

# THE STRATEGIC ROLE OF HUMAN RESOURCE MANAGEMENT IN CENTRAL AND EASTERN EUROPE IN COMPARISON WITH INTERNATIONAL TRENDS

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## 1 INTRODUCTION

The accelerated economic, political and technological changes of our time are posing serious challenges to all economic actors, who need to respond appropriately to maintain and even strengthen their competitiveness. A key factor in this is the methods used in staff management and their effectiveness.

However, the functioning of human resource management is always embedded in a specific internal organisational and external environmental context, including the impact of cultural, social, institutional and political constraints, which influence it. Comparative HRM research based on a contextual approach seeks to capture and explain these regional similarities and differences. With this study we are also following the comparative approach.

We examine the characteristics of HRM in Central and Eastern European organisations in comparison with international processes and global trends, focusing primarily on the strategic role of HRM. Understanding the HR practices and trends in our region in a global context can serve as a basis for the development of effective HR activities and can help to strengthen the competitiveness of companies in the region.

## 2 MATERIAL AND METHODS

A major thrust of management research is to capture differences in management practices across national/cultural contexts and institutional settings. One important finding is that cultural embeddedness and the institutions based on it make different management approaches acceptable and appropriate and thus influence the way HRM works [9, 5, 4]. This makes the question of what similarities or differences there are in the human resource management practices of organisations in different countries and regions, and what factors influence them, when compared with global trends, a particularly fascinating one. In this context, the study of HR solutions in the post-socialist countries of Central and Eastern Europe is of particular interest [2].

The contextual approach and the comparative HR research based on it play an important role in the study of how HR works. Followers of the contextual research paradigm, in contrast to other approaches, mainly use simple descriptive statistical tools [10].

In our analysis, we seek to answer the question of the place of HRM in corporate governance in Central and Eastern Europe, and how far HRM has moved from its traditional administrative and supportive roles towards a strategic role. In doing so, we will therefore draw on the conceptual framework provided by cultural clusters [6] and the varieties of capitalism [7, 8], in addition to theoretical approaches to human resource management, to explore the interrelationships between them in explaining phenomena.

Our study draws on data collected by the Cranet international research network in three survey cycles (2008, 2016, 2021). Since the network was founded in 1989, around forty countries from around the world have joined in each data collection period, Hungary is also a regular participant in the network. The research network has provided a wealth of scientific evidence to support the contextual nature of HRM [3].

In the present study, we have examined the strategic role of HRM in three periods and three regions (Anglo-Saxon, Northern and Western Europe and Central and Eastern Europe). In constructing the groups, we drew on aspects of comparative economics, which seeks to understand institutional differences between nations, as well as related practices and economic performance [7, 8] (Table 1). The countries included in the analysis were those that participated in all three surveys:

- Anglo-Saxon group (liberal market economies): Australia, UK, USA
- Northern and Western Europe Group (coordinated market economies): Austria, Belgium, Denmark, Finland, Germany, Iceland, Norway, the Netherlands, Sweden, Switzerland
- Central and Eastern Europe (CEE) Group (Emerging Market Economies): Estonia, Hungary, Lithuania, Serbia, Slovakia, Slovenia

### 3 RESULTS

The average scores for the index of variables describing the strategic role of HR in all three Table 1. The sample groups of countries show an increase over the three consecutive surveys. This indicates an increase in the strategic role of HR, but the averages of the Central and Eastern European group are much lower and less homogeneous (due to higher standard deviations) than the averages of the other two groups. This suggests that the CEE region, although showing progress in the strategic role of HR, still lags behind more economically developed regions and there are greater differences between organisations in this respect. It can also be observed that as firm size increases, the mean values of the index describing the strategic role of HR also increase in all three data collection cycles, while the standard deviation values decrease, i.e. the responses become more homogeneous (Table 2).

Binary logistic regression analysis was used to examine the combination of variables that influence the strategic position of HR. For the strong organisational position of HR, the strong positive predictive role of organisational headcount is most pronounced in all three periods.

**Tab. 1** The sample

	2021				2016				2008			
	Anglo-Saxon	Northern and Western Europe	CCE	Total	Anglo-Saxon	Northern and Western Europe	CCE	Total	Anglo-Saxon	Northern and Western Europe	CCE	Total
Responding organizations	619	2 297	787	3 703	1 114	2 023	1 141	4 278	1 380	2 094	826	4 300
Countries	3	10	6	19	3	10	6	19	3	10	6	19

**Tab. 2** Average values and standard deviation of HR-index in the three consecutive surveys

	2021				2016				2008			
	Anglo-Saxon	Northern and Western Europe	CCE	Total	Anglo-Saxon	Northern and Western Europe	CCE	Total	Anglo-Saxon	Northern and Western Europe	CCE	Total
Average	4.78	4.65	4.32	4.60	4.66	4.68	4.06	4.51	4.39	4.48	3.59	4.35
Std. Deviation	1.176	1.317	1.534	1.351	1.342	1.436	1.589	1.481	1.535	1.421	1.441	1.469

The larger the organisation, the more likely it is that HR is in a strong position, while the negative predictive role of belonging to the CEE country group is not negligible, although it shows a weakening trend over the three survey periods.

A further interesting finding is that the role of performance appraisal and the strategic role of HR are closely linked in most countries, with the exception of a few Northern European countries. The regression analysis between 2008 and 2021 shows that the more the role of performance appraisal increases, the more the strategic role of HR increases ( $R=0.962$ ).

## 4 CONCLUSIONS

Our results are consistent with previous findings on the context-dependence of HR practices [12, 1, 11]. Although similarities and convergent trends can be identified by grouping the countries in our study according to cultural and institutional characteristics, HRM in the CEE region to date also shows clear differences compared to developed market economies. Our results again showed that, from the HRM perspective, there is a clear distinction between liberal and coordinated market economies and the emerging market economies of the Central and Eastern European region.

In the countries of the Central and Eastern European region, the management of human resources has undergone a major transformation since the change of regime. In our study, we have examined a number of factors to show where this process is at the moment and how far organisations in the CEE region have come in terms of the strategic role of HRM. Despite the fact that the functioning of HR in the organisations of our region already shows many similarities with international trends, the specificities of HRM in Central and Eastern Europe are still observable, and this is especially true for the strategic role of HR and its place in top management.

Modern business management would require that the HR approach and professional knowledge is embedded in the management and strategy development of organisations. It is therefore essential to strengthen the role of HR as a strategic partner [13] in the region's organisations. Knowing the leading role of multinational companies in the application of modern HR solutions, the strengthening of the strategic function of HR is particularly needed in the SME sector.

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