific traditions inherited from socialist times, the proportion of organizations with trade union members is presumably still much higher and the influence of trade unions is stronger than in the other countries in the region.

**H2:** There are significant differences in the use of atypical forms of employment in the various regions, whilst the countries of Central and Eastern Europe are still considerably below the level of industrialized countries. At the same time, these forms are increasingly spreading and our region is catching up with the practices of other European regions and the United States.

Despite the regional differences, in the use of certain types of atypical employment, the countries of Europe share directional convergence with each other and with American practice (Brewster 2007). Whilst in our region we can still encounter a certain reluctance towards atypical forms of employment (Antalik et al. 2014), the attitude towards them has changed dramatically recently, both in Hungary and in the neighbouring countries. It can be seen that these forms have increasingly focused on the employers’ interest, their area of application has widened and the
frequency has increased (Poór et al. 2016). Our research into Hungarian and Slovak samples (2012 and 2014) shows the spread of atypical forms of employment and the decreasing ratio of organizations who do not want to change their usual employment structure (Poór et al. 2015b).

**H3:** The use of performance-related compensation and the application of performance appraisal systems, as well as payment and compensation, training and development, career movement and workforce planning decisions based on this in European countries’ HR practices, including the Central and East European region, are increasingly spreading and approaching each other as well as American practice.

American HRM is a determining factor in the liberal economic environment (Brewster et al. 2004a), and its models are characterized by individualist, performance-centred approaches (Csillag 2014; Poór 1995), in contrast with the less individualistic approaches based on European national cultures (Poór 1995, 2006). Although in general there is no final convergence of HR practices (Mayrhofer et al. 2004), there are convergent processes in the direction of certain aspects of HRM, one of which is performance-based pay (Brewster 2007). Regarding the countries of Central and Eastern Europe, state-controlled, egalitarian payment systems were predominant before the change of the system, performance-based wages were rarely met (Poór 2013), but today the organizations of the region use individual performance-related compensation, especially among the managers, increasingly keeping pace with the more developed regions of the world (Karoliny-Poór 2013). In the countries of Central and Eastern Europe, in the socialist era, the application of a performance appraisal system was not included in the practice of organizations (Pearce 1991 id. Karoliny-Poór 2013), but since then these countries have shown remarkable progress in this field (Karoliny-Poór 2013). From this and the observed directional convergence of the use of performance-based pay (Brewster 2007), and, assuming close correlation with this, we can conclude that performance evaluation will spread and that a convergence of practice in the different regions will appear.

**H4:** The organizations of Central and Eastern Europe keep pace with the economically developed countries regarding the degree of attention paid to training and its importance. Although relatively little is spent on training and development of employees, a narrower range of companies invests considerable sums.

Previous research has shown that there are no significant differences between the regions in terms of the ratio of training- to payroll-costs and the number of training days, and that the countries of Central and Eastern Europe are keeping pace with the economically more developed regions of the world (Karoliny-Poór 2013; Poór et al. 2014b). At the same time, our region is characterized by the fact that, whilst a large number of companies hardly spend anything on training their employees, a narrow range spend substantial amounts of money (Karoliny-Poór 2013). It can be presumed that these trends will continue.

**H5:** The use of external HR service providers following the recovery from the crisis in each country group, including Central and Eastern Europe, is rising again and external consultants are still mostly employed in the field of training and development, regardless of country group.
It may be assumed that, thanks to the recovery after the crisis, companies are again willing to hire external service providers, and, therefore, in contrast to the previous significant decline, there can be expected an increase in all regions based on the last survey (Kovács-Karoliny 2015; Poór et al. 2014b, 2017). The most common field of application of external consultants, regardless of the country group, is still training and development, since they mostly require special expertise and competencies - which is why the employment of specialized institutions and professionals is both expedient and economical (Kovács-Karoliny 2015; Poór et al. 2014b).

**H6: Performance-related compensation forms and the application of a performance appraisal system are related to the strength of trade unions:**

A) In the organizations where they are used, trade unions are weaker;

B) It can be assumed that there is a negative correlation between the spread of performance evaluation and the weakening of trade unions. In countries where the strength of trade unions has declined, performance-based compensation forms and PA are increasingly used, and also their results are increasingly utilized in various decisions (payment and compensation, training and development, career movement and workforce planning) and vice versa.

In contrast to the European model, the distinctive feature of American HRM is the individualist and performance-centred approach related to the liberal economic environment (Hall-Soskice 2001), and the limited role of trade unions (Brewster 1995, 2004; Brewster et al. 2004a; Poór 1995, 2006, 2013), however, in the German and Scandinavian countries which belong to Coordinated Market Economies, the trade unions are much stronger (Hall-Soskice 2001), and less-individualist national cultures are characteristic of Europe (Poór 1995, 2006). All this suggests that between the use of performance-focused HR practices and the power and influence of trade unions there is generally a negative correlation.

As a result of strong market competition, a process began long ago making the management and trade unions in America abandon their traditional hostility and opt for cooperation instead of attempting to defeat each other (Bamber-Lansbury 1993), whilst in European Union countries, in particular in the Central and East European region, we see a decreasing role and influence of trade unions (Karoliny-Póó 2013; Morley et al. 2017; Poór 2013; Scheuer 2011). However, convergence processes can be identified for performance-based remuneration (Brewster 2007). In this respect, and in the use of PA, the organizations of Central and Eastern Europe are catching up with the practices of economically more developed regions (Karoliny-Póó 2013). Based on this, we may assume that the change in the power of trade unions shows a negative correlation in each region with the use of performance appraisal and performance-related remuneration.

**H7: A) The position of HR in organisations is being strengthened in our region, with the convergence of the different country groups in one direction.**

B) Organizational factors such as size, sector, influence of trade union and the presence of HR in the organisation determine HR's position in the organization; belonging to a particular country group – due to the supposed convergence processes affecting HR's position – is less decisive.
Presumably after the decline in the proportion of companies with HR departments – caused by the crisis of 2008 – (Kovács-Karoliny 2015; Poór et al. 2014b), the proportion of companies with HR departments and HR strategy will rise again showing the directional convergence experienced earlier (Brewster 2007). The importance and organizational position of HR is also indicated by the fact that HR has become part of senior management, which means that it is involved in top management and business strategy development. In this respect, previous research showed significant progress in most countries in the region (Karoliny et al. 2009; Poór 2012; Svetlik et al. 2010; Szamosi 2010; Vatchkova 2008) and globally as well (Karoliny-Poór 2013; Poór 2013). Lazarova et al. (2013) identified trends for two factors regarding the strengthening of HR's position in the organizations in Europe; these are the spread of written HR strategy and the increasing proportion of HR managers involved in top management. Based on the above as a whole, we can expect a further strengthening of the position of HR with the directional convergence of the regions.

Different internal organizational factors (such as the size of the organization, the industry in which it operates, or the shareholder circle) have an impact on the various HR variables, i.e. the functioning of HRM (Dowling et al. 2013; Paauwe 2004; Poór et al. 2014a and 2015). Much research supports the view that differences in HR systems depend to a large extent on organizational size (Poór 2013). However, there are those who argue that on the HR function the largest effect will probably be from the country in which it is located (Brewster et al. 2010; Brewster-Bennett 2010). However, regional differences or even similarities in research results may arise from contextual features such as organizational size, business sector and the strength and influence of trade unions (Karoliny-Poór 2013). All this makes it probable that the other organizational factors are more important in this respect than belonging to a region. Therefore, it seems reasonable to examine the regional features and internal factors potentially affecting the strategic role of the HR jointly (in a multivariate analysis).

2.3. Methodology of Data-Gathering and Processing

My research is secondary research based on data collected by the CRANET research network through questionnaire surveys. CRANET which is the largest international non-profit HRM research network is coordinated by the Cranfield Business School in the United Kingdom, and was established in 1989 on the initiative of the ILO. The notions of comparative HRM and the differences between countries were at the heart of the establishment dedicated to identifying trends in HRM in Europe (Brewster et al. 2010). The network, which initially consisted of five universities (and their researchers) of West European countries, became globalized by the turn of the millennium, whilst today it comprises researchers from around 40 countries and plays a prominent role in examining the international development of HRM practices (Kovács-Karoliny 2015). The CRANET survey is the largest and most representative independent survey of HRM policies and practices in the world. In the scientific community, the network began to gain international attention and many individual members of the network have become well known and an accepted part of international comparative research in HRM (Brewster et al. 2010).

Both business and public sector representatives can be found among the organizations interviewed (Karoliny et al. 2010). Starting with the first round in 1990, it compiles data from more than 50,000 respondent organizations through eight research cycles, providing an
opportunity to carry out comparative and longitudinal studies between countries and regions (Poór et al. 2017). During the transitional period of the East European region, a considerable number of the countries of the region also participated in the work of the research network, which enabled both the recognition and exploration of typical HRM practices of the countries, and regional differences. Representing Hungary, in the network first, the research team at the Faculty of Economics at the University of Pécs had been accepted in 2004 and participated in the survey for the first time in the 2005 (fourth) round. The research team of Szent István University joined in this work in 2011. The total sample size of the last three surveys is shown in Table 1.

Table 1. The samples of the CRANET surveys

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total samples</td>
<td>7952</td>
<td>6039</td>
<td>6326</td>
</tr>
<tr>
<td>Central and Eastern Europe</td>
<td>864</td>
<td>1207</td>
<td>1141</td>
</tr>
<tr>
<td>Hungary</td>
<td>97</td>
<td>139</td>
<td>273</td>
</tr>
</tbody>
</table>

Source: Based on (Karoliny et al. 2010), (Poór 2013) and on the data of the CRANET survey 2015/16 by the author

The methodology of CRANET research (Brewster et al. 1994) has remained remarkably standard since the early surveys. The standardized CRANET questionnaire consists of seven sections embracing nearly sixty factual ("hard") data elements. It does not inquire about attitudes, but about the practice of key areas of HR. The questionnaires comprise nearly four hundred variables for describing the HR function, the full processing of which go beyond the scope of this thesis. For this reason, some variables have been selected which describe the differences in HRM between nations (e.g. the size of the HR department, HR's strategic role, the role of trade unions, performance appraisal, performance-based pay, flexible employment contracts/ atypical employment). I examine HRM and its changes in the cultural regions described below alongside these variables. Another factor in the selection of variables was the possibility to link them to HR areas to capture Central and East European specifics and the possibility to compare and monitor the HRM of nations, regions and their changes over time.

In my work, as the followers of the contextual research paradigm, I rely heavily on simple descriptive statistical techniques (e.g., frequency, distribution, means and standard deviation) (Martin-Alcázar et al. 2005), which is complemented by the use of advanced statistical techniques. I use the SPSS statistical program package to perform the necessary statistical analyses, and I examine the relationship between variables with contingency tables, with the appropriate measures of association (e.g. Cramer's V, Eta, Pearson correlation coefficient) according to the level of measurement for the variables, with hypothesis testing (e.g. Chi-square test, Welch test, ANOVA), with Linear Regression Analyses and advanced statistical techniques (Logistic Regression). Logistic Regression allows the involvement of the in questionnaires typical nominal, categorical variables in the regression model as an explanatory variable.
2.4. Country Clusters

In my dissertation, I examine the development of HR practices in relation to major management culture blocs with the help of two consecutive CRANET research data sets (2008/09 and 2015/16) focusing mainly on Central and East European and domestic features. Drawing on the results of various cultural studies and comparative political economy, I distinguished the following countries or country groups (clusters) based on institutional and cultural characteristics:

1. **USA** (United States of America)
2. **UK** (United Kingdom)
3. **GERMAN** (Austria, Germany and Switzerland)
4. **NORDIC** (Norway, Sweden, Denmark and Finland)
5. **LATIN EUROPE** (France)
6. **CEE - Central and Eastern Europe** (Estonia, Hungary, Lithuania, Slovakia, Slovenia and Serbia)
7. **EASTERN PERIPHERY** (Greece)

For a more accurate comparison, I included those countries which participated in both the 2008/09 and 2015/16 surveys and provided data on the headcount and the HR department. Hence, the composition of the tested sample was as shown in Table 2.

*Table 2. The number of analysed cluster organisations in the 2008/09 and 2015/16 CRANET samples*

<table>
<thead>
<tr>
<th>Surveys</th>
<th>USA</th>
<th>United Kingdom</th>
<th>German</th>
<th>Nordic</th>
<th>Latin Europe</th>
<th>CEE</th>
<th>Eastern Periphery</th>
<th>Total</th>
<th>Hungary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/09</td>
<td>448</td>
<td>202</td>
<td>704</td>
<td>856</td>
<td>145</td>
<td>805</td>
<td>214</td>
<td>3374</td>
<td>130</td>
</tr>
<tr>
<td>2015/16</td>
<td>465</td>
<td>296</td>
<td>717</td>
<td>926</td>
<td>157</td>
<td>1132</td>
<td>186</td>
<td>3879</td>
<td>268</td>
</tr>
</tbody>
</table>

*Source: Based on the CRANET surveys 2008/09 and 2015/16 by the author*

Clusters are a useful point of departure when examining cultures on a global basis, but these classifications are not sufficient to gain an understanding of how HRM is practised in a particular country (Brewster 2004). Consequently, I not only examine the Central and East European cluster and compare it with other countries or groups; I pay special comparative attention Hungary.
3. Results

3.1. Verification of Hypotheses

H1: A) The power of trade unions in European countries has weakened in recent times, and in this sense directional convergence can be observed. However, there are significant differences between the countries, depending on whether they are classified as Liberal Market Economies (LME) or Coordinated Market Economies (CME) for institutional arrangements.

B) Regarding the place and role of the trade union, the Central and East European region is not homogeneous, due to the differences inherited from the socialist era. Whilst in the South Slavic countries (Slovenia, Serbia) the unions are still relatively strong, trade unions in Hungary are increasingly weakened.

Whilst trade unions in America have strengthened, many European countries (Hungary, Slovakia, France, Greece and the United Kingdom) have witnessed a decline in their role, but in the German and Scandinavian countries of the CMEs as well as in the former Yugoslav countries where trade unions are traditionally stronger, practically no changes can be observed. In line with Poór (2013), the process of restricting the role of trade unions has not stopped in most countries of our regions, and this is particularly noticeable in Hungary and in Greece. Today, in Western and Northern Europe (with the exception of the United Kingdom), but also in the US, the influence of trade unions and their role in collective bargaining is significantly stronger than in Central and Eastern Europe and Greece. In the interest-reconciliation systems, the differences which strengthen divergence (Brewster et al. 2004b) continue to exist in Europe today, primarily along the lines of Liberal Market Economies and Coordinated Market Economies; an advance between American and European practices can be observed, rather than unification within Europe. In the Yugoslav successor states (Slovenia, Serbia and Croatia), presumably due to the special traditions inherited from the socialist times (Svetlik et al. 2010), the proportion of organizations with trade union members is still far higher than in other countries in the region and the influence of trade unions is much stronger. However, the decline in the strength of the trade unions has not stopped in the rest of the region, and this tendency is particularly strong in Hungary. Both the hypothesis A) and B) are verified.

H2: There are significant differences in the use of atypical forms of employment in the various regions, whilst the countries of Central and Eastern Europe are still considerably below the level of industrialized countries. At the same time, these forms are increasingly spreading and our region is catching up with the practices of other European regions and the United States.

Atypical forms of employment are more widely used in America, and in the western part of Europe, than in Central and Eastern Europe, but most of all Greece is lagging behind. The largest regional variations are seen in terms of part-time work and flexible working time. At the same time, these forms are increasingly spreading and our region is catching up with the practices of other European regions and the United States. At the level of our region, flexible working time,
home-based work and teleworking, whilst in Hungary the use of part-time working and teleworking clearly show an upward trend. **The hypothesis is verified.**

**H3: The use of performance-related compensation and the application a performance appraisal system, as well as payment and compensation, training and development, career movement and workforce planning decisions based on it in European countries’ HR practices, including the Central and East European region, are increasingly spreading and approaching each other as well as American practice.**

In all regions and both periods, both in the circle of managers and professionals, performance-related pay and individual performance-related rewards/bonuses were the most favoured forms of remuneration and in their application the United Kingdom and France took the lead, although, in the US their application showed a significant decrease. They are the least used in Europe in the North European and German countries of CMEs as well as in Greece and Central and Eastern Europe, whilst in Hungary they are still below the regional average. In the German countries, in Greece and in our region, there is a decrease in their application. The use of these forms of remuneration, therefore, in contrast to the results of previous surveys (Mayrhoffer et al. 2004) did not increase further in most countries, but rather decreased. The last survey with this downward trend shows the convergence of American, German, North European, Central and East European and Greek values, whilst in the UK and France there is an opposite (upward) tendency.

The proportion of companies using formal performance appraisal systems (PAS) shows growth more or less everywhere, and today in nearly three quarters of the organizations PA systems are part of HR practice. In the use of PAS, the Anglo-Saxon countries (UK and USA) and France have a leading role. More than 90% of organizations in each group of workers (managerial, professional, clerical and manual) apply PAS in these countries. In Coordinated Market Economies in the North European countries, where trade unions are the strongest, PAS is the least used (nearly half of the companies), but we can still see its spread. In the use of PAS, Central and East European countries, including Hungary, are now approaching the average with values similar to those of the German countries, which shows the convergence of the region with the practice of economically developed countries. With regard to all the regions examined, convergence towards growth is also apparent.

Nearly three-quarters of the companies use the results of PAS today in terms of training and development, career moves and payment decisions, and about half of them for workforce planning. The first three areas are used in the Nordic countries and in the US almost equally, in Western European countries and Greece, primarily in training and development, as well as in career moves decisions, whilst in the region and in our country, we tend to focus on the use of payment. In the USA, in the North European countries and regarding payment decisions also in the German cluster there is a significant decrease, whilst in the UK and France there is a significant increase in this area, but the situation in Central and Eastern Europe and Greece is practically unchanged. **The hypothesis was partially verified.**

**H4: The organizations of Central and Eastern Europe keep pace with the economically developed countries regarding the degree of attention paid to training and its importance.**
Although relatively little is spent on training and development of employees, a narrower range of companies invests considerable sums.

Regarding the proportion of training costs to total remuneration, the differences between regions are not decisive. Overall, the level of the training budget, in line with earlier research (Karoliny-Poór 2013; Poór et al. 2014b), does not show a shift towards higher percentages, and so the present results do not even indicate convergence towards growth. Examining two indicators of the importance of training, regarding the average cost of training, in Central and Eastern Europe – and particularly in Hungary – there are more organisations declaring no training cost, whilst in the case of managers and professionals, we are at the forefront regarding the number of training days compared with the USA, France and Greece. It is still true for our region that "whilst many companies spend little on training, a limited range of companies invests quite a considerable amount in developing their employees" (Karoliny-Poór 2013). The hypothesis is verified.

**H5:** The use of external HR service providers following the recovery from the crisis in each country group, including Central and Eastern Europe, is rising again and external consultants are still mostly employed in the field of training and development, regardless of country group.

Our previous research showed (Kovács-Karoliny 2015; Poór et al. 2014b, 2017) that the use of external HR service providers had been significantly reduced as a result of the crisis; compared to other country groups in Central and Eastern Europe, this had been less common even before the crisis, and continued to decline as a further impact of the crisis. However, the use of external HR providers has not changed significantly overall, but there is a slight decline in Central and Eastern Europe and Hungary, and the lagging behind of the region is also increasing compared to the 2008/09 survey. The values of our country, even though they are well above the regional average, show a lag behind compared to America and the United Kingdom, to whom we were still close, according to the 2008/09 survey. The most common area of use of external service providers in each country group is, just as before, training and development – which is completely understandable. Although the initiation and design of training courses is generally one of HRM’s tasks and is related to other HR systems, the training itself often requires competencies and professional/expert knowledge, so that the application of specialized institutions and professionals may be more convenient and economical (Kovács-Karoliny 2015; Poór et al. 2014b). The hypothesis is partially verified.

**H6:** Performance-related compensation forms and the application of a performance appraisal system are related to the strength of trade unions:

A) In the organizations where they are used, trade unions are weaker;

B) It can be assumed that there is a negative correlation between the spread of performance evaluation and the weakening of trade unions. In countries where the strength of trade unions has declined, performance-based compensation forms and PA are increasingly used, and also their results are increasingly utilized in various decisions (payment and compensation, training and development, career movement and workforce planning) and vice versa.
The 2008/09 sample regarding the individual performance related pay has a stronger correlation with the power of trade unions for all employee categories, whilst in the 2015/16 sample there is a stronger relationship with the bonus based on individual goals, whilst in the case of the bonus based on team goals there is no significant difference between the two samples. They are mostly used by organizations where the influence of trade unions is weaker, and at the same time, we can observe a movement away from individual performance related pay towards remuneration based on individual goals. The use of PAS for managers, professionals and clerical staff has a significant correlation with the strength of the trade unions in both samples; in the organizations where they are used, trade union strength is lower than in those where it is not. In the sample of 2008/09, the use of the results of the PAS in the various decisions (pay, training and development, career moves, workforce planning) does not correlate with the strength of the trade unions, whereas in the 2015/16 sample it does: in organizations where the results of the PAS are used the trade unions are weaker, and where they are not, they are stronger. The 6/A hypothesis was verified.

In countries or groups of countries where the strength of trade unions has grown (Northern Europe, USA), the use of performance appraisal in different decisions such as compensation, training and development, career moves, workforce planning, decreased and vice versa, where the strength of trade unions has declined (UK, France, Greece, Germans, CEE), the use of performance evaluations in different decisions increases. This is, the change in the power of trade unions, and the use of the results of performance appraisal in different decisions, have a negative linear regression relationship. At the same time, the change in the power of trade unions does not have a direct impact either on performance-related forms of remuneration or on the application of the PAS. The 6/B hypothesis was partially verified.

**H7:** A) The position of HR in organisations is being strengthened in our region, with the convergence of the different country groups in one direction.

C) Organizational factors such as size, sector, influence of trade union and the presence of HR in the organisation determine HR's position in the organization; belonging to a particular country group – due to the supposed convergence processes affecting HR's position – is less decisive.

90% of companies have an HR department; nearly one-half of the companies have an HR department of 1-5 people. The number of companies with HR departments in all country groups increased, – except for Greece, where, if not significantly, it somewhat declined – between the two surveys. The largest increase took place in Central and Eastern Europe and Hungary, although, the impact of the crisis was the strongest decline ever experienced here (Kovács-Karoliny 2015; Poór et al. 2014b, 2017). Most recent results in most cases approximate to the values of the pre-crisis 2004/05 survey, but in our region, overall, it still has not reached the pre-crisis level. A written HR strategy is most widespread in the Northern European countries, whilst in the rest of the groups examined, including our region, two-thirds of the organizations featured this. Consequently, Central-Eastern Europe overall approximates to the overall sample average, but Hungary, despite the growth, is still lagging behind the regional average. The results for both HR variables indicate the directional convergence of the examined regions. HR involvement in strategy development in the economically developed countries of the world is far more evident, whilst in our region there is a backward shift from this to the previous state. Unlike in Central
and East European countries, the participation of the individual responsible for HR in senior management also shows at least some growth or, in the worst case, stagnation (Germanic and Latin groups) in the other country groups. For our region, therefore, we can note a divergent tendency in both respects. In contrast to earlier results (Karoliny-Poór 2013; Poór 2013; Svetlik et al. 2010), the developing position of HR has not only stalled in our region, but we can observe a downturn.

Overall, the position of HR is most affected by the size of the organization: the larger the company is, the more likely it is to have an HR department; the more HR is involved in top management, the more likely it is to have an HR strategy and that strategic consultation is applied from the beginning with HR. Belonging to the private sector is also a key factor in the participation of HR in top management, whilst it is very likely that, in the case of belonging to other sectors, there is no HR department and HR plays no part in senior management. The influence of trade unions is negligible even in significant cases. The group to which a certain country belongs has a predictive role for the four examined variables, albeit in different ways. A written HR strategy does not depend significantly on country groups, which is in line with what we have already seen: the convergence of different regions in one direction, the increasing proportion of firms with a written HR strategy in each country group. Belonging to the German and Central and East European countries is a negative predictor – also in line with what we have previously established – for the participation of HR in top management, and belonging to all Western and Northern European countries is a significant positive predictor of business strategy consultation from the beginning. Therefore, membership in Central and Eastern Europe and in Greece as well, has a different impact on participation of HR in top management and business strategy consultation, so it cannot be ignored. The hypothesis was partially verified.

3.2. New and Innovative Scientific Findings

Based on the last two CRANET surveys, I involved six European regions, which culturally and regarding their institutional arrangements are distinct, and the organizations of the United States in my study. Analysing these HR practices, I compared the answers for the two periods. The creation of regions in this way and a complex examination of the various areas of HR practices by processing the latest data go beyond previous research. A separate examination of different European regions and country groups has revealed the continued existence of differences in European HR practices, by comparing them with the literature and previous research, and identifying those changing processes, convergent and divergent tendencies which affect them. My work produced the following new and innovative, statistically confirmed results:

*R1:* Chi-squared tests and ANOVA tests have proved that cultural and institutional environments affect HR activity regarding the studied subjects, the spread of global trends can only be observed in some component or certain single regions. In other words, HRM’s contextual dependence, and the diversity of HRM in Europe is still in the following areas:

- Regarding the strength and influence of trade unions and the number of trade union members, the differences between European countries and regions continue to exist, the differences between Liberal Market Economies and Coordinated Market Economies can still be demonstrated, despite the declining tendency of the unions. The Central and East
European region still has the divide inherited from the socialist era, which means that the trade unions still have a relatively strong power in the South Slavic states, compared to other countries in the region, including Hungary. At the same time, in most economically developed regions, trade unions are still stronger today than in our region and in Greece.

- The position and strategic role of HR (the involvement of HR in strategy development, the involvement of HR executives in top management) has continued to strengthen in Europe's economically developed regions, whilst in Central and Eastern Europe and Hungary it is backward compared to the previously observed convergence process.

- Regarding the use of atypical forms of employment, the countries of Central and Eastern Europe and Greece remain even today behind the developed regions of the world.

- In contrast to expectations, the use of performance-based remuneration has declined in most European countries, and whilst the last survey shows a convergence of American, German, North-European, Central-East European and Greek values with downward trend, in the United Kingdom and in France there is an upward trend in the opposite direction.

- The application of performance based appraisal, although it is spreading in each of the regions examined, France and Anglo-Saxon countries, which belong to Liberal Market Economies, are in the lead. In the West European countries and in Greece the results of the PAS are mainly used in training and development and career decisions, in our region and in Hungary mainly in pay decisions, whilst in the US and in the North European countries they are used in all three areas almost equally.

- There are significant differences between regions in the number of days allowed for training; in this respect the US, France, Greece and the CEE countries are far ahead of other West and North European countries.

- In the use of external HR providers, the lagging behind of our region has further increased.

R2: Based on Chi-squared tests and ANOVA tests, global trends and directional convergence can be identified in some areas, but the final convergence of HR practices cannot yet be talked about regarding the studied subjects.

- The strength of trade unions has weakened in the majority of European countries over the last few years, in this sense a directional convergence can be observed, and the same time there is an approach towards the practice of the USA, where we can witness the strengthening of them.

- The proportion of companies with HR department and HR strategy has increased in each of the examined regions, and also a directional convergence can be observed in these areas.

- In spite of the significant differences in the use of the atypical forms of employment, our region is catching up with other European regions and the United States.

- In America, performance-based remuneration and the use of the results of the PAS have decreased in different decisions since the previous survey. In these areas approaching of American and European HR practices can be observed.
Applying performance appraisal is increasingly spreading in each of the examined regions, including our region, which shows the catch-up of our region. For all regions, convergence towards growth can be identified.

In the use of external HR providers, in each of the regions, training and development remains in the lead.

**R3:** Based on Chi-squared tests and ANOVA tests, Greece, despite being considered as one of the Mediterranean Market Economies (MME), has many more similarities with Central and East European countries in many areas of HR practice (influence of trade unions, number of trade union members, prevalence of atypical forms of employment, use of performance-related remuneration, proportion of training costs, number of training days for managers, and HR involvement in the development of a business strategy) than with France, which also belongs to the MMEs.

**R4:** The use of performance-based remuneration forms and performance appraisal, as well as the use of their results regarding the country-groups and periods studied are significantly associated with the strength of trade unions.

With the index describing the strength of the trade unions and ANOVA/Welch tests, I proved that the majority of the performance-based compensation forms and the application of PAS are significantly associated with the strength of trade unions in both samples, whilst with the use of the results of PAS in different decisions (pay, training, career and workforce planning), only in the 2015/16 sample is there a significant correlation. In those organizations where these tools are used, in the significant cases, the trade unions are weaker, and where they are not, the trade unions are stronger.

I demonstrated the negative linear regression relationship between the change of trade unions’ power and the use of the results of performance appraisal in different decisions by means of linear regression analysis and Pearson correlation coefficient. In those countries where the power of trade unions has increased, the use of performance appraisal in different decisions (pay, training and development, career moves, workforce planning) has decreased and vice versa, the decrease in the power of trade unions has resulted in an increase in the use of PAS results. At the same time, the change in the power of trade unions does not have a direct impact either on performance-related forms of remuneration or on the application of the PAS itself.

**R5:** By means of binary logistic regression it has been demonstrated that − regarding the country-groups and periods studied − by which organizational factors were the HR's position and strategic role in the organization affected, and although belonging to a country group was not a universal prediction of these, but belonging to the CEE countries or not belonging to them had influence on HR’s status in the organisation.

Regarding the position and the strategic role of HR in the organization, organizational size is the most predictive factor, in that the larger the company is, the more likely it is to have an HR department, and the more HR is involved in top management, the more likely it is to have an HR strategy and that strategic consultation is applied from the beginning with HR. Belonging to the private sector is also an important predictor of HR membership of line management, whilst
belonging to other sectors it is highly likely that there is no HR department and HR is not involved in senior management, but the influence of trade unions is negligible even in the most significant cases. The negative predictor of HR participation in senior management is belonging to the German and Central and East European countries, whilst belonging to the US, as well as to the West and North European country groups is a significant positive predictor for consultation on business strategy from the beginning.
4. CONCLUSIONS AND SUGGESTIONS

In my dissertation, I compared the results of the CRANET surveys 2008/09 and 2015/16 for some of the typical HR areas and activities, focusing on Central and East European and domestic characteristics, comparing them to previous research results. Between the grouping of countries with regard to specific cultural and institutional features, and the different HR features, I always found a significant relationship; in most cases the relationship was weak, sometimes moderate. Thus, it can be stated that the different areas of HR activities involved in the current study are influenced by the country in which the organization operates, that the cultural and institutional environment influences the HR activities. In other words, the diversity of European HRM (Brewster 2004, 2007; Mayrhofer et al. 2004; Poór 2013) continues to exist. This is in line with the states about the contextual dependence of HR practices, further refuting the idea of the universal dissemination and adaptability of "best practice", and further also confirming those findings that HR practices in the former socialist countries form a distinct region within Europe (Karoliny- Poór 2013; Poór et al. 2011). However, it is also clear from my findings that even economically advanced North and West European countries cannot be treated as a single bloc of HRM. The UK, France, the German and Scandinavian clusters have different characteristics in terms of many factors; furthermore, the Liberal and Coordinated Market Economies can be clearly distinguished in terms of HR characteristics (Hall-Soskice 2001). There is a remarkable tendency, the approach of the American HR practices to those European countries, which are CMEs, which is reflected in the strengthening of trade unions and by the decline in performance-based remuneration and the use of the PAS results in different decisions. In general, it can be stated that, between the power of the trade unions and performance appraisal, as well as performance-based remuneration, a perceptible reverse, though not too close a relationship, can be detected.

The results for France and Greece which are considered as Mediterranean Market Economies (Hall-Gingerich 2004, Psychogios-Wood 2010) show a remarkable picture. Greece has more similarities with the emerging economies of Central and Eastern Europe (Amable 2003; Hancke et al. 2007), than with France, or with the other economically developed regions. This is not surprising, given that, by the GLOBE study based on management values, Greece has not been classified in Latin Europe, but in the East European cluster (Gupta et al. 2002); and it confirms the assumption that differences and identities are more likely to be attributed to cultural roots than to other factors. France is more likely to show the characteristics of MMEs, where progress towards greater liberalization and greater coordination can be observed at the same time (Psychogios-Wood 2010), which is also reflected in the HR practices of French organizations. This is mainly due to the greater power of trade unions and the use of performance-based remuneration and increased use of the PAS. For the strategic role of HR and atypical forms of employment, it has similar characteristics to other developed countries, other than Greece. This means, at the same time, that Greek practices cannot be studied jointly with those of other countries belonging to MMEs,

HR practices in the Central and East European region and in Hungary show convergence with international trends for several sub-areas, whilst the specific forms of HRM are still present. The countries in the region, including Hungary, with regard to a number of HR features, such as the
proportion of organizations with an HR department and HR strategy, in using the performance appraisal and atypical employment, are increasingly approaching the practice of the world's economically developed regions, whilst in using the electronic HR information systems, our country stands on the same level with them. The latter is also noteworthy because in the Hungarian, and so in the Central and East European sample, small companies represent a much larger proportion. At the same time, the lagging behind of our region has continued to grow in the use of external HR providers, Hungary, however, despite the downturn since the previous survey, is well above the regional average. Organizations in Central and Eastern Europe, though the importance of training and development and performance appraisal or the role of atypical forms of employment are clearly recognized, do not show this rosy picture in the strategic role of HR, the results suggest that HR executives in our region are being excluded from senior management and the development of a business strategy. In most economically developed regions, trade unions are still stronger than in our region up to this day, with the only exception of the former Yugoslav successor states. This is especially the case in Hungary, where, since the last survey, the role and influence of the trade unions have decreased significantly. Meanwhile, the proportion of organizations using the PAS as increased considerably, and since the pre-transition period, this was almost completely absent from the practices of the organizations of the region (Karoliny-Poór 2013), we are witnessing convergence to the practice of economically developed countries. This also raises the question of whether the development of the Central and East European countries in this direction is a catching-up with the Scandinavian-German Rhineland model (Albert 1991), or whether the trend goes with approaching the Liberal Market Economies. Despite the effects of the common socialist past, there are differences between the countries of the region, and there are divergent traits alongside co-movement. Hungarian HR practices show a great similarity with the other countries in the region with respect to most HR features. In Hungary, there is a significant negative difference from the other countries in the region, with the lower weight and role of the trade unions, as well as the strategic role of HR, whilst on the positive side there is the use of external HR providers. I expected that, as a result of the recovery from the financial and economic crisis, the position of HRM would be strengthened in our region, but this was only visible in certain areas. At the same time, HR practices followed in the former socialist countries “form a distinct region within Europe, which is worth following in further research” (Karoliny-Poór 2013).

The peculiarities of the regional and cultural context, the divergent trends typical of the HRM practices of European countries and regions are still visible today, whilst there are well recognizable similarities and convergent processes also. For example, regarding the size of the HR department and the use of flexible work contracts, similar results were found in earlier research (Brewster 2007), and directional convergence can be demonstrated in several areas (the spreading of HR strategy and PAS, the decline of performance-based remuneration and trade unions in Europe). However, we still cannot talk about the final convergence of HR practices – which is to say that to the unification of HR practices there is no straightforward path, as opposed to previous assumptions and despite globalization effects (Karoliny-Poór 2013). Meanwhile, it can be seen that, regarding the position and strategic role of HR in the organisation, the most predictable cause is the size of the company. In this respect, belonging to different country groups is of secondary importance – though in the case of the Central and East European countries it should not be ignored – whilst the influence of the trade unions is insignificant.
However, HR is not merely or primarily a task for HR specialists, but is also largely a management task. It is also desirable that professional HR knowledge and a corresponding approach should be represented in the top management and strategy of a company, and that, in the same way, the senior management's point of view should be emphasized in the HR function (Bakacsi et al. 2000). If we start with the Ulrich (1998) role model, the Strategic Partner role of HR must be strengthened in the organizations of the region and, especially in Hungary. The same can be said about the role of the Employee’s Champion, the strengthening of which is especially urgent in countries where the role and power of trade unions is diminishing - so also in our country. This is not a minor challenge for the organizations and HR specialists of the region, as there is a great contradiction between the requirements of these two roles (Caldwell 2003). I think that the proper preparation and further training of HR specialists and company managers can be an important factor in catching up with the practice of highly industrialized regions. This would require changes in the mindset and attitudes of small and medium-sized companies, i.e. the SME sector. In this segment, the most urgent is the learning of modern HR and management skills and techniques, as we also saw that, the larger the company is, the stronger are the position and strategic role of HRM. This is where we are already ‘sweeping around our front door’, as we train HR specialists and consultants in our university programmes – such as by the Human Resource Management BA and the Management and Leadership MSc. The continuing of the modernization of our training and of the transfer of day-to-day knowledge is a vital task. Naturally, besides this, the National Association of Human Resource Managers (HSZOSZ) and other professional organizations can also play a role by organizing conferences and training; there have been numerous initiatives so far. In addition, I would like to highlight the role of the consulting profession, as it is a huge opportunity for them, leaving the multinational and large companies, but it can also be a great challenge to spread knowledge more widely. As a result of this, we could overcome the situation that these current results unfortunately confirm rather than refute - that is, that the majority of HR specialists in Hungarian companies merely handle office administration, and we still cannot say that the HRM function plays a strategic role in the organizations (Chikán 2008: 297).

With my research, I believe that I have been able to contribute to the ever-expanding knowledge set that promotes the exploration and familiarity of trends in human resource management practices, whilst the theme includes countless additional research opportunities. Since my analysis of the CRANET variables was limited to a narrower – albeit remarkable – scope, it would be worthwhile to expand the study with the application of additional variables, as also with new multivariate statistical analyses to reveal unknown relationships and interactions between variables. Thirdly, my research was mainly limited to the USA and Europe, but it could also be extended to other regions of the world. Fourthly, as we have seen in relation to trade unions and the position of HRM, that Central and Eastern Europe can hardly be regarded as a homogeneous bloc and so it would be worthwhile for further studies to be carried out in order to identify differences within the region.
5. REVIEW OF PEER-REVIEWED PUBLICATIONS RELATED TO THE TOPIC

Peer-reviewed journal articles


Conference presentations and proceedings

In English


Books


Final research report


APP. 1. REFERENCES


