

The transformation of economies and societies in Central and Eastern Europe – how has it contributed to management and organisation science?

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The Organisation for Economic Co-operation and Development defines Central and Eastern European (CEE) Countries as the group of countries comprising Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Slovenia, and the three Baltic States: Estonia, Latvia and Lithuania (<https://stats.oecd.org/glossary/detail.asp?ID=303>). The CEE countries may be characterized not only by their location but also by their common past: after World War II all these countries subsisted under the Soviet regime, symbolically separated from Western Europe by the Berlin wall. The fall of the Berlin Wall in 1989 marked the beginning of a new era of development and rapid transformation in CEE countries from centrally planned economies to liberal market ones.

When studying economic and societal transformations in Central and Eastern Europe (CEE) and their contribution to management and organisation science, we face the question of how the past has affected the present developments in human behaviour, organisations and societies. Marquis and Tilcsik (2013) argue that the features developed by an entity in the sensitive period may remain relevant for many subsequent decades regardless of changes in the entity's environment. History and past experience leave their imprint on individuals, jobs, occupations, organisations, industries and organisational collectives and determine subsequent social behaviour. Barbara Lawrence (1984) in the paper 'Historical Perspective: Using the Past to Study the Present' stressed that evaluation of a

historical context allows us to find and separate the ‘transhistorical’ elements of a theory from factors related to historical context. The evaluation and separation of contextual factors lead to a "grand" theory and allows us to define and test the boundaries of a theory generalization (Lawrence 1984: 308). More than fifty years of socialist regime affected the development of CEE countries at all levels and left a significant imprint on individuals, organisations and institutions. Therefore, it is crucial for scholars to evaluate the past, i.e. the attributes of the socialist development in order to understand the contemporary reality and future of CEE development.

The main features of the centrally planned economy were: state ownership of large, overstaffed and ineffective companies, (Kaarelson/Alas 2009); no market competition because centrally planned supply, production and distribution of goods and resources dominated; a state social security system with free education and medical care (Kachanakova et al. 2009); egalitarian pay structures and income for the majority of citizens (Morley/Poór/Heraty/Alas/Pocztowski 2016); centrally planned labour force distribution where all working age individuals were under employment and consequently almost “zero unemployment” existed in the majority of CEE countries (Kazlauskaite/Bučičūnienė 2010). Industrial relations under the Soviet system were transformed into a specific model where trade unions acted as governmental organisations and performed functions such as distributing welfare benefits, organising social events, provision of housing, catering services and other activities (Vickerstaff/Thirkell 2000).

Since the collapse of the Soviet regime, CEE has gone through aggressive development, growing economic heterogeneity, rapidly changing socio-cultural environment and emerging individualism (Morley et al. 2009; Brewster et al. 2010). The transition from a planned to a market economy was characterized by privatising state property, forming a liberal labour market, restructuring the economy and increasing foreign investment. Individuals, organisations and institutions faced a significantly different political, economic, social and business environment. Transformations led CEE organisations into totally different business conditions with emerging and grooving market competition, loss of guaranteed buyers and suppliers, opening of the Soviet bloc borders for the free movement of labour, capital and goods, currency changes, rising inflation, etc. (Brewster/Bennett 2010). Organisations had to adapt to a new environment by changing products, services, operation systems, production techniques, financial and accounting rules, etc. Moreover, organisations had to create new functions and activities such as marketing, sales, human resource management, all of which were unneeded and non-existent in the centrally planned economy.

Restoring independence to CEE countries has also created great challenges for individuals. The transition from a socialist to a market economy was a shock for them as they lost all former state guarantees of employment, housing, and a rela-

tively high retirement pension compared with salary. Moreover, they were confronted with new knowledge and skill requirements as the knowledge, skills, values, behaviours, operations and systems acquired from more than fifty years of Soviet rule deflated and became irrelevant. Thus individuals, organisations and institutions needed new experience to survive in the changed environment (Kriauciunas/Kale 2006).

The case of HRM

Human resource management (HRM) did not exist as a management function in organisations, nor as a study field at educational institutions, nor as a research area under the socialist regime. It emerged in CEE countries only after the collapse of this system (Brewster/Morley/Bučiūnienė 2010). The imposed Soviet model of centralized management perceived personnel management as personnel administration. The so-called “cadre departments” managed by members of the communist party, without relevant education, knowledge and skills in personnel management performed political, administrative, ideological and social roles (Pundzienė/Bučiūnienė, 2009). Employee hiring, firing, data recording and training were the main personnel management practices in organisations.

Neither a labour market nor unemployment existed under the socialist regime and the placement of graduates to state-owned companies was performed by ministries according to central planning principles; thus recruitment and selection as personnel management practices were not relevant (Kazlauskaitė/Bučiūnienė 2010). Lifetime employment in one company was the norm and labour turnover hardly existed. Compensation systems developed by ministries were uniform for all companies of an industry. Employee motivation and performance management were not considered as personnel management practices.

After the restoration of independence, personnel management in CEE countries underwent radical changes in order to develop and implement practices which had been self-evident and attributable to HRM in Western Countries. This transformation was even more challenging in that HRM had not been taught as an academic subject at educational institutions, so personnel management practitioners lacked the required competencies. Establishing multinational-company subsidiaries has accelerated the transfer of Western management practices as well as HRM function and competence development to CEE (Bangert/Poor 1993). Educational institutions have started teaching HRM as an academic discipline.

HRM transformations in the CEE region have served as a rich field for research. Scholars raised the questions: (i) What have been HRM developments in CEE countries? (ii) Have HRM patterns developed uniformly or in different directions (Michailova et al. 2009; Morley/Minbaeva/Michailova 2012; Kazlauskaitė et al. 2013)? (iii) “Which ‘Western’ HRM theories and ‘best practices’ can be ap-

plied to the CEE, or whether there is evidence of a unique or hybrid approach to HRM?” (Morley/Minbayeva/Michailova, 2018: 470).

Sparrow et al. (1994) outlined the importance of national institutions in HRM development such as national culture, the state and financial sector, education and training systems, employment and labour relations, all of which create ‘national business recipes’ (Sparrow et al. 1994: 272) and affect management practices and business structures. CEE societies have taken different post-socialist pathways (Stark & Bruszt, 1998); therefore, the development and efficiency of HRM in CEE should be considered in the national institutional context.

Till 2009 research addressing comparative HRM developments in CEE had been relatively limited (Michailova et al, 2009), and most studies focussed on a within-country analysis (Garavan et al. 1998; Mills 1998; Letiche 1998; Taylor/Waley 2002; Weinstein/Obloj 2002, Lucas et al. 2004; Zupan/Kaše 2005; Miličić et al.2008; Pundziene/Buciuniene 2009); Kazlauskaitė/Bučiušienė 2010; Skuza et al. 2013), or comparisons between two or three CEE countries (Poor et al. 2011).

The Cranfield Network on International Human Resource Management (Cranet) conducts regular international surveys of HRM policies and practices across the world and facilitates a systematic analysis of HRM trends (Brewster et al. 2004). It has greatly contributed to comparative research on HRM patterns in CEE countries and to the development of international HRM. Comparative studies based on Cranet survey data have shown that while CEE countries have gone through substantial changes, the extent and directions differ. HRM developments have been related to countries’ cultural and institutional environment and economic development (Karoliny et al. 2009; Kazlauskaitė et al. 2013). Thus the emerging heterogeneous HRM patterns suggest that this region cannot be seen as a uniform based only on member countries’ socialist heritage and transitional processes (Morley et al. 2012; Kazlauskaitė et.al. 2013; Morley et al. 2018). Research on industrial relations development has similarly showcased national divergence and path-dependent transformations in CEE countries (Glassner 2013).

We may suppose that differences in countries’ development before World War II and occupying regimes during the Soviet era have affected variations in HRM development within CEE. Before World War II some countries like Czechoslovakia (=the modern Czech Republic and Slovakia) were more developed in their GDP per capita, technological development, standard of living, etc. and personnel management in some companies (Škoda, Bara International, Tatra etc.) in that period was already very advanced (Koubek 2009). The social, economic and political developments among CEE countries under Soviet rule also differed: some countries had more liberal economies (eg. Slovenia, Hungary, Poland), while others like Lithuania, Latvia and Estonia were totally occupied, incorporated into the Soviet Union and did not exist on the political world map.

Politically and economically these countries were isolated from the non-Soviet world. Thus differing Soviet-sponsored regimes could affect the starting positions of CEE countries after independence.

Research on factors facilitating or inhibiting transfer of Western HR management practices to CEE countries shows that organisational issues and micro-political features have played an important role (Poor et al. 2014; Novitskaya/Brewster 2016). Nevertheless, the main factors influencing the successful implementation of Western HR management practices were found at the individual level, which is more important than institutional and organisational issues (Minbayeva et al. 2003; Novitskaya 2016). Managerial mindset, related to old-style administration, lack of appropriate education, competencies, values, traditions, and attempts to maintain the status quo (Taylor/Waley 2002; Lucas et al. 2004; Skuza, et al. 2013), has impeded the emergence of new HRM practices and policies as well as the development of HRM within and between both industries and CEE countries (Michailova et al. 2009).

These findings contribute to management and organisational theories by suggesting that the Soviet imprint at the individual level cannot be “jettisoned in the short term” (Morley et al. 2018: 472) and has to be evaluated in studies of economies in transition with the same care as institutional, cultural and organisational characteristics.

Since independence in 1989 the CEE countries have acceded to the European Union and the Eurozone. The World Bank has reclassified the majority them to “high income” countries. The open questions have remained: How long do the stamps of the past stay in individuals, organisations and institutions? How long will Central and Eastern Europe remain an interesting research context? Morley et al. (2018) conclude that “HRM in the region remains exploratory and future empirical research is needed” (p:470).

When observing the CEE transformations, Brewster et al. (2010) stated “Whilst it is clear what they are transitioning from, it is not clear exactly what they are transitioning to” (p.147). Thus the historical perspective of CEE countries is still a promising research context raising new questions and encouraging us to “look at old questions in new ways” (Lawrence 1984: 311).

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