

HR PROGRESS: Human Resource Management in Bosnia and Herzegovina, Croatia, Serbia and Slovenia

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ABSTRACT

Purpose:

In tandem with the internationalisation process of many Austrian companies, questions concerning Human Resource Management (HRM) in Bosnia-Herzegovina, Croatia, Serbia and Slovenia (BCSS) have emerged. Within this context, the research team has had the scope to explore the differences in HRM practices in BCSS. These countries are characterised by a very recent development of HRM which, in previous years, was thoroughly related to the federation and the state.

Design:

In a first phase, the project team carried out five semi-structured interviews with HR managers of Austrian companies (operating or expanding in BCSS) in order to get deeper insights into the Austrian perspective regarding HRM in BCSS. In a next step we executed 29 interviews in BCSS. The project team will extend the research in a third phase to a quantitative step, based on the initial qualitative results.

Findings:

Bosnia-Herzegovina: The focus is mainly on operational processes, little strategic orientation. Weak position of HR; stronger in international companies. HR is seen as a staff unit which executes the decisions of management. Weak training market; trainings are therefore performed by in-house trainers.

Croatia: HR processes are partially implemented (skills, talent and performance management). Employer branding is increasingly an issue. Job security, regular pay, training as an important asset as an employer. Performance-related pay is unusual. HR in large companies partially already established as a business partner.

Serbia: No uniform pictures of HR. International companies are perceived as very attractive by applicants. School and college graduates are at a high theoretical but practical low level – effects on recruiting.

Slovenia: HR managers often belong to the Management Board. Employer Branding, Recruitment and Compensation & Benefits are becoming very popular. Age management is becoming important to Slovenian companies. HR processes are highly standardized. HR is increasingly seen as a strategic business partner, which is supported by the issues of performance management and HR controlling.

Research limitations/implications:

To this research general limitation of qualitative research apply as the research quality is heavily depend on the individuals and influenced by the researchers. Therefore the project team tried to do the interviews at least with two interviewers and used several loops (with different persons) while analysing the material. It should be noted that these qualitative results are based only on a small sample and cannot claim any statistical generalization.

Practical implications:

The outcome of the qualitative research gives deeper insights on the current status of HRM in the target countries and indications for companies operating or expanding in BCSS on what to focus.

Keywords: international Human Resource Management, HRM in CEE, HRM practices, South & Eastern Europe

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1. Introduction

In tandem with the internationalisation process of many Austrian companies, questions concerning HRM in the host countries have emerged. Within this context, the research team has had the scope to explore the differences in Human Resource Management (HRM) practices in Bosnia-Herzegovina, Croatia, Serbia and Slovenia (BCSS). These countries are characterised by a very recent development of HRM which, in previous years, was thoroughly related to the federation and the state. (Svetlik et al. 2010; Mesner Andolšek and Štebe 2005; Bogicevic-Milikic and Janicijevic 2009)

Former socialist countries, also referred to as transition economies, are still facing the challenges to introduce management systems and to employ tools and methods to compete successfully in a national and world-wide context. This transition depends highly on the success and speed of privatisation and restructuring processes. Their ways of acting in a corporate context are changing to market orientation, customer orientation and contemporary management technologies and tools. (Bogicevic-Milikic and Janicijevic 2009: 158–159) Most of South-East European Countries, including the countries of the former Yugoslavia, hence couldn't develop an HR management function in terms of contemporary HRM theory and practice because decision making was closely related to the state or the party. This led to the fact that also key positions were monitored by the state bureaucracy. There are (slight) differences in the development of HRM practices in the countries of the former Yugoslavia due to different level of economic development and centralisation. (Svetlik et al. 2010: 808)

Considering the historical past of BCSS, it is clear that this absence of HR practices derives from the socialistic heritage and the "more or less recent" (20 years ago) adoption of free market rules, but still should not overlap the need of a professional HR department.

Mainly, managers in transition economies are occupied with financial problems, replacements of obsolete technology and the challenges that market orientation brings up. Therefore they are still rarely aware of the importance of HRM and the HR department as a source of organizational competitive advantage. (Milikić et al. 2008: 84–85)

MNCs in these countries remain of primary importance for the development of industrial relations and the development of HRM. (Meardi 2006: 1377) Strategic HRM seems still to remain in a remote position. In particular, it has to be outlined that the line manager's involvement in decentralised HR activities might request a variety of highly developed skills. This issue seems to be on the top of the agenda, as one of the major HR topics in the future is management development. (Jankowicz 1998: 174–175) In smaller organisations, rather than in big ones, decision-making is more often left to the line management. (Mesner Andolšek and Štebe 2005: 321)

Dickmann demonstrated that the balance between global integration and local adaption lies in a combination of frequent communication, openness and trust as well as the distribution of power between MNC and subsidiary. It is feasible to introduce a range of foreign practices that firms associate with competitive advantage, but these parent-country HR approaches are mostly successful in the long run. In the focus countries, especially because of the different country business systems, there arise different needs of practices and strategies that have to be considered. (Dickmann 2003: 265) It can be expected that the advancement of transition process in BCSS will promote generally the role of the HR function and further more decentralisation, higher employee involvement, flexible patterns of work and merit/performance-related pay. (Bogicevic-Milikic and Janicijevic 2009: 175–176)

Summarizing, research indicates that educational expansion does contribute to output growth. (Schütt 2003: 52–54) This result might be an indicator for the importance of the HR function as well as human resource development programmes within organisations. Furthermore designing and implementing HR strategies and practices might be considered as an important step towards enhancing company performance.

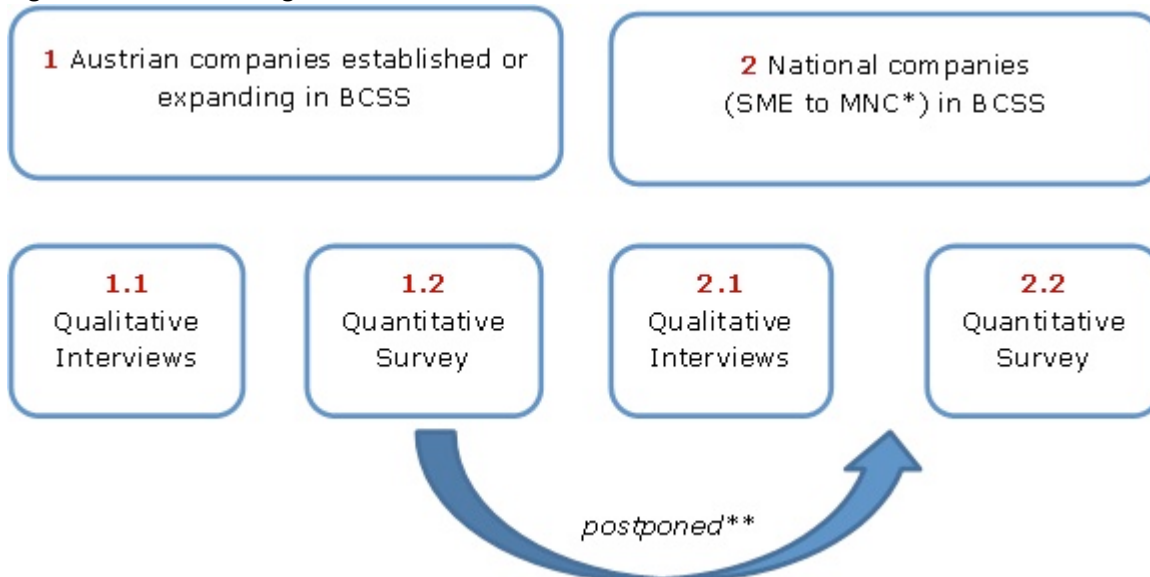
The importance of more knowledge about HR processes and practices in BCSS might be explained and somehow justified by the market potential of those countries for Austria and the EU. More research results would provide evidence for more effective business undertakings and thus further development in these geographical areas. This need of further research can be seen as an occasion for our research project to provide understanding of HRM and its effects in BCSS and further implications for organisations entering these markets.

This paper is structured as follows: the next section presents the methodological approach underlying this research project, followed by the main chapter presenting the results (Austria, Bosnia-Herzegovina, Croatia, Serbia and Slovenia). The article outlines effects on HRM and results of the undertaken interviews are discussed. The last chapter describes the next steps of this international research project.

2. Methodological Approach

Chapter 2 describes the methodological approach underlying this research project. The following illustration gives an overview on the different phases:

Figure 1: Research design



* SME = small and medium enterprises/MNC = multinational companies

** The quantitative survey within Austrian companies was postponed; the research team decided to gain national insights first and subsequently develop the questionnaire on those findings.

The following research questions were relevant for the qualitative phase of the project:

What is the status quo of HRM in BCSS?

- What are essential demands on HRM and what is the development potential for local companies in the coming years?
- What are the differences between HRM in the mentioned countries?
- What are the differences between HRM in national companies and HRM in international companies?

The interviews with Austrian HR managers of companies already operating in BCSS (see point 1.1 in figure 1) focused on important HR issues, "typical" approaches and key incidents. The HR managers were asked about international HR philosophy and major strategic issues, cross-national communication and reporting, as well as the objective to transfer Austrian characteristics to BCSS subsidiaries. We also questioned about the actions taken and the experiences gathered in international HR coordination. This first interview phase in Austria guided us to structure the interview guideline which we started using first in Bosnia-Herzegovina. After the first interviews in Bosnia-Herzegovina we added several questions about the HR roles according to Dave Ulrich (1998).

In total we carried out twenty-nine interviews between November 2010 and February 2011 in BCSS. Most of them were senior and middle HR managers and occasionally CEO's. In a first step the project team wanted to gain insights and understand the national HR practices and how they specifically work or/and why they were chosen. Furthermore the HR managers were interviewed about what kind of "foreign" HR approaches had been implemented, how much autonomy they had to adjust policies and practices to local needs, what the perceived advantages and problems were and about the outcomes experienced.

The **sample design** can be presented as follows:

Table 1: Sample design of BCSS interview partners
period

Bosnia-Herzegovina	6 interviews	November 22 – 24, 2010
Croatia	6 interviews	March 28 – 29, 2011
Serbia	8 interviews	April 4 – 5, 2011
Slovenia	9 interviews	February 9 – 11, 2011

A final report was sent to all the interviewees for verification and their feedback incorporated.

3. Results

The next sections present the findings of the interviews. Chapter 3.1 focuses on the Austrian perception on development status of HRM in BCSS, whilst Chapters 3.2 to 3.5 focus on the BCSS results.

3.1. Austrian perception on development status of HRM in BCSS

As mentioned before, the project team decided to conduct interviews with HR Managers from Austrian companies already operating in the focus countries before starting interviews in the focus countries. The scope of these interviews was to get a deeper insight on perceptions of Austrian HR managers about challenges regarding HR practices and policies. The following table shows the sample of the interviewees with information on line of business and the markets where the companies are already operating in.

Table 2: Overview of research interviews in Austria

Line of business/Branch of trade	Foreign branch/Subsidiary in...
Banking sector	Bosnia-Herzegovina/Croatia/Serbia/Slovenia
Furniture retail	Croatia
Home Care, Cosmetics, adhesive technologies	Bosnia-Herzegovina/Croatia/Serbia/Slovenia
Electrical Engineering	Bosnia-Herzegovina/Croatia/Serbia/Slovenia
Banking sector	Bosnia-Herzegovina/Croatia/Serbia/Slovenia

The interviews were structured as follows:

1. Structure of HR/interface nationally and internationally
2. Foreign activities (since when/where, development, expansion plans, perception of markets)
3. Perceived similarities and differences BCSS; specific challenges for companies entering those markets
4. National labour markets/implications for HR
5. National HRM compared to "Austrian" HRM (convergence/divergence); differences in tools/methods and consequences for HRM
6. Trends for HRM in BCSS
7. HR Networking in BCSS
8. HR Consulting in BCSS

The following section summarizes the major results and conclusions from the interviews.

The **role of HR in BCSS** is generally regarded less important than in Austria. This means that it must be greatly strengthened, especially through trainings and change processes in the host country organisation. As local managers (in local companies) are mainly occupied with financial problems, the importance of HRM is not recognized yet. (Milikić et al. 2008: 84–85)

All Austrian companies transfer HR processes and instruments to the subsidiaries, which have to be implemented – always considering the local needs of adaption. Throughout all the interviews necessary adaptations to the national or cultural context of HR instruments or methods (from foreign parent companies) were discussed. This phenomenon was already mentioned by Mayrhofer et al (2011).

Most of them have certain instruments defined as a "must have" and a quite wide range of instruments that are seen as a support for local HR. The communication with the local HR managers is seen as essential for the success of the implementation.

Different educational systems (and furthermore qualifications) are noticed strongly (eg trade sector). This leads to a lack of staff with highly developed experiences. The focus is often in **staff development (education and training)** to fill the need of further knowledge through internal measures. Basically, a strong lack of training and development activities within local companies is perceived, which leads to an advantage for foreign-owned

companies in the recruiting process. Basically it can be said that the search for experts and specialists in BCSS can be quite challenging, while not specialized positions might be occupied quite easily (high supply of labour). Strong need for training is perceived primarily in terms of customer orientation. In addition, foreign companies are perceived to be reliable (in terms of salary payments) and on average offer slightly higher salaries. Personal development is "on the top of the agenda" in local companies only, when they already face applicant shortages. This may be seen as an indication of little strategic HR work. The market development (and the demographic development- author's note) will lead to a tendency towards stronger focus on HR processes and instruments. Topics such as sustainability, quality and long-term HRM are currently underdeveloped. A strong know-how transfer (regarding HRM activities as well as "others") takes place from the Austrian parent company to the subsidiaries. The willingness of employees in BCSS to invest time and energy in training is perceived as very high. Often this leads to certain impatience in terms of development opportunities. Staff development activities are generally considered as a very effective tool for employee retention.

Leadership skills are a central topic in all organisations. At this point, the skills have to be built up step by step. As the understanding of leadership is still strongly traditional (patriarchal), while the interviewed Austrian companies usually have a cooperative understanding of leadership, there is need for development. Often the understanding of leadership goes hand in hand with respect person and "seniority". The distance between managers and employees is often quite high. This is also reflected in the fact that it often seems easier to recruit executives externally, because the leadership is then defined by the position. With regard to acceptance of male and female managers little difference can be identified. The use of fringe benefits is increasingly important as in various industries foreign competitors enter the local markets.

One of the major HR topics in the future is management development. (Jankowicz 1998: 174–175)

Regarding the degree of **cultural similarities and differences** a wide range of perception between the Austrian HR managers could be noticed. The statements range from "quite the same country cultures" to "slight and great cultural differences" that are reflected in the daily HR work. Basically, it can be stated that the higher the educational level, the more "western-oriented" are the attitudes of employees.

HR Consulting is currently still an underdeveloped market in BCSS, resulting in the use of host country (Austrian) or international consultants. The consultancy sector seems to be most developed in Slovenia and Croatia. The recruitment of local trainers seems also to be a challenge for international companies. Concerning this matter, "general" trainings are sometimes covered by local trainers, while specific trainings are executed by international consultants. Often even the quality of local trainers being part of international consultant companies diverges significantly.

Austrian companies are aware of the necessity of **professional exchange** between the HR managers in BCSS (and between HR managers in BCSS and HR managers in Austria), as there is among other things, little or no relevant HR networks for informal exchange in BCSS.

3.2. Bosnia and Herzegovina

A great contribution on the development of professional HR practices is due to MNCs. (Svetlik et al. 2010: 813–814) Human Resource Management in Bosnia has strongly developed with the market opening in the last ten years, but still the focus of HR processes is primarily operative. Administrative processes are functioning well, but there remains a lack of strategic orientation. The qualitative interviews revealed that the position of Human Resources is still quite weak in national Bosnian companies. Meanwhile, HR has a significantly more important role in international companies. However, a gradual "less importance" of HR management in Bosnia than in the Group's parent country was identified. The professionalization of HR management depends on the one hand on the educational situation in Bosnia, which contains a wealth of "academic" titles that are no longer manageable, and on the other hand on the fact that there are no specialised HR trainings.

HR managers sometimes do not have the power of decision making and still heavily depend on the decisions of the senior management or board of management (to which they often do not belong).

Nikandrou et al analysed the differences between HRM practices in 18 countries with Cranet data and described significant differences between the strategic positions of HR managers. While in north-western countries the majority of the HR managers participate in the board of directors, the respective percentage in the south-eastern sample is substantially lower. (Nikandrou et al. 2005: 550)

Management and senior management are also important determinants for the importance of the HR department in the company. Training and Development is a key remit of the HR department, since it is often difficult to find qualified candidates on the Bosnian labour market. Many companies face challenges, since it is also difficult to find qualified trainers on the Bosnian market; therefore, these trainings are usually performed with "in-house" trainers who are built up and trained in the company.

The study visit showed that there is a need to catch up in terms of standardised HR practices in Bosnia. HR managers from national as well as international companies describe the status of HR in national companies as much more administrative than in international ones. There seems to be a lack of arguments, which emphasizes the importance of HR in Bosnian national companies. The use of HR Consultant Services in Bosnia can be described as moderate, on the one hand there is view offer on the Bosnian market, so many companies have to hire Croatian consultants, and on the other hand the use of HR Consultants depends directly on the financial resources.

Our research confirms this argument. Most of the HR managers we interviewed had relevant work experience in Bosnian local companies and foreign-owned companies. They described HR activities in local companies still at a very poor and only administrative level, while HR work in a foreign-owned company consists of much more tools and instruments. This leads to the vicious circle that recruitment for local companies (competing with strong foreign employer brands) is much more challenging, while foreign-owned companies don't even have the need to build an employer brand, as the foreign name already has a strong impact on applicants.

3.3. Croatia

Pološki et al conducted a study in 2007 with the intention to evaluate the status and quality of HRM in Croatia. They compared quantitative HR indicators with ten benchmark enterprises and the results were significantly better for benchmark enterprises. Precisely in the following areas significant differences could be detected:

- frequency and quality of HR department evaluation
- average monthly net wage
- percentage of employees that have a variable part of their wage/salary
- training and development cost per employee, hours of training per employee
- frequency of performance appraisal.

They conclude that HR practices in Croatia are far from "developed/western/worldwide" standards and HR practices and point out that although Croatian companies already encounter serious human resource problems, they still do not recognize the need of investing in people. (Pološki Vokić and Vidović 2008) Moreover Taylor and Walley describe that the reform of selection procedures is one of the first reform applied in the foreign subsidiaries of MNCs. (Taylor and Walley 2002: 298) Considering that in socialistic system the recruiting process was highly monitored by the state or political parties the last point seems to be very important.

Our results of the qualitative research in Croatia show fragmented implementation of HR processes e.g. competence-, talent- and performance management. In comparison to the recruiting process, holistic approaches and universal systems are mostly missing; this is the next challenge within HR. The requirement is enforced by an increasing competitive pressure (EU admission, market liberalisation etc.). Likewise, it seems that processes and tools such as compensation, HR planning, HR controlling and coaching as HR developing or management developing method do not currently have significant interest.

Chances for companies offered by employer branding appear to be identified. Croatia has a head start in comparison to western countries because of a (comparatively) worse economic situation. The employer brand is anchored through topics such as job security, regular payment and further education measures. Investments in

the workforce are not a matter of course but are appreciated by existing and potential employees. On the one hand, the employment market is characterised by a high percentage of graduates, and on the other hand, employees are very inflexible. Furthermore, performance-related payment is completely underdeveloped in Croatia. HR as a strategic business partner is implemented by trend in larger companies but overall underdeveloped. Achievements are gained mainly on top management level, nevertheless the establishment of HR as a strategic and business partner is the major challenge for management in the next few years.

3.4. Serbia

Mainly, managers in transition economies are occupied with financial problems, replacements of obsolete technology and the challenges that market orientation brings up. Therefore they are still rarely aware of the importance of human resource and the HR department as a source of organizational competitive advantage. (Milikić et al. 2008: 84–85) This fact was especially evident in Serbia.

While in Slovenia for example there can be found quite a long tradition of HR departments, Cromer found out that in Serbia the majority of HR offices were recently established in 2004/2005. The management focus was primarily on a day-to-day basis. As in all the other countries of Former Yugoslavia, also Serbia experiences a high influence of HRM practices brought into the country by MNCs. As we are faced with recently established HR departments, the decision power is still with the CEO, which means that HRs is considered as a "staff role" rather than a "management support" or "partner". Cromer describes the awareness of the importance of management development including change management skills and leadership skills are highly developed. (Cromer 2008: 1–3) We also can support that there is a growing awareness, but the measures undertaken are still few.

While in the EU average about 55% of organisations have the HR director as a part of the management board, in Serbia only in 24,3% belong to the board. Bogicevic-Milikic et al reveal that there is less cooperation between HR department and line management, which can be explained by a significantly higher level of centralisation and a common adoption of autocratic leadership style. One fact that might explain the lower importance of HR within Serbian organisation is probably the lack of experienced and educated HR professionals as the formal and information education and training opportunities for HR professionals are underdeveloped. This theory might be supported by the fact that the HR functions is often grouped together with the legal unit, many Serbian companies only recently established HR departments and in 43% of Serbian companies HR managers have less than five years of experience in HRM. (Bogicevic-Milikic and Janicijevic 2009: 162–165) While Bogicevic-Milikic (2009) disclosed that due to the privatisation of Serbian companies, primarily banks sold to foreign companies, the level of "foreign" (HR) managers from the Headquarter rose; our results do not confirm this argument.

Recruitment processes in Serbia rely extensively on analysis of application forms, followed by one-to-one interviews. Assessment Centres are only used by very few companies. This can also be explained because of the high costs of Assessment Centres. Summarizing strategies for downsizing practices of early retirement, recruitment freezes and outsourcing are the most common measures. This picture is quite similar to a study undertaken by Halwax and Covarrubias Venegas on "HR management in the crisis" in the Austrian context (Halwax and Covarrubias 2012, p. 37).

Although the few companies who are investing lot in training and development, have a relatively high percentage of training days per year or average spending on such activity, the majority of Serbian companies do not focus on training and development activities. This fact is displayed by the absence of methods for identifying training needs and development schemes (such as formal career plans or succession plans). The monitoring of effectiveness of training activities, such as learning transfer evaluation, appears to be insufficient. (Milikić et al. 2008: 79–81)

There is no indication of consistent HR practices in Serbia based on the results of the qualitative research. Differences between bigger companies rely on the companies' origins: international companies give HR strategy directives and allow range to implement HR. Country-specific implementations can be found on an operative level especially in processes concerning local employment market aspects and legal requirements. Recruitment and basic enhancement strategies are most affected.

International companies have advantages over domestic companies in recruiting. For example, they are seen as attractive employers due to their image and their working conditions (salary, perceived stability and development potential). A matter closely connected with recruiting is the fact that international companies refer on difficulties finding professional and experienced employees. It seems the problem arises from Serbia's higher education system which is assigned high quality but which does not meet practical requirements. Therefore, university alumni enter the employment market but have a lack of practical experience.

Serbian employment law leads to confusion due to a mixture of a protective-legal basis combined with an increasing number of liberal laws that do not form a coherent employment law. The socialistic past of former Yugoslavia is used to explain the differences between generations in mentality. This is a reason for certain resistance to introducing a Performance Management System for measuring and evaluating individual performance. Therefore, HR practices in larger Serbian companies develop on a 'gentle way' from human resource development. Even though performance management is not unknown within companies it is rarely implemented. This hardly affects international companies, because these companies have not been longer than 10 years in Serbia and have recruited employees with different socialisation regarding international experience.

The economic crises hit Serbia very hard during the time the interviews were conducted and the unemployment rate rose dramatically there as well. As a result, international companies concentrated their HR activities on a solid workforce, and thus on employees' motivation. The largest Serbian companies are government owned. Within government-owned companies, consistent HR systems often develop slowly because the allocation of vacant positions is (still) repeatedly politically influenced.

To conclude, all 'western' HR practices and processes are known in Serbia but mainly international companies have them implemented.

3.5. Slovenia

The role of the HRM function and its strategy involvement in Slovenia is quite similar to the EU average, where in the majority of the companies HRM is involved in development of corporate strategy and have written HR strategies. Management education in Slovenia is at a high level, this relates to the fact that management education started decades before the other transition countries. Slovenian companies are still more centralised than European ones, which might be explained by a higher power distance index. (Bogicevic-Milikic and Janicijevic 2009: 162-164; Nikandrou et al. 2005: 550) Formal education programs at university level (undergraduate and graduate courses) existed in Slovenia since the late 1950s, which explains the high professionalism among Slovenian HR managers. (Alas and Svetlik 2004)

Human resource management in Slovenian companies has already partially developed from being a purely administrative expert to being a strategic partner of the management. This reflects the fact that Slovenian HR managers often belong to the Board of Management. The subject of employer branding and recruiting is an aspect which is still rather weak in most companies, although it should be noted that these issues were identified as future topics by the HR managers interviewed.

Compensation & Benefits has developed in recent years on a very professional level, but is somewhat "on hold" due to the crisis of 2008/2009. Specific interest could be noted on the topic Age Management within 2 out of 9 companies. However, to what extent this is a topic for a wide range of Slovenian companies cannot be estimated yet because of the qualitative approach.

The degree of standardisation of HR practices could be perceived as very strong. Administrative processes and workforce planning are some of the hobby horses of the HR department; however, it should be noted that the planning staff is still geared more towards quantitative than qualitative matters.

Nonetheless, it can be determined that the conditions for stronger establishment as part of a business partner function are given in any case. The added value, which is sponsored by HR, is already represented in some companies on the basis of HR metrics; it can clearly be said that this area is the focus of HR work in the future.

4. Discussion and limitations

HRM in the Former Yugoslavia was determined by the state and implemented through legislation. The main task was recruiting employees for key positions with professional expertise but as well political approval. This, together with other factors, led to the fact that the HR department was not seen as a necessary function within an organisation, considering the high influence of political parties. The main focus was on administrative processes. The fact that political suitability was given highest importance explains the absence of performance measurement systems or any other instruments or methods to increase profitability or customer service. The changes from a socialistic to a capitalistic market system are evolving slowly, but our research as well other authors show that indeed **HR in BCSS is in PROGRESS**. (Svetlik et al. 2010: 828–829) Organisations rely completely on their employees that mean that only those companies who give highest importance to employees are those being successful in today's markets. This leads to the outstanding importance the HR department should have within an organisations. The HRM department is the strategic link between organisation and the employees. Attracting, retaining and developing employees should be one of the most important strategic goals of an organisation (Ulrich 1998). This understanding, in terms of instruments and strategies of HRM might be underdeveloped in several aspects, but still the awareness exists.

In all countries (*except Slovenia*) strategic HRM seems still to remain in a remote position. In particular, it has to be outlined that the line manager's involvement in decentralised HR activities might request a variety of highly developed skills. This issue seems to be on the top of the agenda, as one of the major HR topics in the future is management development. (Jankowicz 1998: 174–175) HR is very strong in being an administrative expert.

As followed the main results are summarized:

Bosnia-Herzegovina: The focus is mainly on operational processes, little strategic orientation. Weak position of HR; stronger in international companies. HR is seen as a staff unit which executes the decisions of management. Weak training market; trainings are therefore performed by in-house trainers.

Croatia: HR processes are partially implemented (skills, talent and performance management). Employer branding is increasingly an issue. Job security, regular pay, training as an important asset as an employer. Performance-related pay is unusual. HR in large companies partially already established as a business partner.

Serbia: No uniform pictures of HR. International companies are perceived as very attractive by applicants. School and college graduates are at a high theoretical but practical low level – effects on recruiting.

Slovenia: HR managers often belong to the Management Board. Employer Branding, Recruitment and Compensation & Benefits are becoming very popular. Age management is becoming important to Slovenian companies. HR processes are highly standardized. HR is increasingly seen as a strategic business partner, which is supported by the issues of performance management and HR controlling.

The majority of the subsidiaries stated that being part of a MNC increased its competitive advantage in general (whereas HR managers of local/national companies did confirm this advantage). Regarding local recruiting it can be stated that a foreign employer brand is seen as advantageous in BCSS in general "...we experience many advantages as we attract high quality applicants..." This phenomenon was less noticed in Slovenia. Subsidiaries from foreign companies reported a strong exchange between local HR executives and their multinational counterparts (e.g. HR - CEE Business Partners).

While in Austria HR networks exist at national as well as regional level (clearly with different levels of intensity), there is still a lack in Bosnia-Herzegovina, Croatia and Serbia of HR networks. In Slovenia there already exists an HR association which is quite active (again) in the last years. In the context of our interviews we could perceive a strong need of networking within HR professionals. We want to differ between two dimensions of networking, relevant for this context:

1. **Networking between HR professionals** (mentioned before): seen as a possibility to connect with other HR professionals, with the same interests for the purpose of benchmarking, professional exchange, discuss impacts on the local business, challenges and changes within HR practices on a local level.
2. **Networking seen as a tool of employer branding:** Networking can be seen as a powerful instrument in recruitment, e.g. in Bosnia-Herzegovina the labour market for specialist positions is quite weak.

HR managers of foreign-owned companies do have an active exchange with their counterparts in the parent company; most of them also have internal HR conferences to exchange on relevant HR topics. While most of the HR managers in national company's don't dispose of those kinds of networks. Some informal networks already have been established, but there is no structure in meetings and it seems to be a rather "amicable" network than professional network open and communicated to the whole HR professional community.

Taylor and Walley analysed the first steps taken by the HR department in the foreign subsidiaries of MNCs:

- the reform of selection procedures and
- Compensation and performance management systems.

These reforms were applied as instruments of the management to change and restructure a new corporate culture. (Taylor and Walley 2002: 298) Especially in traditional Bosnian companies the reform of selection procedures still seems to be on-going, while we couldn't identify this factor in the other countries. Regarding Compensation and performance management systems Slovenian HR managers showed strong expertise and experience, whilst in the other countries challenges due to the cultural background are still noticed (strongly).

The communication between local HR executives and MNC HR executives seems to work efficiently and fast, so we suppose that there is no "duplication of efforts". (Dickmann 2003: 274)

While Bogicevic-Milikic (2009) disclosed that due to the privatization of Serbian companies, primarily banks sold to foreign companies, the level of "foreign" managers from the Headquarter rose, our results do not confirm this argument. In general we interviewed host country nationals working in the HR departments in BCSS (one exception was an Austrian subsidiary, where the HR function was conducted by the Austrian CEO), which leads to the conclusion that the approach foreign companies follow might be interpreted as the polycentric approach according to Perlmutter (Cornuel and Kletz 2001). The previous argument might be rejected as we didn't analyse what strategy was followed when entering those markets, as we only captured a "snap-shot" of some subsidiaries in the years 2010/2011.

Mesner Andolšek and Štebe (2005: 311) identified a shift of HRM tasks from central HRM departments to line managers themselves. This decentralization process (also referred to as devolution) is still in progress considering a strong focus of national HR practices on management development projects. (Mesner Andolšek and Štebe 2005: 311) Our study shows a strong awareness about the need of management development as well. There are several benefits accompanying the devolvement of HRM to line managers. First, the HR function would have more time to focus on strategic HR processes while delegating some HRM tasks to line managers (Rowley and Benson 2002: 104). Second, improvement of organizational effectiveness as line managers would feel more motivated and more effective control mechanism would be established. Third, the empowerment of the line managers would prepare them to practise decision-making skills and furthermore reducing costs by restructuring the traditionally central bureaucratic personnel function. (Budhwar and Sparrow 2002: 606)

Convergence or Divergence?

In this regard, the different political systems between BCSS and the EU have to be outlined again. The transition process from socialist systems to a market oriented economy (business) is still in progress and therefore there is still need of enhancement of research to improve our understanding about the context-specific nature of HR.

Analysing at country level the core HRM elements and comparing overall developments in Europe, Mayrhofer et al revealed as well that the relative heterogeneity between countries persist. (Mayrhofer et al. 2011: 59–62) Quintanilla and Ferner (2003: 367) highlight the complexity of international HRM, arguing that HR in the context of globalization usually includes elements of both convergence and national diversity. It was also outlined by Budhwar and Sparrow (2002: 631) that there is still strong divergences amongst HRM practices and managerial thinking due to cultural differences, different institutions, different social systems, dynamic business environments, traditional value systems, industrial relations systems, the operation of labour markets and the changes taking place in national business systems.

Our perception regarding the "convergence – divergence debate" seems similar, as we consider convergence in terms of strategic alignment for a MNC as necessary, whilst the need of local adaption of certain instruments shouldn't be neither underestimated nor ignored.

Limitations

Our study has (in this phase) some limitations. First, it is limited only to the views of randomly selected local HR managers. We tried to balance this bias through interviewing HR managers from local and HR managers from foreign-owned companies, particularly Austrian companies (also with HR experience in local companies). Furthermore we tried to achieve first results by interviewing Austrian HR managers from companies already operating in these markets to acquire main insights before. Second, the interview partners in Slovenia were only from local companies as we had difficulties to find interview partners from Austrian companies. Still in Slovenia half of the interview partners worked for MNCs. Nevertheless, within these limitations, the study has provided so far an in-depth picture of the status quo on HRM in BCSS and will come up with more insights when finishing the quantitative phase.

5. Further research

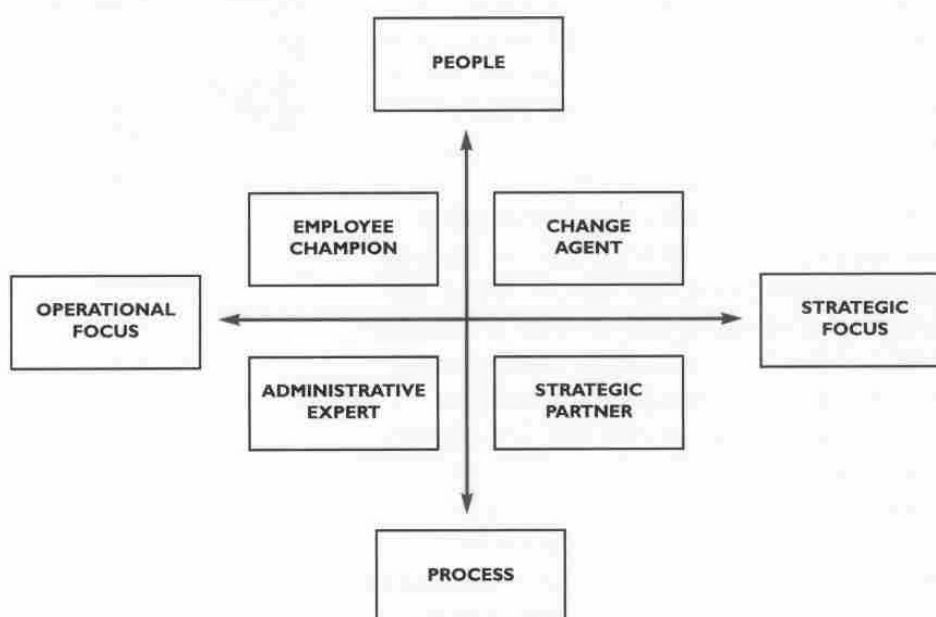
The necessity of in-depth comparison on different forms of HR, especially at the level of single HR instruments as well as further theoretical understanding of how HRM differences between countries exist. (Brewster 2007: 251) In order to develop more relevant practices for transition countries there is still a need of comparative data of HRM practices at organization and national level. (Budhwar and Sparrow 2002: 606)

A very interesting aspect for further research would be to explore the relationship between HR practices and organizational performance (considering this a longitudinal study). This was a starting point for discussion on how the project team will proceed the quantitative surveys in BCSS.

This study will contribute by delivering quantitative data on the status quo of HRM in BCSS and furthermore attempting to give a first picture of the integration of Dave Ulrich's role models for HR in BCSS. The following section briefly describes the HR role model according to Ulrich/Brockbank, on which further research will be based. Dave Ulrich defined four HR Roles, based on aspects of Human Resources with the highest value added:

1. **"Employee champion:** focuses on the needs of today's employees through listening, understanding and empathizing.
2. **Change agent:** in the role of managing and developing human capital (individuals and teams), focuses on preparing employees to be successful in the future, support for change activities and ensuring the capacity for the changes.
3. **Administrative expert:** concerned with the HR practices central to HR value, acts with insight on the basis of the body of knowledge he or she possesses. Some practices are delivered through administrative efficiency (such as technology or process design) and others through policies and interventions. It is necessary to distinguish between the foundation HR practices – recruitment, learning and development, rewards, etc. – and the emerging HR practices such as communications, work process and organisation design, and executive leadership development.
4. **Strategic partner:** consists of multiple dimensions: business expert, strategic HR planner, knowledge manager and consultant, combining these to align HR systems to help accomplish the organisations vision and mission, helping managers to get things done and disseminating learning across the organisation. Setting and enhancing the standards for strategic thinking and ensuring corporate governance." (Ulrich and Brockbank 2005: 122–123; Ulrich 1998: 127–130)

Figure 2: Ulrich's four HR role models



(Conner and Ulrich 1996: 42)

Zupan and Kaše did analyse the strategic role of HRM in Slovenia using the Ulrich Model for explanations. Their results show that the strategic management function of HR is still underdeveloped. (Zupan and Kaše 2005: 889) But still the measurement of these HR roles has received relatively little attention in the field of HR research. (Conner and Ulrich 1996: 46)

This study will give first insights of five countries for further discussion: Austria, Bosnia-Herzegovina, Croatia, Serbia and Slovenia. Although HR roles are evolving, Ulrich detects stronger competencies in the roles of the administrative expert and employee champion, while the competencies for being a strategic expert and change agent still have to be developed. HR is strong in day-to-day activities, while there is a strong need to strengthen strategic and change competencies. With having quantitative results for each country, there is a solid basis for the analysis of individual organisations to analyse the quality of HR in each of the four roles and furthermore identify gaps and appropriate developmental actions to undertake. (Conner and Ulrich 1996: 42–44)

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