

## **Human Resource Management in the Postsocialist Region of Central and Eastern Europe**

Michael J. Morley, Andrej Kohont, József Poór, Rūta Kazlauskaitė, Veronika Kabalina, and Jana Blštáková

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*Edited by Emma Parry, Michael J. Morley, and Chris Brewster*

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### **Abstract and Keywords**

In this chapter, the authors landscape key aspects of the historical and contemporary nature of human resource management in the postsocialist region of central and eastern Europe. The chapter commences with a background discussion of the evolution of human resource management in the region under three key periods, namely, the socialist period, the transition period, and the contemporary period. The chapter then turns to providing an account of a selected number of particular historical and contextual factors that account for some of the commonalities and differences exhibited in contemporary human resource management in the region. Chief among the factors identified are cultural determinants, variations in the control provisions that operated under socialism, the path to gradual Europeanization, the ownership structure in the economy, the shifting fortunes of trade unions, and the levels of managerial competence. Finally, drawing on three waves of Cranet data gathered between 2004/5 and 2014/15, the authors provide a summative account of selected aspects of organizational-level human resource management policy and practice in the region.

Keywords: human resource management, central & eastern Europe, socialism, transition economies, postsocialist period

THE countries of central and eastern Europe (CEE) have a range of endowments (Berend, 1996) and show significant variations in their preferred approaches to human resource management (HRM). Such variations arise for an assortment of reasons, including their distinct political, cultural, institutional, and developmental trajectories (Brewster & Bennett, 2010; Kohont & Brewster, 2014; Kohont, Svetlik, & Bogičević Milikic, 2015). While the socialist system under which these countries operated until the 1990s stretches back to 1917 in the case of Russia, the other countries of the CEE region fell under this governance arrangement after the Second World War and remained within it until after the collapse of communism, the fall of the Berlin Wall, and the opening up of the region in 1989. The transition process toward democracy and free market principles that has been taking

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place since has been characterized as one of the most significant economic and social processes of recent times (McCann & Schwartz, 2006). As has become apparent through the successive waves of reforms that have taken place, many of the CEE countries have demonstrated a robustness and capacity for change in the face of these difficult reforms. Our interest in this chapter, HRM, has, since the inception of the transition process across the region, had to reinvent itself and, in the process, become redefined according to capitalist principles. Where it has taken hold, the emergence of the modern conception of HRM in CEE can (p. 240) be traced to the broader development of the sustainable, competitive market economy and the desire to achieve a closer alignment between strategy and HRM (Morley, Minbaeva, & Michailova, 2018).

Despite their common socialist legacy, each of these countries exhibits unique characteristics. Their distinctiveness is especially reflected in the divergence and heterogeneity that characterizes their current approaches to HRM (Sahadev & Demirbag, 2011). Lane (2007) has suggested that, for classification and analytical purposes, the economies in the CEE region can usefully be divided into three categories, namely, middle, low, and very low income. The first (including, for example, Slovenia and the Czech Republic) are closest to continental European capitalism, reflecting the fundamental requirements associated with joining the European Union (EU) and the need to establish institutional arrangements that complement those of their closest developed trading partners. Others, such as Bulgaria and Romania, are less developed and have moved closer to liberal market-type arrangements. In the case of the low-income group, their economic status makes the processes of attracting investment and equipping people with the right mix of knowledge and skill increasingly challenging, with the result that the securing and sustaining of a developmental trajectory remains problematic for them (Reymen et al., 2015). The very low-income category includes countries such as Belarus and Ukraine.

In this chapter, we explore several key features relating to the development of HRM in the CEE region and we contextually situate and landscape core aspects of contemporary practice. We commence with a background discussion of the evolution of HRM in the region. In this effort, we identify and describe three distinct sequential phases (Szelenyi & Wilk, 2010; Szirmai, 2015) under which the development of HRM in the region can be situated and understood: the socialist period, the transition period, and the contemporary period. Having set out the contours of these phases of the development of HRM in CEE, we then turn to providing an account of a select number of particular historical and contextual factors frequently referred to by scholars to account for some of the commonalities and differences exhibited in contemporary HRM in the region. Chief among these factors are cultural determinants, variations in the control provisions that operated under socialism, the path to gradual Europeanization, the ownership structure in the economy, along with the shifting fortunes of trade unions in CEE, and noteworthy variations in the levels of managerial competence. Finally, drawing on three waves of the Cranet data gathered between 2004/5 and 2014/15, we provide an evidence-based account of selected aspects of organizational-level HRM policy and practice in the region. Our analysis proceeds on a comparative basis whereby we set down the key results for the CEE cluster of countries represented in the Cranet survey in comparison with the results for all partici-

pating countries across the globe. Our intention is to provide a succinct overview of certain developments in CEE, allowing the reader to situate and appreciate the commonalities and differences that represent postsocialist countries and to understand the extent to which HRM policy and practice developments in these countries are characterized by unique postsocialist recipes, relative to their counterparts elsewhere.

### (p. 241) **The Evolution of Human Resource Management in the Central and Eastern Europe Region**

In tracing the evolution of HRM in the CEE region, we focus on three key phases. Firstly, we treat the socialist period which was characterized by the close control of the HR function and its activities by the communist party. We then move to the transition period marked by the collapse of communism and eventual waves of reform and privatization. Finally, we turn to the contemporary period where, in particular, we call attention to the emergence and influence of foreign direct investment on the evolving HR landscape in CEE and the increasing number of skill shortages in certain sectors throughout the region.

#### **The Socialist Period**

Under socialism, people management in the CEE region has been characterized as being underdeveloped, politicized, and distorted by ideology (Fey, Engstrom, & Bjorkman, 1999). Branded as a “politically oriented decision-making system” (Garavan, Morley, Heraty, Lucewicz, & Suchodolski, 1998, p. 210), the personnel function and all its associated activities were closely supervised by both the Communist Party and local government officials. The consequence was that the system and the architecture governing it were not favorable to the growth of “more sophisticated value-adding activities, with the result that there was always going to be significant ground to be made up if the transition economies of CEE were going to be able to support, sustain and expand a developmental trajectory based on free market principles” (Morley, Poór, Heraty, Alas, & Poczowski, 2016, p. 74).

In the early years of postwar socialism, personnel policy was largely formulated at the state level and was enforced by legislation. In this, the central task of the personnel function was to ensure employment and social standards of workers, to collect and store personal data, and to calculate wages (Letiche, 1998; Zupan & Kaše, 2005). Because personnel issues were under the close control of the Communist Party and the heads of state, personnel functions were routinely staffed by political appointees deemed suitable by state authorities for the key personnel positions available (Koubek & Brewster, 1995). The local Communist Party committee typically had the final say in sanctioning appointments and, indeed, in organizational promotions more broadly. It was considered crucial that the director of the personnel function was a reliable political ally, even if, as was typically the case, they lacked the relevant formal education or personnel-related experience that might make them more effective. Adam (1995, p. 67) highlights that in the early years, top managers were selected almost solely on the basis (p. 242) of political criteria, with

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professional competence and likely ability to perform the role only coming to the fore as an important selection criterion at a later juncture. More broadly, access to education, especially at the university level, and appointment to positions that were considered potentially influential, most notably those involving working with people such as teachers, foremen, and directors, were filled by those who were viewed as being politically reliable. The selection of specialists and many personnel-related decisions, even relatively routine and mundane ones, were influenced by the Communist Party and by government politics and objectives (Pundziene & Bučiūnienė, 2009). Management was not considered a profession, and decisions regarding promotion were not based on performance assessment (Pearce, 1991). Indeed, the absence of any formal performance appraisal system was a characteristic feature. Koubek (2009) postulates four particular reasons for this, namely, the principle of social egalitarianism, which resulted in wage and salary leveling; the full employment policy with the consequence that few were afraid of any negative appraisal because there was little danger of becoming unemployed; the scarcity of labor in poorly planned and managed economies in the region; and the centralized system of compensation, which meant that superior or inferior performance was not taken into account. As in other contexts, in CEE the role of the personnel function in organizations was plagued by debates as to its ambiguity and lack of demonstrable contribution to the bottom line. Pocztowski (2011, p. 14) describes personnel management under communism in Poland as having several characteristics that made it reactive, disorganized, and ineffective. He notes that the personnel function lacked a comprehensive systematic perspective and was characterized by the following features: the haphazard and temporary nature of actions undertaken, politicization and the impact of third parties on personnel-related decisions, a high level of centralization within organizations, the low competence of the people taking care of HRM issues, insufficient tools used to solve personnel-related problems, and finally insufficient institutionalization or even its complete absence. The result was a low-ranking function, characterized by overstaffing, high fluctuation, and limited effectiveness.

The socialist period did see relatively rapid industrialization in several countries. Many nations in the Soviet bloc drafted a *Petletka*, which was essentially a five-year plan of economic development (Turner & Collis, 1977). These plans led to the creation of new organizations in different locations and resulted in an influx of rural workers into bigger urban centers. National cyclical five-year plans also led to the creation and bolstering of public services in the fields of education, health, child care, and other sectors. Under these state-led initiatives, the main task of personnel functions was to ensure the new industrial centers that were springing up had a sufficient labor supply, typically secured through encouraging and facilitating migration from rural areas into zones designated for industrial and urban expansion. The principle of collective distribution of gains from these enterprises, coupled with the principle of equal access to services and support, did result in the satisfaction of basic needs for families, including the provision of basic housing and access to healthcare and primary education, all of which were provided by the state.

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(p. 243) Among ex-Yugoslavian countries (e.g., Slovenia, Serbia, and Croatia), the development of the personnel function under socialism was also significantly influenced by the shaping influence of the “self-management system,” which was initiated in 1950 after a dispute between Tito and Stalin resulted in Yugoslavia steering a different course to other countries within the Soviet bloc. By introducing self-management and social ownership, the governance of organizations was divided between the state and representatives of management and workers’ collectives through a series of joint works councils (Pološki Vokić, Kohont, & Slavić, 2017). Here, some of the most important personnel decisions were made by these works councils. Gradually, various practices in the areas of work design, workload assessment, planning and recruitment, training, health and safety, and employee assistance schemes all began to take hold and occupy much of the time of those working in the personnel function. Nevertheless, despite this newfound expansionary role, even in Yugoslavia the function remained relatively underdeveloped. Once again, a lack of adequate professional education among those leading the function and ongoing close monitoring by the Communist Party served as constraints on development.

Throughout the 1960s, rapid industrialization continued in different parts of CEE, although some economies in the region, among them the then Yugoslavia, faced a crisis and sought to engage in economic reforms aimed at introducing more market principles and increasing the autonomy of company directors in charting a more autonomous path for their enterprise. These developments began to signal the emergence of what became known as *market socialism* in some countries. Of note, some, including Hungary, Poland, and what is now the Czech Republic, were able to retain elements of private enterprise and aspects of entrepreneurial activity during Soviet occupation, a feature that aided the overall industrialization effort in those countries and one that was to prove important in their overall transition after the fall of the Berlin Wall in 1989 (Dirani, Ardichvili, Cseh, & Zavyalova, 2015, p. 358; Horwitz, 2011). Others, such as the then Yugoslavia, combined public and private enterprises and also some early foreign investments that can be traced back to the 1960s to enhance both the quality of production and the inflow of foreign currency (Kohont et al., 2015; Svetličič, 2016). Within the Soviet bloc, countries such as Estonia, Latvia, and Lithuania were considered front-runners in industrialization and were touted by ruling officials as showcase examples to illustrate what was possible under socialism. There is little doubt that the emphasis placed on these countries by Soviet authorities resulted in their development. They gained a reputation, in particular, for highly qualified workforces capable of supporting light and heavy industry and for food processing (Sippola, 2009).

In the case of Russia, industrialization began in the prewar period and continued after the end of the Second World War. The construction of enterprises in remote areas in the Urals, in Siberia, and in the Far East was accompanied by the creation of company towns and a paternalistic model of personnel management. The organizations that located themselves in these regions built, in addition to their own production facilities, important social infrastructure such as hospitals, elder-care homes, and child-care facilities, along with cultural facilities. In colocating these amenities with their production facilities,

(p. 244) they became readily accessible for employees working in these factories. Beyond

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immediate workforces, they were also often made available to residents of these industrializing cities more generally. The use of cheap labor from *gulags*, an elaborate system of labor camps set up in the Soviet Union from 1930 to 1945, often contributed to the emergence of an authoritarian leadership style (Lazarev, 2003). Of note, where trade unions existed, they became part of the broader personnel management system in these setups, resulting in their roles being confined to distributing social benefits and operating the social insurance fund (Ashwin & Clarke, 2002).

On the whole, sophisticated workforce planning in organizations in CEE during the socialist period was rare, something that was reflected, for example, in large discrepancies between anticipated and actual employees' competences. Poor workforce planning often led to overstaffing, as on the one hand organizations were obliged to recruit certain quotas of employees assigned to them by the *Petletka*, irrespective of their actual labor needs, while on the other hand, organizations were motivated to give a job to surplus employees because they came with additional financial funds (Koubek & Brewster, 1995). As a result of being guaranteed lifetime employment, employees rarely feared being dismissed for underperformance and were seldom motivated to exhibit extra discretionary effort (Zientara & Kuczyński, 2009). More broadly, as a rule, employees did not have much freedom in choosing their employer, but were rather assigned to one, something that again served to undermined overall motivation and performance in the long run (Cook, 1993).

Training and development, like other personnel practices, were underdeveloped and, where they existed, by and large limited to on-the-job training only. Training interventions were performed more as a formality in response to the requirements made by central authorities to improve education in the society in general, rather than to meet particular organizational needs. Because training and development had no effect on promotion, such interventions were therefore also often regarded by employees as being of little value (Fey et al., 1999). Employee motivation was also largely ignored and bonuses were rare, with authorities instead favoring the awarding of medals and mementos as a way of recognizing the efforts of employees.

Those employed in the personnel function typically came from an economic, legal, or psychological background. In the 1950s, the first specialized training courses in personnel management were developed, followed by the introduction of the first undergraduate programs in the field in the 1960s in Slovenia, Serbia, and Croatia (Svetlik et al., 2010). Nevertheless, the interest of employers in solving personnel problems was small, and there was a lack of experts. During the period of communist rule, the personnel agenda in individual organizations was dispersed into different, relatively independent units (Koubek, 2009). In some instances, so-called personnel departments focused on administrative services largely relating to personnel records. Compensation and work organization were administered by departments of labor and wages or by departments of labor economics. Departments of planning took autonomous responsibility for manpower planning and labor supply, while departments of employee care distributed benefits and organized social activities. In other contexts, two separate units were (p. 245) favored, one focused on dealing with office staff and management and the other dealing with blue-collar workers. The

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group dealing with office staff reported to the personnel manager, while the one dealing with blue-collar staff reported to the finance director (Denisova-Schmidt, 2011; Poór, Engle, & Brewster, 2017). Regardless of how the activities were divided up, all associated units were highly administrative, and the important personnel policy decisions of organizations remained the preserve of representatives of the Communist Party.

Under socialism, the CEE region was also marked by the guaranteed right to employment on the part of the employee and a duty to provide it on the part of the employer, alongside the principles of equality and solidarity. Consequently, overall organizational performance and effectiveness were secondary considerations, relative to the social function of the firm in providing a place of work for citizens. Issues surrounding labor costs and productivity of workers were neglected, and workforce reductions arising from technological advances or as a result of prevailing economic circumstances were not possible. Thus, the economy and overall productive effort were largely regulated by dominant social principles. In many CEE countries, the need for new workers was facilitated through the organizing of migration of workers from rural areas to burgeoning industrializing urban centers. During this period, the works councils and representatives were dealing with issues of wages, social standards, and workers' rights, while at the same time staffing was agreed at a macro level (for example, in the so-called social arrangements created by "self-governing interest communities" in Yugoslavia). Macro agreements related to employment, wages, scholarships, and education aimed at creating common government-led personnel and employment policies. Pay was characterized by *Uravnilovka*, a form of wage and benefits egalitarianism (Pološki Vokić et al., 2017), and its range in many countries was limited to 1:3.3 in all organizations (Kohont et al., 2015). Of note, in the Soviet bloc countries, qualified workers could earn more than engineers (Denisova-Schmidt, 2011). Research by Brekić (1983) and Kavran (1976) found that the staffing function was largely administrative, with relatively little professionalism surrounding the staffing of organizations and the training of employees. In the 1970s, the first undergraduate personnel management programs were launched in Yugoslavia, which ultimately contributed to a gradual incremental increase in the power of the personnel function in organizations and an eventual diminution of the role and authority of self-governing bodies as the developers and purveyors of policy in the human resources field. The professionalization of personnel management education and activities came later for many of the other countries in the CEE region, with the result that the perceived value and relevance of the function to the successful operation of the firm and the actual competence of those working in the function varied significantly throughout the CEE region. Specifically in the case of Russia, for example, the professional education of specialists in the field of personnel management based on the Bologna process was launched toward the end of the 1990s, with the result that specialist bachelor's and master's programs are now offered in some 170 higher-education institutions throughout the country.

Economic problems and political conflicts deepened in the 1980s in different parts of the CEE region. The socialist system was becoming increasingly ineffective and there were clamors for economic reforms. Liuhto (2001, p. 15) highlighted that while the transition economies did not necessarily require their own microeconomic theories, it was fundamentally important to understand that organizational change in these economies was more profound and far-reaching than in the Western context, insofar as almost the entire enterprise population and, indeed, the whole of society more broadly was engaging in an unprecedented transformation to be able to survive in a competitive landscape. As a result, from early in the transition process, the performance question, albeit in different guises, formed a central policy agenda and an important aspect of academic enquiry with the emergence and institutionalization of new approaches to workforce management being bound up in the economic transition process (Morley et al., 2018). In organizations, costs were reduced, and many internal activities, such as training and research, were abolished, reduced, or collapsed. In Russia, the old system of vocational retraining largely collapsed, but very little emerged to take its place. The links between vocational schools and organizations in which the students obtained combined professional and firm-specific skills were also broken. The majority of new private employers emerging in the new business landscape in CEE made very little provision for the training of their employees, relying heavily on training provided by previous state employers or on the motivation of their own employees or prospective employees to undertake training on their own initiative, at their own expense, and in their own time. Thus, the availability of appropriate training was limited and it was expensive to access. Nevertheless, research does suggest that those who undertook training did experience significant increases in earnings as the transition process unfolded and took hold (Clarke & Metalina, 2000).

The pace and depth of the changes and their impact on society served as additional contextual determinants governing variations among CEE countries in their approach to HRM during the transition period (Havrylyshyn, Meng, & Tupy, 2016). The beginning of the transition period in Poland, for example, can be traced to the early 1980s, almost a decade before the eventual collapse of communism. Reforms introduced in this earlier period in Poland, coupled with the fact that Poland maintained aspects of its entrepreneurial business culture during the communist period, meant that it was better placed than some of its neighbors to engage with the transition process when it eventually came. In contrast, the transitional period in Russia, for example, had a profoundly negative impact on public health, demography, and productivity. In the 1990s, the immediate priority of workers, managers, and organizations was to secure their own existence: the watchword of the 1990s was “survival” (Clarke, 2007). The historical attributes of Soviet personnel practices continued to be perpetuated in Russian organizations during this time. However, the shortage of young employees and qualified workers for manufacturing enterprises in Russia became a particularly prominent topic from 2000 onward, prompting a requirement for deeper reforms (Gimpelson & Kapeliushnikov, 2013). (p. 247) Unilateral changing of wages by employers was the subject of particular discussion in Russia. Most scholars agreed that a specific system of remuneration has evolved in the country with charac-



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teristics that do not exist either in other postsocialist countries or in developed capitalist economies (Clarke, 1998; Gimpelson & Kapeliushnikov, 2013). Here, employees were not laid off, but their wages were adjusted to the economic situation faced by the employer. In the 1990s, the major practice applied by employers was to delay the payment of wages and salaries through recording arrears. These measures were accompanied by temporary layoffs where they were deemed necessary (Gerber, 2006; Gimpelson & Kapeliushnikov, 2013; Kapelyushnikov, Kuznetsov, & Kuznetsova, 2012).

Beyond Russia, throughout CEE, many were not prepared for mass layoffs after privatization and the numerous bankruptcies that followed (Redman & Keithley, 1998). These countries' experiences were marked by the loss of former domestic and regional markets and they had to eke out new markets, which were often more demanding than their experience allowed them to meet. Peiper and Estrin (1998), in an analysis of the emerging situation in Poland, Hungary, the Czech Republic, Slovenia, Romania, and Russia, reported developments in three major areas. First, they observed an effort at modernization of practices and tools in the areas of recruitment and training, with accompanying altered skill and work patterns. They also observed skill shortages and salary and benefit adjustments, and they examined the evolving role of expatriate managers working in these transition economies and the shift from employing expatriates to relying on locals. Despite differences between countries in reform and economic performance, the authors found these particular changes to be surprisingly common across the countries studied.

A study of HRM innovations in Polish enterprises revealed that the most widespread innovations of the 1990s were the introduction of confidential wages and individual bonuses for blue-collar employees (Weinstein & Obloj, 2002). Human resource management representation on boards was found to have grown in around a quarter of the firms investigated and was considerably more common among foreign-owned firms. The diffusion of HRM innovation was mainly driven by the need to enhance efficiency, by competitive pressure arising from foreign competition in particular, and by the desire to achieve a stronger fit between HRM and business strategy.

Overall, during the transition period, the HRM function played an increasingly demanding role. In particular, it had to adapt to a multitude of new legislative provisions and profoundly altered labor market dynamics. Specialists in HRM were at the forefront in managing layoffs, while concomitantly paying increasing attention to expanding the skills and competences of those remaining in employment. Activities in the areas of training and education had to be expanded enormously, with a particular emphasis being placed on the development of managers.

## Contemporary Developments

Since the late 1990s, waves of ongoing restructuring, increasing productivity, introducing new technologies, and rising exports, along with the concomitant managing of labor (p. 248) costs, have been the hallmarks of the developmental trajectories that the CEE countries have sought to secure. The rise of multinationals in the region has been particu-

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larly pronounced and it has been argued that multinational companies have redrawn the labor market map of the former socialist countries in many respects (Lewis, 2005). In particular, it has been noted that the role of multinational corporations (MNCs) in reshaping the characteristics of labor markets and HRM practice has been significant, especially in the securing of foreign capital, the arrival of expatriate managers, and the emergence of mimetic pressures to adopt new practices. Significant growth in the CEE region has been achieved through the securing of foreign direct investment (FDI), and that is playing a role in the emergence of a more strategic approach to HRM (Poór et al., 2020). Among other things, they have abandoned the policy of egalitarianism in reward systems pursued under communism and introduced a basic salary system based on the importance of the type of job executed by the job holder and the performance standard achieved. In the 1990s, with the exception of Hungary, inward FDI in the countries for which we have data grew faster than their outward FDI, indicating that these countries are on a developmental path significantly vested in the inward FDI flows secured (Kalotay, 2017).

On the HRM front, new methods and new approaches have been introduced and senior HRM specialists are increasingly operating at more strategic levels and serving as members of the top management teams and boards. Devolution of some activities from the HRM function to line managers has been taking place, along with a broader trend involving the transition from traditional administrative personnel management to more strategic HRM (Lewis, 2005). Kabalina, Zelenova, and Reshetnikova (2019) suggest that the devolution of decision-making to line managers in the relevant areas of HRM has increased the variability and flexibility of HRM practices.

Kazlauskaitė et al. (2013) engaged in a contextual HRM analysis of selected CEE countries, using Sparrow and Hiltrop's (1997) sets of factors that account for differences in national patterns of HRM in Europe: (1) HRM role and competence, (2) business structure, (3) institutional factors, and (4) cultural factors. Their analysis suggests that although they share a common past, there are a number of key emerging differences between the countries with respect to the ownership and structure of businesses, the nature of economic development, the levels of education, and overall national culture, which in turn result in significant differences in overall national patterns of HRM in the CEE region, something that we will return to when we present the data from Cranet on selected aspects of HRM in CEE in a comparative perspective.

However, work by Holden and Vaiman (2013, p. 134) suggests that CEE domestic organizations continue to employ mainly centralized and administrative HRM practices and continue to neglect more strategic aspects. They note that although "the need to move from purely administrative towards strategic HRM has already emerged, there is still little evidence that this shift has materialised" on a widespread basis. Jankelová, Joniaková, Blšťáková, and Némethová (2017) found that in the case of Slovakian organizations, despite their awareness of the importance of having a more strategically oriented HRM function as part of the overall armory of the business in rising to the (p. 249) competitive challenges being faced, a majority remained focused on operational matters. In particular, they noted that the key issue that worked against their securing a more strategic ori-

entation lay in the evaluation by many organizations of little strong evidence on the contribution of HRM to the success of organizations' overall value chains or overall business performance. In the Russian case, Latukha (2015, p. 1057) accounts for this by a lack of core competencies, which limits HRM specialists in their roles, something that may be linked to the relatively young age of the Russian business culture and business education system. An overall competency deficit is found in other research in the postsocialist region (Kazlauskaitė et al., 2013; Kohont & Brewster, 2014). Several factors were thought to account for this, including a long tradition of performing rather traditional administrative tasks, a lack of appropriate educational and professional development programs, a preponderance of lawyers and clerical staff within the function, and a belief among managers that the main role of HRM specialists was to ensure legal compliance (Morley et al., 2018). This latter factor is consistent with findings from other transition economies where, for example, the underlying managerial mindset presents an important determinant of divergence in HRM practices, especially in terms of the ongoing absence of a deeper strategic involvement of the HRM function (Zupan & Kaše, 2005).

## Key Contextual Determinants of Commonalities and Differences in Human Resource Management among Central and Eastern European Countries

Having examined some key developments in HRM from a temporal perspective under the three key phases of change in the CEE region, we now turn to outlining a number of critical contextual factors occurring at different levels that, scholars suggest, hold significant explanatory power in accounting for commonalities and differences in HRM in the CEE region. We focus on both the macro-level contextual factors of national culture, state control, Europeanization, and ownership structure, and the meso factors encompassing the role of trade unions in CEE organizations and the competence set of the HRM specialists leading the functions in these organizations.

From a contextual perspective, national culture represents a critical determinant of variations in HRM approaches and practices. High power distance cultures in the region, in particular in Slovakia, Russia, and Romania and among the countries of the former Yugoslavia, serve to constrain elements of engagement and workplace empowerment. It has been suggested that employee participation is challenging in the CEE context, employee engagement remains low in relative terms, and managers exhibit a (p. 250) "heroic" style (Michailova, 2002). There is a proclivity for autocratic, top-down management, hierarchical structures, and risk-averse behaviors (Michailova, 2000), in particular in public-sector organizations (Zientara & Kuczyński, 2009). This is also one of the reasons that the cost-effective model still prevails, HRM investments are not sufficiently appreciated, and the use of performance appraisal remains low (Karoliny, Farkas, & Poór, 2009; Letiche, 1998; Zupan & Kaše, 2005). Research by Woldu, Budhwar, and Parkes (2006) concerning the

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predominant culture in Poland and Russia suggests that changes in individual preferences have become evident during the transition process and that there has been a shift from group-oriented values toward greater individualism. The authors suggest that employees who work in similar organizations in comparable positions show a degree of convergence in cultural orientations. Analyses of organizational cultures in CEE also point to similarities between Bulgarian and Russian cultures deriving from both their geographic proximity and their Greek Orthodox religious roots, along with underlying similarities between the Estonian and Finnish cultures and basic differences between Estonian and Russian cultures, despite Estonia's protracted period of engagement with the Soviet system (Jarjabka, 2010). Estonia had already experienced democracy and a market economy and enjoyed living standards comparable to Scandinavian nations before its incorporation into the Soviet Union in 1940 (Zamascikov, 1987, p. 226).

Another regional contextual factor that accounts for differences in HRM between postsocialist countries and between those countries and their Western counterparts relates to the variations in the levels of control that were exercised by the state and the ruling party during the socialist period. In particular, it is suggested that variations in control resulted in significant differences in the preferred approach to labor market regulation and management (Ignjatović & Svetlik, 2006; Kapelyushnikov et al., 2012). At least three traditions in the management of labor market dynamics in CEE have been identified. First is the ex-Yugoslavian tradition, which was marked by a relatively high incidence of open unemployment, self-management, possibilities for freer movement across borders for travel and work, fewer media blockades, and outward FDI, which contributed to a greater openness and a stronger orientation toward Western markets (Pološki Vokić et al., 2017). Second is the Orthodox Soviet system that operated in Russia, Bulgaria, Estonia, Lithuania, and Latvia, which was marked by a strong emphasis on rules and the absolute power of the Communist Party. And third is a more moderate intervention model that was found in the Czech Republic, Slovakia, Poland, and Hungary. These earlier variations in approaches to the management of the labor market are still reflected in, for example, the much stricter labor legislation in Slovenia and Russia in comparison with Poland and Hungary (Groux, 2011).

The particular nature of the path toward gradual Europeanization among CEE postsocialist countries, along with the timing and the manner through which this occurred, also serve as an important contextual determinant of variations in HRM practices and preferred approaches in the CEE region. Gurkov and Zelenova (2009, p. 278) highlight that for most CEE countries, despite the differences in the point of departure of their transition journey, there was an identified point of destination, namely, to “re-join the wider Europe, to re-establish normal economic and social relations, to reach the European level of economic and social welfare.” They note that while in the case of East Germany this leap happened virtually overnight with the reunification of Germany, other CEE countries traced their own trajectories in joining the EU family. The first wave of EU expansion to CEE saw membership extended to the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia in 2004. These countries were followed by Bulgaria and Romania, which became members in 2007, and subsequently by Croatia,

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which became an EU member state in 2013. Europeanization has been characterized as “a process of reorienting the direction and shape of politics to the degree that the EC political and economic dynamics become part of the organizational logic of national politics and policy making,” culminating in eventual membership of the EU (Ladrech, 1994, p. 69).

In relation to the impact of this process on HRM, this orientation contributed to the harmonization of labor legislation with EU rules and to an increase in the free movement of citizens between countries, especially among migrants from new member states seeking labor market opportunities in others. Because of the prevailing economic differences, marked by higher incomes and gross domestic product rates in Western countries, the labor mobility from CEE to EU countries with higher wages rose significantly. The result was that CEE countries began to experience a significant brain drain, with several countries being challenged by the consequences of this loss of skill and knowledge, particularly in services, transport, and construction (Stachova, 2013). Arising from this process of Europeanization and integration, labor markets in CEE postsocialist societies are now much more regulated, compared to the situation during the earlier transition phase in the 1990s, with the result that expectations concerning prevailing HRM practices and standards have risen and scholars have suggested that many organizations in CEE have re-evaluated the role and the place of HRM as a key shaping determinant of organizational performance (Stacho & Stasiak-Betlejewska, 2014).

The prevailing ownership structure and industry mix existing in these economies also hold particular explanatory power when accounting for variations in the nature of HRM. Many countries' ownership structure was highly marked by waves of significant denationalization, as in the case of Croatia and Slovenia, for example, and to a lesser extent in Poland (Stirböck, 2001), or by a high degree of privatization involving the transfer of significant assets to oligarchs in the particular case of Russia (Gurkov & Settles, 2013). In addition, in postsocialist countries, waves of FDI during the transition process have become an important part of the armory of development in these economies and, in many instances, as the critical mass of foreign multinationals grew, they began to change the framework for HRM and to create the conditions under which conservative, administrative personnel and HRM practices and policies began to be jettisoned in favor of more strategic approaches (Berber, Morley, Slavić, & Poór, 2017; Poór et al., 2014, 2017). Importantly in this regard, the scale and density of FDI differ significantly among postsocialist countries. Poland, Hungary, and Slovakia are the leading host countries in the region for FDI, while countries in the Western Balkans, such as, for example, Serbia, Romania, and Bulgaria, have received comparatively less FDI, partially as a result of their (p. 252) perceived economic and political instability (Estrin & Uvalic, 2016). A more gradual, incremental transition process, as in, for example, the case of Slovenia, may also be a structural condition impacting the shape of HRM (Ignjatović & Svetlik, 2006).

The nature and role of trade unions in the CEE region have also been noted as holding particular explanatory power in accounting for the manner in which HRM developed. In the socialist period, union membership was close to 100 percent (in the Soviet bloc coun-

tries it was obligatory); however, unions performed a social and welfare role rather than dealing with employee relations matters per se (Sippola, 2009). The political role and overcentralized structures operated by the trade unions during socialism, together with the overall poor regard for trade unions (*Solidarnosc* in Poland being an exception), resulted in a diminution of their status and skepticism concerning their role posttransition (Dimitrova & Petkov, 2005). Given this heritage, unions were not prepared for a new role in the postsocialist period and were neither popular nor active. The result was a significant drop in trade union density in the region, and low density rates are now characteristic of many of these countries (Cooke, Wood, Psychogios, & Szamosi, 2011; Groux, 2011; Karoliny et al., 2009; Psychogios et al., 2013). Estimates of union density in the region range from lows of approximately 10 percent in Estonia and Lithuania to highs of 27 percent in Slovenia and 35 percent in Croatia. Thus, while there is little doubt that in some countries trade unions still have an important partnership role (Milikić, Janićijević, & Cerović, 2012) and a stronger power base in organizations, as in, for example, Slovenia and Croatia (Kazlauskaitė et al., 2013; Pološki Vokić et al., 2017; Stanojević, 2017), the weakening of the industrial relations framework has been a key regional development. Morley et al. (2018) suggest that, on the whole, the unions were ill-prepared for the new political and economic realities that emerged as part of the transition process. They suggest that “the majority of workers were minded to escape from the constraints of union membership and the payment of membership fees,” with the result that “with the exception of traditional industries and the public sector, the level of unionisation dropped” (p. 80). In addition, the transition process saw the emergence of a new management authority at the firm level that was not sympathetic toward the unions (Aguilera & Dabu, 2005).

Finally, scholars have also called attention to HRM specialists’ competencies in the region as an important determinant of the nature and direction of the development of HRM, in particular around planning, change management, and dealing with internationalization (Kazlauskaitė & Bučiūnienė, 2010; Kazlauskaitė et al., 2013; Kohont & Brewster, 2014). It has also been argued that this professional competency gap is accompanied by an ongoing lack of continuous professional self-development, something that is likely to serve as a continuing constraint in the securing and maintaining of a well-equipped professional managerial cohort against the backdrop of significant environmental dynamism (Latukha, 2015). Multinational corporations, relative to their domestic counterparts, are especially aware of this managerial competency deficit (Holden & Vaiman, 2013). As a result, they are, in comparative terms, investing more in HRM to develop a cadre of professional managers and assist in overcoming legacy elements of the socialist tradition.

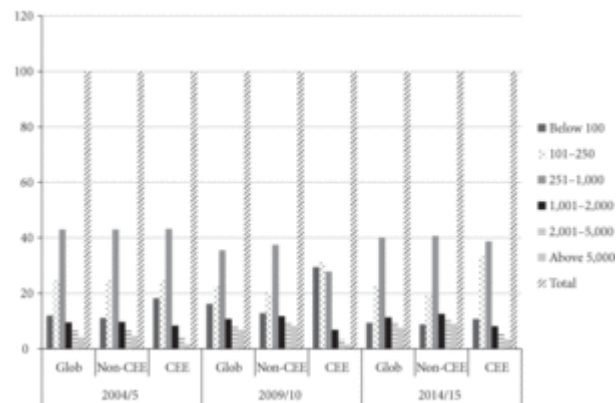
(p. 253) **Organizational-Level Empirical Evidence on Selected Aspects of Human Resource Management in the Central and Eastern European Context**

We now turn to some empirical evidence on the nature of HRM in the CEE region in which we draw on three waves of organizational-level data collected under the aegis of Cranet. In the 2004/5 survey round, a total of thirty-two countries participated, six of which were from the CEE region (Bulgaria, Estonia, Hungary, Czech Republic, Slovenia, and Slovakia). In the subsequent 2009/10 survey round, again a total of thirty-two countries participated, with nine of those from the CEE region (Serbia, Russia, Bulgaria, Hungary, Czech Republic, Slovenia, Slovakia, Estonia, and Lithuania). Finally, in the most recent survey round for 2014/16, a total of thirty-five countries participated, ten of which were CEE countries (Serbia, Russia, Romania, Croatia, Hungary, Slovenia, Slovakia, Estonia, Lithuania, and Latvia).

For the purposes of benchmarking, we have created three comparative samples as follows:

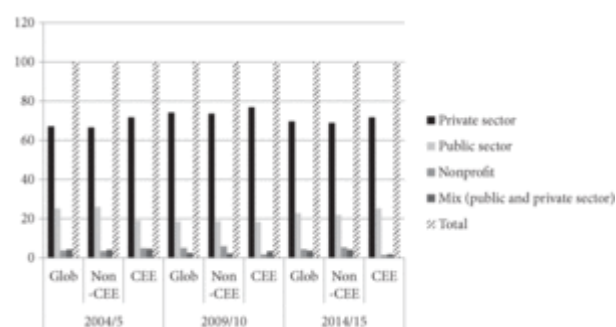
1. The global sample of organizations that have participated in the particular survey round.
2. The non-CEE sample of organizations that have participated in each survey round.
3. The CEE sample of organizations that have participated in each survey round.

By way of sample characteristics, organizational size, which was measured by the size of the workforce in each case, confirms that the distribution of the entire sample in all three survey rounds is similar to the vast majority of the surveyed organizations (80, 74, and 72 percent, respectively) with than one thousand employees. The proportion of respondent organizations with over one thousand employees in the three CEE samples (14, 12, and 17 percent in each round) is lower than in other parts of the world (Figure 11.1).



*Figure 11.1.* Distribution of the sample by number of people employed (percentage). CEE, central and eastern Europe sample; glob., global sample; non-CEE, non-central and eastern Europe sample.

With respect to ownership, in the global sample slightly more than two-thirds of the respondents (67, 74, and 70 percent, respectively) were private-sector organizations in each of the three survey rounds, while nonprofit organizations and those with mixed ownership feature much less commonly among respondents (between 7 and 8 percent in each of the three survey rounds). In the CEE subsample, in each of three survey waves, the proportion of private-sector respondents at 72, 77, and 72 percent, respectively, is slightly higher than in the total sample (Figure 11.2). Conversely, the not-for-profit cohort in the CEE subsample is slightly lower. In terms of the industry-related distribution of the sample, the largest share is represented by industrial and manufacturing companies in all three periods (32, 28, and 24 percent, respectively). Globally, in each of (p. 254) (p. 255) the three survey waves, the sectors with the lowest proportion of respondents in the sample are represented by the agricultural sector (2–3 percent), energy (3–4 percent), construction (4–5 percent), and education (4–6 percent), respectively.



*Figure 11.2.* Distribution of the sample by ownership (percentage). CEE, central and eastern Europe sample; glob., global sample; non-CEE, non-central and eastern Europe sample.



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Turning to HRM structural and functional mechanisms, the number of organizations reporting the existence of a specialist function is obviously one important bottom-line indicator of the nature and role of HRM within respondent organizations. A majority of organizations in each survey round report the existence of a HRM department. However, compared with other parts of the world, the percentage of CEE respondents reporting the existence of a dedicated HRM function is slightly lower. This disparity was more pronounced during the global financial crisis, though the decline in the existence of specialist functions arising from the impact of that financial crisis is not confined to the CEE sample (Table 11.1). Most large organizations in all three samples have a dedicated HRM department. The most significant differences can be observed in organizations employing fewer than 250 people.

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Table 11.1. Presence of human resource management department (percentage)

HRM department	2004/5			2009/10			2014/15		
	Glob.	Non-CEE	CEE	Glob.	Non-CEE	CEE	Glob.	Non-CEE	CEE
All organizations	90.5	90.9	87.4	83.7	88.5	65.1	90.7	93.9	81.6
Private sector	90.8	91.2	87.6	85.2	91.0	63.3	92.8	95.9	84.5
Public sector	89.6	90.1	84.2	80.9	83.7	70.1	84.7	88.9	74.3
<250 Employees	80.8	81.0	79.0	65.3	74.2	47.0	79.0	85.4	67.4
251–1,000 Employees	95.1	95.3	93.6	93.1	93.4	91.2	94.4	95.9	89.7

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>1,000 Employ- ees	99.0	99.0	99.2	98.0	98.2	96.4	98.4	98.3	99.0
Total	91.2	91.6	88.4	83.7	88.6	65.0	90.6	93.7	81.5

*Note:* HRM, human resource management; CEE, central and eastern Europe sample; glob., global sample; non-CEE, non-central and eastern Europe sample.

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The existence of a written HRM strategy has long been taken as one proxy indicator of the extent to which the function operates at a more strategic level in the organization. In the case of CEE, while previous research from studies conducted throughout the 1990s and early 2000s pointed to a predominantly administrative orientation within the function, there is some evidence of an emerging, more strategic orientation involving the specialist function playing roles and engaging in activities rather different from those traditionally pursued, one particular indicator of which is the existence of a written HRM strategy. In our data, on average between 56 and 68 percent of all participating organizations in the three survey rounds have a written HRM strategy. Notwithstanding, CEE respondents do consistently report a slightly lower incidence of the existence of such written strategies. This gap is most significant for smaller enterprises, while larger organizations more broadly compare favorably with their counterparts elsewhere (Table 11.2).

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Table 11.2. Written human resource management strategy (percentage)

HRM strategy		2004/5			2009/10			2014/15		
		Glob.	Non-CEE	CEE	Glob.	Non-CEE	CEE	Glob.	Non-CEE	CEE
All organizations		56.4	57.2	49.7	53.1	56.1	41.2	67.6	69.9	61.0
Private sector		53.5	53.9	50.7	52.0	54.6	41.9	68.1	69.8	63.5
Public sector		63.1	64.7	44.7	59.7	64.5	39.2	67.5	72.7	54.3
<250 people	46.7		48.4	36.6	43.1	47.8	33.2	60.2	65.2	50.7
251–1,000 people	56.7		56.9	55.2	53.2	54.9	43.7	67.2	67.2	67.1
>1,000 people	68.2		68.1	70.0	66.2	67.1	58.4	78.1	78.3	77.2
Total	56.1		56.9	49.6	52.7	56.1	39.2	68.0	70.2	61.6

*Note:* HRM, human resource management; CEE, central and eastern Europe sample; glob., global sample; non-CEE, non-central and eastern Europe sample.

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The uptake of human resource information systems, defined as a technology-based system used to acquire, store, manipulate, analyze, retrieve, and distribute pertinent information regarding HRM in the organization (Tannenbaum, 1990), has provided increased opportunities for the integration of strategic planning, HRM planning, performance management, training and development, reward management, and risk and compliance management and serves as an additional indicator of a more strategic approach to HRM. Among the global sample of respondents in our data, access to HRM information systems was available among approximately 80 percent of respondents in the 2004/5 and 2009/10 survey rounds, while, once again, this figure is slightly lower in the case of CEE respondents. In the case of larger organizations, the differences across the three clusters with respect to the use of information systems are minimal (Table 11.3).

Table 11.3. Access to human resource management information systems

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Human resource information system	2004/5			2009/10			2014/15		
	Glob .	Non-CEE	CEE	Glob.	Non-CEE	CEE	Glob .	Non-CEE	CEE
All organizations	80.2	80.4	78.4	81.8	84.1	73.2	70.8	72.1	67.3
Private sector	79.1	79.2	78.4	81.1	83.9	70.7	70.1	71.5	66.4
Public sector	83.7	84.0	80.1	85.5	87.9	75.8	72.2	73.7	69.0



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<250 people	68.6	69.0	66.2	68.5	72.2	61.0	55.1	55.8	54.0	
251–1,000 people	83.9	83.7	85.6	87.0	86.5	90.0	73.3	71.3	79.1	
>1,000 people	89.2	88.8	93.4	94.1	94.0	94.9	85.0	85.5	82.2	
Total	80.1	80.2	78.7	81.9	84.2	73.2	70.8	71.6	68.6	

*Note:* CEE, central and eastern Europe sample; glob., global sample; non-CEE, non-central and eastern Europe sample.

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The use of external service providers occurs most commonly in the domain of training and development. This is followed by recruitment and selection, which emerges as (p. 257) the second most commonly outsourced area. Of note, the trends in outsourcing of HRM activities observed among CEE respondent organizations broadly mirror developments in the other clusters examined (Figure 11.3).

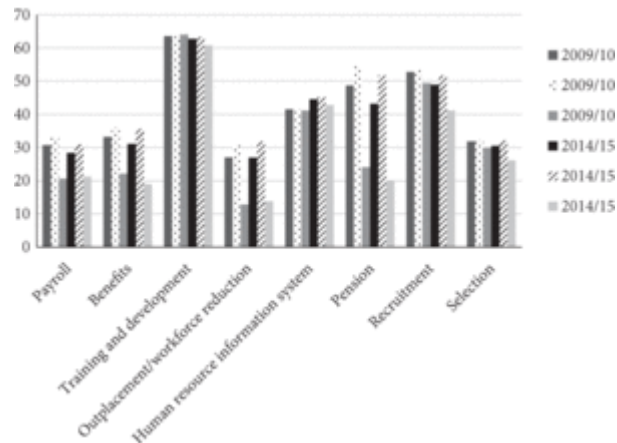


Figure 11.3. External providers covering human resource management functions (percentage).

Finally, in contemporary workplace relations in CEE, trade union recognition remains an issue of significant debate. In particular, there is considerable evidence of increased management opposition to unionization in recent years, particularly among MNCs and in indigenous smaller firms. Writing on the nature of workplace relations in CEE, Festing and Sahakiantis (2010) suggest that the lack of a strong institutional environment at the national level, the weak position of trade unions, and the absence of strong institutional pressures on the part of the EU have led to a situation where the main features of socialist employment relations retain a certain relevance. As indicated earlier, during the socialist period, there were notional rates of 100 percent unionization, with the unions playing an active role in the Communist Party and in the implementation of state-mandated goals at national, sectoral, and organizational levels (Alas, 2004). By 2004, things had changed. In each of the three waves of the Cranet survey, the largest proportion of organizations in the CEE countries had no trade union membership (Figure 11.4). In the case of the public sector, this ratio was much smaller (Tables 11.4 and 11.5). In nearly 60 percent of smaller businesses, there is no trade union in this region. Of course, there are differences between countries. For historical reasons, as alluded to earlier, the influence of trade unions in the former Yugoslavia, for example, is much greater than in other CEE countries. Overall, while the future of the union movement in CEE will be determined by many factors, Morley et al. (2016) suggest that, above all, the nature of the variety of capitalism that becomes institutionalized in the region will become a critical determinant of any renewed legitimacy that may be secured.

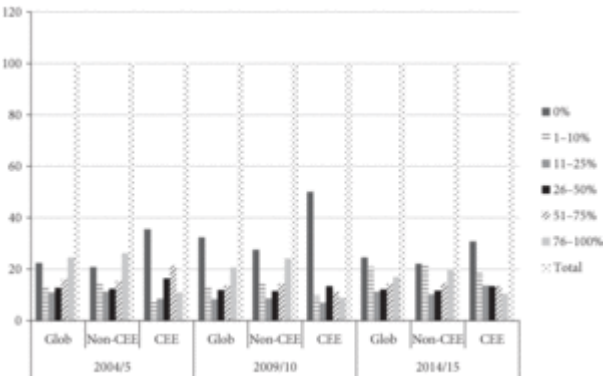


Figure 11.4. Trade union membership—all countries (percentage). CEE, central and eastern Europe sample; glob., global sample; non-CEE, non-central and eastern Europe sample.

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Table 11.4. Trade union membership: Private-sector organizations (percentage)

Proportion union membership —private sector	2004/5			2009/10			2014/15		
	Glob.	Non-CEE	CEE	Glob.	Non-CEE	CEE	Glob.	Non-CEE	CEE
0%	29.3	27.6	41.7	37.2	31.1	59.4	30.0	26.5	38.7
1–10%	15.6	16.7	8.0	14.1	15.9	7.9	23.9	25.8	19.1
11–25%	10.9	11.4	7.5	8.7	9.2	6.8	11.5	10.9	12.9
26–50%	12.5	12.2	14.9	12.2	12.4	11.8	12.1	12.1	12.3
51–75%	15.7	15.2	19.3	13.0	14.2	8.6	11.4	12.0	10.0
76–100%	15.9	16.9	8.6	14.7	17.2	5.5	11.1	12.7	7.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Note:* CEE, central and eastern Europe sample; glob., global sample; non-CEE, non-central and eastern Europe sample.



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Table 11.5. Trade union membership: Public-sector organizations (percentage)

Proportion of union membership—public sector	2004/5			2009/10			2014/15		
	Glob.	Non-CEE	CEE	Glob.	Non-CEE	CEE	Glob.	Non-CEE	CEE
0%	7.7	6.6	19.9	15.6	13.5	23.9	8.9	8.8	9.1
1–10%	6.4	6.6	3.5	8.7	7.2	14.8	13.0	11.6	16.1
11–25%	10.0	10.0	10.6	5.1	4.5	7.4	10.8	8.5	16.4
26–50%	14.1	13.4	22.7	8.9	8.0	12.5	12.4	10.3	17.5
51–75%	16.6	15.6	27.7	15.9	15.2	18.8	21.3	21.5	21.0
76–100%	45.1	47.8	15.6	45.8	51.5	22.7	33.5	39.2	19.9
Total	100.00	100.00	100.00	100.0	100.0	100.0	100.0	100.0	100.0

*Note:* CEE, central and eastern Europe sample; glob., global sample; non-CEE, non-central and eastern Europe sample.

## (p. 258) Conclusion

Overall, it is apparent that there are significant structural, institutional, and configurational differences, along with significant practice differences, in HRM among CEE countries and between the CEE region and other regions. Prior to the fall of the Berlin Wall in 1989 and the subsequent wave of political, social, cultural, and administrative transitions that this major development heralded, the key elements of HRM policy and practice in CEE operated under strict state control. Such control and political interference resulted in the emergence of an underlying ideational legacy in HRM with little emphasis on performance and motivation, resulting in ineffective compensation systems, ambiguous responsibilities, and hiring and promotion based on political loyalty and connections rather than performance and competence (Koubek, 2009). Awareness of this legacy, Horwitz (2011, p. 432) suggests, is especially important for foreign MNCs operating in CEE to give proper consideration to the “lingering effects of the previous institutional environment and state directed political economies that retain influence on the type of HRM practices adopted.” Since the commencement of the transition process, contextually among the things that unites these countries in the recent past is the rapid change in culture and political and economic systems, with research on cultural aspects suggesting that there has been a rise in individualism and a concomitant diminution in power distance in the region (Dirani et al., 2015).

(p. 259) Specifically in the HRM sphere, differences may be observed between the levels of development in the HRM practices of different postsocialist countries, variances that may be attributed, among other things, to distinct traditions, disparities in levels of economic development, and deviations in the underlying levels of centralization applied in the previous economic and political systems (Erutku & Vallee, 1997; Kazlauskaitė et al., 2013; Tung & Havlovic, 1996). The shift that occurred since 1989 in the HRM domain has variously been characterized as one from a unitarist toward a pluralist system, from an administrative toward a more value-adding model, and from a low-legitimacy function to one now characterized by increasing power and legitimacy. Considering that it was only after the fall of the socialist regimes throughout CEE that (p. 260) modern HRM as we have come to understand it in the Western context started taking hold in the discourse of management thinking and in emerging practice, it is clear that in the intervening thirty years, differences in HRM between CEE and other countries have narrowed significantly. The overall effect, Pundziene and Bučiūnienė (2009) suggest, is organizations making more significant investments in HRM systems and practices in the face of dynamic and radically altered labor markets and a new competitive reality.

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### Michael J. Morley

Michael J. Morley is a professor of management at the Kemmy Business School, University of Limerick, Ireland. His research interests encompass international, comparative, and cross-cultural human resource management, which he investigates at different levels.

### Andrej Kohont

Andrej Kohont is an assistant professor in the faculty of social sciences at the University of Ljubljana, Slovenia. He lectures in human resources management (HRM), organizational behavior, leadership, and strategic HRM. His research focuses on international HRM, talent management, sustainability, competency management, and career guidance.

### József Poór

## Human Resource Management in the Postsocialist Region of Central and Eastern Europe

József Poór is a professor of management at J. Selye University Komarno, Slovakia, and Szent István University, Hungary, where he teaches a variety of management courses. Previously he was a senior manager at different internationally recognized professional service firms (Mercer, HayGroup, Diebold) and at a private business school for almost two decades.

### **Rūta Kazlauskaitė**

Rūta Kazlauskaitė is a professor of human resource management (HRM) at ISM University of Management and Economics, Lithuania. Her research focuses on employee well-being and work-life balance, work environment, HRM implementation, responsible HRM, and comparative HRM.

### **Veronika Kabalina**

Veronika Kabalina is a professor of human resource management and academic director of the master's program in HR Analytics at the National Research University Higher School of Economics, Moscow, Russia. Her numerous publications in Russian and English deal with enterprise and management restructuring, employment relations, employee engagement, human resource management, talent management, and corporate social responsibility in Russia.

### **Jana Blštáková**

Jana Blštáková is an associate professor of human resources management (HRM) at the University of Economics in Bratislava, Slovakia. She teaches HRM, organizational behavior, and development of management skills. Her research focuses on HRM in the 4.0 Industry era.