

Estonian Business School

**HUMAN RESOURCE MANAGEMENT
IN ESTONIAN ORGANISATIONS:
FORMATION OF THE CHARACTERISTICS
IN THE INSTITUTIONAL
AND CULTURAL CONTEXT**

Thesis for the Degree of Doctor of Philosophy
by
Tõnu Kaarelson

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Supervisor: Professor Ruth Alas, Ph.D., Chair of Management Department,
Vice Rector of Research, Estonian Business School, Estonia

Opponents: Associate Professor Vilmante Kumpikaite,
Kaunas University of Technology, Lithuania

Professor Emeritus Raimo Nurmi,
Turku School of Economics, Finland

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INTRODUCTION

List of papers

This dissertation is based on the following original publications, which will be referred to in the text by their respective Roman numerals

I. Kaarelson, T., Alas, R. (2002) 'Estonia - From Personnel Management to Human Resource Management', *Human Resource Management*, Institute of Labor and Social Studies, Vol. 1A: 25-38

II. Vanhala, S., Kaarelson, T., Alas, R. (2006) 'Converging Human Resource Management: A Comparison between Estonian and Finnish HRM', *Baltic Journal of Management*, Vol. 1(1), 82-101

III. Svetlik, I., Kaarelson, T., Alas, R., Kohont, A. (2007). 'The Development of the Personnel Function in Transition Countries: The Slovenian and Estonian Experience', *Trames. Journal of the Humanities and Social Sciences*, Vol. 11, Issue 1, 35-53

IV. Kaarelson, T. and Alas, R., (2008). 'Trends and developments in human resource management practice in Estonia in the institutional context', *Problems and Perspectives in Management*, Vol. 6, Issue 1., 105-113.

V. Kaarelson, T. and Alas, R. (2008). 'Human resource management practices in Estonian private enterprises'. *Human Resource Management. Institute of Labor and Social Studies*, 1(60): 33-49.

VI. Alas, R., Kaarelson, T., Niglas, K. (2008). 'Human resource management in cultural context: empirical study of 11 countries', *EBS Review* No 24 (1): 50-62

The relevance of the topic

Human resource management (HRM) is becoming one of the key areas in management and its skilful implementation paves the way for attaining an organisational goals. This has been proven by a number of surveys which have looked into the influence of human resource management practices on organisational performance (Huselid 1995; Becker and Huselid 1998; Boselie et al. 2005). The relevant impact of personnel on the effectiveness of an organisation is best seen when an organisation has developed and implemented suitable human resource policies and systems. Next to these factors, the quality of people management greatly depends on how organisations have developed the function of human resource management and to what extent managers have been prepared to exploit the potential of their staff. Thus, managing the human resource (HR) has become one of the critical success factors in most organisations. Both the existence of proper personnel and the ways how people are managed is the basis for achieving the competitive advantage.

While researching management in general and people management in particular, the questions, whether organisations and management practices tend to be similar or whether they contain peculiarities inherent to national, cultural and institutional differences peculiar to different countries and regions, have been asked. Because business activities are increasingly becoming international or global, the issues of applying suitable and effective management practices in international organisations occur. On the other hand, management practices and the development of human resource management in member countries of the European Union are of similar interest. By critically analysing the US sources of human resource management and relying on research practices in organisations in the so called old countries of the European Union, the European human resource management model has emerged (Brewster et al. 2004; Brewster 2007; Morley et al. 2000; Gooderham et al. 2004; Larsen and Mayrhofer 2006).

At this point, the importance of context occurs. On the one hand, factors such as economic rationality, internationalisation of business activities, availability of modern technologies, etc make common demands on organisations and management. As a result of this, differences in management practices should decrease and the external context of organisations should be of lesser importance. On the other hand, however, it is claimed that similarities between human resource management practices are restricted by institutional embeddedness of organisations (Brooks et al. 2005; Tregaskis and Brewster 2006). In terms of contextual factors, national and regional cultural characteristics play an important role. Cultural characteristics that are inherent to different countries and regions have been studied and essential differences brought out (Hofstede 2001; House et al. 2004), but there is not much evidence on relationships between cultural differences and management practices.

In Estonian organisations, the topics of people management, initially in the form of personnel management (PM) and later in the form of human resource management, began to evolve during the first half of 1990ies when market economy arrived in earnest. This functional area of management in organisations has been developing mainly alongside with the internationalisation of Estonian public and private sector, complementary management training and consulting.

So far only random surveys have been carried out. The current dissertation and the surveys in it aims at contributing to the topic.

The objective and research tasks

The dissertation deals with a specific functional area of management activity in organisations – people management. In the dissertation the term *people management* is referred to as both *personnel management* and *human resource management*.

Both terms refer to the need for respective professional activity. They can also be viewed as successive periods in the development of the same field. Therefore compared to human resource management, personnel management is a historically older term.

In terms of its essence and importance in organisations, they represent somewhat different understanding of people management. Since the beginning of 1980ies, people management has acquired traits which have led to the emergence of the concepts of human resource management (Beer et al. 1984; Fombrun et al. 1984). This process primarily emerged in the United States and from there on spread to other developed countries of market economy. The concept gained importance when it became clear, that human resource management is an area which has a vast influence on an organisation's strategic capability (Fombrun et al. 1984; Wright et al. 1994; Boxall 1996; Truss et al. 1997).

This dissertation treats human resource management (as compared to personnel management) as a qualitatively new approach in people management (Guest 1990; Storey 1993; Ulrich 1998).

Due to the reason that human resource management plays a critical role in attaining organisational goals, the aforementioned field is of increasing importance in both business and public administration. The essence of the terms is further discussed in the theoretical part of the dissertation.

The research topic constitutes the development of personnel/human resource management, its influencing factors and analysis of its current situation in Estonian organisations. The dissertation examines how the societal institutional changes have shaped the development of human resource management in Estonian organisations

and while doing so, it offers a comparative analysis within the context of organisations in Finland and Slovenia.

The main objective is to study and structure personnel/human resource management development and identify its characteristic in Estonian organisations in the broader societal context in comparison with some other countries.

In order to achieve the main objective the **research tasks** or **sub-objectives** were set. The first research task was to analyse the state of human resource management in Estonian organisations. The analysis is based on the survey results carried out in 2000. The survey examined the development of human resource management after the institutions of market economy emerged and were established in Estonia. The practices inherent to human resource management in Estonian organisations were introduced (Study I).

The second task was to conduct a comparative analysis of human resource management in Estonian and Finnish organisations. Institutional and cultural factors served as a basis for depicting its similarities and differences (Study II).

The third task was to conduct a comparative analysis into human resource management practices in Estonia and Slovenia, to closely examine the development stages in human resource management in both countries, and to outline its respective differences and similarities as well as contributing factors (Study III).

By relying on the changing institutional factors and their influence on HRM practices, the fourth task was to analyse the situation of human resource management in Estonian organisations (Study IV).

Due to the reason that small enterprises and inherent human resource practices play an important role in Estonian economy, the fifth task was to research some aspects of human resource management in private organisations in Estonia (Study V).

The sixth research task was to identify how the cultural factors at society level are related to some key elements of human resource management in organisations. In addition to Estonia, the study relies on data collected in 10 other countries and aims at identifying whether there are connections between societal culture practices and HRM practices in organisations (Study VI).

The originality of the research and its practical merit

This dissertation is the first of its kind, written on the development of the function of personnel/human resource management in Estonia and the comparison of the respective field with some other countries. So far, Estonia has lacked research into the field of personnel management. Since year 2000, when Estonian Business

School joined the International Network for Human Resource Management research Cranet¹, the author of the thesis has been involved in preparing and conducting the studies as well as analysing and publishing the results. The questionnaire developed by members of the Network covers all aspects related to personnel management. It enables to collect data on the extent to which the function of personnel management has been developed and on its strategic direction in an organisation. The questionnaire aims at identifying practices in terms of all subfields of human resource management.

The thesis approaches human resource management in Estonian organisations from a number of different angles. To begin with, the analysis is based on Cranet surveys conducted in Estonia between years 2000 and 2004. The results of the survey carried out in 2009 have been added into the present paper.

By the beginning of the decade, Estonian institutions of market economy had been quite well-established, and due to this, the function of human resource management already existed in larger organisations. With hindsight, the dissertation outlines the main stages of the development of personnel/human resource management and its characteristics in Estonia, dependent on the institutional developments.

Secondly, human resource management in Estonia organisations has been compared with international development practices and the current situation in Finnish and Slovenian organisations. Similarities and differences have been observed. Finland was of interest with its geographical proximity and some similar influencing cultural factors. Furthermore, Finland also represents an example with long-term uninterrupted organisational development and economic success during the post second world war period.

Slovenia, just like Estonia, is a representative of East- and Central-European post-socialist countries, which used to be a part of another, larger country until the beginning of 1990ies, which existed in a social-economic system different from market economy and which gained its independence or re-independence at the start of 1990ies.

Thirdly, the dissertation researches the cultural societal factors which have a major impact on the development of personnel function in organisations. A great deal has been written on cultural influences and their impact on management of organisations, but relationships between cultural factors and practices of human resource management have not been widely discussed.

In the dissertation, the discussion on personnel/human resource management in Estonia has a relatively wide basis. Together with the historical overview, periods

¹ The Cranet network, which is co-ordinated by the Centre for European Human Resource Management at Cranfield School of Management in the UK, consists of HRM experts from a leading business school or university department in each of the participating countries (Mayrhofer et al. 2000)

which characterise the development stages of personnel management in their institutional context, have been outlined. From the point of view of comparative HRM, personnel management in Estonia has been approached with comparison to two other countries. Closer attention has been paid to the situation of personnel management of the first half of the current decade.

Relationships between social cultural factors and HRM practices, which allow cultural factors (House et al. 2004) to be divided into those that enable and others that disable HRM practices, have been identified.

The surveys and analyses conducted have a practical importance from the point of view of a number of aspects. For the community of human resource managers, this provides a comparative overview of the situation of human resource management in Estonia and other countries. The results of the research show how the human resource function should be established within an organisation and how to expand its strategic influence in organisations where this becomes necessary. A more thorough insight into the development of human resource management provides a more reliable background while developing human resource strategies and practices in organisations.

PART 1. THE THEORETICAL PART

Several conceptions and models, which are related to the creation of the human resource management theory and are associated with current topic, are used as theoretical starting points in the dissertation.

Human capital theory discusses the value and uniqueness of employees' knowledge, skills and attitudes in an organisation.

Resource based view of the firm as a concept serves as one of the theoretical basis for two reasons. Firstly, the HRM concepts emerged in the beginning of 1980ies and especially the approach of Fombrun et al. (1984) stressed the strategic nature of HRM in organisations. And secondly, resource based view discusses human resources as specific internal resource in the organisations, which provides the basis for competitive advantage. Resource based view helps to bring forth people as a strategic resource of the organisation.

1.1. Human Capital Theory

The term human capital (Schultz 1971) is recognition that people in organizations and businesses are important and essential assets who contribute to development and growth in a similar way as physical assets such as machines and money. The idea behind the human resource remarkable role in the economy came to existence when finding reasons for Japan's and Germany's fast economic recovery. It is thought that one of the main driving engines for the growth is the quality of the human capital in these countries. According to human capital approach any expenditure in training, development, health, etc. could be considered as an investment, not just an expense. Competence, values, attitudes, capability, and how informed employees are could all be summed up under the human capital term. Also characteristic organisational knowledge and organisational processes as factors contribute to organizational performance and productivity could be included under this umbrella term (Gooderham et al. 2004). Resource based view (RBV) of the firm which takes the human factor into strong consideration and values it, is mostly driven by the human capital theory.

1.2. The Resource-Based View of the Firm

RBV as a concept has developed from the study of strategic management as a discipline. According to RBV the source of company's competitive advantage is foremost the company's internal resources which are in correspondence with certain conditions. The criteria that the company's internal resources must be in accordance with in order to assure the formation of sustainable competitive advantage are value, rarity, inimitability, and non-substitutability (Barney 1991). Human resources are

one of the widely handled important internal resources. It has been found that the planning of human resources should be linked to strategic planning (Walker 1978). Devanna et al (1981) presented their understanding of the linkage between human resources and business strategies slightly later.

The growth of the importance of human resources in an organization brought along the understanding that human resources as a conglomeration of employees skills in an organization is in better accordance with the criteria that characterizes the sustainable competitive advantage (Wright and McMahan 1992). Looking from the human resource perspective, the topic of RBV has been further developed in the framework of strategic HRM. Boxall (1996) has viewed human resources on a wider scale as a set of knowledge, skills and abilities of employees. According to his formulation, human resource advantage is the sum of human capital advantage and organizational processes advantage. Wright et al (2001) have widened the understanding of human resources and its management in the framework of RBV concept. Strategic component is not only the pool of company's human capital but it should be viewed together with general behavioural characteristics of employees and with relationships between employees as well as with the people management system which is exemplary to the company. It is important not to use only few exemplary HRM practises but the whole people management system which influences the success of the company. Through the people management system the company is shaping the human capital pool and evoking suitable behaviour from the employees. Through the successful concurrence of these three aspects it is possible to achieve sustainable competitive advantage. The need for coherent HRM systems to achieve sustained competitive advantage is expressed.

The concept of human capital, resource based view and HRM concepts relate according to the Figure 1 presented by the author.

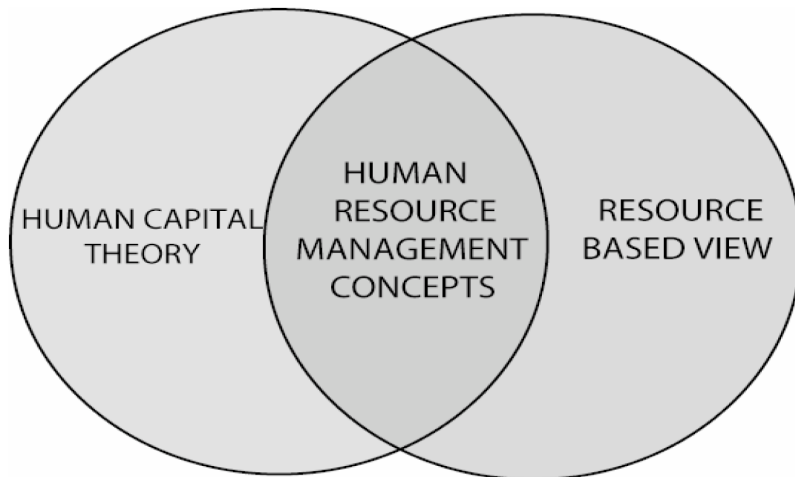


Figure 1. Relationship between the main theoretical approaches

Author's drawing

Human resource management is a managerial activity in an organisation which connects the standpoints of the theory of human capital and resource based view.

1.3. The Concept of Personnel Management

Taylor's concept of scientific management serves as one of the predecessors to the people management approaches. Its central parts are work analysis, remuneration systems, and emphasis on the control functions of the executives (Taylor 1947). Among management he also emphasized on the matter of employee selection and training and on the arrangement of division of labour between managers and workers. A person in an organization was handled as a rationally behaving personage who is influenced by material stimulus.

The next deep changes in the management of employment relationships were based on the researcher's discussions representing the school of human relationships. The keywords for the school of human relationships are employee satisfaction, needs and motivation, and the relationships between employees in a work group. Based on the Hawthorne study results, standpoints began to develop stating that better work achievement is built on clarification of employee needs and taking those into consideration (Roethlisberger and Dickson 1939). The school of human relationships got more vital force from Maslow (1943) and Herzberg (1959) motivation studies. An important step in the development of the human-centred-view were D. McGregor's (1960) ideas about using new ways in people management which in turn was influenced by previous developments in the field of motivation studies. A person in an organization was suddenly being handled as a personage whose behaviour is influenced by diverse needs and the work environment must play its part to satisfy those needs. The mentioned aspects of the school of human relationships have had especially strong effects on the practice of work relationship arrangement during the couple of decades following the Second World War.

While searching for the roots in the history of personnel management, the researchers have gone back to the 19th century. This was the time when, in England, industrialisation began to develop in earnest and the proponents of social reforms emerged, demanding that factory workers were in need of better working conditions (Torrington and Hall 1995). The first workers, who in some larger organisations in the beginning of the 20th century were appointed to ensure better working conditions, are known as welfare officers (Legge 1995). In addition to improving physical working conditions, the period between the two world wars witnessed also the aim of ensuring a match between the skills of the recruited workers and the job requirements (Legge 1995). This need brought about the emergence of personnel specialists in organisations, whose job was to describe the working tasks, to recruit, select and train workers as well as to document all relevant information concerning those recruited. This marked the introduction of a new administrative function or the creation of the rudiments of personnel management in organisations. Also, while managing people, organisations turned to the ideas of

social sciences (Torrington and Hall 1995). Trade unions were becoming more active and their aim was to represent workers during negotiations with employers. From the point of view of employers, a need to expand the field of personnel function emerged and the term and area of industrial relations became prominent (Legge 1995).

Since the beginning of 1960ies, in addition to its administrative nature, the field of personnel administration has developed into an activity which supports the effectiveness of the organisation. This created the search for organic forms of organisations and the emergence of organisation and management development programs (Torrington and Hall 1995; Legge 1995). This time period could be considered as the beginning of personnel management as a functional area in management. In other words, personnel 'administration' was changed into personnel 'management'.

The period of 1970ies, which can be characterised by the strong changes in environmental factors in the world economy, increasing inflation and restricted possibilities for growth, presented organisations with the need to critically evaluate their existing resources, including personnel, and find ways to guarantee their improved effectiveness. The emerged new ideas paved the way for the term *management of human resources* (Torrington and Hall 1995).

In the United States, the period of personnel management, which precedes the emergence of HRM, has mostly been called the era of personnel administration. The period of personnel management has not been specifically pointed out (Mahoney and Deckop 1986).

The term *personnel management* refers to a specific activity or to a functional subunit in an organisation. In order to pinpoint the relevant, 4 models have been studied.

Normative model says that personnel management is the selection, development, remuneration and management of workers in a way which enables to achieve the goals of the organisation and employee satisfaction, whereas US authors specifically presume that unitaristic view exists between the employers and employees (Legge 1995).

Descriptive-functional model states that personnel management is the regulation of employment relationship, which entails the emergence of pluralist views, i.e. employers and employees have different interests (Torrington and Hall 1995).

According to critical-evaluative model, personnel management is an activity, where the employer has more power than the employee and where employers exploit rather than regulate working relationship (Legge 1995).

Descriptive-behavioural model shows what personnel management has to offer in reality. It is often noted that the prestige of personnel management in organisations is low and that it has not been integrated into the management of the organisation (Legge 1995).

1.4. Human resource management concepts

The traditional personnel management had a mainly regulatory role in the people management field due to the many changes in legislation dealing with labour relationships in European countries and to a lesser degree in the USA. In the 1980ies a belief and an understanding was starting to develop that the ways and practices of people management in organizations can be the source of development of competitive advantage.

In the beginning of 1980ies in the US business and management research an understanding was reached that competitive advantage should be searched from circumstances related to people management or in other words from better use of human resources (Devanna et al. 1981; Beer et al. 1985) and questions regarding people management in organisations should be integrated clearer to the service of strategic goals. Peters and Waterman (1982) tried to find out what ensures excellence in organisations.

What drives companies to excellence, has been researched (Peters and Waterman 1982). It was pointed out that traditional personnel management had not gained success in the field of people management. During that period the pressure from trade unions to entrepreneurs was diminished, which was starting to change the industrial relations, enabling to use more employer-employee immediate agreements instead of industrial negotiations. That period's workforce was characterized by higher educational level compared to post-war period and due to that there were higher expectations to employers. People's needs, satisfaction, work motivation, etc. studies added knowledge to improve people management.

Those circumstances led almost simultaneously to the creation of two human resource management conceptions in the United States.

The Michigan model (Fombrun et al. 1984) emphasizes that people are resource as any other resource in organizations. The utilization of this resource must be closely linked with the strategic objectives of the company. Strategic fit between HR policies and business strategies is needed in order to utilize human resource in the best way.

The authors of this model assured that company's business strategy will give the key to what the employee performance ought to be. Knowing what types of employee performance are needed, four main HRM systems or processes must be implemented in order to achieve them. Those are the selection of adequate people, appraisal of performance, rewarding in the form of pay and any other types of compensation, and development of the selected people. Those four people management systems resemble strongly Taylor's way of approaching people. Michigan approach called also *hard model of HRM* is based on notions of tight strategic control and refers to the McGregor's Theory X and is by its nature utilitarian-instrumentalist (Truss et al. 1997).

According to the **Harvard model** (Beer et al. 1985) developers, people are the most valuable, specific, and critical resource in an organisation. The stress is on people as human resources. Under the concept of human resource management there are all management activities and decisions that belong to the organisation and to its employee relationship sphere. Business strategy should be considered always in relation to the employees.

In the case of Harvard model, the styling of the HRM policies is viewed in external context, which is made up of stakeholder interests and situational factors.

Workers are also seen as parties whose interests must be taken into consideration when evolving HRM policies. Situational factors are divided into internal (business strategy, workforce, work environment) and external (the role of the trade unions, legislative, social factors, the situation on the labour market, technological influences). Depending on these factor groups HRM policies are formed and they fall into four fields: human resources flow (selection, placement, appraisal, promotion, etc.), reward system (motivation, pay, etc.), employee influence (power, responsibility, etc.) and work design. It is assumed that as a result of implementing these policies the desired HRM outcomes are achieved: commitment, competence, congruence, cost-effectiveness.

Harvard model is based on the standpoints of the school of human relations and assumes that employees will work best if they are fully committed to the organization. Harvard model, also called *soft approach* is influenced by McGregor's Theory Y and by its nature refers to the developmental-humanist set of principles (Truss et al. 1997).

Mainly in the Great Britain HRM concepts have been analysed by many management researchers (Guest 1987; Storey 1993; Legge 1995) and there have been attempts to integrate the concepts. For example Guest (1987) has comparatively observed Michigan's as well as Harvard's HRM conception. In conclusion he defines that "HRM comprises a set of policies designed to maximize organisational integration, employee commitment, flexibility and quality of work. Within this model collective industrial relations have only a minor role". HRM is mainly unitary or in other words in its essence oriented to the common interests of employees and employers. At the same time it also has an individualistic focus according to which the employee relationship is viewed as one between the individual and the organisation.

In comparison to the US companies, for British companies it is probably harder to implement HRM principles, because they have developed professional personnel management system and the trade unions have a greater role in the society (Truss et al. 1997).

The understanding that the competitive advantage of a company can be based on an efficient people management system has brought along changes in the principles and

organisation of people management. Consolidation of the connection between HRM and business strategy became the central question. From that point on there was just a short step to the acknowledgment of the term *strategic human resource management* (Schuler and Jackson 1999). Its characteristics are the HRM integration to business strategies and the understanding that efficient human resource management enables the company to achieve better results (Boxall and Purcell 2000).

1.5. Different approaches in human resource management

With the development of the overall concept of HRM, the question of whether, to what extent and how the implementation of HRM practices influences organisational performance has constantly recurred.

Since the publication of the first normative models on HRM (Beer et al. 1984; Fombrun et al. 1984), researchers have taken an interest in issues related to HRM policies, systems and practices on the one hand, and what has been achieved by implementing them, on the other. In other words, the question concerning HRM outcomes and the way they influence organisational performance has always been of significance. For example Fombrun et al (1984) stress in their model that the HRM practices which are being used must be subordinated to and fitted with the implementation of the organisation's strategy.

Beer et al (1984) approach HRM content, outputs and context in a wider perspective. The skilful implementation of HRM practices, taking into consideration specific situations and interests of stakeholders, should result in the desired HRM outcomes, which in their turn, provide a good basis for the well-being of staff, organisational performance and societal well-being (Beer et al, 1984).

The HRM literature is widely dominated by two theoretical foundations, universalistic and contingency (Delery & Doty 1996). The universalistic thinking refers to the existence of universal truths, while the advocates of contingency thinking see that such universal truths do not exist, and the best way to do depends on several contingencies.

1.5.1. The universalistic approach

During 1990ies and also later a lot of research has been conducted into the relationship between HRM practices and organisational performance. The research has aimed at finding out which HRM practices have the strongest impact on the performance of the organisation. The most substantial quantitative studies into the relationship between HRM practices and organisational performance has been conducted in the USA. With most studies, universalistic or best practice approach has been used. According to the universalistic approach, there are certain universal HRM practices,

which, if implemented, entail the intended positive changes in all organisations, regardless of the context where the practices have been implemented. This approach relies on the principle of HRM best-practices and assumes that the impact of implementation is principally similar in different organisations.

M. Huselid, for example, showed in one of the articles in 1995 a strong connection between HRM practices and corporate performance. Based on large companies in the USA, the author showed significant correlation between in-house HR systems and the company's market value. The results of the articles brought about a flood of analogous surveys. The assumption made was simple: HR practices have direct correlation with organisational performance, for example with financial results (Paauwe 2009; Boselie et al. 2005). As a result of research, Becker and Huselid (1998) and many others confirmed that there is a significant correlation between the context of HRM and performance of an organisation. In other words, there are such indicative practices in people management, which confirm that, if implemented, a better organisational performance can be achieved. The HRM practices which, if implemented, showed great impact on the performance of the organisation, are called high performance HRM practices (Guest 1997) or high performance work systems (Boselie et al. 2005). However, studies so far have not revealed which factors of HRM practices have an impact and how.

Therefore to explain the relationship between HRM practices and organisational performance, the need to consider the intermediary link or HRM outcomes has been stressed (Guest 1997; Paauwe and Richardson 1997; Guest and Conway 2007). The reason provided states that organisations achieve their results via people and HRM as an activity is particularly aimed at people. The link between HRM practices and organisational performance has been approached at various angles and there are many explanations as to how it functions. Nevertheless, the explanations unfortunately yield no wholesome understanding. This is the reason why the intermediary factors have been viewed as a "black box", the content of which still remains unfamiliar (Boselie et al. 2005; Guest and Conway 2007). One component of the "black box" as an intermediary link is the attitude and behaviour of staff, which have been designed by practices of people management and which, in its turn, have been implemented to serve the achievement of organisational goals. Guest and Conway (2007) suggest that applied HRM practices should ensure the achievement of staff competence, motivation, commitment and contribution/opportunity to participate because in its turn, the guarantee for organisational performance depends on these factors.

The growing similarity of organisations and management practices supports a universalistic approach to management and the position of the universalistic model of HRM with the ideas of 'best practices' and benchmarking (Delery and Doty 1996). Universalistic or best practice approach advises to use secure tried-out systems, so-called HR bundles, knowing that those lead to success (Delaney and Huselid 1996).

1.5.2. The contingency approach

In order to acquire a complementary view, contingency perspective has been applied (Paauwe and Richardson 1997; Boselie et al. 2005; Schuler and Jackson 2005; Paauwe 2009). This perspective claims that not all organisations yield similar connection between HRM practices and organisational performance. The main contingency variable is considered to be an organisational strategy, but also more specific factors, such as the number of employees, structure, technology (Schuler and Jackson 1999). Later on external determinants like competitive environment, macroeconomic, labour, etc. context of HRM were also viewed as contingent variables (Schuler and Jackson 2005; Alcazar et al 2005). Thus, according to the contingency approach, the HRM practices that entail success are dependent on internal and external determinants (Paauwe and Boselie 2005). Different from the universalistic perspective the contingency approach pays much attention to the context of HRM.

Taking internal and external context into consideration and including executives and other workers into the decision making process in the people management field must assure that HRM systems influence the performance of an organisation positively (Schuler and Jackson, 2005).

1.5.3. The configurational approach

The configurational approach (Delery and Doty 1996) claims that the success of the organisation depends on the implementation of HRM practices, but they must constitute a consistent and mutually amplifying system or in other words certain bundles of HRM practices (Guest 1997). Practices within bundles should be interrelated and internally consistent (MacDuffie 1995). The configurational approach considers it important that HRM practices and its components are consistent and suitable within the organisation. Such understanding expresses both the principle of horizontal and vertical integration and develops the universalist and contingency approaches further. With configurational approach, the so called Human Resource Architecture (Alcazar et al. 2005) becomes a relevant issue within the function of HRM. Human Resource Architecture enables to connect the elements of the function of people management in the best possible way to achieve organisational performance.

Both, contingency and configurational approaches have supplemented the universalistic perspective in HRM research. On the other hand the contingency perspective in HRM has contributed to the contextual approach because of taking into account the broader external context of organisations.

1.6. The contextual approach in HRM

General understanding is that management practices implemented in organisations must be congruent with the organisation itself and to a wider social context. This type of view starts from the system theory according to what organisations together with their implemented practices must be viewed in their environmental context (Katz and Kahn 1978). Institutional theory states that organisations follow their institutional environment in order to assure their legitimacy and survival prospects (Meyer and Rowan 1991). Societal effect approach assures impact of state role, educational system, employment relation system and the state of labour market in developing organisations' management practices (Sorge 1991).

Already Hickson et al (1974) relying on their studies, claim that contextual factors which mostly influence the management in organisations are the size of an organisation, peculiarities of the field, and the dependence on other organisations, besides cultural factors do not have a significant influence.

Afterwards presenters of the Harvard human resource management concept (Beer et al. 1985) underline the circumstance that organisation must in its activity achieve the satisfaction of various stakeholders in order to secure its position in the competition. The contextual and dynamic framework for strategic HRM elaborated by Schuler and Jackson (2005) comprises organisational environment, different stakeholders' interests and local, national and multinational conditions. The principles, policies, and practices of human resource management used in an organisation are dependant variables of the organisation's internal and external contextual factors. In order to develop and increase the influence of HRM it is necessary to understand the interrelation of HRM systems and wider context in which those systems will be used. Taking the situational factors in HRM into account leads to differences in solutions or divergence.

Organisations must correspond in their constitution and management practices to those requirements that the environment has set for them. Foremost it applies to the legislation that needs to be followed but also to cultural and social norms. In every country or region there is a specific pattern of institutional factors which influences the operations of organisations. The first HRM conceptions were developed in the US and are in correspondence with the local business context. In the US the relative importance of trade unions is a lot smaller compared to European countries. This situation has been influenced by legislative norms which in Europe see a greater role for the trade unions than in the US (Gooderham et al. 2004).

HR strategy and HRM practices are influenced by environment in which national culture, legislation, many state related factors, and importance of trade unions play a part (Brewster 1995). It is clear that HR strategies and business strategies must be congruent but it depends on the influence of institutional factors, which means that environmental changes also reflect in HR strategies. Also Gerhart (2005) has claimed that not a single one set of HRM practices can work equally well in the different contexts.

HRM research in European countries has developed the contextual approach, different by its nature from the contextual framework presented by Schuler and Jackson (2005). To achieve organisational performance, the implemented HRM strategies and practices must consider the wholesome impact of the environment that the organisation operates in (Brewster 1995; Alcazar et al. 2005; Mayrhofer and Larsen 2006). Societal environment, including institutional and cultural factors, have a great impact on the development of HRM practices. The HRM function not only serves the achievement of organisational performance, but also ensures that the organisation is integrated into the environment that it operates in. Contextual perspective discusses that context is not only a contingent variable. It is “. . . a framework for HRM decisions that are influenced by and influence the environment in which they are embedded” (Alcazar et al. 2008).

The efficiency of HRM practices depends on their suitability with the context of the organisation.

1.6.1. National culture context

National culture as an environmental factor that can influence HRM practices and management wider, has come into the forefront in the beginning of 1980ies. The studies in this field have been influenced by two wide questions. The first one is related to the general and universal side in management that remains unchanged in organisations irrespective of the context. The second question researches, what is particular and specific in management depending on the wider context, including the culture.

Before the main attention was paid to the testing of the universal nature of management theories, methods and techniques (Aycan et al. 2000). It was assumed that certain best practices exist that suit different national and cultural contexts irrespective of its differences. Somewhat later due to globalization of business activities, critical mentality began to emerge towards transmitting HRM practices developed in western culture to other socio-cultural environments.

In general it is assumed that dominating values in a society determinate organisations management practices and also human resource management. It is acceptable although not reasonable to explain all peculiarities in HRM through cultural differences. Hofstede's (1980a) cultural studies, theory derived from them, and proposed culture characterizing dimensions showed to what extent in different countries and areas peoples values differ. Hofstede has stated that “there is no such thing as a universal management method or management theory across the globe” (Hofstede 2001). His work concentrates on values in national cultures which are possible to describe through four main dimensions. Those variables are power distance, avoidance of uncertainty, collectivism-individualism, and masculinity-femininity, to which long vs. short term orientation dimension accrued (Hofstede 1991). It was one of the first and very influential approaches of how to identify cultural differences

studying the managers' and employees' values in organisations in different countries. He claimed that "culture is the collective programming of the mind which distinguishes the members of one category of people from another" (Hofstede 1991) and that abovementioned cultural dimensions determine organisational structure and management, but at the same time he did not study empirically the relationships between the four dimensions of work-related values as well as attitudes and the structures of the organisations whose managers participated in the study. His conclusions, that cultural factors have very strong influence on organisation's structure and management, were of rather general conceptual nature (Tayeb 1994).

Additionally, many culture researchers have created different culture conceptions what bring out dimensions, through which cultural aspects can be characterized and measured. Trompenaars and Hampden-Turner (1997) have according to their conceptions seen culture characterizing operational dimensional factors like universalism-particularism, specificity-diffuseness, ascription-achievement, individualism-collectivism, neutral-affective expression of emotions. They have also viewed attitudes towards time and environment. From an already earlier time span comes Hall's (1959) proposed culture dimensions that differentiates high and low context cultures.

To study connections and influences between social culture, values functioning inside an organisation, and HRM practices, a cultural fit model has been offered (Kanungo and Jaeger 1990; Aycan et al. 1999; Aycan 2005). This model was tested in organisations of ten countries (Aycan et al. 2000), whereas the culture was evaluated at two levels: national and organisational level. Testing the cultural fit model has identified the influence of socio-cultural context on HRM practices used in organisations through the organisation's internal culture.

The expansion of companies internationally, operating in different circumstances compared to the cultural environment of the parent company has created the need to take into account the influence of cultural differences in selection and implementing HRM practices. This kind of practical need has contributed to the emergence of separate discipline – *international human resource management* or in other words people management in a multinational context. Rosenzweig ja Nohria (1994) suggested that "human resource management was the area of management most likely to be subject to national differences and human resource management practices within any particular country are both historically and socially embedded that they are context specific and that change is likely to be slow".

1.6.2. Institutional context

Institutions have traditionally been viewed as regulatory and normative systems in society (North 1996; DiMaggio and Powell 1991), that assure the stability of social behaviour (Scott 1995). The development of institutional theory has led to the

concept of new-institutionalism (North 1996, Scott 1995). According to the new concept the scope was broadened and also the cultural-cognitive elements were added into the new-institutionalist view (Scott 1995). North (1996) wrote that “. . . in our daily interaction with others, whether within the family, in external social relations, or in business activities, the governing structure is overwhelmingly defined by codes of conduct, norms of behaviour, and conventions”.

Institutions are handled as governing rules of the game in a society or in other words constraints evolved by people which form relations between people. These are formal constraints that people create but also non-formal constraints such as customs and codes of behaviour (North 1996). “Informal constraints come from socially transmitted information and are a part of the heritage that we call culture” (North 1996). Culture can be defined as the “. . . transmission from one generation to the next, via teaching and imitation, of knowledge, values, and other factors that influence behaviour” (Boyd and Richerson 1985). Cultural peculiarities have a tendency to persist and maintain their influence, but even they react to changes in formal rules. “Equally important is the fact that the informal constraints that are culturally derived will not change immediately in reaction to changes in the formal rules” (North 1996). Boyd and Richerson (1985) claim that “. . . it is obvious that the cultural characteristics of society change over time and that accidents, learning, and natural selection all play a part”.

Formal rules can boost or weaken the influence of non-formal rules or cultural factors. North (1996) offers that “. . . formal rules also may be enacted to modify, revise, or replace informal constraints”. He says that all institutions are in a continuous development and in the course of that they constantly change existing choices for us.

Institutional factors have developed as a result of wider historical processes which have created relevant national and regional differences. Social institutions strongly contribute to the development of administrative practices and systems in companies and other organisations (Geppert et al. 2003; Sorge 2004; Gooderham et al. 2006).

In this paper the human resource management in Estonian organisations has been characterized from the standpoint of external context influences. The arrangement of human resource systems in organisations is directly influenced by legislative factors. Changes in social and political environment also need to be reacted upon. One of the external factors that have the most direct influence on human resource management practices is the importance of trade unions in the lives of organisations. The extent of influence a trade union is shown by union density rate and recognition of trade union as negotiation partner in the matters of work remuneration and work conditions (Gooderham et al. 2004).

The most important labour market conditions that influence HRM are the unemployment rate, labour force diversity, and labour market structure (Jackson

and Schuler 1995). Depending on the level of unemployment and labour force supply, organisations modify employee recruiting, developing, and motivating policies and practices.

The forming of HRM policies and practices depends largely also on the fact that the structure of labour market and companies' workforce structure is in terms of educational, professional and other relevant issues. Different policies and activities in human resource management should be implemented depending on labour market supply and the company needs for employees' qualification and specialities (Jackson and Schuler 1995).

PART 2. THE EMPIRICAL PART

2.1. The propositions for empirical analysis

Regarding the development of personnel/human resource management function and activities in organisations the contextual approach has been applied. The principle framework of perspective is illustrated by the following model (Figure 2).

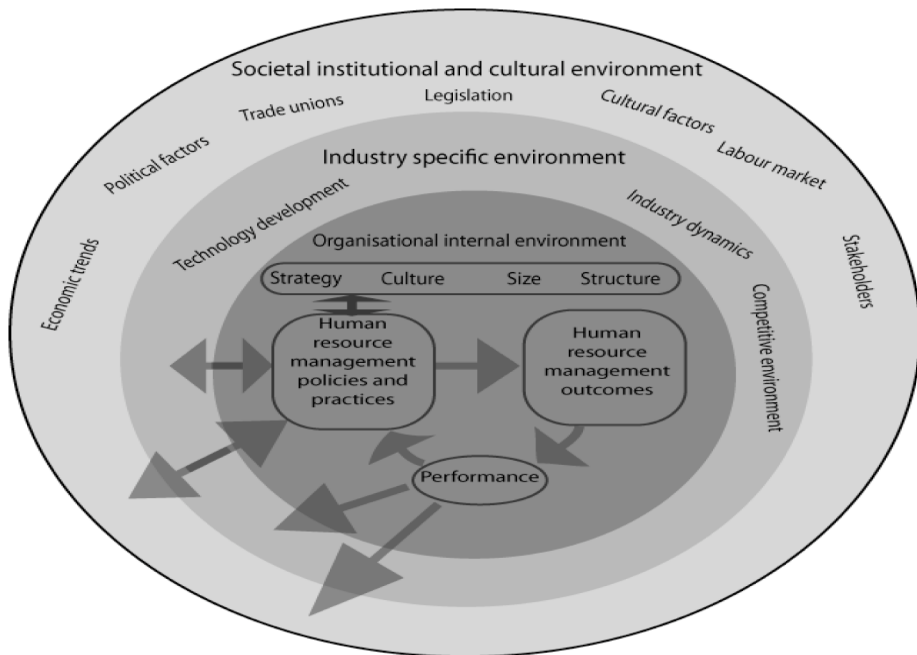


Figure 2. Conceptual model of the context of HRM practices in organisations

Author's drawing

2.1.1. Dependence of HRM function in organisations on the state institutional system

The constitution of organisations is not only determined by rational requests but institutional context also has influence on it. Cross-national dissimilarities in institutional structures are likely to create management practices that vary from country to country, regardless of the fact that management theories are spread across the borders. Human resource management is the field that very likely has to follow existing legal rules and political conditions. This is due to the assumption that human

resource management practices are depending on the national regulations as well as on trade unions activities.

Management practice, including human resource management, forms and develops in organisations in noticeable extent depending on many restrictions, on formal as well as informal, which exist in the society.

The idea that organisations are deeply embedded in wider institutional environments suggests that “. . . organisational practices are often either direct reflections of, or responses to, rules and structures built into their larger environments” (Paauwe and Boselie 2003). Institutional factors develop in time and through that effect the efficiency of companies and in wider prospect economy (North 1996).

One of the presumptions of HRM as a concept born in the US is the circumstance that companies are relatively independent in creation of their management practices (Gooderham et al. 2004). It has emerged that when attuning HRM comprehensions into the practices of European organisations, institutional environment in the old world gives its own specific coloration to HRM, which gives ground to speak about HRM European model (Brewster 1995; Gooderham et al. 1999; Mayrhofer and Brewster 2005; Mayrhofer and Larsen 2006; Brewster 2007)). At the very moment the so called European HRM model is actually only based on Western Europe because very little is so far known about HRM practices in the countries of Eastern and Central Europe. According to Michailova et al (2008) “these countries underwent a fundamental transition from centrally planned to market economies in the late 1980ies and early 1990ies, which, in combination with several macro factors, has provided firms with very specific external and internal conditions for HRM practices”. Also in countries which underwent the previously mentioned transition, HRM practices have not acquired identical look.

Thereof in this paper a **proposition (P1)** has been posed, **that the development of HRM function in organisations is related to the development of state institutional system and its individuality.**

2.1.2. Dependence of HRM function in organisations on the societal level cultural practices

In the last quarter of the 20th century a long discussion into cultural influences on management has taken place. There have been opinions that the ways of functioning for executives are becoming more similar (Hickson et al. 1974; Cole 1973). On the other hand, there have been findings that cultural influences rather tend to take management practices towards divergence (Hofstede 1980b; Laurent 1986; Meyer and Rowan 1991; Tayeb 1995). Conclusions obtained from Hofstede (1980a, 1980b) research results gave ground to comprehension that management activities in organisations are in certain part determined by rooted values that dominate in society.

HRM practices in organisations are to some extent shaped by cultural values inherent to the society. Hence we can assume that depending on cultural influences at the societal level, there are certain variations in implemented HRM practices. Thus, societal culture dimensions have been seen as independent variables in the study. The dependent variables are HRM practices in organisations. The influences of cultural factors present in society on the development of human resource management practices, has been empirically studied to some extent (Papalexandris and Panayotopoulou 2004; Aycan et al. 2000; Aycan 2005). It is been discussed in those studies to what extent societal culture influences the development of human resource management practices in organisations. Relying on the aforementioned, a **proposition (P2)** has been posed in the current paper that **certain cultural practices exist at societal level enabling and on the other hand disabling development of certain HRM practices in organisations.**

2.1.3. The appearance of personnel management as a functional area in management in Estonia

Estonian society has gone through many stages of institutional changes in the last decades. Institutional changes are characterized by three main change types. Institutional formation entails the birth of new logic or governance structure (Scott 2001) or institutional formation is an exit from social entropy (Jepperson 1991). In deinstitutionalization, an existing logic or governance structure is dissolved. Reinstitutionalization involves an existing logic or governance structure replaced by a new logic or governance structure (Scott 2001). In addition, there is institutional development (or elaboration) representing institutional continuation rather than an exit – a change within an institutional form (Jepperson 1991; DiMaggio 1988).

In the end of 1980ies in Estonia a deinstitutionalization process of Soviet institutions began and that brought along the creation of new institutions and thereafter the entrenching of market economy institutions or in other words reinstitutionalization. Big changes in people's values and company owners/managers understandings took place during that period. During the Soviet period companies had slack resources, because the state was responsible for guaranteeing work for everyone (Nurmi and Üksvärav 1994). Avoiding failure was more important than achieving success, and organisational cultures promoted stability and people were not expected to differentiate from others. With the arrival of the principles of market economy the companies had to start selecting their employees better and start orienting them at achieving results in their work. In order to respond to challenges taking place in the society, organisations had to change their management practices so as to persist and achieve development and success. In relation to that a **proposition (P3)** has been presented, **that rapid institutional changes since the late 1980ies have resulted in the appearance of *personnel management* as a functional area in management and in the creation of presumptions for personnel management as a profession (studies I, II, III and IV).**

2.1.4. Moving from personnel management into the human resource management phase in Estonia

There have been many discussions into the differences of personnel management and human resource management. One of the most comprehensive analyses has been done by Storey (1993) by proposing 27 points in which differences in traditional personnel management and HRM can be seen.

Mayrhofer and Larsen (2006) claim that there seems to be a fair degree of consensus about four major characteristics of the HRM concept.

Firstly, HRM concept stresses strategic orientation in people management but also the need to integrate HRM with other functions in the enterprise (Boxall and Purcell 2003; Schuler and Jackson 1999).

Secondly, a great role in HRM theory and practice relies the understanding that in people management line managers have the key role (Larsen and Brewster 2003).

Thirdly, a connection between HRM and organisational performance has been emphasized (Den Hartog et al. 2004). On the one hand it has been stated that there are universal or “best practices”, which assure best results everywhere and always, and on the other hand it has been offered that in order to achieve results one must choose the most suitable HRM means and methods depending on the context or situational factors.

Fourthly, according to HRM practice there is less room for collective influence and representation forms in employee and organisation relations. Emphasis carries over to employer and employee immediate negotiations in which the role of trade union and with it employee collective representation is weakening (Rasmussen and Andersen 2006).

This paper uses Cranet study (Tregaskis et al. 2004) results from 2000, 2004, and 2009 to assess personnel/HR function in Estonian organisations. There are many indicators in used questionnaire, about which received results in Estonian organisations enable to make conclusions about the development of personnel/HR function. The strategic orientation of personnel/HR function and proportion of line managers role in human resource management is been observed. Mainly the nature of employment relationship is been viewed through individualistic vs. collective bargaining principle. At the same time, trying to evaluate in general to what extent some aspects in practices of employee selection, development, and compensation contribute to the increase of the human capital in Estonian organisations.

Proposition 4 claims that big Estonian organisations have moved from personnel management phase to human resource management since the beginning of this decade.

2.2. Methodology and methods used in the dissertation

The dissertation uses the survey method, which is suitable for international comparative research. The use of uniform method ensures that the results are comparable across countries. The empirical data collected by the members of Cranet network is entered into a database which can be used by all members.

The data presented in the articles in the dissertation rely on different research, conducted between years 2000 and 2007. The main sources of empirical data comprise the Cranet surveys carried out in the most European countries, including Estonia. The results presented in the selected articles emerge from quantitative studies carried out in autumn 2000 and spring 2004. The dissertation presents also the Cranet survey result, which was conducted in Estonia in year 2009.

The main purpose of questionnaire research is to obtain information that cannot be easily observed or that is not already available in written or computerised form (Remenyi et al. 1998). One of the main characteristics of quantitative analysis is its focus on describing and explaining phenomena (Read and Marsh 2002). “The survey is suitable for measuring differences; it can also be well made use of, while collecting factual material as well as measuring the strength of specific opinions and attitudes” (Brewster et al. 2000).

These surveys provide an overview of the situation of human resource management and its strategic orientation in Estonian organisations since the beginning of the current decade. The Cranet surveys data serve the basis for conducting comparative analysis between Estonian - Finnish and Estonian - Slovenian organisations.

In order to analyse HRM practices in Estonian private organisations, a questionnaire ordered in year 2007 by the Estonian Ministry of Social Affairs was used.

To research the relationships between societal level cultural dimensions and HRM practices, data from two major international surveys was used. The data on cultural dimensions was taken from the Globe study (House et al. 2004) whereas data concerning HRM practices is from the 2004 Cranet survey.

2.2.1. Cranet questionnaire background and methodology

The survey questionnaires have been prepared by the group of experts from member universities belonging to the Cranet network. Questionnaire serves as tool for a HRM comparative survey in the member countries. This questionnaire has been repeatedly used in numerous European countries to study facets of human resource management and relevant tendencies in organisations of these countries (Tregaskis et al. 2004). Before conducting every concrete survey round the questionnaire has been revised and improved by the expert group.

The broader aim of the Cranet survey is the application of periodically repeated surveys to collect data for determining HRM practices and trends in public and private organisations of network member countries. One goal of the survey is to establish the extent to which personnel/HR management practices in organisations are shifting in the direction that could be defined as strategic human resource management.

Cranet survey is based on the concept of international strategic human resource management. The strategic nature of this concept emerges from its direct orientation towards efficiency of the organisation's business. The notion of strategic HRM can contain two core meanings. Firstly, strategic HRM can focus on the link between organisational strategies and HRM as a central theme. Secondly, strategic HRM can contain a strategic orientation of various core functional areas of HR, e.g. recruitment and selection, training and development, appraisal and compensation (Mayrhofer et al. 2000).

The survey covers major areas of HRM policies and practices. The questionnaire consists of six parts. The first part of the questionnaire aims at identifying the role of HRM as a functional field within an organisation, the level to which it has been developed and implemented in strategic decision-making, as well as the extent to which line managers are involved in making decisions concerning HRM policies and practices. The second section of the questionnaire looks into employee recruitment, selection and the existence of flexible working conditions. The third part provides an overview of employee training and development. The fourth part contains questions on pay and benefits. The fifth section researches the employer-employee relationships, trade unions role and communication patterns in organisations. The final section is about organisational details.

2.2.2. Sample

While drawing up the sample, the objective was to acquire as representative a sample as possible. It divided organisations in Estonia by their field of activity and included organisations in both public and private sector. It must be mentioned, that even though the number of small organisations active in business sector in Estonia is fairly large, the survey intentionally aimed at being disproportionate and therefore included large rather than small organisations. In year 2001, for example, most organisations (67%) in business sector employed less than 5 people. Organisations with 5-19 people accounted for 24% of the total (Statistical Yearbook of Estonia 2001). When organisations are so small, one can hardly speak of human resource management as a separate functional field in an organisation.

In year 2000, the number of accepted responses totalled to 218 organisations. The responses were received from 149 organisations with less than 200 employees and from 69 organisations with 200 or more employees (Table 1). The response rate was 31%.

Table 1. Responded organisations according to the size

	2000	2004	2009
< 200 employees	149	62	41
>= 200 employees	69	56	33
Total	218	118	74

For the benefit of comparison with other countries where the Cranet survey has been conducted, the so-called group of large organisations in the Estonian sample, 69 organisations both from public and private sector, has been viewed separately. The private sector companies represent agriculture, manufacturing, transport and communication, power supply, construction, as well as finance, health care, trade, education and other service organisations. The public sector was represented by central and local government organisations and some other establishments. The survey was conducted in September-November 2000.

In 2004 in Estonia the questionnaire was sent to HR managers of approximately 350 public and business sector organisations. Data was collected from HR specialists of virtually all industries and services. The organisations represent agriculture, manufacturing, transport and communication, power supply and construction, as well as finance, health care, trade, education and other service organisations. Public sector is represented by national, regional and local organisations.

All in all, there were 118 accepted responses. Responses were received from 62 organisations with less than 200 employees and from 56 organisations with 200 or more employees.

The data was mainly collected through a standardized postal questionnaire, although some countries have also resorted to interviewing and, more recently, also to electronic channels of communication. Estonian data have been for the most part gathered by traditional mail. A few questionnaires have been sent by e-mail and some responses have arrived through the same channel. The survey was conducted in March-May 2004.

The third Cranet survey in Estonia was started in March and completed in October 2009. The researchers succeeded to receive acceptable responses from 74 organisations. The number of responded large organisations with more than 200 employees measured up to 33. The small number of responses refers to the descriptive character of the results. On the other hand in spite of the small number of respondents all economy sectors as well as national and local government organisations like in previous surveys were represented.

Both ways of collecting the data were used, e-formula via Internet and traditional mail. The respondents were HR managers or other people responsible for HR function in organisations.

2.2.3. Validity and reliability of data

In order for a survey to be credible, validity and reliability must be ensured. Concerning validity, one must ensure while compiling the questionnaire that the questions measure what they are intended to measure. Regarding reliability, the main problem is to guarantee that the multiple use of the questionnaire would produce similar results provided that the phenomenon which is being surveyed remains unchanged (Tregaskis et al. 2004).

The validity of the Cranet survey is ensured by the following. First, the concept of international strategic human resource management serves as the uniform basis for compiling the questionnaire. All sections in the questionnaire and all separate questions have a strong theoretical background. Second, the questionnaire has been successfully administered in different countries and cultures. Prior to every survey the questionnaire has been updated. In year 2000, the Cranet survey was conducted in the member countries for already the third time. The requirement, whereby the changing and updating of the questionnaire remain modest in order for the results to be comparable over time, has been taken into consideration. Third, a special group of experts exists within the Cranet network who develop and update the questionnaire. The group of experts evaluates whether there is a need to change the questions because of the developing HRM theory and practices or because members of the network suggest so. Fourth, to prepare the survey in a new language environment, the questionnaire is re-translated in order to ensure that all concepts and their understanding remain uniform. In every country the questionnaire has been translated from English into the target language by one translator and then back again by another one. Re-translations are checked by the network's coordinator and problematic issues are discussed with the representative of the target country.

The questionnaire used in different countries is standardised and should be interpreted uniformly in all countries where it is administered. However, a standardised questionnaire may still cause slight differences in interpretation and therefore affect the validity.

In order to ensure reliability, the questionnaire is filled in by heads of the HR function within an organisation. The people are usually HR managers who are the most competent in answering the questions. Some of the questions require the presentation of numerical data, which, depending on the organisation, may not be explicitly available in the required form. The interpretation of the person filling in the questionnaire may jeopardize the validity and reliability of specific questions.

In order to ensure the reliability of the whole database, the data is entered at the network's coordinator or is by way of data input in the target country, after which the coordinator checks the results.

The statistical representativeness is the basis for a statistical or empirical generalisation (Gomm 2008). While conducting the Cranet surveys, data only from organisations

with 200 or more people has been used. The assumption is that when there are 200 or more people in an organisation, there also exists the HR function, as a result of which it is possible to fill in the questionnaire. In cases where a different threshold of number of employees has been adopted, the fact has been specifically pointed out in the respective publication.

While conducting the survey among Estonian organisations with more than 200 employees, the number of organisations remains relatively small compared to other countries. On the one hand, the problem may be attributed to the response rate; on the other, however, the problem has occurred because of the small amount of such large organisations in Estonia. According to the Department of Statistics, there were just 230 companies in Estonia, which employ more than 200 people (Statistical Yearbook of Estonia 2001).

Taking into consideration all three Estonian surveys in 2000, 2004 and 2009, it is possible to say that regardless of the relatively low number of respondents, the survey represents all areas of the business sector as well as organisations in the public sector at the level of both state governance and local municipality.

The relatively small number of respondents may complicate the interpretation of results. Nevertheless, in the context of Estonia, the number of organisations employed in the surveys allows to make generalisations on personnel/human resource management in Estonian public and business organisations.

2.2.4. Survey on HRM practices in Estonian private sector organisations

Another survey, which focused on human resource management issues in Estonian organisations, was conducted in year 2007. The questionnaire ordered by the Estonian Ministry of Social Affairs was used as the tool for research. To characterise personnel/HR practices in Estonian enterprises, the author of the thesis has analysed and interpreted the data. The survey provides an overview of the vision of managers in private sector companies in terms of personnel/HR policies, recruitment practices and staff selection criteria, as well as wage policies and flexible working conditions in their companies.

The method of data collection involved telephone interviews. This technique has the special merit of achieving greater subject focus on each question because of isolation of each question from the other (Riley et al. 2000). The interviewing process was carried out in August 2007 by a professional telephone interviewing centre.

The survey sample consisted of 301 companies selected from the official register of companies, which contains information on all active companies in the country. The random sample comprises companies from all economic sectors and size groups. One of the prerequisites for inclusion in the sample was the company's economic activity for at least three years.

Regarding the size, the distribution of companies included in the sample was the following: 80 companies with up to 9 employees, 86 companies with 10-49 employees, 85 companies with 50-250 employees and 50 companies with more than 250 employees.

The target group consisted of company managers, responsible for making decisions on management, development of organisational culture and HR policies.

2.2.5. The study on connections between cultural and HRM practices

To research the relationship between societal values as cultural factors and practices of human resource management, the following proposition served as the basis for the research: the existing societal cultural values and practices have an influence on the management of organisations, including human resource management. While formulating it more precisely, it was presumed, that there are cultural values and practices in a society, which enable and also those that disable the emergence and development of exemplary HRM practices.

One of the research tasks of the dissertation was to find the relationship or correlation between societal cultural practices and HRM practices implemented in an organisation. The aim was to identify the relationships which emerge between the characteristics of societal culture and HRM practices used in organisations. To reach the goal of the research, the dissertation turns to the cultural concept developed during the Global Leadership and Organizational Behaviour Effectiveness (GLOBE) research (House et al. 2004). The first significant question addressed by the project concerns differentiating attributes of societal and organisational cultures. In the framework of GLOBE methodology, nine major attributes of culture have been identified. When quantified, these cultural attributes were referred to as cultural dimensions and serve as independent variables of the GLOBE project. The nine identified dimensions include the following: uncertainty avoidance, power distance, institutional collectivism, in group collectivism, gender egalitarianism, assertiveness, future orientation, performance orientation, and humane orientation (House et al. 2004).

For GLOBE project, culture was defined as “shared motives, values, beliefs, identities, and interpretations of meanings of significant events that result from common experiences of members of collectives that are transmitted across generations” (House and Javidan 2004). This definition can be applied at both the societal and organisational level.

Cultural practices were measured on a 7-point scale by the responses of middle managers to questionnaire items concerning “What is”, or “What are” common behaviours, institutional practices, proscriptions, and prescriptions (Alas 2006). The study on connections between human resource practices and societal cultural

practices is based on data from Cranet 2004 survey as well as from the GLOBE study. The research question was how are the selected and relevant for the organisations HRM practices connected with the cultural practices inherent to the country.

The major steps taken in the study were the following. First, finding out new variables reflecting the most relevant groups of HRM practices by using the principal component analysis and the exploratory factor analysis. Second, identifying the factors' meanings and names. Third, conducting the correlation analysis between the cultural dimensions and HRM factors and while doing so, finding connections between the two groups of variables. Fourth, applying the cluster analysis.

PART 3. PUBLICATIONS

1. ESTONIA - FROM PERSONNEL MANAGEMENT TO HUMAN RESOURCE MANAGEMENT

Tõnu Kaarelson and Ruth Alas

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Introduction

In the initial years of the past decade Estonia adopted a clear orientation towards creation of liberal market relations in economy and a democratic social order in policy.

Both clear directions and a firm adherence to their principles have resulted in economic development and recognition by the outside world. Development has been guaranteed by the economic, political, legal and cultural environment created in the beginning of the past decade, enabling a quick start in free enterprise, privatisation, export-oriented production and services, influx of foreign investments, development of information technology applications and telecommunications. The outcome is establishment of advanced market economy relations and a strong private sector.

The outlook for European Union membership that emerged in the second half of the 1990s gave a substantial impact to development of the public sector.

International competition, open economic relations and foreign investments have changed organisation management, which has been influenced by both recent theoretical views as well as the best practical achievements.

Organisation and management development has been substantially assisted and supported by strong competition in the supply of training and consulting services by professional companies and the activity of universities in providing advanced business education.

Personnel management principles and ideology were known in Estonia and applied in leader organisations of the economic sector already a quarter of a century ago. This became possible due to the “Finnish window” which enabled Estonian and Finnish organisation and management experts to develop and maintain contacts both on the academic and practical level.

Elements of human resource management or the strategic aspect of personnel management started appearing in Estonian organisations in the middle of the 1990s.

A major share of Estonian organisations already acknowledge human resource as organisation’s principal asset that has to ensure competition advantage in intellectual capitalism. For many this thesis still remains plain verbal truth without practical consequence. However, leading organisations in several branches of economy apply principles of human resource management with conviction.

Until today no comprehensive study, neither quantitative nor qualitative, of the whole personnel/human resource management area has been conducted yet.

The results presented below emerge from a quantitative study carried out in the autumn of 2000 and give some insight into personnel management situation and its strategic orientation in Estonian public and private organisations. As the survey is based on a questionnaire that has been used earlier in a number of countries, the results are comparable to data from other European states.

Questionnaire background and methodology

The questionnaire used in the study of Estonian organisations has been elaborated by the Centre for European Human Resource Management at Cranfield School of Management. This questionnaire has been repeatedly used in numerous European countries in studying facets of human resource management and relevant tendencies in organisations of these countries. It serves as tool for a comparative survey. Estonia has through Estonian Business School been member of the Cranfield Network (Cranet) since 2000.

The broader aim of the Cranet Survey is application of periodically repeated questioning to collect data for determining personnel/HR management practices and trends in public and private organisations of network member countries. One goal of the survey is to establish to what degree personnel/HR management practices in studied organisations are shifting in the direction that could be defined as strategic human resource management.

Cranet survey is based on the concept of international strategic human resource management. Since the end of the 1970s and beginning of 1980s personnel management has increasingly manifested itself in organisations as a more strategic function. In the 1980s the notion of personnel management was gradually replaced by the notion of human resource management. Human resource management practices can help to create a source of sustained competitive advantage, especially when they are aligned with a firm's competitive strategy (Schuler, 1992).

The strategic nature of this concept emerges from its direct orientation towards efficiency of the organisation's business.

The notion of strategic HRM can contain two core meanings. First, strategic HRM can focus on the link between organisational strategies and HRM as a central theme. Secondly, strategic HRM can contain a strategic orientation of various core functional areas of HR, e.g. recruitment and selection, training and development, appraisal and compensation (Mayrhofer et al., 2000, p. 19).

Boxall and Purcell understand strategic HRM as concerned with the strategic choices

associated with the use of labour in firms. *Strategic* must imply a concern with the ways in which HRM is critical to organizational effectiveness (2000, p.183).

Thus the aim of the survey conducted in Estonia was to find out what the role of personnel/HR function in Estonian organisations is and to what extent there are manifestations of features indicating application of human resource management as a strategic concept.

Sample

Estonian organisations for the sample were selected on the principle of proportional representation of different lines of activity and observing the inner structure of the public and private sectors. By the number of employees in private companies Estonia is for the most part a country of micro, small or medium companies. Therefore companies with 20 or more employees were included in the sample.

Proceeding from the above principles, the sample came to include a total of 218 organisations. For the benefit of comparison with other countries where the Cranet Survey has been conducted, the so-called larger organisations group in the Estonian sample, 69 organisations both from public and private sector, has been viewed separately. The present article chiefly deals with data from the larger organisations group which includes organisations with 200+ employees.

The business sector is represented by private companies and business organisations of the public sector. The sample of the public sector comprises ministries, state departments and their subsidiaries, inspections, local government organisations, county governments, research, cultural, educational and health care establishments.

The respondents in organisations were personnel/HR managers or other staff of the personnel function.

Representation of organisations embraced by the survey suggest the possibility of making general conclusions on personnel/human resource management in Estonian public and business organisations.

Personnel/HR function in Estonian organisations

As a rule, Estonian organisations with 200 or more employees have a personnel/HR department and/or personnel/HR manager. According to the questionnaire, this is valid for 100% of public organisations and slightly more than 90% of private companies. The result got using the data of the whole sample shows that personnel/HR function represented by corresponding department or manager exists on average in every two organisations out of three.

In comparison with other countries where the Cranet Survey has been conducted, Estonia stands roughly close to the level which is typical of advanced European countries.

Participation of the organisation's highest personnel/HR executive in a private company's board or in a public organisation's management body corresponding to the board indicates how directly the personnel/HR manager is involved in the strategic decision-making process in the organisation.

The questionnaire reveals that in Estonian larger organisations the personnel/HR manager is involved in strategic decision-making on the board level only in every third organisation (34%) on the average. In 1999 the same figure for Great Britain was 52% (Cranet Survey, Executive Report, UK, 1999) which roughly corresponds to the European average on the basis of data from the 1999 survey.

In Estonian organisations personnel managers, as a rule, get to be board members in very large organisations, mainly business groups, but these are relatively few in number.

The strength of personnel/HR function in an organisation is illustrated by the level of involvement of personnel/HR director/manager in strategy issues (see Figure 1)

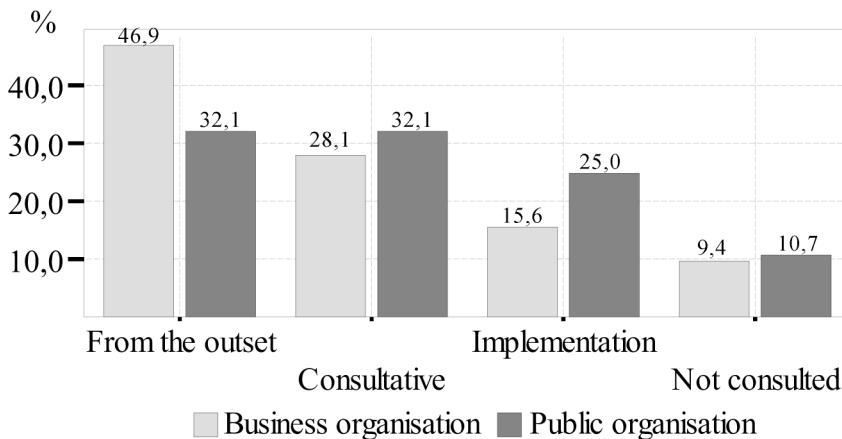


Figure 1. Involvement of personnel/HR director/manager in strategy development process (% of respondents)

It may be assumed that the personnel manager is involved in the strategy development process from the outset at least in the organisations where he/she is member of the board or a corresponding management body. Survey results reveal that, on the average, in every third public organisation and in almost half of the private companies the personnel manager is involved in the strategy development process from the outset. Consequently, in these organisations a prerequisite for coordination of human resource management and business strategies has been fulfilled.

Strategies in Estonian organisations

Strategic aspects of human resource management can manifest themselves in organisations only on the precondition that the organisation carries out strategic planning and is thereby confident of its strategic goals and the means and ways of achieving them.

A proof of the existence of strategic planning in an organisation is determination of the organisation's core competencies, principal views on its future and action plans. Definition of the organisation's mission, existence of a development strategy, and an appropriate personnel strategy occupy a crucial position in this context (see Figure 2).

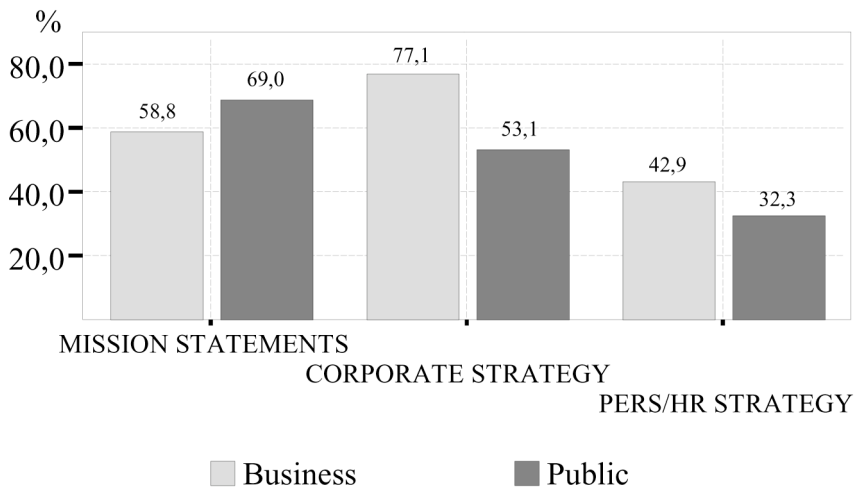


Figure 2. Organisations with defined mission and strategies (% of respondents)

Organisation mission has been defined and stated in writing in 65% of organisations, even somewhat more in the public sector. 20% of organisations declare lack of a mission statement.

Corporate strategy, as can be expected, is most often defined in large organisations of the business sector. 77% of these maintain that they have one in writing and another 10% claim to have an unwritten strategy.

Strategic planning is a surprisingly widespread practice in the public sector where slightly over a half of the organisations state existence of a defined corporate strategy.

Personnel strategy is a connecting link that ties human resource management in an organisation to serving the purposes of general development strategy. Personnel policies and strategies serve strategic business needs and therefore the purpose of drafting them is to determine the principles of combining work with people with achievement of strategic goals of the organisation.

Personnel strategies have been elaborated and formulated in writing in 37% of organisations. In comparison with the public sector, there are more organisations with a defined personnel strategy in the business sector. 30% of organisations specifically declare lack of personnel strategy. Asking for the main challenges of the HR function over the next three years there were identified 10 per cent organisations focusing on personnel/HR strategy development.

Questionnaire results reveal that one prerequisite for strategic orientation in human resource management has been fulfilled in Estonian organisations - an overwhelming majority of organisations have already formulated or are in the process of defining their development strategies.

Integration of human resource management to organisation strategy

Determination of the level of integration of personnel/human resource management to organisation strategies proceeds from the degrees to which:

- personnel/HR function is represented at the highest decision-making level in the organisation;
- personnel/HR director/manager is involved in strategy development process from the outset;
- there exists a personnel/human resource strategy in the organisation (ed. Brewster, Hegewisch, 1994, p. 27).

Questionnaire results are presented in the table below.

Table 1. Human resource management and organisation strategy integration factors in figures in large Estonian organisations (% of respondents).

Integration factors	Business sector	Public sector	Total
Personnel/HR director/manager in board	35	33	34
Involvement in strategy development process from the outset	47	32	40
Existence of personnel strategy in writing	43	32	38

Viewing the data for Estonia in the European context (Cranet data for 1999), it can be observed that whereas, for instance, in Sweden and France the personnel manager is member of the board or a corresponding management body in more than 80% of organisations, in Portugal, Greece and Italy the respective figure is 30-35% of the total sample, which is roughly comparable to the situation in Estonia.

In Estonia personnel managers are involved in strategy development process from the outset in slightly over 40% of large organisations. The highest degree of involvement can be observed in Norwegian and Swedish organisations where the

figure exceeds 60%. Lower degrees of involvement in other European countries are comparable to the situation in Estonia.

Existence of a written personnel strategy is stated by 38% of large organisations. In this aspect top positions are occupied by Scandinavian countries, notably Sweden, Norway and Denmark, where personnel strategies are defined and stated in writing in slightly more than 70% of organisations embraced by the survey. Lower figures in other European countries are between 30% and 40%, which is valid for Estonia too.

Assessment of personnel management situation on the basis of these methodological criteria reveals that Estonian organisations have substantial opportunities for improvement in human resource management towards a more strategic approach. As far as integration of personnel function to organisation development strategy is concerned, Estonia is still far behind the top countries in respective lists.

This result indicates that personnel function in Estonian organisations is somewhat weakly linked to organisation development strategies.

Line managers' role in human resource management in Estonian companies

In human resource management theory there has been frequent reference to the central role of line managers because they play a vital part in implementation of personnel policies. According to the classic personnel management model in which the line's role simply reflected the view that all managers were responsible in a general sense for personnel management since they all managed people (McGovern, 1999, p. 133). According to the human resource management model HR issues are so important and constitute a critical factor in achieving success that they cannot be left to personnel experts only (ibid.).

There is or should be a trend from personnel specialists taking responsibility for their systems, towards line managers taking responsibility for the people they supervise. The role of the personnel expert then becomes much more one of advising and supporting line managers.

Storey's research (ibid.) has demonstrated that line managers were becoming far more important in determining how human resources would be used. Those changes have not been prompted by redistribution of responsibilities between personnel experts and line managers. The changes are sooner caused by business processes and by the line managers' self-assertion.

It is typical of Estonian organisations that in human resource management line managers carry heavy responsibility in making personnel policy decisions (see Figure 3). Line managers' important role in making major policy decisions can be explained in the context of personnel management model rather than human resource management

model. Personnel experts have probably not reached the positions which would guarantee them higher responsibility in decision-making.

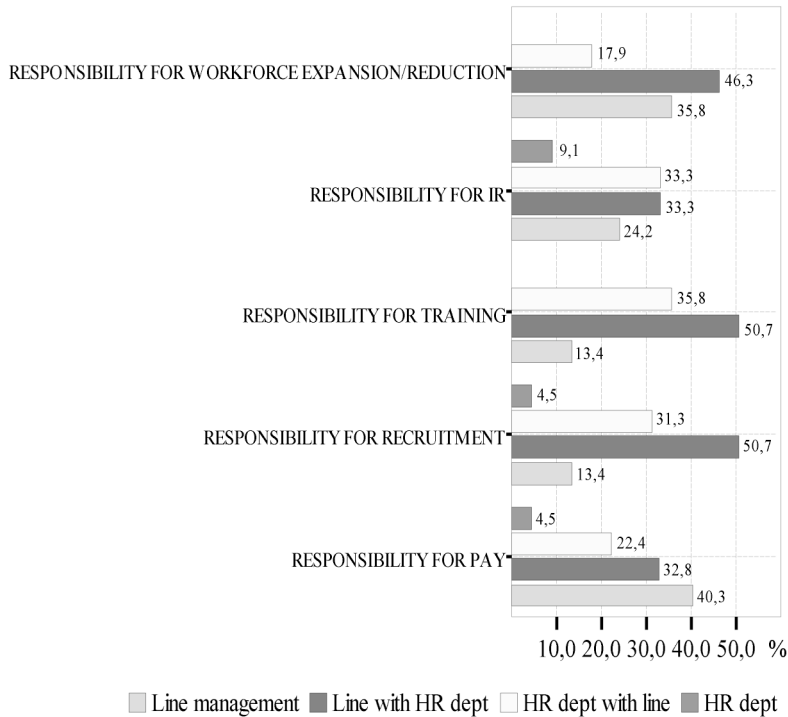


Figure 3. The main responsibility in making personnel policy decisions in large Estonian organisations (% of respondents)

In the near future strengthening of the personnel function is likely to be accompanied by growth in the significance of personnel experts and only then the trend may appear where personnel experts' role is shifting and line managers' role is becoming more important in the context of human resource management model.

Recruitment and selection

Recruitment and selection decisions, especially in the case of executives and specialists, are strategic by nature, because they involve significant costs and a long-term effect on the organisation. Although the concept of recruitment for life has been practically abandoned, most employers prefer to fill executive posts with suitable employees for a prolonged time. According to traditional recruitment practice, efforts are made to fill a vacancy or a new post in an organisation with someone whose knowledge, skills and abilities correspond best to the job requirements. According to the new selection and recruitment model, efforts are made to find someone suitable for the organisation as a whole, corresponding to requirements of the organisation and its culture (Bowen et al., p. 253).

Efficient implementation of selection and recruitment in an organisation calls for existence of a relevant policy. A written recruitment and selection policy exists in approximately 40% of organisations in both sectors, a little more often in public organisations. Every sixth large organisation lacks such a policy.

Estonian organisations are characterised by a decrease in the number of employees. In the business sector three organisations out of five, i.e. 60%, have stated at least 5% decrease in number of employees during the past three years. Only 25% of companies have increased number of employees in the same period. Redundancies are mainly prompted by organisations' need to increase efficiency and maintain competitiveness. In the public sector growing and diminishing organisations divide equally.

The main methods in decreasing the number of employees are redundancy and re-positioning. 66% of organisations have resorted to these measures in their employment practice. The tendency is more marked in the business sector where 75% of respondents have used these methods. One reason for this was the so-called Eastern markets crisis in 1998-1999 which compelled large business organisations to cut labour costs and seek higher efficiency. The latter is underlined by the fact that more than half of organisations have in some lines of activity replaced own staff by outsourcing and subcontracting.

Selection and recruitment is a personnel issue that approximately 30% of organisations purchase as service. Outside assistance, especially by professional recruitment and selection companies, is most frequently used by large business organisations in executive search and selection.

It is increasingly difficult to find and recruit people who are good experts in their field.

Over half of the respondent organisations state this as a serious problem. For instance, 41% of organisations experience difficulty in recruiting IT specialists and keeping them on the staff.

Recruitment activities do not manifest a downgrade tendency, which suggests that in spite of redundancies both sectors continue to search for high-efficiency employees.

Early retirement is an extraordinary measure that has been resorted to only by a few large state-owned companies in order to avoid major social strife resulting from dissatisfaction with mass redundancy.

Flexible hours and terms

The subject of flexible hours and terms is crucial in the concept of human resource management. Organisation flexibility in recruitment, utilisation and rewarding of employees is a strategic reaction resulting from the need cope with changes in markets and development of technology.

This model was conceived in the 1980s when it was prompted by economic depression, rapidly growing competition and volatile markets (Brewster, Mayne, 1997). Later years have demonstrated more widespread application of flexible hours and these constitute an essential element in determining employment terms.

Policies for application of flexible hours and terms have been formulated in only 25% of organisations in both sectors.

The most notable growth is observable in outsourcing and subcontracting. 31% of organisations have stated an increase in this (see Table 2). Large organisations of the business sector stand out here as 40% of respondents have increased the volume of purchased services in the past three years. The practice of outsourcing or subcontracting is not necessarily a sign of flexibility from the viewpoint of the employee, but it certainly demonstrates the organisation's flexibility in finding expedient ways to get work done. All over Europe there is a marked tendency of increasing use of outsourcing and subcontracting both in public and business sectors (ed. Brewster, Hegewisch, 1994, p. 184)

In the Estonian flexible hours and terms model it is the development of communication technology that seems to have played a significant role. The advantage of opportunities provided by communication channels and computer networks results in a process where work comes to the employee instead of the latter going to the employer's office or premises. 24% of organisations state that in the past three years the virtual mode has come to be used more extensively. This tendency has been supported by high Internet accessibility in Estonia.

Table 2. Use and increase in use of flexible hours and terms (% of respondents)

Form of flexibility	Using percentage	% have increased use in past 3 years
Outsourcing/subcontracting	72	31
Tele-working	29	24
Fixed term	95	22
Weekend work	81	17
Overtime	81	16
Part-time work	83	14
Flexible time	69	12
Job sharing	40	9
Home working	14	7
Shift working	84	5
Temporary	40	4
Annual hours	24	3

According to increase in use, employment for a fixed term comes third in the Estonian model. This form of employment is more typical of larger organisations in the public sector and smaller ones in the business sector.

The most notable decrease tendency in the flexible hours and terms package is observable in the use of overtime. This is especially typical of larger business organisations. Overtime is problematic in any case because of small efficiency, high cost and employee health hazards.

The newest and therefore least practised forms are homework, working by annual hours and job sharing.

Organisations in Estonia are moving towards more extensive use of flexible hours and terms. The figures for Estonia have probably been affected by an organisational restructuring period in the business sector, marked by the ideology of cost efficiency and a view that the driving force of flexibility is largely competitiveness in labour costs.

Training and development

Employee training and development is becoming a strategic development factor simultaneously with organisations becoming more and more knowledge-intensive. Two significant principles have to be applied in order to develop a successful training system in an organisation. The first is planning of training and application of strategic milestones. The second is linking training to performance assessment and rewarding (Mello, 2001, pp. 273,279).

Estonian organisations are characterised by widespread use of employee training. Expenditure on training is relatively high in Estonian organisations. Average expenditure on training in large organisations constitutes 3.9% of annual labour costs. Of all personnel management services Estonian organisations purchase most frequently training services. 66% of large organisations, including 75% of business organisations practise this regularly. The practice of purchasing training services is equally widespread in public and private organisations. In Great Britain, which was among the studied countries at the top of the list in purchasing training services, 80% of organisations use external training services.

Existence of **training policies** indicate strategic orientation of training. 66% of organisations claim to have determined training principles and areas in the form of a fixed policy.

Efficiency of training is rooted in determining training needs. Therefore the stage of finding out training needs can be viewed as the first one in the relevant planning process. In Estonia approximately 70% of large organisations conduct analyses of employee training needs. The 1999 data for Great Britain demonstrate that 80% of British organisations follow that practice (Cranet Survey, Executive Report, UK, 1999)

Among the methods of determining **training needs** a vital role is played by the opinion of line managers. It is the most common practice in establishing training

needs both in small and large organisations, either public or private. This serves to indicate that line managers have a high responsibility in planning before actual training and in ensuring efficiency of training. A survey of European practices proves this to be the most common method of determining training needs also in other European countries (ed. Brewster and Hegewisch, 1994, p. 112). The methods that come second and third in importance are consideration of business plan requirements and establishment of training needs through performance assessment.

Forecasts for the next three years suggest that leadership training as “evergreen” will remain to be in high demand in the training market. The runner-up in demand seems to be computer training and information technology applications. The third position is held by training in quality management which is, somewhat surprisingly, equally valued by both sectors. Change management as a training need is shifting from business sector to public sector, where respondents attribute much higher priority to it than respondents in the business sector. Training in customer service is considered very important or fairly important by 75% of respondent organisations. Again, large public organisations experience a higher level of demand. Training in strategy development as part of strategic management is equally valued by both sectors.

Study of direct employee satisfaction is the most common method in **assessment of training efficiency**. Close on 90% of organisations practise this and it is equally widespread in both sectors. Approximately 70% of organisations also investigate changes in the performance of the trainee and the impact of training on the organisation as a whole.

Conclusions

In the area of personnel/HR management Estonian organisations are currently moving from traditional methods in personnel management to application of human resource management ideology. Concurrently with advances in strategic planning, the personnel function is increasingly viewed in the context of strategic development of the organisation. At the same time, comparison of empirical data from results of surveys conducted in other countries demonstrates that in Estonian organisations the personnel function is still relatively weakly linked to development strategies. For 60% of organisations definition of personnel strategy is a task for the near future.

Human resources have become a primary critical success factor for many organisations that may be considered leading in their sectors. Consequently, organisations experience an increasing need of know-how on recruitment and selection, training and employee motivation.

In terms of strategic planning Estonian public sector organisations do not lag much behind the business sector. Development of strategic planning in public organisations has been substantially supported by modernisation of their management. This has been effected as part of preparation in the European Union accession process.

In organisations of the public sector personnel/HR management is a rapidly and dynamically developing area. Slightly smaller importance is attributed to it when compared to the business sector but the pace of development seems notably faster. Strategic planning, quality management and change management, which 5-6 years ago were typical of the business sector only, are establishing a firm position also in organisations of the public sector. In public organisations too, personnel/HR management is becoming a strategically important function supporting the main line of activity.

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**2. CONVERGING HUMAN RESOURCE MANAGEMENT:
A COMPARISON BETWEEN
ESTONIAN AND FINNISH HRM**

Sinikka Vanhala, Tõnu Kaarelson and Ruth Alas

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Abstract

Purpose

The purpose of this article is to participate in the convergence-divergence debate related to the trends in European HRM. The article evaluates the converging vs. diverging implications in Estonia and Finland by comparing HR strategies, policies and practices between the two countries in the context of HRM in the Nordic and EU-15 countries.

Methodology/Approach

The research is part of a large international comparative HRM project (CRANET), which covers over 30 countries. Empirical data were collected by a survey questionnaire mailed to large private and public organisations employing over 200 employees. The Estonian survey data involve 69 organisations and the Finnish data 269. The data cover private companies and public sector organisations.

Findings

The comparison of HRM in Estonia and Finland revealed a few interesting empirical observations: First, in spite of Estonia's short history as an independent Baltic state, HRM has stabilised its position both in strategic and policy level as well as in HR practices. Secondly, there is a converging (directional) trend between Estonian and Finnish HRM. Thirdly, the Estonian HRM matches with the EU-15 HRM; Estonia does not increase diversity in the European HRM.

Research limitations/implications

The main limitation of the study is related to survey methodology. In further research longitudinal data as well as case studies and triangulation are needed to open country-level trends in convergence-divergence debate.

Practical Implications

Estonian companies and public organisations might need to pay more attention to equality/diversity policy. Special attention should be paid to HRM in public organisations.

Value of the paper

The main value of the paper is related to the contribution to the convergence debate in HRM.

Key words

HRM, Convergence, Comparative research, CRANET, Estonia, Finland

Paper type (Concept, research, etc.)

A research paper

INTRODUCTION

The direction of change in human resource management (HRM) has attracted the attention of academics and practitioners of management, HRM and international business. The focus of interest has been in the convergence vs. divergence contradiction, i.e., whether organisations, managerial practices and HRM are becoming more similar or maintaining their nationally and culturally based dissimilarities (Adler et al., 1986; Sparrow et al., 1994; McGaughey and De Cieri, 1999; Rowley & Benson, 2002; Brewster et al. 2004). There are several reasons for the growing interest in convergence-divergence phenomenon in HRM and management, in general. One is the globalisation of businesses, which increases the need for understanding the ways in which multinational companies may operate most effectively (Sundaram and Black, 1992). Another reason, especially from the European perspective, is the European single market and the integration process that form an interesting arena for studying trends in management and HRM (Brewster, 1995; Brewster et al., 2004). This is especially relevant now that a great number of prior Central and Eastern European post-communist countries (CEE) have received a membership in the European Union in 2004.

The question of the direction of change in HRM, i.e., converging or diverging, is closely related to the discussion on the existence of European HRM. Mainly European scholars of HRM (Guest, 1990; Poole, 1990; Brewster, 1995) have criticized the (Anglo-) American dominance in HRM debate. The core of the critics is related to the American ideology of organisational autonomy, which is neither restricted by trade unions, strict labour legislation nor public sector influence, like in most European countries. In spite of a large number of articles on “European HRM”, it is not however clear that such a phenomenon exists. Most scholars do agree that there are clear differences in HRM between American and European companies – mainly due to differences in institutional settings; instead, there is less unanimity when considering the situation inside Europe (Sparrow and Hilltrop, 1979). Instead of a single European pattern or model of HRM there are trends and tendencies towards common HR practices (Brewster, 1995; Gooderham & Brewster, 2003; Mayrhofer et al. 2004).

This article is related to the debate on convergence and divergence of European HRM. The *purpose* of the article is to evaluate the converging vs. diverging trends of HR policies and practices by focusing on HRM in two neighbour countries, Finland and Estonia. A secondary purpose of the article is to evaluate the phase of the Estonian HRM. Special attention is paid to differences in HRM between private companies and public organisations. Comparative data from the “old” EU-15 countries and the Nordic countries are applied. Finland and Estonia with close neighbourhood, and obvious similarities but also differences in political and economic background form a kind of laboratory to study converging/diverging in European HRM.

CONVERGING AND DIVERGING HRM

The debate on convergence versus divergence has been an ongoing strand of the management literature in general for decades (Kerr et al., 1960; Adler et al., 1986; Craig et al., 1992). The question of converging and diverging trends in international HRM has been raised more recently (McGaughey & De Cieri, 1999; Morley et al, 2004; Chen et al 2005).

The *convergence* thesis in general argues that the factors like economic rationality, globalisation of businesses and companies or the spreading of advanced technology result in an increasing similarity between organisational forms and management practices. The key argument of the convergence hypothesis is that the common requirements of management disregard the importance of cultural differences. (Kerr et al., 1960; Kidger, 1991; Rowley and Benson, 2002; Gooderham & Brewster 2003; Brewster et al., 2004) This view is supported by several societal, business and organisational level factors and trends, ranging from the development of the European Union to international business schools, text books, and international company training programs.

The *divergence* view is focusing on differences in national, cultural and company context. The scholars who emphasise similarities and the converging nature of HRM lean on universalistic, convergence and contingency theories, while the advocates of diverging views refer either to cultural differences or institutional explanations and also to the strategic role of HRM and core competencies in company performance (Clark and Pugh, 1999/2000). Convergence and divergence are not only the opposite sides of the same phenomenon but also interwoven. It often means that when diverging occurs, e.g., between groups of companies, a converging trend is obvious inside the diverging groups.

UNIVERSALISTIC VS. CONTINGENCY EXPLANATIONS

The HRM literature is widely dominated by two theoretical foundations, universalistic and contingency (Delery & Doty, 1996). The universalistic thinking refers to the existence of universal truths, while the advocates of contingency thinking see that such universal truths do not exist, and the best way to do depends on several contingencies.

The growing similarity between organisations and management practices supports a *universalistic* approach to management and the position of the universalistic model of HRM with the ideas of ‘best practices’ and benchmarking (Delery and Doty, 1996). The effects of ‘best practices’ are assumed to be transferable and universal (Pfeffer, 1994). It means that according to the universalistic thinking, there are ‘universal truths’ that are not firm specific but can be applied anywhere.

The universal ‘best HR practices’ are widely studied in so-called ‘HR bundle’ research related to company performance (Arthur, 1994; McDuffie, 1995; Delaney & Huselid 1996; Lähteenmäki et al., 1998). The advocates of HR bundle debate refer to the universal nature of such HR bundles or best practices; once discovered, they should be applicable generally.

The universalistic, culture-free theories of management and HRM have been criticised for being too simplistic (Child, 1981; Purcell, 1993). The advocates of divergence theories emphasise, first of all, cultural differences and institutional explanations and the contingent nature of management and HRM.

Cultural differences have retained their explanatory power for decades. Hofstede’s (1980) argument was that organisations are “culture-bound” and there are no universal answers to the problems of management and organisations. Hofstede identified originally four cultural dimensions: power distance, uncertainty avoidance, individualism vs. collectivism and masculinity vs. femininity; later he added one dimension more (Hofstede, 1993): time horizon: long-term vs. short-term orientation. The Nordic countries (Denmark, Finland, Norway, Sweden) formed a country group, which was characterized, primarily, by low power distance and femininity. In another study (Koopman et al., 1999) applying Hofstede’s approach with different sampling the Nordic countries were located in the North Western group with West-European countries. A recent study based on CRANET-E (1999/2000) HRM data (Ignjatovic and Svetlik, 2003) ended up with four European HRM clusters: Central Southern cluster with the management supportive model, Peripheral cluster with the management focused model, Nordic cluster with the employees focused model and Western cluster with the professional model. In this study Estonia was located in the peripheral cluster, while Finland was part of the Nordic cluster.

The cultural differences and the external environment of the company are typical factors of contingency theory. There are also scholars, who use to classify the contingency theory as a kind of universalistic approach to HRM (Rowley and Benson, 2002). The logic is that organisations follow and adapt HRM approaches and practices in order to fit the external environment or according to the stage of corporate evolution, which implies that there is still “one best way” to proceed within the contingencies.

INSTITUTIONAL THEORY AND TRANSFER OF MANAGEMENT AND HR POLICIES AND PRACTICES

The institutional theory is widely applied in convergence-divergence studies. The theory views organisations as seeking approval for their activities in their social contexts; they are looking for legitimacy and acceptance, which facilitate survival (Zucker, 1977; DiMaggio and Powell, 1991; Jackson and Schuler, 1995). Institutionalization arises from internal and external processes and pressures affecting the organisation.

Regardless of the source of the institutional pressures, the effects are twofold: First, institutionalised activities are resistant to change and, secondly, organisations in such institutionalised environments are pressured to become similar (DiMaggio and Powell, 1983). Organisations tend to model themselves after similar organisations in their field that they perceive to be more legitimate or successful. Haunschild and Miner (1997) distinguish three different modes of selective interorganisational imitation: a) frequency imitation (copying very common practices), b) trait imitation (copying practices of other organisations with certain features), and c) outcome imitation (imitation based on a practice's apparent impact on others).

When the early neo-institutional theory emphasised that imitation would create homogeneous organisational fields (DiMaggio and Powell, 1983), the study by Haunschild and Miner (1997) implied that institutional processes may lead to diversity as well as homogeneity. When concerning human resource management issues, context is the major explanation for both resistance to change and the adoption of new HR ideas and practices. It means, on the one hand, that HRM activities have deep historical roots in the organisation, which must be understood and, on the other hand, HR “fads and fashions” may be adopted simply because other organisations have done so.

Transfer of management and HR practices involved in institutional theory is mainly studied in MNCs (e.g., Beechler & Yang, 1994; Tayeb, 1998; Walsh, 2001; Ervasti & Suutari, 2004) The results indicate that there are certain HR practices that are relatively easy to transfer, such as, recruitment, assessment and training while industrial relations system and practices have historical roots and are thus more resistant to change.

THE INSTITUTIONAL CONTEXT OF THE STUDY: FINLAND AND ESTONIA

Estonia and Finland are neighbours on the Baltic Sea. Both countries are small when measured by the number of inhabitants. The total population in Estonia is near 1,5 million, and in Finland 5,2 million. Both countries share Fenno-Ugric ethnic and linguistic background. Geographical location and being neighbours are factors conducive to another set of similarities. Estonia and Finland have even been part of the same nation, Sweden from 1629 to 1710 and Russia from 1809 to 1917. (Nurmi and Üksvärav, 1994). The political and economic development of Finland as a sovereign state has a history of near 90 years. Estonia restored her independence as a small Baltic state in 1991.

The long-term development of a democratic social order and market economy regulation has turned Finland into a typical Nordic welfare state. Together with the other Nordic countries, particularly Norway and Sweden, Finland is numbered among the top countries in the world in terms of economic and human development. Finland has been a member of the European Union since 1995. In 1999, Finland joined the

European Monetary Union (EMU) and adopted the single European currency, the Euro, among the first 11 member countries of the EU.

Estonia was independent a couple of decades before the Second World War. After 50 years of occupation this independence was restored in 1991. Under Soviet rule, Estonia enjoyed a more developed economy and a higher standard of living than most other parts of the Soviet Union (Hoag and Kasoff, 1999). The movement toward an independent economy started in the late 1980s. Estonia began to liberate economy and politics. In the early 1990s, Estonia adopted a quick start in free enterprise, privatisation, export-oriented production and services, development of information technology applications and telecommunications, and influx of foreign investments. (Misiunas & Taagepera, 1989; Mygind 1998; Liuhto, 1999) A significant part of foreign investments in Estonia are in charge of Finnish and Swedish companies (Ehrlich et al. 2002). The Finnish and, more generally, Nordic influence is visible in very many areas of the Estonian society and, recently, the EU influence and legislation have taken place in Estonia.

Estonia is widely seen as one of the most successful Eastern European and the former Soviet Union countries in making the transition from a command economy to a modern liberal democracy and free market economy. In spite of the fast change, Estonia is still far behind the average EU-level when measured by the per capita GDP, which remained in Estonia in 9,020 EUR in 2001 compared with 24,320 EUR in Finland (Eurostat Yearbook 2004). The corresponding forecast figures of Eurostat for 2005 are: 12,840 EUR for Estonia and 26,420 EUR for Finland.

The outlook for European Union and NATO membership that emerged in the second half of the 1990s for Estonia and culminated in EU and NATO invitations in 2002 gave a substantial impact to the development of the public sector and improved the investment climate in the business sector.

DEVELOPMENT OF PERSONNEL ADMINISTRATION AND HRM IN ESTONIA AND FINLAND

Personnel administration (PA) and human resource management have different historical background and development in Estonia and Finland (Vanhala, 1995; Vanhala et al. 2002; Alas, 2003). During the first decades of the 20th century, big companies in Finland adopted a paternalistic approach by taking care of health and welfare of their employees and primary education of employees' children. The first implications of the institutionalised personnel administration appeared after the Second World War. This period is called the "initiation phase" in Finland. In Estonia, the same period is called the "administrative-ideological phase". In both cases, the primary role of personnel administration was administrative. In Estonia, the staff departments worked closely with organizations of the Communist Party. The initiation phase in Estonia covered the 1960s and the 70s (Table 1).

Table 1. Development of HRM in Estonia and Finland

Period	Estonia	Finland
1945-1960	Administrative-ideological	Initiation phase
1960-1970	Initiation	Pioneering
1970-1985	Initiation/Pioneering	PM/Self-criticism
1985-1991	Pioneering	HRM
1991-1998	PM	SHRM: Devolution & Decentralization
1998-	HRM (SHRM?)	SHRM: Accountability

The pioneering phase of personnel administration was a period of the strengthening position of the personnel function and the beginning of personnel research. In Finland the period was relatively short, the 1960s, in Estonia it was longer. The pioneering phase was followed by personnel management (PM) phase in both countries. The terminology was changed from administration to a more dynamic “personnel management”. Also the nature of personnel/HR work was changed towards more dynamic. A clear change from “personnel” to “human resources” took place in the mid 1980s in Finland and the late 1990s in Estonia. Partly due to the collapse of the Soviet Union and partly due to the international recession in the early 1990s, a devolution and decentralization of HRM increased in Finnish companies, and during the last few years of the old millennium, increasing attention was started to pay to the accountability of the HRM function.

The aim of the below analysis is to compare human resource management policies and practices in Estonian and Finnish private and public sector organisations. The guiding hypothesis is that in spite of different economic and political background and the history of company management and HRM, the Estonian HRM has approached the Finnish and the EU-15 HRM by the beginning of the new millennium.

METHODOLOGY

Data collection

In order to examine the current state of HRM in Estonia and Finland, results of the CRANET-E survey on strategic human resource management policies and practices in these two countries are used (see e.g. Brewster et al., 1996; Brewster et al. 2004). The purpose is to focus on those facets of human resource management, which allow an assessment of the status and development of this functional area. In Estonia the survey was conducted in October 2002 and in Finland at the turn of 1999 and 2000; two prior Finnish surveys took place in 1992 and 1995.

The organisational sample includes private companies and public sector organisations with more than 200 employees. The Estonian survey data involve 36 private companies and 33 public sector organisations totalling to 69 organisations. The number of responded organisations with over 200 employees was 269 in Finland.

Analysis of data

The number of organisations employing over 200 people in Estonia is relatively low. In addition, the survey questionnaire applied has been prepared by an international research group with the purpose of conducting international comparisons (Tregaskis et al., 2004). It means that the purpose of the surveys is to provide data for country-level comparisons at a relatively rough level. For these reasons, the analysis of data in this study remains at a rough level, too. The purpose of the analysis is to identify differences and similarities in HR policies and practices in Finnish and Estonian organisations paying attention to the distinction between private companies and public sector organisations. Comparative data from Nordic and EU-15 countries are applied. The Nordic countries cover Denmark, Finland, Norway and Sweden = “Nordic data” and the EU-15 countries (except Luxemburg) = “EU-15 data”.

Validity and reliability of data

The survey method, in general, and the international survey, especially, have been subject of much criticism. The limits of the survey method are undeniable. However, there are reasons to expect that the CRANET survey data are relatively valid and reliable (see Tregaskis et al., 2004).

This was the third large data collection round. It means that the questionnaire has been “tested” in different countries and cultures during the two prior data collection rounds and modified for this one. Each group of measures has a strong theoretical background in prior literature, and the international group of HRM researchers have modified the questionnaire. The translation of the questionnaires followed the same routine in each country: using equivalent translation the questionnaire was translated from English to the designated language by one person, and then back to English by another one. In this sense, the validity of measures can be regarded as relatively high.

Instead, there are a few exact figures (numbers and percentages) that may not be available in studied organisations in the required form. This may have decreased the validity and also reliability of such questions. In order to increase reliability of data, all data input was carried out at Cranfield University, UK.

The problems of the data are not in validity or reliability of measures but in generalization of results. The response rate was 31% in Estonia and 34% in Finland. They were among the highest in this CRANET “millennium” survey (Tregaskis et

al., 2004). However, the majority of companies did not respond. The problem of non-response is difficult to avoid in company-level surveys, and in most cases the problem remains. It means that there may be some bias left in the results. In addition, the low number of (responding) organisations in Estonia neither leaves room for deeper analyses nor entitles the use of statistical tests. This all means that the results remain at a rough descriptive level.

STRATEGIES AND POLICIES OF HRM

Strategic role of HRM

The strategic role of HRM was studied by inquiring the role of the head of HR function, the HR manager's involvement in strategy development process, and the existence of written HR strategy (Table 2).

Table 2. Existence of strategic aspects of HRM in Estonia, Finland and EU-15

	Estonia			Finland		
	Private (N=36)	Public (N=33)	Total (N=69)	Private (N=136)	Public (N=133)	Total (N=269)
	%	%	%	%	%	%
Head of HR function in the main board	37	29	34	67	63	65
Involvement of HR manager in strategy development from the outset	50	33	41	58	74	65
Existence of HRM strategy, in written	43	33	39	59	69	64

Naturally there are differences in the strategicness of HRM between Estonia and Finland. Approximately in two organisations out of three in Finland and in one out of three in Estonia HRM is strategic when used the above three criteria. There are, however, differences between public and private organisations. In Estonia the percentages of private companies are higher than those in the public organisations in all three criteria of strategic HRM. The whole picture is almost the opposite in Finland; the public organisations show higher figures in the existence of a written HRM strategy and in involvement of HR manager in strategy development from the outset. It means that the Estonian private companies are approaching the Finnish private sector organisations.

The EU-15 figures remain between Estonian and Finnish figures in both sectors.

The figures of Finnish organisations reflect a high degree of integration of HRM and strategic management, which is typical of Scandinavian organisations. When considering the short period of time of the Estonian organisations to adopt the HRM thinking and create the HRM system, the change from a communist regime with no human resource management at all towards the era of strategic HRM has been dramatic.

In both countries, the written mission statement and written corporate strategy are more common than the written HR strategy. The written mission statement was found in 59% of Estonian and 90% of Finnish organisations and the written corporate strategy in 63% of Estonian and 73% of Finnish organisations. In the EU-15, the corresponding figures are 72% (mission statement) and 69% (corporate strategy).

HR policies

There are both similarities and differences in the proportions of written HR policies in Estonia and Finland. Pay & benefit and training & development policies are in both countries as well as in the EU-15, on average, the most common written HR policies. Equal opportunity/diversity policy is the rarest in Estonia. It was found only in 10% of organisations, which compares with the Bulgarian figure (12%); in Finland the equality policy was found in half of organisations (Figure 1).

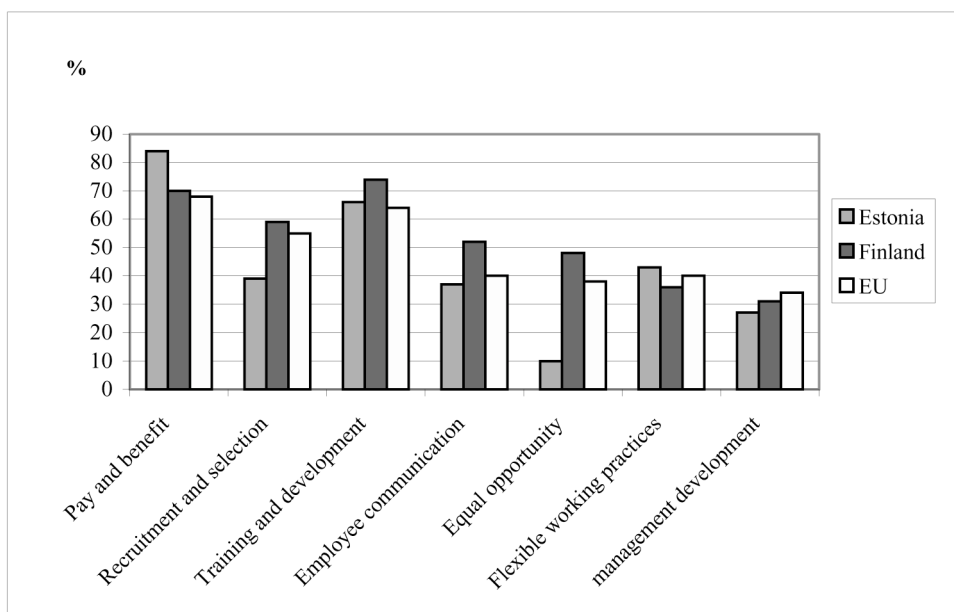


Figure 1. Existence of written HR policies in Estonia, Finland and EU-15

Training and development and employee communication are regulated in Finland by the Co-operation Act and equal opportunities by the Equality Act. With this background, especially the proportion of written equal opportunity/diversity policies can be considered relatively low. Practically every larger organisation in Finland should have a written equality policy or equality plan. However, a remarkable change has occurred in the proportion of equal opportunity policies since 1995 when such a policy was found only in 16% of large Finnish organisations.

An analysis by the main sector revealed a few interesting things. One is an exceptionally high proportion of written pay and benefit policies in Estonian public organisations (87%). Another interesting observation is related to the existence of written equal opportunity policy. Only one public organisation (3%) had such a policy compared with the Estonian private companies, in which one company out of five had the written policy.

In Finland the written equal opportunity policy was more common in public organisations (53%) than in private companies (44%).

Generally speaking there were only minor differences between Finnish private and public sector organisations in the proportion of written policies in the area of HRM. The written policies were, on average, a little more common in public organisations

Performance assessment

Performance assessment systems are more common in Estonia than in Finland. The Estonian figures are closer to the EU-15 means than the Finnish ones, which are among the lowest in the EU. This is true for all employee categories (Figure 2).

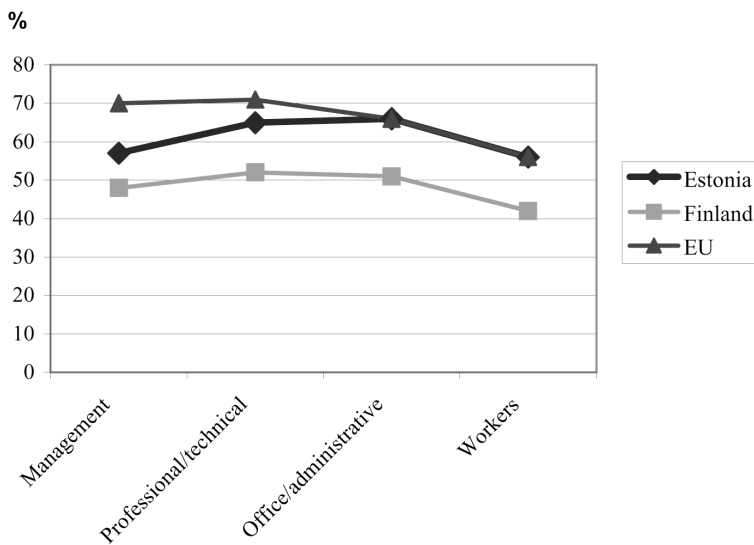


Figure 2. Existence of performance assessment system for different employee categories in Estonia, Finland and EU-15

In both countries, performance of professional/technical and office/administrative employees are assessed more often than that of managers and workers. The assessment of all employee groups is more common in private companies than in public organisations in Finland. In Estonia, management and professional/technical employees' performance is assessed more often in private companies, while manual workers and office/administrative employees are assessed more often in public organisations.

Line managers' role

There is a tendency in the Western organisations away from centralised HR departments towards increasing line involvement in HR issues. It is even said that human resource issues are so important and constitute a critical factor in achieving success that they cannot be left to personnel experts only (McGovern, 1999). Line management's involvement in HRM practices has been increasing in Finland and most other Western countries (Table 3).

Table 3. Primary responsibility for major policy decisions on recruitment & selection in Estonian and Finnish organisations

	RECRUITMENT AND SELECTION		TRAINING AND DEVELOPMENT	
	Estonia %	Finland %	Estonia %	Finland %
Line management	14	26	14	24
Line mgt in consultation with HR department	52	56	50	48
HR department in consultation with line mgt	30	14	36	24
HR department	4	4	0	4
Total	100	100	100	100

The line management responsibility (alone or with HR department) in recruitment & selection as well as training & development are in both countries much higher than the responsibility of HR department (alone or with line management). Especially, the HR departments alone have a marginal role in policy decisions on recruitment and selection or training and development. Line management responsibility in HR issues in Estonia is somewhat lower than in Finland but higher than in the EU-15, on average. The strong line responsibility in HR practices is, first of all, a Nordic phenomenon but identifiable also in Austria, Belgium, Germany and the Netherlands (Brewster et al., 2004).

The analysis by sector reveals that there is a clear difference in primary responsibility for recruitment & selection and training & development between private and public organisations in Finland but not in Estonia. In Finland the line responsibility is higher in the public sector organisations.

HRM PRACTICES

The HRM practises that are analysed and compared between Estonian and Finnish organisations are recruitment, flexible working arrangements, training and development, and communication.

Recruitment

It is typical of Estonia and Finland, as well as the rest of Europe, that organisations face difficulties in recruitment and retention of competent employees, especially, specialists and professionals. Instead, it is more difficult to understand the recruitment problems of administrative staff and blue-collar workers in Finland, because at the same time the unemployment rate in Finland was 9.8%, which was among the highest in the EU-15. The unemployment rate in Estonia was 13.2% in 2000 (Employment, 2001) (Table 4).

Table 4. Difficult to recruit and retain different categories of employees in Estonia, Finland and EU-15

	Estonia			Finland		
	Private (N=36)	Public (N=33)	Total (N=69)	Private (N=136)	Public (N=133)	Total (N=269)
	%	%	%	%	%	%
Management	29	24	26	7	3	5
IT professionals	21	58	41	34	29	31
Other professionals	50	63	57	22	20	21
Office/administrative staff	11	3	6	11	5	8
Workers	32	11	21	9	10	9

Generally speaking, in spite of a relatively high unemployment rate, the Estonian organisations seem to suffer from difficulties to recruit and retain all other employee groups except administrative staff. The Estonia employee recruitment and retaining problems are at the same level with the Nordic countries and EU-15 on average. However, the Estonian figures for IT and other professionals in public organisations are higher than the average. In Finnish organisations as well, the problems were related to IT and other professionals. Clerical employees are the least difficult to retain/recruit in every country/country group of the study with the exception of management in Finland, which comes first and clerical employees after it.

As a rule, the demand for highly qualified specialists in economically developed and developing countries is higher than the labour market is able to provide. In Estonia, there is a wide gap between the demand and supply of specialists. Disproportions between higher education and vocational training, social sciences and technology manifest themselves to the detriment of the latter.

The most frequently used mechanisms in recruiting and retaining employees are retraining and increased pay/benefits. The image marketing is in the third position. The order of mechanisms introduced is the same in Estonia and Finland as well as in the Nordic countries of EU-15 on average. Pay and benefits are used more widely in Estonia than in other countries (Table 5).

Table 5. Mechanisms introduced in relation to recruitment or retention of employees in Estonia and Finland

YES	Estonia			Finland		
	Private (N=36)	Public (N=33)	Total (N=69)	Private (N=136)	Public (N=133)	Total (N=269)
	%	%	%	%	%	%
Recruiting abroad	25	5	13	11	7	9
Retraining existing employees	85	61	70	81	73	77
Increased pay/benefits	71	71	71	42	41	41
Relocation of the company	7	0	3	10	8	8
Marketing the image	36	40	39	34	31	32

In comparison with the EU-15 countries, Estonian organisations are more apt to increase pay and benefits. The reason for this is the rapid economic development and subsequent increase in pay, which has so far been rather low in the European context. In Finland there are organisations where increased pay and benefits are much less frequently used for recruitment and retention purposes than in Estonia. Recruitment from abroad seldom occurs in Finland or Estonia and both fall behind the European countries like France, Ireland or Norway.

There is a relatively wide gap in recruiting abroad and retraining existing employees between Estonian public and private organisations. The differences are smaller in other employee recruitment and retention mechanisms.

Flexible working arrangements

Flexible working arrangements are widely used in both countries. Weekend work, shift, overtime and part-time work and fixed-term contracts are used in over 80% of

Estonian and Finnish organisations, while home-based work and tele-working are low in both countries. The main difference between the two countries is found in the use of temporary-casual contracts, which remains in 40% in Estonia and raises up to 93% in Finnish organisations (Figure 3).

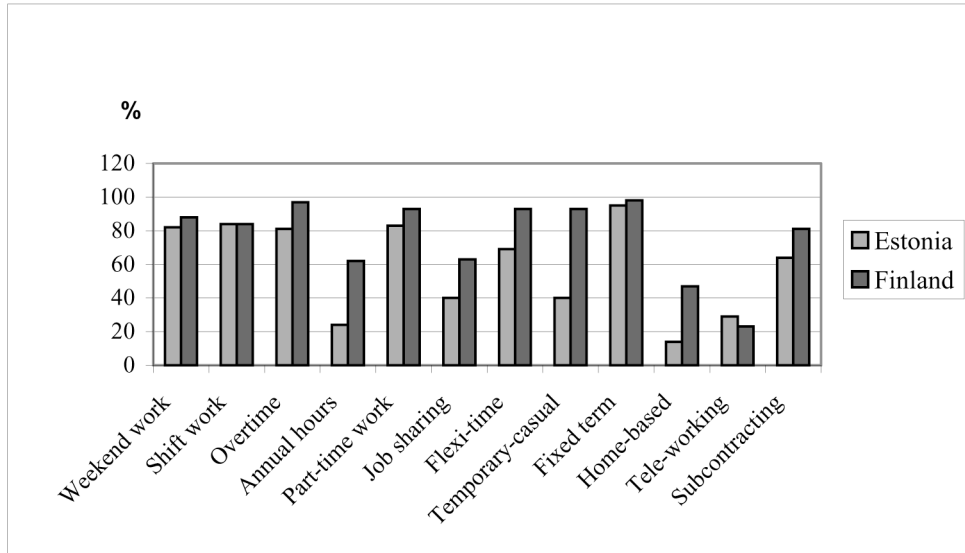


Figure 3. Flexible working arrangements in Estonian and Finnish organisations

Compared with the EU countries, tele-working and home-based work are less applied in the EU, on the average, than in Estonia and Finland. Generally speaking, the EU level comparisons are problematic, because the application of whatever flexible working arrangement varies a lot between the EU-15 countries.

The general view of the increase in the use of flexible working arrangements is much wider in the Finnish organisations than in the Estonian ones, except tele-working, which has increased in a quarter of Estonian organisations. In Finland, the use of part-time work has increased most, even in 2/3 of organisations, and the use of flexi-time and fixed-term contracts in about half of organisations. The EU-15 figures follow the same trend.

The main difference between public and private organisations is job sharing, which is more common in public organisations in both countries (Table 6).

An increase in flexible working arrangements in Finland has to proportion to the fact that the actual level of flexible working arrangements has been low compared with other Nordic or the EU-15 countries; the share of high flexibility organisations is only a few per cent. The same is true in Estonia, too (Mayne at al., 2000). The percentage of organisations where at least 20% of employees work part-time or have temporary or fixed-term employment contracts is very low. In addition to

Table 6. Increase in use of flexible working arrangements over the past three years in Estonia, Finland and EU-15

Flexible working arrangement	Estonia %	Finland %	EU-15 %
Weekend work	18	26	24
Shift work	5	19	25
Overtime	16	31	30
Annual hours	4	11	15
Part-time work	12	64	43
Job sharing	9	27	20
Flexi-time	12	52	38
Temporary-casual	4	21	38
Fixed term	23	45	42
Home-based	7	23	14
Tele-working	24	7	14
Subcontracting	31	38	39

significant increases in flexibility, there was also a lowering trend visible in the Finnish data. Almost in a quarter of organisations overwork had decreased during the past three years. Part-time working has increased most, even in 70% of public organisations and in 58% of private companies.

In Estonian organisations subcontracting has increased most, especially in private companies. Tele-working and fixed-term contracts are the next ones, and weekend work and overtime working in private companies.

Employee training

The average expenditure on training in Estonian organisations was 3.2% of annual labour costs. The respective figure for Finnish organisations was 2.5% and the EU-15 average was 2.9%.

The main reason for the relatively high spending on training in Estonian organisations is the ongoing restructuring of the economy and the subsequent immediate need to match employee skills and abilities with increased qualification requirements. The average number of training days per employee in the main employee groups is similar in Estonia and Finland; however, management and administrative staff received more training in Estonia. In the EU-15 countries, on the average, manual workers got more training and managers, professionals/technical staff and office/administrative staff less than in Estonia or Finland (Figure 4).

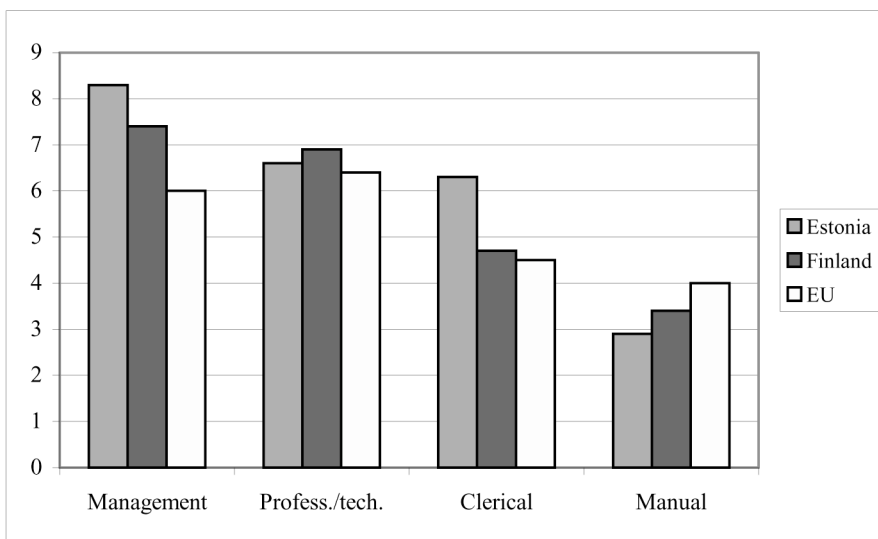


Figure 4. Number of training days received by different employee categories in Estonia, Finland and EU-15

In Finland, the number of training days in every employee category was higher in the public organisations than in the private sector. In Estonia, the blue-collar workers received 4 training days in private companies and only 2 in the public sector.

In both Estonian and Finnish organisations the analyses of employee training needs are conducted in much the same scope: 72% of Estonian organisations and 68% of Finnish organisations make it on a regular basis.

When considering the importance of training areas for the following three years, people management & supervision comes first in both countries (98% and 99% “very” or “quite important”). In terms of training needs, organisations in both countries emphasise information technology applications, change management, and techniques of coping with continuous change. The priority of training areas is the same in both countries.

Communication and industrial relations

Formal communication related to strategy, financial performance and organisation of work differs between employee categories in both countries as well as between Estonian and Finnish organisations. The drop in official briefing of strategy and financial performance is sharp along the hierarchical position in Estonian organisations, while in Finnish organisations the differences are not so big (Table 7).

Table 7. Employee categories formally briefed about strategy, financial performance and organisation of work in Estonian and Finnish organizations

	<i>Strategy</i>		Financial performance		<i>Organisation of work</i>	
	Estonia %	Finland %	Estonia %	Finland %	Estonia %	Finland %
Management	93	95	97	94	94	71
Professional/technical	60	84	57	94	85	81
Clerical	35	65	32	85	74	84
Manual	22	57	21	78	75	81

The culture of Estonian and Finnish organisations in delivering information is clearly different. Finnish clerical and manual employees are better briefed about strategy, financial performance and organisations of work than in any other EU-15 country, while the Estonian clerical employees got higher percentages than the South-European EU countries (Spain, Italy, Portugal and Greece).

In both countries, all kinds of communication with employees had increased during the past three years. Electronic informing of employees had increased most, in about 85% of organisations in both countries, regular briefings in Estonia (50%) and direct oral communication with employees in Finland (47%), and the direct written communication with employees had increased in about 40% of organisations in both countries. Communication via representative body is more common in Finland, which is logical because the participation and industrial relations systems are much more common in Finland (Figure 5).

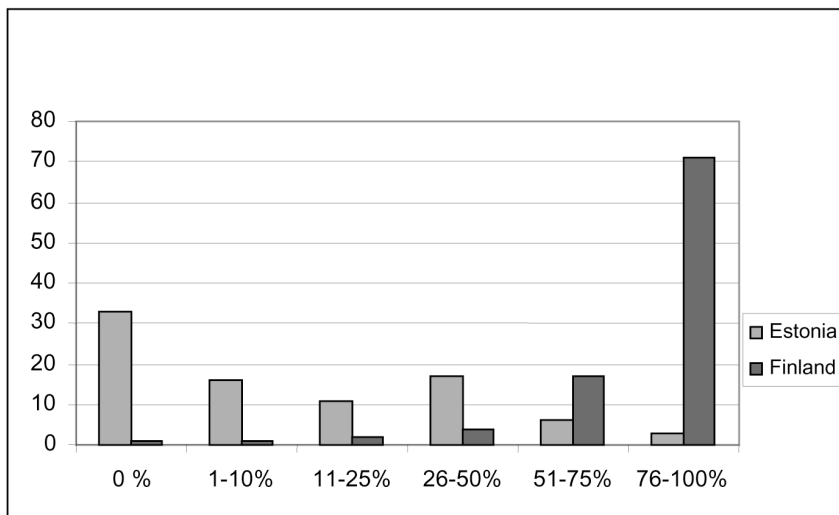


Figure 5. Unionization rate of employees in Estonian and Finnish organizations ('Don't know' answers missing)

The unionization rate is high in Finland, like in other Nordic countries. According to this study even 71% of responding organisations reported the unionisation rate to exceed 75%. In Estonia the figure was only 3%. In a third of Estonian organisations the unionisation rate was 0%. The Finnish and Estonian unionisation rates were almost the opposite.

DISCUSSION

Estonia and Finland share a common historical, geographical and ethnical/linguistic basis, but they have gone different routes in politics, economics and ideology until the early 1990s. The main difference in the Estonian and Finnish HRM comes from the history of personnel administration/management/HRM. The Finnish HRM can be traced back to the first years after the Second World War, when larger companies started to recruit specialised personnel managers (Vanhala, 1995). This pioneering phase is also called 'personnel policy phase', after which occurred a transfer from 'administration' to 'management', followed by strategic HRM, decentralisation and devolution of HRM with increasing flexibility, and finally, the accountability demands. It has been a process of 60 years. In Estonia, the history of HRM is totally different. During the communist regime, the communist dogma compensated the Western type personnel administration and HRM thinking. The change in company management and HRM has been radical and rapid in Estonia in the 1990s. This is especially true when compared HRM for instance in Poland (Garavan et al., 1998) or other Eastern European countries (Ignatovic and Svetlik, 2003).

The comparison of HRM in Estonia and Finland revealed a few interesting empirical observations:

- 1) In spite of Estonia's short history as an independent Baltic state since the collapse of the Soviet Union, HRM has stabilised its position both in the strategic and policy level as well as in HR practices.
- 2) There are both amazing similarities and also differences between Estonian and Finnish organisations.
- 3) When comparing Estonian survey results with the whole range of the country level variation inside the EU-15, the conclusion is that the Estonian HRM matches with the EU-15 HRM or the European 'model' of HRM (cf. Brewster, 1995). A remarkable converging process has thus occurred in Estonian organisations towards the European 'model' of HRM – whatever it is - during the period of restored independence.
- 4) Our guiding hypothesis was that the converging trend between Estonian and Finnish HRM is in the progress. The results of the study partly support this

hypothesis; partly the converging trend is visible at EU-15 level as a directional convergence (cf. Mayrhofer et al., 2004).

5) The empirical results indicate that in several occasions the Estonian private companies have first adopted the HR policies and practices and public organisations seem to follow them.

Convergence and divergence in HRM strategies & policies and practices

There were significant differences in the *strategic* aspects of HRM between Estonia and Finland. “Strategicness” was measured by typical survey measures of strategic HRM, such as the position of the head of HR function on the company main board, involvement of the HR manager in the strategy development or existence of written HRM strategy. The Finnish organisations proved to be more strategic than the Estonian ones or the EU-15 ones, on the average. At the *HR policy level* the differences between Estonian and Finnish organisations are minor with the exception of the existence of the equal opportunity/diversity policy. It is a new policy in Finnish organisations, as well. In the 1995 survey, the proportion of written equal opportunity policies in Finnish organisations was only a little higher than that in the Estonian organisations in 2002. Instead, in performance assessment, the Estonian organisations are in line with the EU-15 organisations and above the Finnish ones. The line responsibility in HRM issues (recruitment & selection and training & development) was somewhat lower in Estonia than in Finland but higher than in the EU-15, on average.

The comparison of *HR practices* between Estonia and Finland revealed, first of all, that in spite of relatively high unemployment rates, both countries face recruitment and retaining problems of IT and other professionals. Actually, the recruitment problems are more severe in Estonia, but only in the case of “other” professionals, the problems are more severe than in the EU-15. Retraining is the mechanism most commonly applied in every country under surveillance. In Finland, even near 80% and in Estonia 70% of organisations trust on retraining of existing employees. The same percentage of Estonian companies applies increased pay/benefits. Flexible working arrangements are highly used in both countries. There are, however, major differences in temporary casual contract, home-based work and annual hours contract, which are more widely applied in Finnish organisations. The proportion of highly flexible organisations is low in both countries.

The average expenditure on *training* was higher in Estonian organisations than in Finland or in the EU-15, on average. Instead, formal *communication*, especially, related to strategy and financial performance is better extended to all employee groups in Finland than in Estonia.

In the convergence vs. divergence debate on HRM, the Estonian case strongly supports the converging hypothesis. Converging mechanisms occur both in HRM

strategy and policy level and also in the HR practice level. It seems that the Estonian organisations have adopted both the HRM and SHRM thinking and the HR practices, similar to Finnish/Nordic organisations and, in many cases, similar to the EU-15 organisations, in general. Estonian management of human resources does not seem to bring any diversity to the “European HRM model”.

The explanation may simply be that the shortest and the most reasonable way from a situation with no personnel/human resource management culture at all to the modern S/HRM system goes via imitation, copying, benchmarking of best practices, networking with right people and organisations, etc. According to institutional theory, organisations are seeking approval for their activities in their social contexts; they are looking for legitimacy and acceptance, which facilitate survival and success (Zucker, 1977; DiMaggio and Powell, 1991; Jackson and Schuler, 1995). Institutionalisation arises from internal and external processes and pressures affecting the organisation. In Estonia, the institutional context changed from the communist Soviet Union to the ideal of a Nordic market economy and welfare society. This being the case, the institutional theory might explain the quick adoption of the Nordic or ‘European model’ of HRM.

The Estonian case also confirms that while HR strategies, policies and practices can be transferred quite easily especially in private companies, while the industrial relations system as an institutional basis cannot be copied and transferred from one country to another.

Further research

This study was based on an international survey research, which means that we have a relatively narrow cross-sectional view of the reality. Two kinds of research designs are needed. First, longitudinal data are needed to open country-level trends in convergence-divergence debate. Secondly, case studies and triangulation with different types of empirical data (qualitative and quantitative) are necessary in order to increase understanding of HRM strategies, policies and practices in certain business and cultural contexts. In addition, more attention should be paid to private-public sector distinction in HRM research.

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**3. THE DEVELOPMENT OF THE PERSONNEL
FUNCTION IN TRANSITION COUNTRIES:
THE SLOVENIAN AND ESTONIAN EXPERIENCE**

**Ivan Svetlik, Tõnu Kaarelson, Ruth Alas
and Andrej Kohont**

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Abstract

In international comparative studies of personnel management/HRM one of the central issues is to identify similarities and differences in approaches to this specific function in organisations.

The driving forces in a market economy lead HRM practices in different countries more or less down a similar path. In this case it is assumed that best methods and practices that have proven themselves indeed do exist, and these have therefore been found in use wherever a market economy works. The same trend is noticeable when talking about the influence of institutional forces in European Union that result in HRM practices becoming increasingly similar in different countries.

At the same time, developments in HRM in different countries are influenced by deeply rooted values systems and cultural traditions that act as forces creating and maintaining divergence.

The comparison of Slovenia and Estonia offers specific insights into how and why the HRM function has changed in organisations in two new European Union member countries.

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Introduction

Discussions of the origins of personnel management (PM) and human resource management (HRM) go back to the end of the nineteenth century (Torrington & Hall, 1987; Springer & Springer, 1990; Rojot, 1990). Torrington and Hall speak about British social reformers, such as Robert Owen and Lord Shaftesbury, as predecessors of PM. Rojot mentions Saint Simon and Fourier having the same role in France. The development of PM is described in terms of newly appearing concepts and theories, such as Taylor's scientific management (1911), Fayol's scientific administration (1949), Mayo's social relations school (1933), Maslow's humanist psychology (1954), McGregor's Human side of the Enterprise (1960), Herzberg's dual motivation theory

(1966), Likert's human resource accounting system (1967) and Becker's (1964) and Schultz's (1978) theory of human capital. Along with the appearance of new theories and concepts, PM was expanding in terms of new sub-functions and tasks that were singled out from general management practices and/or developed as special professional practices. These practices started out as unemployment benefit schemes, sick pay and subsidised housing; they went on to role specification, job design, personnel selection including testing, training and placement procedures; and finally complemented by the practice of negotiating with trade unions and other workers' representatives, and manpower planning (Torrington & Hall, 1987). Personnel managers represented a new occupation, which was practiced by specialists of various backgrounds, including organisational theory, psychology, law, economics, sociology, industrial relations and others.

The development of PM accelerated after the second world war, when the professional associations were established for personnel managers, for example, in France in 1947, when consultants started to offer specialised PM services, when research in the PM field began and when finally the first degrees in PM were awarded, in France in 1968 (Rojot, 1990). Professionalism in the field of PM began to be associated with growing criticism of the function as being too focused on narrow PM issues without taking into account the wider organisational context, without support for line and general management and without any focus on strategic organisational issues (Legge, 1978). Personnel Management was then upgraded to Human Resource Management – its history goes back to the 1950s in the USA and received wider recognition from the 1980s onwards (Beardwell & Holden, 2001). This turned attention not only towards related and wider PM issues, but also towards non-professional players, such as line and top management, workers' representatives and others. HRM has often been seen as an alternative to trade union representation of and communication with workers.

On examining various analyses of the development of PM and HRM, it seems that it can be observed from at least three different perspectives:

- the business function
- the occupational/professional perspective
- the division of responsibilities and authority

The business function focuses attention on questions such as:

- How much awareness of the importance of human resources has been observed in the business process and among owners and managers
- How much attention has been paid to specific HRM issues in relation to other business issues, such as capital
- Have there been specific HRM tasks, activities and functions singled out in the business process as distinctive in comparison to the other business tasks and activities, such as job analysis and design, setting of performance standards and performance appraisal, systematic training, testing of potential employees, recruitment and performance interviewing, remuneration, career planning and

development, employee-management relations, competence identification and development, etc

- How strong an emphasis has been put on human resources and on HRM in the business process, e.g., has HRM been part of strategic management; have human resources issues been dealt with equally alongside other issues in the organisations' business strategies

The above questions are as important in identifying the emergence of the HRM function as contemporary debates about the status of HRM within organisations. Nowadays, the most frequent question is whether the HRM function is, could or should be strategic in organisations. The answer always depends on the other business and managerial functions. However, it is important because it turns our attention away from the person performing HRM tasks and activities to the presence of these tasks and activities themselves in the business process. From this perspective, the HRM function could be highly integrated into, as well as very important for, the business process irrespective of it being singled out as a separate organisational department. Contemporary discussions of the HRM devolution process (Brewster & Larsen, 1992; MacNeil, 2002; Mesner-Andolšek & Štebe, 2005) clearly demonstrate the relevance of this thesis.

The occupational/professional perspective has frequently been adopted, as indicated by the literature at the beginning of this paper. It discusses when, in the process of the division of labour, specific and similar tasks started to be performed by a special profession often placed within specialist personnel departments. Several indicators have been used to describe this process:

- the appearance of new personnel specialists, such as those for recruiting, training, remuneration, career planning, industrial relations
- the appearance and growth of special PM and HRM units/departments within organisations
- the appearance of specialised training courses for different fields of PM
- the appearance of schools and faculties offering systematic education and training programs at the post-secondary level enabling graduates of bachelor and master degrees to enter personnel and HRM profession(s)
- the appearance of PM and HRM focused research
- the appearance of special articles, books and journals focused on PM and HRM issues
- the appearance of professional associations of PM and HRM at national and international levels including their codes of ethics, conferences and other activities
- the appearance of consultants and market organisations rendering services in the fields of PM and HRM to other organisations

This perspective points to the existence of PM (or HRM) as a special profession as well as to special scientific disciplines in the division of labour. Therefore, it goes beyond the organisations, where PM and HRM are usually practiced. It offers

criteria that indicate the strength and development of PM and HRM professions in certain societies and economies.

The perspective of the division of responsibilities and authority builds on the previous two perspectives and sheds additional light on the development of PM and HRM. It takes into account various players in these fields and not just professionals and managers. The question is not only how tasks and responsibilities, but also how authority and influence are distributed among such groups as PM, HRM and other professions, line and top management, employees and their representative bodies (trade unions, work councils), owners and in some cases also politicians – in short, the question of the distribution of authority and influence between various stakeholders (Beer et al, 1984).

These three perspectives could all be used when observing the development of PM and HRM. Nonetheless, it is quite likely that they vary with respect to economic, cultural and historic factors in place in different countries. It is likely also that one can shape a kind of periodisation of PM and HRM development on the basis of the first two perspectives, while the third may vary over time. We will be checking for these perspectives and factors in the case of PM and HRM developments in Slovenia and Estonia.

To examine the recent development of PM and HRM, a certain periodisation seems appropriate. It should include certain time breaks, of which each denotes distinctive features of PM and HRM. There is not an abundance of periodisation in PM and HRM literature. However, we can start with the classification presented by Vanhala (1995), who refers to a distinction made by Finnish authors between the following five stages: the initiation, pioneering, self-criticism, strategic HRM and decentralisation phases. This periodisation does not go so far in time as that presented by Torrington and Hall (1987) in which one can find the following: the social reformer, acolyte of benevolence, humane bureaucrat, consensus negotiator, organisation man and manpower analyst. However, it focuses in greater detail on the developments of the last five decades, in which most of the development of PM and HRM in countries like Slovenia and Estonia can be observed.

On the following pages we will try to identify certain periods of PM and HRM development in two of the new EU member states, Slovenia and Estonia. Each period will be described in terms of the characteristics of social and economic environments and in terms of the three perspectives described above. Due to different courses of development, the length of the periods in the two countries may vary. First, some commonalities and differences between the two countries will be briefly presented.

About Slovenia and Estonia

Estonia and Slovenia are two small young countries situated in quite different parts of Europe (Alas & Svetlik, 2004). Before discussing HRM policy and practice in

these countries, some common and contrasting historical, economic and social characteristics are worth highlighting.

Historically, both countries belonged to larger multi-ethnic states — Slovenia to the former Yugoslavia for more than 70 years and Estonia to the Soviet Union for 50 years. Both experienced a communist regime (Slovenia for 45 years and Estonia 50 years), which influenced the culture of today's active population and the structure of organisations. Both countries became independent at the beginning of the 1990s — Slovenia for the first time in modern history and Estonia for the second time (previously it was independent at the beginning of the 20th century). Both countries have established democratic political regimes and market economies. The identity of both countries has been primarily cultural. Both countries became members of the EU in 2004.

In the last decade, the two countries have enjoyed stable and favourable economic growth leading towards a service economy where Estonia leads with respect to the share of its active population in the service sector.

There are also some significant differences between Estonia and Slovenia worth outlining. Estonia has a larger geographic area and a smaller population, which accentuates the issue of low regional mobility. In Estonia, the population is concentrated in the main cities, while in Slovenia it is rather evenly dispersed. In Estonia, the dominant religion is Lutheran and during the Soviet occupation the population became more heterogeneous with respect to ethnic composition. Conversely, the Slovenian population is predominantly Catholic and remains broadly homogeneous with regard to ethnicity.

The experiences with the communist regime and large state affiliations also differ between Slovenia and Estonia. Slovenia enjoyed quite a high degree of autonomy within the rather decentralised Yugoslav state, where quasi-markets and strong links with Western economies existed. This made the first steps to independence easier since the main social, economic and political institutions were already in place. Among the communist regimes, Yugoslavia was known as being rather liberal, which means that there was less interference in personnel policies from outside organisations. The situation in Estonia was different as it enjoyed less autonomy within the Soviet state – the economy was more strictly planned and less oriented towards the West. There was also less autonomy for personnel policies within organisations.

The transition towards a market economy in Estonia was rather quick and radical compared to the softer and slower approach in Slovenia. In Estonia, the reforms were based on a weaker economy with less medium and large enterprises than in Slovenia, and Estonia also started with a lower standard of living. As a consequence, Estonia has attracted considerable direct foreign investment.

Periodisation of the development of PM/HRM in Estonia and Slovenia

Before World War II

Estonia had a democratic government and market economy before its incorporation into the Soviet Union in 1940, enjoying living standards comparable to the Scandinavian nations (Zamascikov, 1987). The values held by people during independence were individual self-reliance and social responsibility (Barnowe et al, 1992). The Soviet occupation in 1940 brought a significant decline in the standards of living (Misiunas & Taagepera, 1983). This was accompanied by the imposition of sovietization, which most heavily affected the entrepreneurial elements of the Baltic population. In the Stalinist era of the Soviet Union, people had few economic incentives to work (Paalberg, 1989).

Before WW II **Slovenia** belonged to the Kingdom of Yugoslavia, which was economically rather undeveloped. The Slovenian economy was characterised by a strong agricultural sector engaging about two thirds of the labour force. The private industrial sector consisted of small enterprises, where the division of internal functions was rather undeveloped – the personnel function being primarily in the hands of line managers and decisions concerning employment and remuneration being made by the management (Zupan, 1999). The few personnel officers that there were dealt mostly with administrative tasks. This situation was not a Yugoslavian particularity and could be seen in many other European countries at that time.

Administrative-ideological period (1945-1960)

After World War II and up to the end of the 1950s, the personnel function or the so-called staffing function was administrative by nature. Between the second half of the 1940s and the end of the 1950s, Estonia witnessed periods where the country's economy was subjected to pan-soviet interests, a centralised command economy and an influx of Russian labour. The Communist Party managed the economy as a whole. Because demand for labour was greater than supply, a general obligation to work was imposed. During that period, Soviet institutions were also established on Estonian territory. Regarding organisational management, this meant the implementation of a unitary administrative-authoritarian standard. Because of these circumstances, the administrative phase was greatly influenced by political-ideological factors. Therefore this period is known as the administrative-ideological period.

Human resources or staffing policy at that time was characterised by accounting and reporting for different purposes: recruitment procedures, the application of strict working hours, compulsory military service, etc. Personnel departments served the state and administered total control over the people. Compared to other specialists and employees, people employed in personnel departments had the lowest qualifications (Skorobogatov, 1981).

In the first post war years of state socialism, personnel functions in **Slovenia** also had a very specific role. Personnel policy consisted of employment, payroll and the assurance of social standard among the employees. This was determined by the state and implemented through legislation. Within enterprises the personnel function had to recruit employees for key positions, where the successful candidate had to be professionally as well as politically suitable. Gasparovič (1981) writes that the mission of the personnel function at that time was to “clean” the enterprises of people who collaborated with the occupiers or were considered politically incompatible so that they could not work in socialist enterprises and could not train and develop workers for socialist production. The director of personnel was to be politically credible, though without any special training in the field. He/she dealt with the personnel function in a rather administrative manner – keeping employee records, including information about political affiliations, and setting salaries.

Another characteristic of the first period after WW II was rapid industrialisation, characterised by the foundation of several new industrial enterprises, a flow of labour from the agricultural to the industrial sector and the development of new public services in the fields of education, health care, child care and others. The task of personnel managers was to bring enough new employees from the agricultural sector to the new industrial establishments.

A special characteristic of the personnel function in Slovenia after WW II was its development within the framework of a system of self-management. This was initiated in the fifties after Tito’s dispute with Stalin, when Yugoslavia left the Soviet block. The system of self-management reached its peak in the mid-seventies with the formal delegation of power to the workers. However, throughout the whole period, the Communist Party as the leading political power more or less interfered with the management of organisations including personnel issues. Recruitment of top managers, remuneration and employee relations came under particular scrutiny. With the implementation of the system of self-management and social ownership, it was assumed that the management of enterprises would be shared between the state, represented by managers, and worker’s collectives, who were represented by work assemblies and work councils. The important decisions, including personnel decisions, were to be made by the work councils. Gradually personnel departments started to introduce some professional methods, such as: task design, work assessment, personnel planning and staffing, planning and organizing training, promoting safety at work and organizing social assistance for employees. However, the personnel function was rather rudimentary in comparison to the other business functions and occupied a subordinate position. There were no trained personnel professionals and the Communist Party representatives retained the key personnel decisions.

Initiation 1960-1970/80

In **Estonia**, the initiation phase covers approximately two decades, beginning in the 1960s and ending in the early 1980s. This was the period of “arousing interest in

personnel issues” (Vanhala, 1995). The main feature of this phase was that the personnel or staffing function retained its administrative character.

The end of the 1950s and the following decade could be characterised as a mild “period of thaw” and the need for moderate economic reforms. The economy underwent some decentralisation, as a result of which Estonia, among other countries, received more scope for developing its local economy. The improvement of the country’s economy brought about increased efficiency and motivational systems were implemented. This was also accompanied by the demand for a qualified workforce, which were increasingly provided by the system of higher education.

Striving for increased productivity resulted in the emergence of industry-related training centres. The primary role of these centres was to train workers and upgrade their qualifications. Within a short time, complementary training became extremely popular among specialists and from the beginning of the 1970s also among managers of different levels.

As the fear of repercussions decreased, workers increasingly pushed for improved working conditions and solutions to social problems. A five-day working week was introduced.

At the third conference on the theoretical problems facing socialist economic organisations, held in Tallinn in 1972, one of the three main clusters of problems was personnel management (TPI, 1986). In 1975, the topic was further discussed at the next conference. The starting point was how to achieve better quality of labour resources and to increase productivity.

Personnel and staffing questions were similarly discussed at the pan-soviet level, especially by institutions using foreign management expertise, e.g. Institute of the USA and Canada at the Soviet Union Academy of Sciences. What brought about the need to discuss these issues was associated with the difficulties in finding qualified personnel and the intention to increase efficiency and guarantee social development. It has been pointed out that the work of staffing departments within the economic organisations of the 1970s was characterised by the following (Tšižov & Tšurmantejeva, 1975):

- their work was mainly routine and connected to accounting activities
- staffing within organisations was dealt with in an uncoordinated manner
- enterprises lacked the ability to develop and implement staffing policies
- enterprises did not undertake employee planning and appraisal or qualification development for managerial staff.

These were also the characteristics of enterprises in Estonia.

In order to improve the organisational activities of an enterprise, units for the “scientific organisation of work” were developed in order to make the working environment,

working processes and pay systems perfect. Some enterprises even undertook the appraisal of specialists and managers as well as career planning. Such tasks, however, required the staff in the personnel department to possess not only administrative competencies, but also professional skills. Therefore, Tartu University started to prepare industrial psychologists through distance learning. Graduates in psychology were the first professionals to work in personnel departments in various Estonian enterprises and industry level development centres.

The positions – “deputy general directors for dealing with human resources and social development” – were created in a number of large production companies. Unlike personnel managers in Western enterprises, the tasks of personnel managers in Estonia included helping employees with social problems, i.e. alleviating their lack of housing and consumer goods, creating opportunities for recreation, etc.

In the 1970s, contacts were made with Finnish specialists in the fields of management and personnel management. The information acquired was quickly used and implemented to develop personnel policies at industry and company level.

In the 1960s, industrialisation in **Slovenia** continued. The Yugoslav economy faced its first major crisis, which was tackled by the economic reform in the second half of the 1960s. Its important intention was to introduce market forces in the economy and to give more autonomy to the management of enterprises – ‘market socialism’. Unfortunately the reform failed.

Analyses from the 1960s showed that long-term personnel planning in enterprises was poor, resulting in rather pronounced discrepancies between the competencies being acquired and those that were desired. This was one of the reasons why the first courses for personnel managers were already organised in the late 1950s, and in the 1960s these courses were offered at post-secondary level (Kamušič, 1972). In spite of this, interest in resolving personnel issues was insufficient among workers and there were not enough personnel professionals working in enterprises. This was one of the reasons for the suggestion that personnel tasks should be centralised in the personnel department (Brekić, 1968). Still, the personnel function remained rather administrative and personnel policy, remained in the hands of the state, especially after the establishment of the Secretariat for Personnel Matters as one of the departments of the local Slovenian government. According to Možina (1974) and Kavran (1976), the development of personnel functions was even blocked in the mid-1960s.

The economic reform of 1965 did not include any development of the personnel function. Nevertheless, one could observe an increasing number of personnel departments in organisations and the first courses emerged for personnel managers, who had graduated from various disciplines, such as law, psychology and economics. Even the government observed the importance of the control of key positions by means of cadre development and placement under its Secretariat. One could say

that the personnel function in this period became visible although not yet professionalized (Svetlik et al., 1980). The main players in this field were the managers (who received some training and were still more or less under political influences) and self-management bodies, such as boards for personnel and social issues within enterprises and the Communist Party representatives. Although one could find some articles and monographs earlier in this period, the first credible papers began to appear later. These authors dealt with status and the role of personnel departments, the personnel function, personnel policy, induction and admission of workers, leadership, efficiency, work objectives and the psychology of work. An ideological bias could also be observed.

Pioneering 1970/80 – 1980/90

As a consequence of failed economic reform and political unrest at the beginning of the 1970s, Yugoslavia was seeking new directions for the organisation of economic and political life. In **Slovenia**, a new constitution (1974) and Associated Labour Law (1976) took the development of the self-managed system even further. The right to work was one of the constitutionally guaranteed rights. Therefore, a full employment policy was one of the main characteristics of the period, accompanied by the principles of equality and solidarity. Labour costs were largely disregarded. Reducing numbers of employees was not allowed even if there were economic difficulties or technological changes. There was a low unemployment rate and low labour productivity. The economy was regulated by social rather than market principles. Yugoslavia continued with the model of labour intensive, technologically undemanding and industry focused development. Therefore, in Slovenia a labour shortage developed, which was compensated for by an increasing influx of immigrants from the South.

In this period, questions concerning salaries, social standards and workers' rights were increasingly dealt with by the enterprises' work councils and their commissions. On the macro level, personnel policy was formally defined via social agreements, which were adopted by 'self-managed communities of interests' organised at local, regional and state levels in the form of associations of stakeholders interested in well-functioning employment systems. Social agreements regulated areas such as employment, wages and salaries, scholarships and education. The social agreements set common guidelines aiming to assure co-ordinated personnel and employment policies.

Since the new Constitution in 1974 delegated personnel decisions to the organisations themselves, the question of the proper organisation of the personnel function was raised. A model of personnel functions based on the principles of specialisation, centralisation and concentration of personnel tasks was evidently not commonly accepted. Therefore, Možina (1975) proposed a different concept of personnel management: a) connectedness between the personnel function and other business functions in enterprises and their environments (an open and adaptable system); b)

the personnel function contributing to the organization's aims; c) the flexible organization of tasks; and, d) the focus of the personnel function moving from the specialists to the line managers in the sense that specialists assume the role of advisors, lecturers and analysts. It could be said that this concept led the way to HRM at that time.

Studies of personnel practices during that period were scarce. Kavran (1976) and Brekić (1983) indicated that the personnel function was still administrative, education and expertise among personnel officers remained relatively low and their role in decision-making about personnel matters was in principle unimportant. The personnel function was most often placed along side the legal function in a single department, and was led by lawyers because the formal personnel regulations were numerous and complex.

In search of better system of personnel management, some academics initiated personnel management undergraduate programs at Ljubljana University Faculty of Social sciences and the independent High School of Organizational Sciences. Part-time courses at the Faculty of Social Sciences started in 1972 and full-time courses followed in 1984. In 1978, the first research focusing on the personnel function within enterprises was carried out by Svetlik and others (Svetlik et al., 1980), although other research projects from the fields of organisational studies, psychology, education and training had addressed personnel issues before. In 1972, the Slovenian Personnel Management Association was established. Although it was politically influenced, it gathered together increasing numbers of graduates in personnel management as well as other professionals and managers from the field.

In short, one could say that in this period, an awareness of the personnel function, as one of the key business functions that could significantly contribute to the success of organisations, became more fully developed. The number of monographs published increased substantially in this period and these dealt with a growing variety of personnel issues, such as the personnel function itself, personnel development, personnel policies, the position of individuals and different groups in enterprises, change in organizations, the systematization of work, work effectiveness and objectives, performance appraisal, work satisfaction and motivation, physical strain and work safety, admission and separation of workers and personnel planning. Professionalism in this field was growing in terms of the undergraduate programs for personnel managers and their professional organisations, although graduates from many other fields, such as law, psychology, economics, sociology, organisational development and others also often took the role of personnel managers. The influence of personnel professionals also grew in comparison with that of line managers, self-management bodies and especially the Communist Party, which in the 1980s was relinquishing power in general.

The period of searching and initiation in **Estonia** was followed by the pioneering phase from the beginning of the 1980s. The background factors leading to this phase

consisted of political developments worldwide and within the Soviet Union, which led initially to careful and ultimately to bold radical changes in social and economic life. In the second half of the 1980s, enterprises were gradually given more autonomy in the Soviet Union. It became legally possible to develop small state enterprises, and even international joint ventures, which existed outside the central planning (Venesaar & Vitsur, 1995). This provided the first opportunity to create economic incentive. In 1987, Estonia was at the forefront of reforms in the Soviet Union. In spring 1988, more than 600 production and service cooperatives were formed in Estonia. This represented the highest concentration of such enterprises in the USSR (Palm, 1989).

Estonian companies now had more opportunities than ever before to communicate with companies on an international level and ideas of political independence as well as re-establishing the republic began to set in. By the end of the 1980s, the power of old institutions began to subside; new institutions however, had not yet been established.

This was a period of when the personnel function began to enjoy a stronger position. At the beginning of this period, the personnel function was still limited to performing administrative tasks. However, the real essence of the personnel function, especially the complementary training of existing competencies, was developing. Along with an increase in the volume of public courses, complementary in-company training began to gain in popularity and courses in teambuilding and organisational development took precedence. In addition to private companies emerging and an influx of foreign capital, joint ventures also began to appear. This necessitated employee search and selection as well as new methods of evaluation, and the first public advertising for managerial and specialist positions took place.

Personnel management 1980/90- 2000

In the 1980s, economic difficulties and political conflict in **Slovenia** were deepening due to the inefficiency of the system of self-management and a lack of economic reforms. Yugoslavia was unable to pay back its foreign debts. Enterprises were cutting down their costs and many personnel activities were abolished or restricted (especially new employments, in-company training and support for part time study). The personnel field remained highly regulated by legal norms that defined employment, redeployment, payment and training of employees. Neither the legal system nor personnel managers were prepared to face the redundancies that occurred.

Economic and political crisis reached the highest point by the end of the 1980s. New political parties emerging out of civil and social movements and organisations influenced the democratisation of the political space. Voices calling for the federal Yugoslav state to be made into a confederation and provide the republics more say in political and economic decisions grew louder. Judging that agreement on such democratic reforms was impossible, Slovenia declared its independence on June 25 1991.

Along with independence, Slovenia lost a lot of former Yugoslav as well as other East European markets because all these countries sunk into a deep crisis. Enterprises had to find new, on the whole, more demanding markets, which was only possible on the basis of rapid and profound restructuring. Cost effective production had to be achieved, the quality of products and services increased, old equipment sold, redundant workers laid-off, new technology introduced, etc. Enterprises started to outsource peripheral units and split into well-profiled core business units. The role of personnel departments in this process was very demanding. First, there were redundancies, including in the personnel departments. Later on more attention was given to employee skills and competences. Personnel departments had to adapt to the new employment and social legislation and to the changing labour market. They increasingly dealt with selection and staffing, development and training. There was a special focus on the development of managers.

These changes were reflected in the numerous monographs from that period. The authors focused on various aspects of personnel management: personnel policy, learning and employment, personnel planning and movement, personnel development, motivation, job satisfaction, quality of work, alternative forms of work, employment crisis, unemployment, developments in the labour market, apprenticeship, organizational development, productivity, efficiency, personnel information systems, socio-psychology, the humanization of work, leadership, conflict management, selection, career, evaluation and appraisal of work, personnel analysis, organizational culture, group/team work, human resources as a source of competitive advantage, change, business excellence, etc. According to Zupan's research from that period, formal and informal personnel programs and activities (e.g. development of personnel strategy, training and career planning) were working well. The major changes seen at this time include the better-defined and standardised processes for reducing numbers of employees, the establishment of personnel information systems and the development of a personnel strategy (Zupan, 1999). It could be said that approaches to strategy and the utilisation of professional personnel methods were developing throughout the personnel function.

In this period, it would be difficult to find a general manager who would deny the importance of personnel. This was more difficult to demonstrate in practice, however. During the 1990s, the education of personnel managers continued. The Personnel Management undergraduate program at the Faculty of Social Sciences at Ljubljana University was complemented by a Masters degree at the end of this period. Subjects on personnel management have been taught at several faculties of all universities and post secondary private schools. New studies in this field were conducted and linked to international research networks, such as Cranet (Cranet-E). There have been an increasing number of independent personnel management agencies offering a variety of services. During the 1990s, the Association for Personnel Management intensified its activities, and the entire field of personnel management reached a high level of professionalism.

On the way back to capitalism during the 1990s, the self-management system was abolished. As a consequence, employees have been deprived of most of their direct influence on personnel issues. On the other hand, the influence of trade unions has increased (Ignjatović & Svetlik, 2005). The shift to a market economy and political democracy pushed the political parties out of organisations. However, in the organisations where the state has kept a majority share, the existing political establishment still controls the highest managerial positions. When the government changes, top managers are often changed irrespective of their performance. The main players in the personnel management field by the end of the 1990s were top and line managers and personnel management professionals.

The personnel management phase started a bit earlier in Estonia as the country restored its independence in August 1991. In Estonia, one of the main aims of the transition to a market economy was the formation of a competitive business sector based on private property with the intention of replacing the heavy state regulation with a combination of a strong market and minimal state regulation (Taaler, 1995). There was no longer any room in enterprises for poorly used resources. The shift away from central planning increased endogenous activity substantially, as the transition forced employees to be more active and at the same time created more favourable conditions for employee self-realisation (Liuhto, 1999).

The process of economic reform was radical and rapid (Laar, 2002). According to Taaler (1995), the government reduced its influence on economic and social life too quickly, since the rate of economic liberalization was faster than the emergence of market competition. This was accompanied by the shock of losing markets to the east. At the beginning of the 1990s there was a serious decline in the Estonian economy accompanied by decreasing real incomes and growing income inequality (Rajasalu 1995). This increased uncertainty about the future. Stability started to return again by 1995.

This period was characterised by the appearance of new institutions. Democratic elections to parliament and local government were carried out and a principle of checks and balances was introduced. Economic decentralisation and privatisation quickly led to economic restructuring and changes in the labour market. Various and extensive direct foreign investment and the opening up of foreign markets provided a basis for rapid economic and technological development.

Labour relations were characterised by weak trade unions with no influence whatsoever on the arrangement of labour relations. A large number of employees were made redundant from privatised companies. New laws passed at the beginning of the 1990s played a crucial role in personnel management. The most important of these included the Employment Contracts Act, the Wages Act, the Public Service Act, the Adult Education Act, etc.

This period was characterised by a professionalisation of the personnel function. Three entrepreneurial psychologists established the HRM Association, PARE, and

started to provide basic training in HRM through one-year courses. The first course started in 1993 and proved to be very popular. In addition to the complementary training in personnel management, business schools started providing studies of personnel management within the framework of business administration. The first recruitment agencies were established in order to find managers and specialists with knowledge of the market economy. These companies applied selection methods approved by Western firms. Organisations and personnel managers started to develop personnel policies and strategies in order to support their strategic objectives. Personnel functions developed to a level that enabled the first personnel managers or directors of personnel to join management boards.

HRM and devolution 2000 –2004

Since 1993, there has been steady economic growth in **Slovenia**. Its economy has been in the process of permanent restructuring, characterised by labour saving measures and productivity growth, the introduction of new technologies, penetration of the global market niches, take-overs by foreign companies and by reorganisations in terms of outsourcing, making organisations slimmer and making or joining larger corporate networks. Personnel management has followed the course of this change and assisted from its perspective. New professional methods have been introduced, professional managers have been involved in the internationalisation of business activities and, in some cases, restrictions have been put on personnel management itself. The main themes in the monographs from this period cover HRM, motivation, the learning organization, competence development, knowledge management, remuneration, devolution, employment policy, cultural diversity and HRM's contribution to efficiency.

In **Estonia**, the shift from personnel management to human resource management most likely started at the turn of the millennium. The Estonian economy was on the increase, new institutions had been established and adapted to the requirements of the European Union. Some institutions of higher education started to provide majors in human resource management and local authors published study texts. The field of human resource management witnessed a growth trend in its strategic nature (Estonian Cranet report, 2004). The role of field managers within human resource management was growing. Companies invested greatly in the training of employees according to the needs of the business and in carefully selecting, recruiting and motivating managers and specialists.

The Cranet data compiled in the years 2001 and 2004 and presented in tables 1 - 3 indicate the devolution of personnel management (Brewster & Larsen, 1992; MacNeil, 2002; Mesner-Andolšek & Štebe, 2005) and its shift towards human resource management. This development has been characterised by the increasing strategic role of HRM (the head of the HRM department has a place on the main Board of Directors; he/she takes part in forming the organisation's strategy from the outset; and organisations make distinctive HRM strategies).

Table 1. Changing strategic role of HRM in Slovenia (SLO) and Estonia (EST) (% of organisations)

Year	2001 SLO/EST	2004 SLO/EST
Head of HRM has a place on the main Board of Directors	56.2/34.3	66.9/50.0
Head of HRM involved from the outset in corporate strategy development.	58.4/40.7	55.8/44.2
Organisation has HRM strategy	53.8/37.9	62.7/57.4

It has also been observed that the responsibility for HRM decisions and tasks have shifted from HR departments to line managers.

Table 2. Sharing of responsibilities for HRM issues between line management and HRM professionals (% of organisations)

Year	2001 Primarily line managers SLO/EST	2001 Primarily HR professionals SLO/EST	2004 Primarily line managers SLO/EST	2004 Primarily HR professionals SLO/EST
Pay and benefits	68.3/85.0	31.7/15.0	72.8/77.6	27.2/22.4
Recruitment and selection	47.1/71.8	52.9/28.2	51.9/60.0	48.1/40.0
Training and development	45.1/67.1	54.9/32.9	49.4/43.1	50.6/56.9
Industrial relations	53.1/68.6	46.9/31.4	43.3/51.4	56.7/48.6
Workforce expansion/reduction	54.3/89.3	45.7/10.7	62.9/82.3	37.1/17.7

In addition, the number of employees in HR departments is shrinking while organisations partially outsource their HRM services and increasingly utilise HRM market services (Mayrhofer & Larsen, 2006)

Table 3. Use of selected external HR services (% of organisations) and staffing of HR department

Year	2001 SLO/EST	2004 SLO/EST
Pay and benefits	7.8/2.8	47.5/40.4
Training and development	62.3/55.0	92.8/95.3
Outplacement/reduction	4.7/6.4	51.6/35.0
Number of HR experts per 100 employees	1,1/1,3	0,9/0,8

In Slovenia the devolution thesis has been confirmed with only two exceptions. There have been slightly fewer organisations in 2004 where the heads of HR departments have been involved in the development of strategy, and the responsibility for industrial relations has been shifted back to the HR professionals. The last exception could be explained by the increasing power of trade unions that are rather centralised organisations and pass decisions at the branch or national level.

In the case of Estonia there is a major exception in the sense that the responsibility for HRM issues have increased for HR experts and decreased for line managers. This trend could be explained by the rather late but rapid professionalisation of the HRM function. HRM professionals seem to be continuing successfully with the expansion of their share of the division of labour, and the line managers are not showing any opposition.

Conclusions

The development of personnel and human resource functions in Estonia and Slovenia since WW II has followed a kind of exponential logic. In the first period, up to 1970 in Slovenia and 1990 in Estonia, the personnel function was gradually singled out as a distinctive business function in most of organisations. In the second period, up to 2000, which lasted 30 years in Slovenia and only 10 years in Estonia, the personnel function acquired its specific professional status, which included special training programs for personnel managers, their own professional organisations, focused research and publications, etc. Since 2000 there has been a clear shift towards a human resources management model associated with the devolution process, which is more pronounced in Slovenia than in Estonia.

The earlier development of the personnel function and the rise of its professional status in Slovenia could be attributed to its more liberal political regime and closer links between Slovenian companies and universities and their Western counterparts. One feature also specific to Slovenia was the so-called self-management system, which gave formal and in some cases real power to the employees. Therefore, responsibilities and authority in the field of PM and HRM at the beginning were divided between Party representatives and line managers, and later on self-management bodies and professionals also took part. While the role of professionals was increasingly stressed, even at the expense of line management, the role of Party representatives and self-management bodies gradually diminished in the 1980s. In Estonia, responsibilities and authority were only divided between Party representatives and line management, with professionals joining them since the middle of the 1980s.

The differences between the two countries have decreased during transition and especially during the process of devolution since 2000. However, personnel managers continue to increase their influence in Estonian companies while in Slovenia they

increasingly share it with line managers. Although self-management has vanished from Slovenian organisations, it is perhaps just for this reason that the power of trade unions has increased. Therefore, there are three players on the HRM scene in Slovenia, while in Estonia one can find only two: professionals and line managers.

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**4. TRENDS AND DEVELOPMENTS
IN HUMAN RESOURCE MANAGEMENT PRACTICE
IN ESTONIA IN THE INSTITUTIONAL CONTEXT**

Tõnu Kaarelson and Ruth Alas

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Abstract

Human resource management has emerged as one of the most successfully developed functions in Estonian organisations in the 1990s and the current decade. The aim of this article is to present changes in the personnel function in Estonian organisations in the institutional context. The paper deals with the development of the personnel function in Estonia from the years immediately after World War II until today. Five periodized stages are used in order to give a better structure to this period of 60 years. Up until the middle of the 1980s, the personnel function in organisations was irrelevant and primarily had an ideological and administrative character.

The paper shows how the driving forces of a market economy have led human resource management practices in Estonia. Comprehensive and rapid development in the political and economic environment has resulted in radical changes in the management of organisations. The personnel management function has consistently adopted the traits of human resource management. In order to characterize the changes that have occurred in the last decade, the results of the Cranet international HRM survey have been used.

The role of HRM has increased noticeably in the last 3 years in connection with Estonia joining the European Union. Very rapid economic development and substantial changes on the labour market have meant that the HRM function is now faced with new challenges.

Keywords: personnel management, HRM, Estonia, personnel function, institutional environment

Introduction

The aim of this article is to deal with developments in personnel management taking into account the changes in social, economic and political life in Estonia. During the present decade, certain signs in Estonian organisations have emerged affirming that the principles of human resource management are step by step becoming part of local management practices.

The idea that organisations are deeply embedded in wider institutional environments suggests, that organisational practices are often either direct reflections of, or responses to, rules and structures built into their larger environments. In the early

1980s, a group of US-based sociologists, including academics such as Selznick, Meyer, Rowan, Scott, DiMaggio, Powell and Zucker, presented themselves as new institutionalists and began to formalise this new approach (Paauwe and Boselie, 2003). Organization and management must be understood as parts of the institutional system, they do not exist or operate independently, but reflect, reveal and reinforce cultural rules and accounts about the nature of rational economic behaviour in particular and social conduct in general. Organizing and managing are subject to the same process of institutional inertia and change as other formal structures and social practices, and abide by the same technical criteria, rationality, and normative criteria, legitimacy, as other elements of the system (Clark & Soulsby, 1999).

Depending on the institutional frame of a particular economy, a customized national business system evolves. Historically grown institutional traditions and systems of a society determine the nature of the firm, non-ownership mechanism of coordination, and work organisation (Giardini et al, 2005). According to Claus (2003) there are three macro-components that influence HR development in Europe: the international institutional context of the EU, the national cultures, and the national structure of each country. She claims that the broader societal context in which professional HRM practices emerge should be taken into account.

The second half of the 1980s brought significant changes in the Soviet Union, resulting in an obvious weakening of Soviet institutions. The development of personnel management in Estonia was fostered by social changes that took place at the end of 1980s.

The changes in society and the development of new local legislation paved the way for private entrepreneurship and foreign investment. The obvious changes towards a market economy have deepened since 1991, when independence was re-established in Estonia. This was the beginning of the transition process from centralized planned economy to a market economy with democratic institutions. The restructuring process in the Estonian economy had begun and most of people had to change their attitudes and behavioral patterns.

The present article deals with how the broader social and economic framework had a great impact on the character of personnel function in organisations. The different periods in the development of the personnel function influenced by institutional changes will also be considered.

1. The main periods in development of personnel/HR management

In order to fully understand the peculiarities of human resource management today, one should take a close look at the developments in this field since the Second World War in Estonia. To characterise the stages in its development, the authors rely on the periods proposed by Vanhala (1995). She identified five stages in Finnish personnel

management: the initiation phase, the pioneering phase, the self-criticism phase, the strategic HRM phase and the decentralization phase. In the present article the authors have adapted the suggested periods to Estonian conditions.

In the period between 1945 and 1991 three stages have been identified in the development of the personnel function in Estonia.

1.1. The development of the personnel function in Estonia until 1991

In the Soviet period normal development processes in many fields, including human resource management, were disturbed. The country's economy was characterized by a centralised command economy and an influx of Russian labour.

Until the Second World War Estonia has already experienced democracy and a market economy and enjoyed living standards comparable to other Scandinavian nations before its unlawful incorporation into the Soviet Union in 1940 (Zamascikov, 1987, 226). Although wages, income, housing and productivity in the Baltic republics were higher than in the other European republics of the SU (Gregory, 1987, 369), the Soviet occupation resulted in a significant decline in the standards of living (Misiunas & Taagepera, 1983, 39).

Economic life of Estonia was subjected to the dictation of the central power in Moscow. The institutions established before the Second World War during the times of the Estonian Republic were brought down and establishment of Soviet institutions was in full swing. The Soviet regime was successful in eliminating private enterprise, introducing state-oriented socioeconomic institutions, and having the population become accustomed to them. The very skills needed for private enterprise disappeared. What did not disappear was a dim sense of having lost something valuable. This sense was anchored in a Protestant work ethic that was much more deeply rooted than Lutheranism itself and was felt to be part of the besieged national culture (Taagepera, 1993, 108).

Instead of personnel management, the companies of that time were widely characterised by simple staffing which, on the one hand, had an administrative function and on the other hand served as a necessary means to achieve control over workers. By its nature, this was an administrative-ideological period, characteristic of the years between 1945 and 1960. The staff (cadre) departments existed in every organization. Besides administrative duties they were expected to perform certain ideological roles with employees (Tepp, 2007). The staffing function dealt solely with the issues of accounting and reporting, and the people responsible for this function were of the lowest qualification among other specialists and officials. Communist party membership was in most cases a precondition for a department manager's position.

The political “thaw” in the beginning of 1960s and a few economic reforms in the Soviet Union brought about changes also in the personnel function. By its nature the function remained administrative, but from the new economic needs, progress and innovation was also required within this function. Due to the fact what during the Soviet period the state was responsible for guaranteeing work for everyone, enterprises were internally overstaffed and passive, work places were over-secured (Liuhto, 1999, 16). Effective use of human resources was not the aim. The aim was to provide all people with jobs.

On a wider scale, the period could be characterised as an initiation phase, which lasted till the end of 1970s. The characteristic features included workers’ training and the development of the system of complementary training. By the end of the initiation phase, complementary training for managers had also reached the agenda of personnel development. Taylorist methods – the improvement of work operations, setting working norms, implementing a piecework system, etc – became widely used. In addition to the staffing function, companies embarked on the wide-scale social development of the enterprise – services for health care and leisure became common. Since the middle of 1970s, through the work of qualified industrial psychologists in the staff departments of some big enterprises – recent graduates of Tartu University – the first signs of a professional approach to personnel management emerged. There were some people both in academic and practical circles who had had closer contact with the ideas and practices in this field in neighbouring countries, for example Finland. The development ideas acquired from management consultants in Finland were already being implemented here and there at the end of 1970s

The end of 1970s and beginning of 1980s brought about the pioneering phase. The 1980s was greatly influenced by political developments in the whole world and similarly in the Soviet Union, which resulted in radical changes in both the economic and social life of the country. Estonia was at the forefront of reforms in the SU. Radical reforms in Estonia started in 1987–88 when a group of theoreticians and practitioners discussed the idea of economic autonomy for Estonia. The movement for autonomy gathered force in 1988 and developed into mass political movements in support of the restoration of independent statehood in all the Baltics (Taagepera, 1993).

The end of 1980s is characterised by the beginning of entrepreneurship and the first rudiments of a market economy. While the economy was opening up, management and personnel management practices underwent changes. New methods of recruitment and selection were implemented, opportunities for complementary training and motivation of employees became more diverse.

1.2. The emergence of personnel management

With the restoration of independence and the appearance of a market economy, the previous phase of the HR function smoothly changed to become the phase of personnel

management. Economic decentralisation and privatisation quickly led to economic restructuring and changes on the labour market.

The transition to a market economy was supported by the re-establishment of independence in August 1991, and a currency reform based on currency board principles (fixed by law to the German Mark) in June 1992.

During the transition, the resource-constrained and centrally planned economy had to become demand driven and market oriented. Outputs, which had formerly been mostly dependent on available resources, had to become demand-driven and controlled by consumption in foreign and domestic markets (Rajasalu, 1995, 8). One of the main aims of the transition to a market economy was the formation of a competitive business sector based on private property in order to replace the strong state regulation with a combination of a strong market and only absolutely necessary state regulation (Taaler, 1995, 10-11). There was no room for slack resources in enterprises any more. The transformation away from central planning increased endogenous activity substantially, as the transition has both forced employees to be more active and at the same time created more favourable conditions for employee self-realisation (Liuhto, 1999, 16).

The process of economic reform was radical and quick. According to Taaler (1995, 12), the government reduced its influence on economic and social life too quickly, and as a result the rate of economic liberalization was faster than the emergence of market competition. This was accompanied by the shock of losing markets to the East. The beginning of the 1990s saw a serious decline in the Estonian economy, which was accompanied by a decline in real income and growing income inequality (Rajasalu 1995, 17). This increased uncertainty about the future.

Small-scale privatisation began in Estonia in early 1991. In 1992, it was decided to implement the 'Treuhand' model for accelerating the process of large-scale privatisation and a special body, the Estonian Privatization Enterprise, was established (Kein & Tali, 1995, 143).

Arguably one of the most successful transitions from a socialist economy to a market economy took place in Estonia (Leimann et al., 2003). This liberal market approach in Estonia has emphasised the removal of trade barriers, the development of free trade agreements, the introduction of favourable fiscal and monetary policies and the creation of macroeconomic stability.

1.2.1. New labour legislation

Several essential principles in labour legislation, such as a citizen's right to choose his or her field of activity, profession and workplace, are in accordance with the Constitution of Republic. According to the Constitution, working conditions are under

state control and belonging to employee and employer associations and unions is free. Estonia has joined more than 30 ILO conventions, which means that their requirements are reflected in local labour legislation. The ILO conventions ratified in Estonia have had an influence, for example, on legislation and practice in the field of the social dialogue, equality, labour safety, etc.

At the beginning of the 1990s, new labour legislation was adopted to govern relationships between employers and employees at the individual and collective levels under the new conditions of the market economy.

The majority of the essential acts of law regulating labour relations were worked out and adopted over a ten-year period (1991–2001). One of the most essential and voluminous acts of law in the labour law package is the Employment Contracts Act adopted in 1992. Over the years, the Act has been supplemented and amended several times, as with other acts of law.

Several aspects of the Employment Contracts Acts are dealt with more comprehensively in the Wages Act (1994), the Individual Labour Dispute Resolution Act (1995), the Occupational Health and Safety Act (1999), the Working and Rest Time Act (2001), the Vacation Act (2001) and others.

The Collective Agreements Act (1993), Employee Representatives Act (1993), Collective Labour Dispute Resolution Act (1993) and Trade Unions Act (2000) deal with the employees' right of association, collective contractual relations and representation in their relations with employers.

The Health Insurance Act (1991), Social Protection of the Unemployed Act (2000), State Pension Insurance Act (2001), Unemployment Insurance Act (2001) and other related acts deal with social insurance issues.

In 2000, the government adopted the National Employment Action Plan following the European Employment Guidelines (Estonia). The priorities of the plan include the development of active labour market policies, support for micro-enterprises, reducing administrative burdens for business, developing vocational education more suited to business needs, integrating disadvantaged groups into the labour market and improving the administrative capacity of the public employment services. In addition, The Employment Service Act was passed to provide the legal framework for functioning employment services.

1.2.2. Employers

Changes in the legislative environment in the early 1990s encouraged the creation of new private enterprises by creating relatively simple conditions for establishing enterprises (Smallbone and Venesaar, 2003). The number of operating enterprises has increased year by year in Estonia. The most rapid changes took place at the

beginning of 1990s. In 1994-97, the number of enterprises grew slowly. In 2000, the number of operating enterprises reached 46 853 (Statistical Yearbook of Estonia, 2001). 84% of these were micro-enterprises with less than 10 employees.

Entrepreneurial organizations have grown in Estonia since the end of the 1980s. The Estonian Association of Small and Medium-Sized Businesses was established in 1988 for organizations employing less than 250 workers (Estonian Association of SME's, <http://www.evea.ee>).

The Estonian Chamber of Commerce and Industry (ECCI), which was originally founded in 1925, was re-established in 1989 in order to assist in creating a favourable business climate for the return to a market economy and to rekindle Estonia's traditional business relations with Europe and the rest of the world (Estonian Chamber of Commerce and Industry <http://www.koda.ee/>).

In 1992, Estonia rejoined the International Labour Organization (ILO). Becoming a member of this organisation meant that Estonia was obliged to acknowledge international labour laws, including the primary obligation of having to solve the core issues of social guarantees between the government, employers and employees via consultations and negotiations.

The Estonian Employers' Confederation is a non-profit, independent umbrella organisation with the objective of protecting the common interests of employers. It represents 32 branch organisations that employ 35% of private sector employees in Estonia (Estonian Employers' Confederation, <http://www.ettk.ee/en>).

1.2.3. Trade Unions

The right to form and join a trade union or employee association exists on the basis of the Estonian Constitution. Unions may freely join federations and affiliates internationally. The right to strike is legal and retribution against strikers is prohibited. Unions are independent of the government and political parties.

Compared to the Soviet period, membership of trade unions has decreased dramatically. Union density rate is approximately 15% (Eamets & Masso, 2004). According to a survey conducted by the International Network of Strategic Human Resource Management, CRANET, carried out in 27 countries, Estonia ranked last among other European countries according to the number of people involved in trade unions: in two thirds of the Estonian companies studied there were no trade union members at all (Alas, 2004).

Trade unions had to face challenges that dramatically affected their activities and membership: radical reform created a liberal market economy system, where the shift from state-controlled enterprise to privately driven entrepreneurship was caused

by the foundation of new private enterprises rather than by the privatisation of state enterprises. Only 7% of all private enterprises were created directly as a result of privatisation (Purju, 1998). In newly established enterprises, trade unions did not usually exist.

The central organisations of Estonian trade unions were established in the beginning of the 1990s. In order to enhance the legal environment for the social dialogue, the Trade Unions Act has been adopted.

In spite of the modest role performed by labour unions in Estonian enterprises, it is still possible to speak about 15 years of experience in social dialogue between labour unions, employers and the government. At the bipartite level, collective agreements have been concluded at branch level in the agro-food and road transport sectors. The direct collective bargaining coverage is around 29% (Eamets and Masso, 2004) what refers to very low level.

1.2.4. Developments in a personnel function

All these abovementioned factors accelerated the development of the personnel function. Compared with the staff administration during the Soviet period, the changes in the personnel management field were enormous. The disintegration and disappearance of existing organizations destroyed old staff departments, former personnel employees were mostly discharged and new labour laws were worked out. The majority of typical role models in business were destroyed as well (Tepp, 2007).

Following a period of rapid development of entrepreneurship and privatisation of public enterprises, Estonian companies emerged as relatively small. Due to this fact some companies did not create the position of personnel manager/specialist and the tasks of personnel/HR management are shared between the managing director and heads of other functions. In companies with less than approximately 50-60 employees, the tasks of the HR manager/specialist have been delegated to a person in another position (Alas, 1998).

Labour relations were characterised by weak trade unions, which had no influence whatsoever over the arrangement of labour relations. A large number of employees were made redundant in privatised companies.

The culture of personnel/HR management in this period has largely been influenced by the subsidiaries of large Western enterprises in Estonia. The practices of these companies have served as an example to a number of local enterprises while developing the function of human resources. Similarly, there has been rapid development of personnel managers and specialists. In Estonia, the first initiatives to interpret the new roles of HR and create an understanding of HR as a profession

came from training and consultancy firms (Tepp, 2007). Besides continuous further training, professionalism has been developed by obtaining practical experience – in this foreign companies have played a great role. The services of companies providing further training in management came to the market faster and in a more flexible way than the faculties of economics at universities and business and management schools were able to offer.

At the beginning of the 1990s, three entrepreneurial psychologists established the HRM Association PARE and started to provide basic one-year courses in HRM. In the second half of the nineties, the situation improved and several universities and business schools started to offer diploma and degree programs in HRM. From 2001, Estonian Business School in co-operation with PARE started the Executive MBA programme in HRM for HR managers in Estonian companies (Alas & Svetlik 2004). The second half of the 1990s was rich in changes that took place in organisations. The changes were brought about both by Western capital that started to pour into Estonia and Estonian entrepreneurs who began to invest in neighbouring countries. The reason why the role of personnel managers expanded, lay primarily in the fact that implementing organisational changes required the preparation of employees. Some prerequisites for successful changes include communicating, informing, motivating and involving the employees. Considering their preparation and responsibilities, personnel managers in several large organisations were the most obvious people to handle the abovementioned tasks and to advise other managers. However, this was by far not the typical characteristic of personnel management in all organisations in Estonia. Such a function primarily existed in larger organisations that employed competent HR managers, also recognised by top executives.

However, in the middle of the 1990s, there were but a few organisations in Estonia that viewed personnel managers as strategic partners to senior managers. Similarly, there were not many companies with senior managers that would have accepted personnel/HR managers as business partners. It has to be noted that personnel/HR management was not one of the highest priorities among the many fields that required development (Alas, 2001).

One of the researches of the last decade arrives at the conclusion that personnel/HR managers, as a rule, do not act as strategic partners to senior managers and senior managers, in their turn, are not quite able to put their finger on those objectives where the expertise of personnel/HR managers could prove invaluable (Kalda, 2001).

1.3. From personnel management towards human resource management

The Estonian economy has advanced immensely since the beginning of 2000, when the member states of the European Union decided to offer Estonia the opportunity to join in the EU in 2004. The main economic indicators of this particular period have been given in Table 1.

The period since accession to the European Union has given rise to rapid growth in the economy. In 2005 and 2006, the Estonian economy was characterised by annual GDP growth of more than 10%, the driving force behind this has been the development of the real estate sector and increasing private consumption.

Table 1. Some economic indicators in Estonia in 2000 and 2004 – 2006

Source: Statistical Office of Estonia

Economic indicator	2000	2004	2005	2006
Real growth of GDP (%)	10,8	8,1	10,5	11,4
Unemployment rate	13,6	9,7	7,9	5,9
Average monthly gross wages and salaries (EEK)	4907	7287	8073	9407
Consumer price index (%)	4,0	3,0	4,1	4,4
Mean annual population (thousands)	1370	1349	1346	1345
The number of operating enterprises	46853	60882	65362	71012

In 2006, the number of operating enterprises reached 71012. The share of government and local government owners has constantly decreased, while the share of foreign owners has increased (Statistical Yearbook of Estonia, 2007). The number of micro and small-sized (10-49 employees) enterprises forms 98% of the total number of enterprises. The proportion of large-scale enterprises (more than 250 employees) is only 0.25%.

From 1993 to 2006, the population in Estonia has decreased by 10% as a result of emigration and negative natural increase (Statistical Yearbook of Estonia, 2006). In the same time, by 2006, the number of employed had increased to 646,000. The primary sector (agriculture, hunting, forestry, fishing) constituted 5.3% of total employment. The secondary sector (mining, manufacturing, electricity, gas and water supply, construction) constituted 34% of total employment. The tertiary sector (wholesale and retail trade, services etc) accounted for 60.7% of total employment. The number of employed by field of operation grew the most in the field of hotels and restaurants and real estate. The employment rate among elderly (in the age group of 55 to 64) was one of the highest in the European Union, being 56% (Giaccone, 2007).

The free movement of people within the European Union has caused an outflow of labour from the construction, services, transport and other sectors. EU enlargement in 2004 differs from previous enlargements because the income gap between the accession and EU countries was greater. For example, the hourly salary was 8 times lower in Estonia than in the old EU countries and purchasing power was only

42% of the purchasing power in the EU-15 (Svetlik and Alas, 2006). Therefore, there is a risk of a brain drain for the new EU countries. In parallel, the formation of new jobs has decreased the unemployment to a critical level and the increase in wages has been too fast. These developments create a special context for human resource management within enterprises. It is necessary to guarantee a productivity growth in order to ensure sustainable development. On the other hand, the limited selection opportunities among the labour force create better conditions for the employees compared to employers in the labour market, whose bargaining position has been most favourable in the last 15 years. In addition, disproportions between higher education and vocational training, social sciences and technology manifest themselves to the detriment of the latter (Vanhala et al, 2006). The existence of labour has become the most important factor in securing future growth.

1.3.1. Personnel/HR function

In Estonia a shift from personnel management to human resource management most likely started at the turn of the century. The Estonian economy was on the increase, new institutions had been established and adapted to the requirements of the European Union.

The results of the second Cranet survey carried out in Estonia in 2004 showed that the field of human resource management witnessed a growth trend in its strategic nature (Estonian Cranet Report, 2004). The role of line managers within human resource management was growing. Companies invested greatly in training employees according to the needs of the business and in carefully selecting, recruiting and motivating managers and specialists.

Relying on the data from the research, the number of people employed in HR departments on average was a little less than one per 100 employees. This number is extremely low compared to the European context, where the number of employees in HR functions per 100 workers is 2,52 (Svetlik, 2006).

The beginning of the current decade in HR management is characterised by the active development of HR strategies and policy to support overall business strategies. The development of HR policies is not the just creation of specialists in this field – other employees in the organisation have also been included in this process (Alas, 2005).

Organisations and HR managers started to develop HR policies and strategies in order to support their strategic objectives. The number of organizations, where mission statements and strategies are defined and formulated in writing, has increased (Table 2). A notable shift has occurred in the definition of HR strategies, which testifies to the aspiration of organizations to integrate HR strategies into corporate strategies.

Table 2. Percentage of organizations with written strategies and mission statements

	2000	2004
Written corporate strategy	62%	67%
Written HR strategy	26%	47%
Written mission statement	62%	72%

On average, in the business sector every second organization had a written HR strategy in 2004 (Fig. 1).

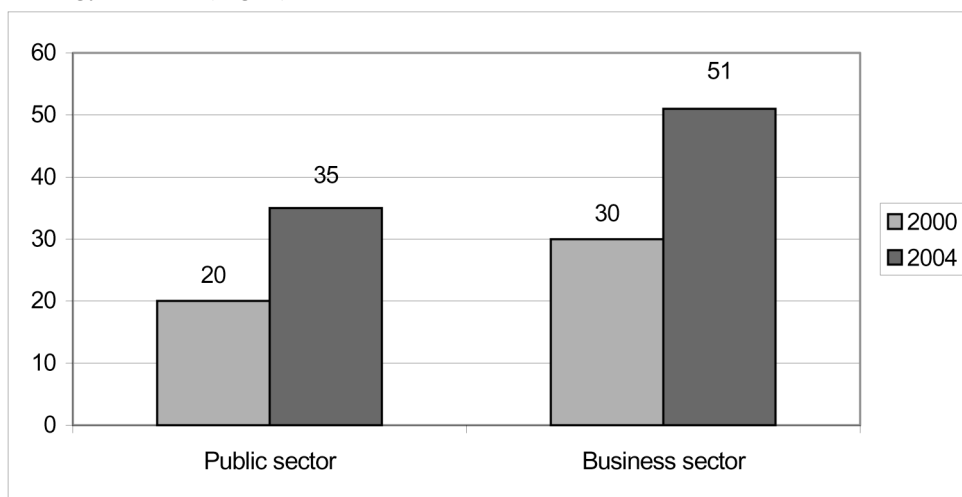


Figure 1. Existence of written HR strategies in business and public sector organizations (% of organizations)

This change is prompted by the business needs of organizations, which motivate the HRM function to design activities in the interests of the efficient implementation of corporate strategies.

Another characteristic is the movement of HR managers into the company management, thereby participating in and contributing to discussions. A slight shift has occurred in the involvement of HR managers on the management board of the organizations (Fig. 2). The involvement of a personnel manager in the management of a company signals the recognition of him/her as a business partner and adviser to top managers.

Survey results in 2004 demonstrate that 34% of HR managers in public sector organizations and 36% of HR managers in companies consider themselves part of the management board or the equivalent in the organization. In 2000, the involvement of HR managers in the general management of organizations was somewhat lower.

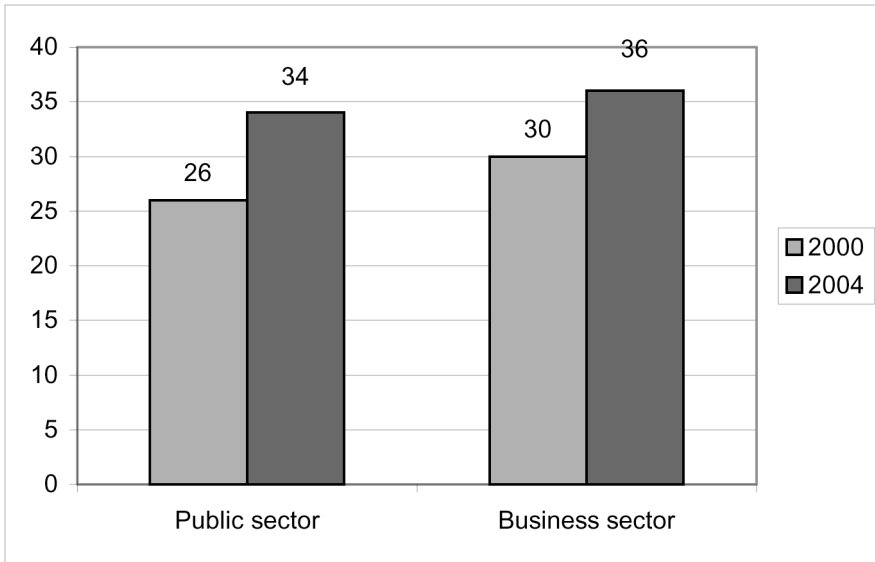


Figure 2. Involvement of HR managers on the management board (% of organizations)

Figure 3 demonstrates that no significant change has occurred in the beginning of the new decade in the involvement of HR managers in terms of organizational strategy.

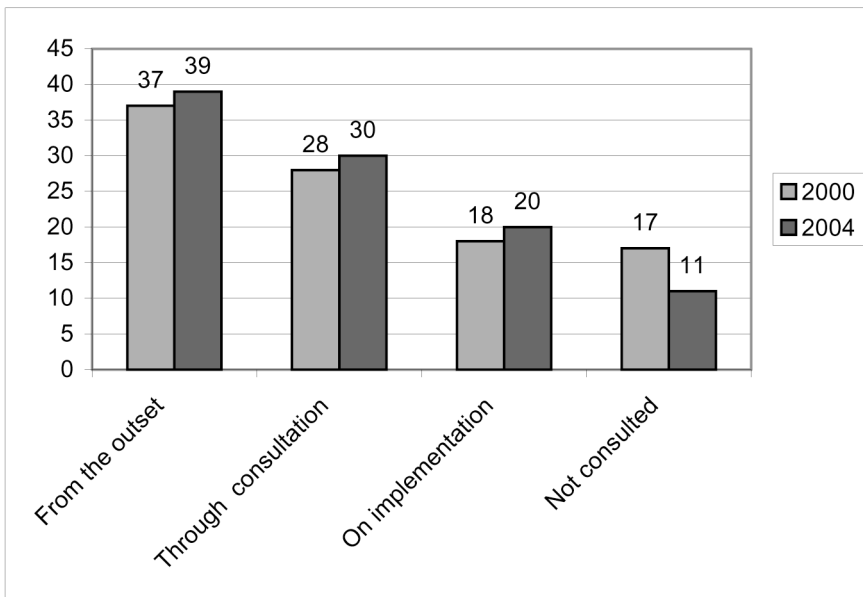


Figure 3. Involvement of HR managers in organizational strategy (% of organizations)

Nearly 40% of HR managers claim that they have been involved in organizational strategy issues from the outset.

The role of line managers in the HR decision-making process indicates the growth in this tendency. Rather than HR managers, the ones who implement HR strategies tend to be line managers (Alas, 2005).

The survey also studied the distribution of responsibility in making HR policy decisions. The results demonstrate where responsibility for different HRM aspects lies with line managers or with HR managers, and where they share the responsibilities (Table3).

Table 3. Main responsibility in making HR policy decisions in Estonian organizations with 200 or more employees (% of organizations, 2004)

Area of responsibility	Line managers	Line managers and HR department	HR department and line managers	HR department
Recruitment	7	47	42	4
Pay and benefits	27	47	22	4
Training and development	2	35	56	7
Labor relations	11	37	39	13
Workforce expansion or reduction	29	56	13	2

Data presented in Table 3 involves organizations with 200 or more employees for the reason that these organizations can be expected to have a HR department. Matters of pay and workforce expansion/reduction are issues where line managers have the first say and clearly carry the main responsibility. In principle, the distribution pattern of decision-making and responsibility between line managers and the HR function has changed little since 2000.

Conclusions

The changes in the institutional system have shaped the development of personnel/HR function in Estonian organisations in many ways and to a great extent. The importance of the human resource management function has greatly grown in the transition process due to the enormous changes in the society and around the organisations.

The position of HR managers in terms of business partnership has improved compared to the situation in the 1990s. There is a considerable step forward in formulating strategies, which is especially predominant in the growing number of organisations with a developed HR strategy. One may say that in both the private and public sector, the number of HR managers that have been included in the management of the organisation, has slightly increased but there is no significant change in the HR managers being included in the process of strategy development. HR functions are more than ever being filled by way of outsourcing, which sets limits on the growth in the number of people working in the HR department.

The essence and level of HR management is more or less similar in the private and public sector – the organisations in the public sector have caught up with the practices pursued by the private sector. Essential differences in the levels of HR management are larger between small and large enterprises rather than and between public and private organisations.

Relying on the description of the situation on the labour market, one of the most important issues in HR management today and in the future in Estonia is how to be attractive as an employer in order to find and retain people suited to business needs. The outflow of labour from certain sectors to countries offering better income and the resulting rapid growth in the levels of wages and salaries in Estonia are additional factors the human resource management practices have to cope with in Estonian organisations.

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5. HUMAN RESOURCE MANAGEMENT PRACTICES IN ESTONIAN PRIVATE ENTERPRISES

Tõnu Kaarelson and Ruth Alas

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Introduction

Human resource management has emerged as one of the most successfully developed functions in Estonian organisations in the end of 1990s and during the current decade.

Until the middle of the 1980s, the personnel function in organisations was irrelevant and primarily had an ideological and administrative character. With the restoration of independence in 1991 and the appearance of a market economy, the personnel function rapidly entered into the phase of personnel management. Economic decentralisation and privatisation quickly led to economic restructuring and changes on the labour market. Various and extensive direct foreign investment and the opening up of foreign markets provided a basis for economic and technological development. These factors also accelerated the development of the HR function. The personnel management function has consistently adopted the traits of human resource management. The role of HRM has increased noticeably in the last 3 years in connection with Estonia joining the European Union.

The aim of the present article is to provide some aspects characterizing HRM practices in Estonian private sector enterprises.

The economic background for HRM in Estonia

The Estonian economy has followed a path of successful development since regaining its independence. Arguably one of the most successful transitions from a socialist economy to a market economy took place in Estonia (Leimann et al., 2003). This liberal market approach in Estonia has emphasised the removal of trade barriers, the development of free trade agreements, the introduction of favourable fiscal and monetary policies and the creation of macroeconomic stability.

The economic growth has been remarkable since the beginning of 2000, when the member states of the European Union decided to offer Estonia the opportunity to join in the EU in 2004. The period since accession to the European Union has given rise to rapid growth in the economy. In 2005 and 2006, the Estonian economy was characterised by annual GDP growth of more than 10%, for instance 11,4% in 2006 (Statistical Yearbook of Estonia , 2007).

According to its overall Index of Economic Freedom, the Heritage Foundation ranked Estonia among the freest countries in the world – twelfth place in 2007 (The Heritage

Foundation). According to the IMD World Competitiveness Index Estonia was ranked in the 22th place in 2007 (IMD).

The number of operating enterprises has increased year by year. At that Estonia is a country where the number of micro (up to 9 employees) and small-sized (10-49 employees) enterprises forms 98% of the total number of companies. Such a large percentage of micro and small-sized enterprises has an effect on the overall human resource management situation.

The economic growth has had a great impact on the labour market. The free movement of people within the European Union has caused an outflow of labour from the construction, services, transport and other sectors, so the existence of labour has become the most important factor in securing future growth. The decrease in labour supply has caused a drop in the unemployment rate to the lowest level (5.9%) since the 1993 (Statistical Yearbook of Estonia , 2007). As a result, average wages have risen nearly by 20% in 2007. This has caused a higher consumer demand as well as rapid growth of inflation.

These developments create a special context for human resource management within enterprises. It is necessary to guarantee a productivity growth in order to ensure sustainable development. On the other hand, the limited selection opportunities among the labour force create better bargaining conditions for the employees compared to employers in the labour market.

Methodology and sample description

The survey provides an overview of the vision of managers in private sector companies in terms of personnel policies, recruitment practices and staff selection criteria, as well as wage policies and flexible work arrangements in their companies.

The method of data collection involved questionnaires and telephone interviews. The survey was carried out in 2007 by professional telephone interviewing centre. Processing of source data included analysis of general distributions and comparison of organisations based on different size of companies. In order to highlight specific character of organisations the comparison classified company managers according to branch of activity, size and duration of operation of their company.

The survey sample consisted of 301 companies selected from the official register of companies, which contains information about all active companies in the country. The non-proportional random sample of companies comprises companies from all economic sectors and size groups. One of the prerequisites for inclusion in the sample was that each specific enterprise had to have been economically active for at least three years.

According to their size, the companies included in the sample were distributed as follows: 80 companies with up to 9 employees, 86 companies with 10-49 employees, 85 companies with 50-250 employees and 50 companies with more than 250 employees.

As for branches of activity 22 of the 301 respondent private companies are involved in primary sector. 120 of all respondent companies represent secondary sector. The highest proportion of companies (159 companies) belongs to tertiary sector.

69 companies had been operating for 12-15 years, 60 companies for 9-12 years, 59 companies for 3-6 years and 40 companies for 6-9 years. 35 companies had been operating for 15-20 years and 38 companies over 20 years.

83 companies had significant international market coverage, 128 were focused on domestic market and 89 had their market area within the range of 50 km.

Target group consisted of company managers responsible for making decisions on management, development of organisational culture and personnel policy (promotion, recruitment, remuneration). 95 of respondents were owners and 206 salaried employees. 128 of respondents were general managers and 132 were personnel managers, the rest of respondents were in other positions.

Weighted average values have been used in later calculations so that the results can be extended to generally all private companies in Estonia.

Results

Personnel policy in companies

Personnel policy reflects principles and understandings of how personnel management is carried out in a company. Personnel policy is a tool for designing required human resource and determining basics of motivation and development. Personnel policy is a set of rules that concerns all employees. Respondents were given an opportunity to name the most important goals of personnel policy of their company without relevant list. Results are provided in Table 1.

On average, every sixth company has targeted personnel policy first and foremost at ensuring employee satisfaction. This main goal is more directly or indirectly supported by maintaining good employees and presence of motivated employees.

In primary sector employee satisfaction was considered more important than in secondary and tertiary sector. Stable working environment was considered the most important factor in the secondary sector. Both indicators showed statistically relevant sectoral differences.

Table 1. Major goals of company's personnel policy.

Goal	Respondents
Employee satisfaction	17%
Stable work environment	12%
Recruitment	7%
Achievement of company goals	7%
Presence of qualified labour	6%
Maintaining good employees	4%
Sustainability of the company	4%
Presence of motivated employees	3%
Competence of employees	1%
Development of employees and company	1%
Reduction of labour turnover	1%

Persons responsible for the personnel management

The responses of managers in companies with 50 and more employees with regard to person responsible for personnel management in their company reveal that in slightly more than in every fourth respondent company the issues related to personnel management are tackled by top manager. More than half of the respondents refer to personnel manager as the person mainly involved in personnel management and in every sixth surveyed company relevant duties are performed by a specialist, most probably personnel specialist.

Manager/owner of a company is generally responsible for recruitment procedure, staff accounting, training and other personnel issues in companies with less than 50 employees. This is confirmed by 79% of respondents. The distribution of responses gives a reason to believe that owner/manager sometimes has an assistant in personnel work. On average, 10% of companies of this size employ personnel manager.

Recruitment procedure and use of recruitment channels

Staff recruitment is a process, in the course of which employees with required competence are invited to apply for vacant positions (Türk, 2005). Recruitment is used for attracting applicants with suitable competence for working at relevant position. In order to attract suitable applicants, various recruitment channels are used.

In case of senior officials the most frequently used recruitment channels include acquaintances of the management of the company (always and mostly used by

58% of respondents) and acquaintances of current employees (always and mostly used by 52% of respondents). The abovementioned top two and the following less frequently used methods that companies use to find suitable applicants are shown in Figure 1.

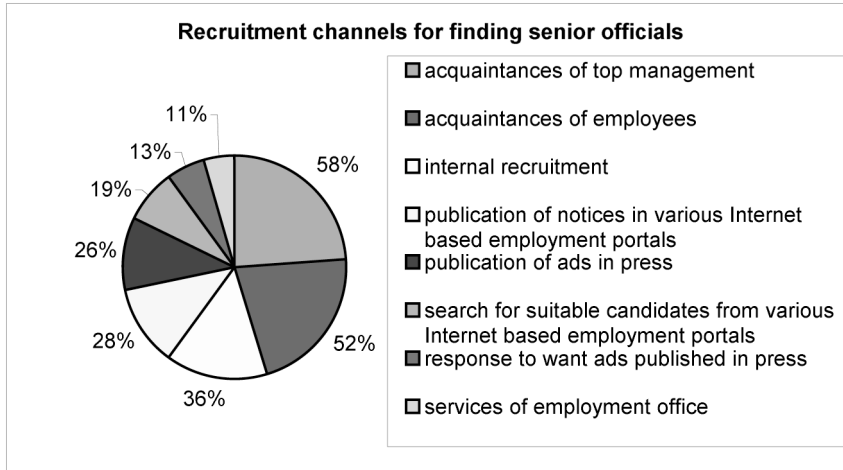


Figure 1. Recruitment channels always and mostly used for finding senior officials (companies %)

Other recruitment channels are not so widely used for finding new managers. The proportion of respondents remains always or mostly under 10%. For example, 8% of companies always or mostly use the services of employment agencies.

The use of recruitment channels for finding senior officials depends on the size of enterprise. Larger enterprises are more frequent users of the services of employment agencies, internal recruitment, responding to want ads published in press, TV and radio advertising, search from internet portals and acquaintances of employees.

The most widely used recruitment channels in case of specialists, workers and service staff also include using of the acquaintances of the management (always and mostly used by 74% of respondents) and acquaintances of current employees (always and mostly used by 72% of respondents). The abovementioned top two and the following less frequently used methods that companies use to find suitable applicants are shown in Figure 2.

The methods used for recruitment of specialists and other employees depends on enterprise size. Larger companies tend to use more internal recruitment, internal advertising, responding to ads published in press, services of employment agencies and employment office and publication of notices in press.

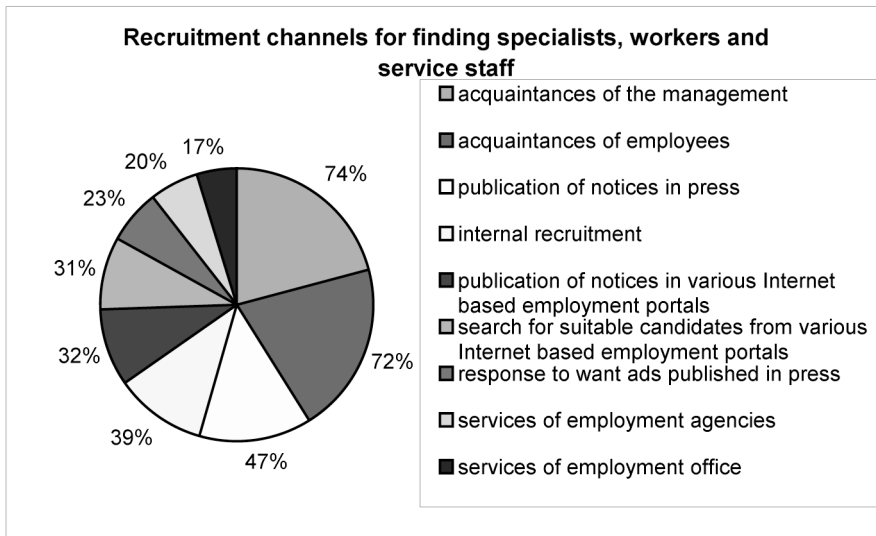


Figure 2. Recruitment channels always and mostly used for finding specialists (companies %)

Selection methods

Staff selection is used for choosing the most suitable person among the applicants for the position. Various methods are used to make that selection.

This present survey observes four selection methods used in companies. In case of selecting senior officials the following pre-set selection methods are used (Figure 3):

- trial period (always by 65% and mostly by 7% of respondents),
- job interview (always by 61% and mostly by 7% of respondents),
- background check (always by 39% and mostly by 18% of respondents),
- tests and test assignments (always by 24 % and mostly by 11% of respondents)

In case of selection of specialists the pre-set selection methods were used (Figure 4):

- trial period (always by 84% and mostly by 5% of respondents),
- job interview (always by 81% and mostly by 4% of respondents),
- background check (always by 54% and mostly by 15% of respondents),
- tests and test assignments (always by 38% and mostly by 10% of respondents).

The methods of staff selection provided in the survey are more actively used when hiring specialists than when hiring managers, but the importance ranking of the used methods is the same for both groups.

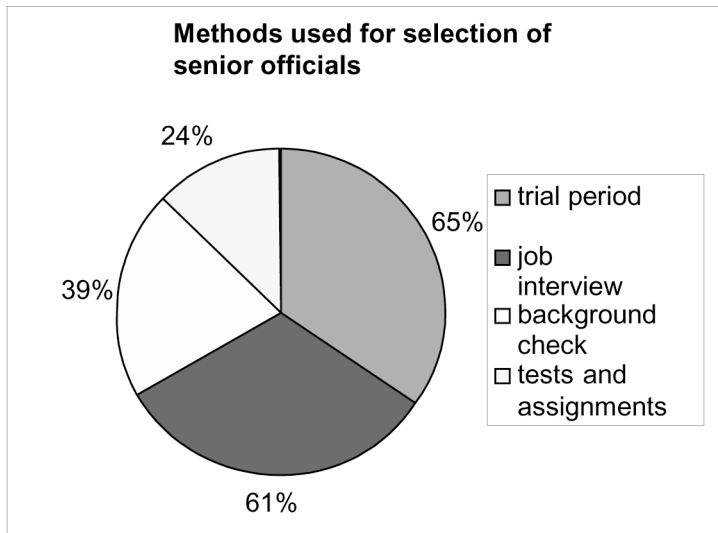


Figure 3. Methods always and mostly used for selection of senior officials (companies %).

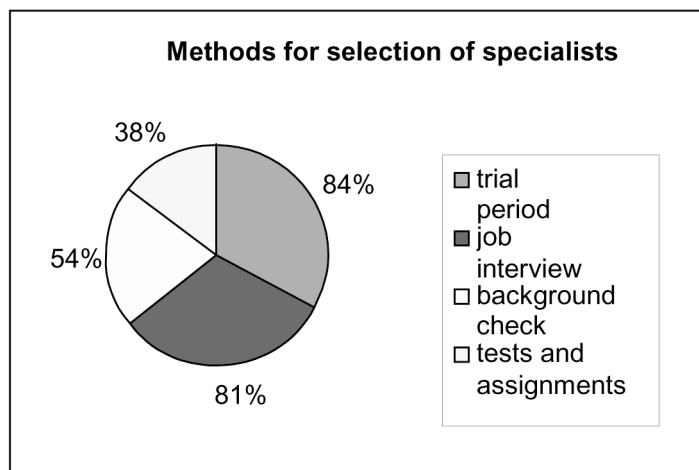


Figure 4. Methods always used for selection of specialists, workers and service staff (company %).

Generally, the job interview is carried out by the manager of the company. This is confirmed by 78% of respondents. The reason for that is multitude of small-sized companies in Estonia. 28% of companies use interviews carried out with several persons or panel interviews. The role of immediate superior and personnel manager is rather low in carrying out job interviews. As a rule there is no personnel manager in a company with low number of employees and the manager of the company is very likely to be the immediate superior of the new employee.

The picture is rather different in case of larger enterprise. As the number of employees goes up, the role of company manager decreases and the proportion of immediate supervisors, personnel managers and job interviews with multiple performers increases. For example the manager of the company carried out job interviews only in 20% of large enterprises. Personnel managers and immediate superiors conduct interviews in every second large company and panel interviews are practiced in 60% of large enterprises.

As the number of employees goes up, the role of company manager in selection process decreases and the role of other employees, primarily the role of immediate superior and personnel manager, starts to have greater effect.

Selection criteria for recruitment procedure

In this survey the issue of selection criteria reflects mostly the qualities and features required from the applicants when hiring new employees. In addition to that such aspects as ethnic origin, sex, age, and status of health were mentioned, which as a rule cannot be considered as selection criteria when hiring new employees. There are certain exceptions to be considered in case of age and particularly, in case of the status of health, which may play significant role in certain occupations and branches of activity.

Selection criteria for recruitment are assessed according to information provided in Table 2.

Personal characteristics, work experience and technical skills were the highest-ranking criteria in recruitment process. Meanwhile sex, age and ethnic origin are the least considered in making recruitment decisions, but there is still number of companies where these factors are considered either important or very important. It is more likely that decisions made on basis of these factors indicate cases of discrimination.

In terms of branches of activity significant differences were reported in using various selection criteria. In addition to personal characteristics, work experience, technical skills and education, respondents considered the status of health as an important selection criterion. This was pointed out the most in fishing, mining and quarrying companies and in companies operating in the branch of electricity, gas and water supply. This is certainly justified due to the nature of work and various specific requirements for the employees

Table 2. Selection criteria that have impact on recruitment

Selection criteria	Weighted average (1-very important)	Standard deviation	Very important + important	Not very important + of no importance at all
State of health	2,04	,73	81	19
Work experience	1,89	,74	85	14
Technical skills	1,92	,74	83	17
Ethnic origin	3,74	,59	7	92
Communication skills	2,20	,79	68	32
Personal characteristics such as cooperation ability, desire to work, stress tolerance	1,80	,62	92	8
Education and qualification, including certificates and licences, language skills, specialist knowledge	2,03	,83	80	19
Management skills	2,61	,93	56	42
Sex	3,33	,97	22	78
Physical abilities	2,52	,97	55	44
Age	3,27	,76	18	81
Results of background research, including recommendations of previous employers	2,24	,76	72	27
Existence of driving licence	2,62	1,04	49	51

Organisation of work

Organisation of work is an area in the operation of a company, which reflects the variety of opportunities for employees to reconcile their professional and personal life. One unambiguous indicator is whether employees can complete their work assignments within established working hours.

45% of companies apply standard working time and there is generally no need for working overtime. The situation of employees in large enterprises is worse than that in smaller enterprises. 46% of micro-sized enterprises considered overtime unnecessary, while only 30% of managers of large enterprises shared their opinion.

39% of respondents need to work longer hours from time to time. Once again, longer working days seem to be a problem in larger companies.

6% of companies frequently need to work at weekends, 3% of companies consider overtime daily routine and 8% of companies admit the frequent need for working overtime and at weekends.

The results have statistically relevant differences by branches of activity. According to responses overtime is less common in mining and quarrying and in construction. Overtime is most common in financial intermediation and electricity, gas and water supply.

Respondents receive compensation for overtime. Overtime is usually compensated by means of:

- additional remuneration (44%),
- as requested by employee (36%),
- time in lieu (25%),

8% of companies do not provide compensation for working overtime.

Flexible work organisation

In work arrangements, more importance is being given to flexible working time and methods for arranging working time which, on the one hand, correspond to the companies' interests in achieving greater flexibility and competitiveness, and, on the other hand, to the employees' expectations regarding security and achieving a balance between work and leisure time (Dewettinck et al, 2006, Mrčela and Ignjatovič, 2006).

Flexibility opportunities in a company depend on the size of the enterprise (Table 3). In Estonia there are companies, where all employees are able to arrange flexible work to some extent, according to the weighted average values of the survey results the proportion of such companies is 44%.

Table 3. Opportunities of employees to determine flexible working time (companies %)

Company size	All employees	Top managers	Middle-management	First-level manager	Nobody
1...9 employees	54	35	20	13	13
10...49 employees	21	50	31	20	23
50...249 employees	14	53	29	14	33
250 and more employees	4	52	28	10	42

Micro-sized enterprises have rather great impact on determining such proportion. All employees have opportunities for flexible work organisation in more than half of micro-sized enterprises, while only a few large enterprises can afford it. The freedom of top managers to determine their work organisation is more wide-spread among the middle-

management and first-level managers. According to the information gained from this survey the average opportunity to determine flexible work time in Estonia is provided to top managers in 40% of companies, middle-management in 24% of companies and first-level managers in 15% of companies. Top managers of larger enterprises find it easier to plan their work organisation than relevant managers in smaller enterprises. The first-level managers have the fewest opportunities of making flexible changes to their work organisation notwithstanding the size of enterprise.

16% of companies are in a situation where none of the employees have the opportunity to determine their flexible work time. The opportunities to make work organisation more flexible are reduced as the size of company increases.

Increasing the flexibility of work arrangements depends largely on the employers' attitudes and on the expectations and needs of an employee. The factors that can impede the implementation of flexible work arrangements are mainly connected with the nature of work itself. In some cases, it is also the applicable Employment Contracts Act that for instance limits the possibilities for concluding fixed-term contracts.

Strongly in favour of flexibility of working time and tasks are 38% of the respondents, rather in favour are 50% of the respondents. On the average, nine out of ten company managers are in favour of providing flexible working arrangements for their employees (Figure 5).

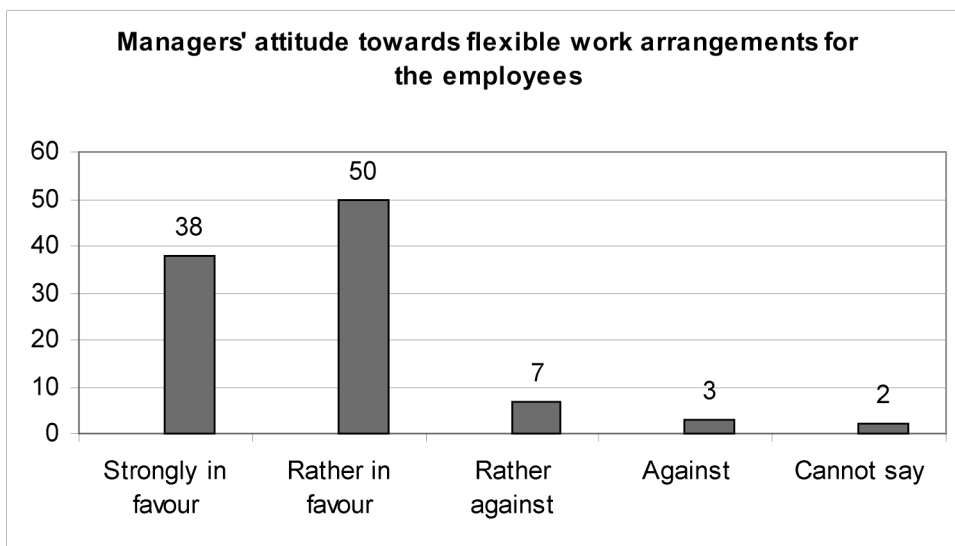


Figure 5. Managers' attitude towards flexible working arrangements (companies %)

As much as 10% of the respondents were against flexible work arrangements. The managers expressing strong support for flexibility of work arrangements tend to be the managers of micro- and small-sized enterprises. As the number of employees in

the company grows, the number of flexible work arrangements supporters decreases. Nevertheless, as far as this question is concerned, the managers of the large enterprises show rather positive attitude.

Organisation of pay

Job descriptions and workplace assessments make the work and pay arrangement of a company more organised. These activities allow more specific description of work assignments related with particular position, complexity of assignments, required level of responsibility, and qualification requirements. All in all they provide objective basis for wage level of particular position irrespective of the person in one or another position.

According to the survey job descriptions are used in Estonia by 60% of companies, whereas 38% of companies are not involved in this issue. Job descriptions are primarily characteristic of large enterprises. Relevant proportion of respondents is 88% in case of large enterprises and 56% in case of micro-sized enterprises. Relevant indicator of medium and small-sized enterprises remains between those two figures.

Workplace assessment has been used by 31% of companies. It is practicable method in 70% of large enterprises. The number of companies using workplace assessment declines in proportion with reduction of the size of enterprise, this method is used by 26% of respondents in case of micro-sized enterprises.

In 51% of companies wages are individual and determined as a result of negotiations. The size of enterprise has relatively low impact on individual nature of determining wages. The individuality of wages is somewhat less common in larger companies. Wage scale has been established in 29% of companies. On average, wage scale exists in every three out of four large enterprises, but wages are still determined on the basis of individual agreements in 44% of large enterprises.

Wages determined by collective agreement are present and applicable only in 4% of organisations.

Performance pay is paid in 48% of companies; the proportion of companies applying performance pay is higher among large enterprises.

Work satisfaction surveys

Satisfaction surveys are great means for examining the opinions and attitudes of employees, particularly in large enterprises. In small companies, particularly in micro-sized enterprises, managers are able to gain relevant information also by means of daily communication and personal observations.

Work satisfaction survey is performed once a year in 55% of companies. Satisfaction surveys have never been performed in 35% of companies. 6% of companies performed satisfaction surveys on regular basis once in two years and 4% of companies less frequently than once in two years.

Frequency of satisfaction surveys depends on the size of enterprise. In 82% of companies with more than 250 employees satisfaction surveys are carried out either once a year or once in two years. Only 4% of companies with that ranking have never performed such surveys. 40% of micro-sized enterprises had not performed such analysis.

Managers were asked about their awareness of employee satisfaction in different areas (Figure 6). Managers consider themselves well informed about the circumstances related with their subordinates. They are well or very well informed with the following issues:

- overall employee satisfaction – 95% of companies
- issues related to conflicts of employee and solving thereof – 92% of companies
- circumstances that prevent employees from participating in training courses – 88% of companies
- cases of mental or physical violence at place of work – 82% of companies
- cases of sexual harassment – 71% of companies

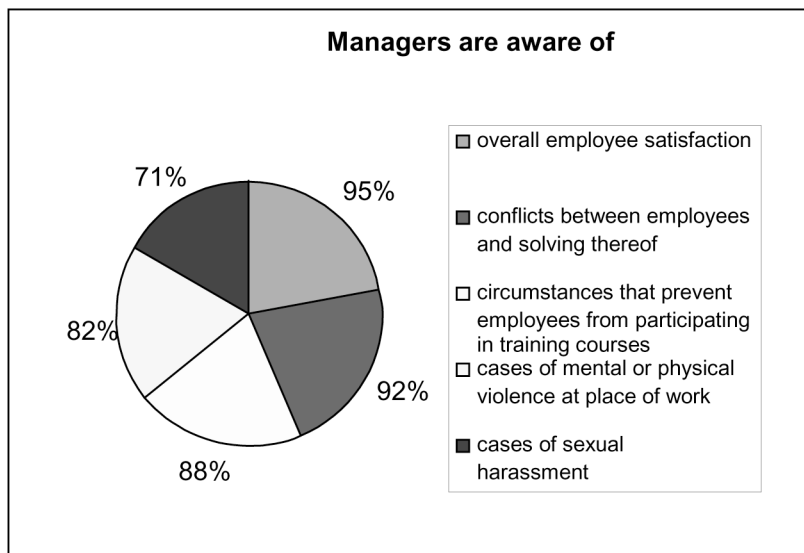


Figure 6. Managers' awareness (very well and well) of employee satisfaction by spheres of satisfaction (companies %).

The results show that extensive failure to carry out satisfaction surveys in smaller enterprises does not block good or very good awareness of employee satisfaction.

Conclusions and discussion

According to the representatives of companies the most important task in personnel management is ensuring employee satisfaction, which is characterises 17% of companies. No significant differences are observed with regard to the size of enterprise – it is evenly important goal in all size groups, although every fourth respondent among medium-sized enterprises considered employee satisfaction as a priority. The next substantial task is to create stable working environment. Sector-specific differences were found in both cases. In primary sector employee satisfaction was considered more important than in secondary and tertiary sectors. Stable working environment was deemed most important in secondary sector.

Staff selection methods are employed more frequently in hiring specialists than in hiring managers, but the priorities of use are the same in both groups. Central figure in conducting job interview is company manager.

In terms of selection methods used for hiring new employees, this present survey may be compared with information gained from CRANET research in Estonia. Basic selection method in suitability assessment was one-to-one interview. It was used in almost all selection situations. Applicants' CVs provided materials source of information in selection-making process. More than a half of organisations used them in all selection situations. The third most common method was request for references or, in the context of given survey, background check of applicants.

Selection criteria indicate that finding new employees is primarily based on indicators that express their competence and personal characteristics. Sex and ethnic origin of applicants is clearly at the bottom of the list. At the same time, there are significant differences between male- and women-dominated companies. Sex, physical abilities, technical skills and existence of driving licence have more weight in male-dominated than in female-dominated companies.

Opportunities of flexible working time depend much on the size of enterprise. Only a few large enterprises offer opportunities of flexible working time to all of their employees, while on average almost every second micro-sized enterprise can afford it. As for managers, top managers are in better situation than in middle-management or first-level managers.

It is interesting to observe the results of survey on flexible work organisation in Estonian organisations carried out in 2004 (Table 4). The research was carried out based on the questionnaire of international network on comparative human resource management CRANET. Research comprises approximately 40 countries, mainly in Europe, but also elsewhere around the world. The survey concluded in Estonia in 2004 included 118 respondents. 83 or 70 % of them represented companies and 35 or 30 % represented public sector organisations. Sample consisted of 11 organisations with less than 50 employees, 51 organisations with 50 to 199 employees and 56 organisations with over 200 employees. Information was collected from personnel

managers of organisations in most branches of economy. Survey did not include organisations with 1 to 9 employees.

Results shown in the Table 4 provide an overview of the proportion of organisations where – according to personnel managers – flexible work organisation is used.

Table 4. Flexible work in Estonian organisations in 2004 (organisations %)

Form of flexible work	Total sample	Business sector	Public sector
Teleworking	26	26	26
Fixed-term employment	87	85	91
Flexible work time	50	50	51
Overtime	80	90	57
Part-time work	69	74	56
Work at weekends	67	73	54
Shared position	29	23	43
Home work	19	15	26
Temporary, occasional work	66	76	44
Shift work	73	86	43
Work based on annualised hours	8	8	9
Compressed working week	9	12	3

Source: *Cranet report on Estonia 2004, EBS*

The proportion of teleworking is rather modest – it is on average used only in every fourth organisation. According to this survey the proportion of employees using this opportunity is up to 5 % of the staff of companies that use teleworking. Other studies suggest that the proportion of employees using teleworking in Estonia was 5.4 % (Anspal and Karu, 2007).

Estonian Labour Force Survey of 2004 revealed that only as little as almost tenth, or 12.5 % of the employees in Estonia are engaged in flexible (flexible starting and finishing times of a working day) working time arrangements (Naelapea, 2007).

Job descriptions and assessments are recognised elements of work organisation in some companies. But this is first and foremost the practice of larger companies. On average, job descriptions are used in 60 % of companies, the proportion of companies using workplace assessment in terms of percentage points is half that amount. Companies that use such practice have created certain prerequisites for organisation of wage system, in which case wage levels depend primarily on the requirements for particular position. Despite the presence of job descriptions and workplace

assessment practice, on average 50 % of companies are very individual in determining wages.

This practice is characteristic of Estonian enterprises, as confirmed by the results of CRANET research carried out in 2000 and 2004. The reason for that is weak influence of trade unions and lacking implementation of properly functioning remuneration systems on corporate level. In many organisations, the negotiations between employer and employee are based more on employer's perception of the values of new employee than on wage scale.

95% of companies are allegedly very well or well informed of employee satisfaction. The larger the company, the greater the experience of performing satisfaction surveys. 35% of companies have never performed satisfaction surveys, because the managers of micro- and small-sized enterprises can identify employee satisfaction by other means.

In terms of size there is very high proportion of micro- and small-sized enterprises in Estonia. According to the statistics of 2006 such enterprises constitute 98% of total number of companies. It is important to know and take into account the fact that in companies of that size the personnel management tasks are usually the liability of company manager. Pursuant to this survey the personnel management is the duty of company manager in 85% of companies with up to 49 employees.

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**6. HUMAN RESOURCE MANAGEMENT
IN CULTURAL CONTEXT:
EMPIRICAL STUDY OF 11 COUNTRIES**

Ruth Alas, Tõnu Kaarelson and Katrin Niglas

Alas, R., Kaarelson, T., Niglas, K. 2008. Human resource management in cultural context: empirical study of 11 countries, *EBS Review* No 24 (1): 50-62

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Abstract

This paper attempts to explore how human resource management practices in different countries and regions have been influenced by cultural peculiarities. The current article is based on data from the Strategic International Human Resource Management Survey (Cranet) and the GLOBE study. Results indicate connections between human resource practices and cultural dimensions. More advanced human resource practices are more common to countries with higher institutional collectivism, gender egalitarianism, humane orientation, future orientation and uncertainty avoidance, which are considered as enabling factors for improving the HRM practices. Cultural practices such as assertiveness, power distance and in-group collectivism appeared to play the role of disabling factors in regard to selected HRM practices. The model for human resource practices in the cultural context has been developed on the basis of the empirical results of the study.

Keywords: human resource management practices, cultural dimensions, cultural practices, Cranet survey, GLOBE survey

INTRODUCTION

The idea that approaches to management and related practices in organisations are culture-bound is widespread and broadly discussed (Hofstede, 1980, 1993; Trompenaars, 1993).

Firms operate in their local environment, which includes specific economic, social and cultural contexts (Moattar-Husseini and O'Brien, 2004). The increasing internationalization and globalization of business makes it more pressing than ever to understand how to establish HRM procedures that can deal with considerable cultural and national differences. Underlying all of this is the question of which elements of HRM are or are not culture-sensitive (Easterby-Smith et al, 1995).

This paper attempts to explore how cultural practices in society are connected to human resource management practices in organizations. The research question therefore is, how are cultural practices connected with the 4 selected groups of HRM practices important for organisations. The article is based on data from the Cranfield Network of surveys on Comparative Human Resource Management (Cranet) (Brewster et al., 2004) and the GLOBE study (House et al., 2004). The paper starts with the theoretical framework for this study – connecting human

resource practices with culture. This is followed by an analysis of the empirical results of the Cranet survey and the GLOBE study. Based on this analysis, the model of human resource management practices in the cultural context has been developed.

THE RESEARCH FRAMEWORK

Cultural context

Culture represents the culmination of a range of historical experiences that have shaped an existing pattern (Forbes and Wield, 2002). The deepest level of culture is values (McEwan, 2001). Values are broad feelings present in most members of a culture often unconscious and not discussible (Pucik et al., 1993: 141). Rokeach (1973) defines an individual value system as an enduring organisation of beliefs concerning preferable modes of conduct or end-states of existence along a continuum of relative importance. There is no universally agreed-upon definition among social scientists for the term culture. For the GLOBE Project, which has been considered one of the most comprehensive studies on national cultures, culture is defined as the shared motives, values, beliefs, identities and interpretations or meanings for significant events that result from the common experience of the members of collectives that are transmitted across generations (House and Javidan, 2004: 15). The simplest expressions of societal culture consist of commonly experienced languages, ideological belief systems (including religion and political belief systems), ethnic heritage and history.

Culture matters because it is a powerful, latent, and often unconscious set of forces that determine both our individual and collective behaviour, perception, thought patterns and values. Globalization opens up many opportunities for business, but it also creates many challenges. One of the most important challenges is to acknowledge and appreciate cultural values, practices and subtleties in different parts of the world. All experts in international business agree that to succeed in global business, managers need the flexibility to respond positively and effectively to practices and values that may be drastically different from what they are accustomed to (House et al., 2004).

The GLOBE Project has studied diverse dimensions of societal and organizational cultures. To address this issue, 735 questionnaire items have been developed on the basis of prior literature and the theories of the GLOBE Project. Responses to these questions by middle managers in two pilot studies were analyzed using conventional psychometric procedures. These analyses resulted in the identification of nine major attributes of culture (House and Javidan, 2004: 11):

- *Institutional Collectivism*, or Collectivism I, is the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.

- *Gender Egalitarianism* is the degree to which an organization or a society minimizes gender role differences while promoting gender equality.
- *Future Orientation* is the degree to which individuals in organizations or societies engage in future-oriented behaviours such as planning, investing in the future and delaying individual or collective gratification.
- *Performance Orientation* is the degree to which an organization or society encourages and rewards group members for performance improvement and excellence.
- *Humane Orientation* is the degree to which an organization or society encourages and rewards individuals for being fair, altruistic, generous, caring and kind to others.
- *Uncertainty Avoidance* is the extent to which members of an organization or society strive to avoid uncertainty by relying on established social norms, rituals, and bureaucratic practices. People in high uncertainty avoidance cultures actively seek to decrease the probability of unpredictable future events that could adversely affect the operation of an organization or society and remedy the success of such adverse effects.
- *Power Distance* is the degree to which members of an organization or society expect and agree that power should be stratified and concentrated at higher levels of an organization or government.
- *Assertiveness* is the degree to which individuals in organizations or societies are assertive, confrontational and aggressive in social relationships.
- *In-Group Collectivism*, or Collectivism II, is the degree to which individuals express pride, loyalty and cohesiveness in their organizations or families.

Human resource management practices

The research question in the present article deals with the relationships between cultural practices in society and HRM practices in organisations. Therefore, in the authors' opinion, relevant HRM areas having great importance in organisations have been pointed out. There are certain aspects particularly emphasized in the literature concerning human resource management. One aspect considered to be crucial to HRM is the strategic orientation of all activities in organisations related to human resources (Jackson, 2004; Mayrhofer and Larsen 2006; Sheehan, 2005). The basic assumption is that human resource management practices should support the achievement of business goals. This link between HRM practices and business effectiveness has been emphasized since the concept of human resource management was introduced. Schuler and Jackson (2005) claim that effective human resource management requires an understanding of and integration with an organization's strategic objectives.

The resulting question, after having established a link between business strategies and human resource management practices, is how to implement these practices. There are several options. The HRM department could centralize all the decisions

in the HR field or delegate some of responsibilities related to HR management, such as selection and recruitment of employees, making decisions about compensation and training issues, etc to the line managers. The role of line managers in the implementing process has been widely discussed (Larsen and Brewster, 2003; Valverde et al., 2006). Line managers are responsible for the operational output, therefore, they are supposed to perform HR activities by using human resource practices (Nehles et al., 2006). This is the devolution process – giving more authority to line managers in organisations (Mesner Andolšek and Štebe, 2006; Larsen and Brewster, 2003). There is evidence available to suggest that the human resource function in organisations could be outsourced either completely or partly (Mayrhofer and Larsen, 2006) and HR departments are getting smaller. This is a complementary factor increasing the line managers' responsibilities at the expense of HRM professionals.

Issues to do with the diversity of the workforce are becoming increasingly important in HRM (Mayrhofer and Larsen, 2006; Choy, 2007). The issues at the societal level specifically relate to the changing nature of the workforce. Increasing numbers of women are entering the labour market, ethnic minorities will be forming an increasing part of the workforce and the working population is aging (Linehan and Hanappi-Egger, 2006). The relevance of diversity management programmes has grown due to EU enlargement and globalisation in economic relations. This is an extremely challenging area in HRM in order to enhance human capital capacities for better performance in organisations.

There are noticeable changes in industrial relations towards more employee-oriented relations or employment relations (Mayrhofer and Larsen, 2006). The question here is how to find room for the coexistence of HRM and industrial relations practices (Abbot, 2007). This is crucial for finding a reasonable balance between the practices of collective bargaining and concrete employee centred employment relations. HRM ideology stands for unitary values and practices in employment relations (Geare et al, 2006).

In order to conduct the present study, four relevant aspects reflecting HRM practices were highlighted. Strategic orientation and HRM devolution processes show how HRM activities are integrated into business processes in organisations. Diversity management issues refer to the better use of human capital in society and organisations. Industrial relations is about how the management-employee relationship affects organisations.

Human resource management practices and culture

Inherent to different countries and nations, cultural values and attitudes influence HRM practices in organisations (Tayeb, 2005; Sparrow and Wu, 1998). National culture is deeply entrenched in everyday life and is relatively resistant to change. As

such, these deeply entrenched values that people hold will subconsciously affect how they structure and carry out management practices (Chew and Sharma, 2005). Sparrow and Hiltrop (1994) noted that differences between societies can be explained by cultural factors (a form of cultural reductionism), and must be modified to consider interactions between cultural norms, legal institutions and underlying economic factors. Therefore, differences in approaches to HRM would most likely be the result of the interconnection between the culture and structure of a particular society (Claus, 2003).

In the context of human resource management practices one can find convergent and divergent areas. The changes exemplified by Europeanisation have brought about opportunities for re-evaluating human resource management in a broader, regional rather than national context. Several authors (Brewster and Tyson, 1991; Brewster et al., 1993) claim that even though countries within Europe can be rather distinct in their approach to the management of their human resources, one can distinguish three different models: the Latin Model, the Northern European/Nordic Model and the Anglo-Irish Model of HRM (Nikandrou et al, 2005).

Ignjatovic and Svetlik (2002) have focused on the similarities and differences between European countries in regard to HRM. Using 51 indicators taken from Cranet data, they grouped 24 European countries into four distinctive clusters each with different HRM strategies and practices and positioning of HRM within the organization. They also identified four different HRM models: the Central Southern cluster with its management supportive model, the Eastern cluster with its management focused model, the Nordic cluster with its employee focused model, and the Western cluster with its professional model.

Papalexandris and Panayotopoulou (2004) attempted to interpret the HRM practices studied through the CRANET research in the light of general tendencies within societal culture as revealed by the GLOBE study. The results of their study supported the notion that HRM is culturally bound and show certain cultural dimensions that are correlated to specific HRM practices. This study contributes to a better explanation of HRM in an international environment. On a practical basis, the present findings could serve as a guide in transferring HRM policies within the MNCs, as they provide an indication of the most culture-sensitive practices and the way they relate to the characteristics of societal culture (ibid.).

In the present study, the most recent CRANET survey data from 2003/2005 are used and the research question and the tools used in data processing are different in comparison with the previous research.

EMPIRICAL STUDIES

Methodology

One of the surveys that has contributed the most to the study of human resource management in different countries using the same questionnaire is the Strategic International Human Resource Management Survey initiated by Chris Brewster and coordinated by Cranfield University (Tregaskis et al., 2004). Independent country-based research teams performed the surveys in each country from 2003 to 2005. In the current article only organisations with more than 200 employees are included from 11 European countries.

The primary method for gathering data was via a questionnaire (Cranet Questionnaire), which was translated from English into the local-languages and retranslated to English in order to be sure that the translation was accurate. The questionnaire was completed by the human resource managers in organisations. The data were collected from 3011 organisations in 11 countries.

The data about cultural dimensions listed in Appendix 1 is taken from the Globe study (House et al., 2004; Alas, 2006; Papalexandris, 2006). The cultural practices were measured using responses from middle managers to questionnaire items concerning “What Is,” or “What Are,” common behaviours, institutional practices, proscriptions, and prescriptions. A 7-point scale was used, where ‘1’ indicated ‘strongly disagree’ and ‘7’ ‘strongly agree’.

The authors of the current paper conducted both studies in one country: Estonia. In order to group the variables, a principal component analysis and exploratory factor analysis using varimax rotation were completed. To group countries hierarchically as well, a k-means cluster analysis was also undertaken.

Subscales for human resource management practices

In order to reduce the number of variables and obtain more reliable indicators, a principal component analysis followed by an exploratory factor analysis using varimax rotation was completed for the variables describing different aspects of human resource practices. Some of the original variables were excluded from the analysis due to a bad fit with the resulting factor model. In the final model, 4 factors explain 55,7% of the total variance of the initial variables (Table 1). The subscales for each factor were computed with the aid of a regression algorithm built into the factor analysis tool in the SPSS software. The internal reliability of our four subscales was confirmed by the theoretical fit and also by the fact that the factor loadings of every initial variable were very high for one factor and a relatively high proportion of the initial variance is described by the model.

Table 1. Factors of human resource management practices

Components	Factors			
	1	2	3	4
Responsibility for recruitment and selection	,772			
Responsibility for pay and benefits	,771			
Responsibility for training and development	,746			
Responsibility for workforce expansion/reduction	,730			
Responsibility for industrial relations	,724			
Disabled - action programmes		,788		
Ethnic minority - action programmes		,744		
Women - action programmes		,727		
Older workers - action programmes		,718		
Business strategy			,739	
Mission statement			,703	
Personnel/HRM strategy			,689	
Corporate values statement			,688	
Proportion of employees who are members of a trade union				-,783
Member of an employers' association				,705

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization. The rotation converged in 4 iterations.

The first factor, where the following items have the highest factor loading: Line management responsibility for recruitment and selection, for pay and benefits, for training and development, for workforce expansion/reduction and for industrial relations can be referred to as the devolution factor (F1-D). Organizations ranking highly in this factor have given a lot of responsibility for personnel issues to their line managers.

The second factor could be called workforce diversity factor (F2-WD). The organizations ranking highly in this factor have developed special action programmes for disabled people, minority ethnic groups, women and older people.

The third factor with the highest factor loadings on items about the existence of business strategy, the mission statement, values and HRM strategy can be referred to as the strategic orientation of HRM (F3-SO). The existence of business strategy, wording the mission statement and shaping the value system form the necessary assumptions for creating the HR strategy, and driven by this strategically oriented actions. The organizations ranking highly in this factor have developed all these strategic management tools. The fourth factor is connected with employees and employers organizations and could be called the industrial relations factor (F4-IR). Organizations with high ranking here have fewer employees in trade unions and more of them are members of employers' associations.

The authors of this paper connected previously discussed HRM practices into a complete scheme, forming a HRM rhomb or diamond (Figure 1).



Figure 1. The diamond of human resource management.

The values for factor variables for each country are given in Table 2. The number of companies participating in the survey from each country can also be found in this table.

Table 2. Values for 4 human resource management factors in different countries

Country	N	F1	F2	F3	F4
Austria	237	0,06	-0,28	0,48	-0,09
Denmark	303	-0,36	-0,01	-0,21	-0,45
Estonia	56	-0,34	-0,73	-0,38	0,84
Finland	278	-0,38	-0,40	-0,14	-0,86
Greece	165	0,64	-0,40	0,14	-0,29
Israel	140	0,99	-0,34	0,71	0,02
Slovenia	154	-0,19	-0,42	-0,26	0,11
Sweden	370	-0,18	0,05	-0,31	-0,97
Switzerland	189	-0,18	-0,33	0,09	0,52
The Netherlands	272	-0,13	0,23	-0,07	0,11
United Kingdom	847	0,46	-0,12	0,03	0,53
Total	3011	0,06	-0,18	0,00	-0,02

Notes: F1 - Devolution factor (F1-D), F2 - Workforce diversity factor (F2-WD), F3 – Strategic orientation factor (F3-SO), F4 - Industrial relations factor (F4-IR).

Connections between HRM and cultural practices and related clusters in countries

In order to find out the character of connections between cultural and HRM practices, a correlation analysis was carried out. The results of the correlation analysis in Tables 3 indicate how cultural practices and values are connected with the four factors of human resource management practices. All correlations noted in the table are significant at the 0.01 level (2-tailed) or at the 0.05 level (2-tailed). In accordance with the results, connections were considered either positive or negative. These connections are taken as the basis for developing the model of human resource practices in the cultural context.

Table 3. Connections between human resource management practices and cultural practices

	F1 - Devolution	F2 - Workforce diversity	F3 - Strategic orientation	F4 - Industrial relations
Assertiveness	,152(**) negative	-,055(*) negative	,166(**) negative	,377(**) negative
Group Collectivism	,113(**) negative	-,175(**) negative	,103(**) negative	,169(**) negative
Power Distance	,184(**) negative	-,127(**) negative	,033	,195(**) negative
Institutional Collectivism	-,230(**) positive	,133(**) positive	-,114(**) positive	-,414(**) positive
Uncertainty Avoidance	-,227(**) positive	,112(**) positive	-,071(**) positive	-,258(**) positive
Gender Egalitarianism	-,136(**) positive	,090(**) positive	-,191(**) positive	-,106(**) positive
Humane Orientation	-,239(**) positive	,089(**) positive	-,084(**) positive	-,367(**) positive
Future Orientation	-,178(**) positive	,128(**) positive	-,035	-,042
Performance Orientation	-,051(*) positive	,052(*) positive	,078(**) negative	,229(**) negative

A hierarchical cluster analysis using Average Linkage Between Groups indicated 3 clusters of countries (Figure 2).

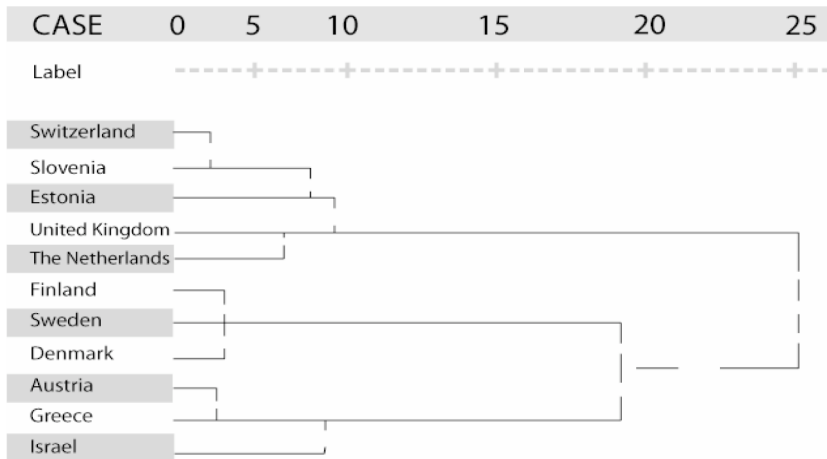


Figure 2. Clusters of countries on the basis of four human resource management factors

Table 4 lists the cluster centres, which are the mean values for every cluster. Geographically, the first cluster consists of 3 Central-European countries along with 2 former socialist countries. The second cluster includes 3 Scandinavian countries and the third cluster consists mainly of countries from the southern region.

The mean values marked in bold in table 4 indicate the highest levels when comparing the clusters. The values for the factors of HRM practices have been interpreted in accordance with the scales for these factors.

The first cluster exhibits average values for the first, second and third HRM factors. The highest value for the fourth factor indicates weak trade unions and relatively stronger employers' organizations compared to the other clusters. This cluster has the highest values for Power Distance and Performance Orientation.

The second cluster has the highest values for the three factors of HRM practices. This indicates the existence of more minority programmes and trade union membership, more decentralized human resource management functions and higher strategic orientation of HRM activities in organisations. Very low value for the industrial relations factor shows high union density rate. This cluster has the highest values for Institutional collectivism, Future Orientation, Gender Egalitarianism, Humane Orientation and Uncertainty Avoidance. The mean values for Performance Orientation, Power Distance, Assertiveness and Group Collectivism are ranked as the lowest among the clusters.

The third cluster has the lowest value for the first, second and third factors. This means that less human resource management responsibilities have been given to line managers, organisations lack minority programmes and a strategic orientation

Table 4. Final Cluster Centres and means for Cultural variables

	Clusters			
	1 N=5	2 N=3	3 N=3	Total
F1 Responsibilities of line managers	,0976	-,2800	,4085	,0567
F2 Minority Action Programmes	-,1562	-,1126	-,3242	-,1798
F3 Strategic orientation	-,0238	-,2116	,3599	,0050
F4 Industrial relations	,4832	-,7781	-,1837	-,0188
Assertiveness	4,2855	3,7978	4,4745	4,1655
Institutional collectivism	4,3074	5,0116	4,0724	4,4875
Group Collectivism	4,1923	3,7393	4,9416	4,1841
Future Orientation	4,3643	4,4459	4,0159	4,3274
Gender egalitarianism	3,6072	3,7659	3,2943	3,6010
Humane Orientation	3,7770	4,3040	3,7470	3,9381
Performance Orientation	4,2578	4,0049	4,0123	4,1338
Power Distance	5,0678	4,7260	5,0316	4,9534
Uncertainty Avoidance	4,6885	5,2742	4,3271	4,8084

of the HRM function. This cluster has the highest values for Assertiveness and Group Collectivism, and the lowest for Institutional Collectivism, Future Orientation, Gender Egalitarianism and Uncertainty Avoidance.

Conclusions and discussion

Although firms invariably operate in their local environment with its specific cultural contexts (Moattar-Husseini and O'Brien, 2004), there have not been sufficient articles exploring the connection between human resource management practices and culture. This paper attempts to fill this gap. Based on data from the Strategic Human Resource Management Survey (Cranet) and the GLOBE study, the authors have explored how cultural practices in society are connected with human resource management practices.

Data from the Cranet survey enabled the authors to filter out four dominant factors in HRM practices.

Devolution indicates that more responsibilities for HRM decisions have been given to line managers. This could be considered the next developmental stage after centralizing HR activities to HRM department. In this new more advanced devolution stage, the HR department is responsible for training line managers in HR issues so they can fulfil these functions to a high level of quality. The devolution or decentralization means that there is a noticeable relocation of HRM tasks from the central HRM departments to the managers themselves (Mesner Andolšek and Čibe, 2006; Cascón-Pereira et al., 2006).

The workforce diversity factor is about whether special programmes for the disabled, ethnic minorities, women and older people exist, and if so how well developed they are. The existence of these programmes is usually common in more developed societies. Diversity initiatives are now being integrated into human resource management policies and procedures because of the potential net benefits (Linehan and Hanappi-Egger, 2006).

The strategic orientation of HRM, indicates the existence in organizations of such strategic management tools as an explicitly formulated business strategy, mission statement, values statement and HRM strategy.

The fourth factor is by nature related to industrial relations. The union density rate and company affiliation with employer associations are the variables this factor consists of. Countries with a high score have weaker trade unions and stronger employer associations. One concern that arose from our analysis was that different opinions exist about industrial relations and the role of trade unions. Practices in the area of industrial relations differ significantly from country to country throughout Europe (Morley et al, 2000). Union density is highest in North-European countries compared with the other countries (ibid, Rasmussen and Andersen, 2006). The unions in Scandinavia and in some other parts of Europe have retained a high level of influence in the field of employment relations. Some of the reasons for this lie in the union renewal process, including what has come to be known as the partnership approach, particularly among Scandinavian unions (Rasmussen and Andersen, 2006). However, in some Anglo-American countries unionism and collective bargaining were seen as obstacles to more efficient labour markets (ibid).

Cluster analysis grouped countries into 3 clusters according to human resource practices and cultural practices. Scandinavian countries form a separate cluster, with more minority programmes and trade union members than other countries. They exhibit a more decentralized human resource management function and HRM practices tend to be more connected to business strategies.

The cluster of countries from the southern region has less minority programmes and the strategic orientation of HRM seems to be weaker than in the other clusters. In

this group HRM has retained its more centralized character in comparison with other clusters.

The cluster from Central-European and Eastern-European countries has weak trade unions and stronger employer organizations compared to the other clusters.

These results are somewhat consistent with previous results from Ignjatovic and Svetlik (2002). The Nordic model in their study is similar to the Scandinavian cluster in the current paper, and their Central Southern is similar to Southern-European in the current study. The Eastern model and Western model in the study by Ignjatovic and Svetlik (2002) are grouped in one cluster in the current study: the cluster consisting of Central-European countries and Eastern-European countries. This indicates, that post-socialist countries are moving towards a professional model of HRM.

The current paper indicates connections between human resource management practices and cultural orientations from the GLOBE study. Based on empirical data, the authors have developed a model of human resource practices in the cultural context (Figure 3).

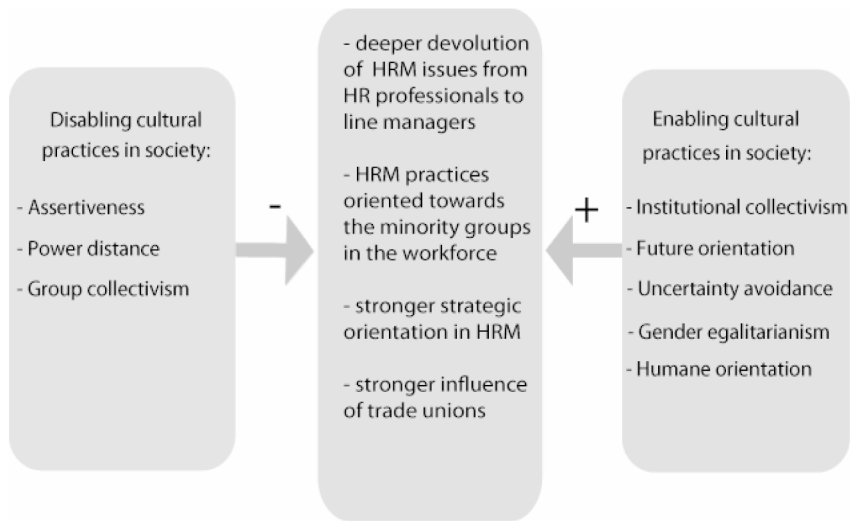


Figure 3. Model of human resource management practices in the cultural context

Based on connections between human resource management practices and cultural practices, two relevant groups of cultural dimensions could be differentiated.

The first group consists of Assertiveness, Group Collectivism and Power Distance. In the countries with higher Assertiveness, Group Collectivism and Power Distance, the strategic orientation of HRM is at lower level than in the other countries. Fewer responsibilities for the human resource management area have been given to line managers, who are not engaged in people management to the extent inherent in the other clusters. In these countries, organizations have less minority action programmes.

Analysis shows a negative correlation between the three mentioned cultural practices and HRM practices considered in this paper. Therefore, the three abovementioned cultural practices are seen as disabling factors or obstacles for developing HRM practices.

The second group consists of Institutional Collectivism, Gender Egalitarianism, Human Orientation and Uncertainty Avoidance. In countries with high values for these orientations, the strategic orientation of HRM is at a higher level, responsibilities for HRM decisions lay more on line managers, organisations have more programmes for minority groups than in the other countries and union density rate is very high. We could consider these HRM practices more advanced and worth developing. Therefore, these cultural practices are considered as enabling factors related to HRM practices.

Future Orientation has a positive correlation with devolution and workforce diversity factors. Therefore, this cultural dimension could also be seen as an enabling factor for HRM. Other HRM factors have no statistically significant connections with Future Orientation.

There are also authors (Cabrera and Carretero, 2005) who suggest that the cultural variables of low future orientation, high power distance, and low institutional collectivism may exert continuing pressures that will hinder the adoption of certain global HRM practices. This conclusion is based on the recent empirical evidence regarding HRM practices in Spanish organisations.

To summarize, in order to achieve higher-level developments in organizations, changes in cultural practices at the societal level should take place in order to develop certain practices that in turn influence practices in organizations.

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Appendix 1. Values for cultural practices dimensions according to GLOBE study

Country	1	2	3	4	5	6	7	8	9
Austria	4,59	4,34	4,89	4,47	3,18	3,77	4,47	5,00	5,10
Denmark	4,04	4,93	3,63	4,59	4,02	4,67	4,40	4,14	5,32
Estonia	4,04	3,71	4,79	4,20	3,60	3,39	3,87	5,16	4,01
Finland	4,05	4,77	4,23	4,39	3,55	4,19	4,02	5,08	5,11
Greece	4,55	3,41	5,28	3,53	3,53	3,44	3,34	5,35	3,52
Israel	4,19	4,40	4,63	3,82	3,21	4,07	4,03	4,71	3,97
Slovenia	4,01	4,09	5,49	3,56	3,84	3,75	3,62	5,32	3,76
Sweden	3,41	5,26	3,46	4,37	3,72	4,09	3,67	4,94	5,36
Switzerland	4,58	4,20	4,04	4,80	3,12	3,73	5,04	5,05	5,42
The Netherlands	4,46	4,62	3,79	4,72	3,62	4,02	4,46	4,32	4,81
United Kingdom	4,23	4,31	4,08	4,31	3,67	3,74	4,16	5,26	4,70
Total	4,17	4,49	4,18	4,33	3,60	3,94	4,13	4,95	4,81

Notes:

- 1 – Assertiveness
- 2 – Institutional collectivism
- 3 - Group Collectivism
- 4 - Future Orientation
- 5 - Gender egalitarianism
- 6 - Humane Orientation
- 7 - Performance Orientation
- 8 - Power Distance
- 9 - Uncertainty Avoidance

PART 4. CONCLUSIONS

4.1. Discussion of the research propositions

The four research propositions are discussed in the following part of the dissertation.

4.1.1. Proposition 1

Proposition 1: The development of human resources (HR) function in organisations is related to the development of state institutional systems and its individuality.

The institutional theory views organisations as seeking approval for their activities in their social contexts. They are looking for legitimacy and acceptance, which facilitate survival (Zucker 1991; DiMaggio and Powell 1991; Jackson and Schuler 1995). Regardless of the source of the institutional pressures, the effects are twofold: first, institutionalized activities are resistant to change and, secondly, organisations in such institutionalized environments are pressured to become similar (DiMaggio and Powell 1991).

Connections between state institutional system and HR function in organisations have been viewed in Studies II, III, and IV. The development of HR function in Estonia has been comparatively analysed in relation to Finland and Slovenia in those. The reason why these countries were chosen for the comparison has been commented in the introduction of this paper. While determining the development stages of personnel/HR function, the dissertation relies on Vanhala's (1995) periodization.

This proposition was supported by the following findings.

The characteristic stages of Estonian development together with the main moving forces have been brought out in Appendix 1. In the beginning period of Soviet institutional framework the activity which was related to staff had purely administrative-ideological character. Political "thaw" brought along somewhat increased interest in personnel matters, widening of action focus to employee household problems and on the other hand the implementations of Taylor principals in work organisation. The weakening of controlled economy later on opened a way for testing and searching in the people management field.

With the restoration of independence and the appearance of a market economy, the previous phase of the personnel/HR function smoothly changed to become the phase of personnel management. Economic decentralisation and privatisation quickly led to economic restructuring and changes on the labour market. The creation of market economy institutions was a strong accelerator to personnel/HR management as a development of specialized function in organisations.

The development of personnel/HR function in Slovenian organisations took place in a different way. Institutional influencing factors shown in Appendix 2 have been analysed and presented on the basis of data received from the Study III and article (Alas and Svetlik 2004).

Early professionalisation of personnel management function in Slovenia has been occurred due to existence of some features of market economy in Slovenian institutional system in the form of the so called market socialism. The second important factor shaping HRM function has been the relative autonomous of the state inside federal Yugoslavia and applying of so called self managed society principle.

The characteristic of Finnish society, in comparison to the previous two examples, is the process of development in the observed period only in the framework of market economy relations and democratic political system (see Appendix 3). Depending on the development of institutions in the state, the changes in personnel/HR management in Finnish organisations in comparison to Estonia and Slovenia have moved time wise noticeably ahead. The other difference is that the development of the personnel/HR function in Finnish organisations has occurred as a result of gradual development without dissolving the current institutional system.

4.1.2. Proposition 2

Proposition 2: Certain cultural practices exist at societal level enabling and on the other hand disabling development of certain HRM practices in organisations (Study VI).

To study the posed proposition, empirical data has been used which is gathered by carrying out international human resource management research Cranet questionnaire and international GLOBE research in many countries, including Estonia. As a presumption to the conducted research presented in study VI, was the circumstance that management, including HRM practices in organisations, is influenced by cultural values dominating in society (Sparrow and Hiltrop 1997; Harris et al. 2003; Jackson 2004; Aycan 2005).

The cultural practices (House and Javidan 2004) characteristic of the observed countries were examined side by side in the research with four important HRM factors, which were received by factor analysis from Carnet survey, brought out among HRM characteristic features. Those are devolution factor which marks the role of line managers, workforce diversity factor which refers to importance of diversified labour force, strategic orientation factor which characterizes the strategic aspects of human resource management, and industrial relations factor which reflects the influence of trade unions.

The proposition was supported by the following findings.

Correlation analysis showed that four cultural practice factors - Institutional Collectivism, Uncertainty Avoidance, Gender Egalitarianism and Humane Orientation

- have a positive correlation with devolution factor, strategic orientation factor and workforce diversity factor. Positive correlation was shown also between the four abovementioned cultural practices and the factor of industrial relations which indicates the influence of trade unions. Future Orientation has a positive correlation with devolution and workforce diversity factors. Therefore, this cultural dimension could also be seen as an enabling factor for HRM.

Assertiveness and Group Collectivism are phenomena which correlate negatively with viewed HRM factors. Power Distance also gives negative correlation with three HRM factors and it does not have significant correlation with Strategic orientation factor. Performance Orientation factor is ambivalent concerning the mentioned HRM factors, giving positive correlation with devolution and workforce diversity factor and negative correlation with strategic orientation and industrial relations factor.

Relying on the aforementioned, as a result of this empirical study it has been proposed that certain behavioural characteristics like collective actions in society (Institutional Collectivism), relying on established norms (Uncertainty Avoidance), decreasing the differences in gender roles (Gender Egalitarianism), human regard (Humane Orientation), and having the future perspective (Future orientation), have a propitious effect on accomplishing human resource management practices viewed in this study. On the other hand, attitudes which express uneven division of power in society and organisations (Power distance), aggressiveness and confrontation in interrelations (Assertiveness), and in-group solidarity (In-Group Collectivism), are hindering factors. Hence we can name the first factor group after their influence - positive predictors or enabling cultural practices in developing HRM practices shown in given research, and other group accordingly negative predictors or disabling cultural practices (Figure 3).

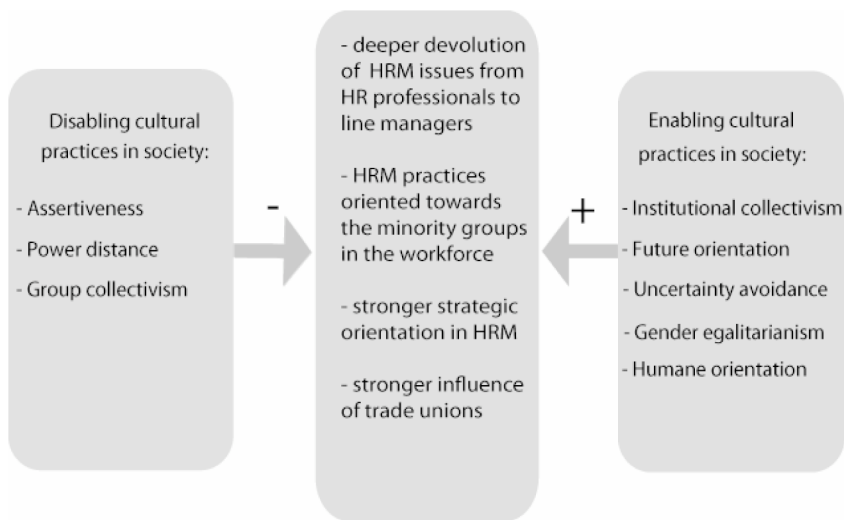


Figure 3. Model of HRM practices in the cultural context

Drawing from the Study VI

The middle part of the model shows evaluations to the HRM factors, which are supported by the enabling societal cultural practices or restricted by the disabling cultural practices in society.

The presented model is not universal by nature. One must consider the institutional context in different countries. This is especially true for evaluating the factor of industrial relations. Strong immediate relations between employers and employees are characteristic of Estonian employment relations pattern. In Finland, however, the great influence of trade unions has been integrated into the industrial relations system inherent to organisations.

There have been researches dealing with the issue how societal culture factors influence people management ways implemented in organisations (Papalexandris and Panayotopoulou 2004; Aycan 2005). National culture as an important factor that influences the development of HRM practices has been stressed by many researchers in earlier sources (Milliman et al. 1991; Jackson and Schuler 1995). Cabrera and Carretero (2005) claim in their research that low future orientation, high power distance, and low institutional collectivism can become obstacles when using certain global HRM practices in Spanish organisations.

Among the 11 countries researched, Estonia stands out with low level of Institutional Collectivism and Humane Orientation. This could be seen as the hindering fact at the societal level having influence on development of HRM practices in Estonia.

4.1.3. Proposition 3

Proposition 3: Rapid institutional changes since the late 1980-s have resulted in appearance of *personnel management* as a functional area in management and in creation of presumptions for personnel management as profession (Studies I, II, III and IV).

The term personnel management refers to a specific activity arisen from the organisation's needs and/or to a functional subunit in an organisation (Legge 1995). Institute of Personnel Management has provided the following definition. "Personnel management is a responsibility of all those who manage people, as well as being a description of the work of those who are employed as specialists. It is that part of management which is concerned with people at work and with their relationship within an enterprise" (Legge 1995). Also the link between this function and organisation's goals has been emphasized.

Achieving the re-independence, rapid introduction of market economy principles and the massive wave of privatization of state enterprises brought along the inflow of foreign capital into Estonian economy.

During previously mentioned changes, a legislative reform was initiated to rearrange legal space. Deinstitutionalization process of Soviet institutions, which was started during the final period of 1980ies, brought along gradual evolving of new institutions and thereafter their entrenching or reinstitutionalization. During those changes the whole economy and all enterprises were restructured and personnel function did not stay untouched by that.

The proposition was supported relying on the following findings.

To characterize the situation in Estonian organisations at the change of millennium, relying on research data from year 2000, the following characteristic features can be brought out.

The strategic orientation of personnel management in organisations was modest. The personnel managers in Estonian organisations predominantly did not belong to the senior management in companies. Relatively small was their participation in strategic processes taking place and written HR strategies existed only in about third of organisations. In comparison to the results of other European countries, Estonia stayed in the end of the list showing the strategic orientation of the function of personnel management. Estonia was far behind the Scandinavian countries. Estonian results were in the same rank as results received from analogous research in countries with transitional economy. In conclusion one might say that there was some evidence of emerging strategic orientation of personnel management in organisations. The fact that in 96% of responded organisations the personnel department existed affirmed that this function was viable.

Line managers carried relatively heavy responsibility in making personnel policy decisions in different areas. Nevertheless this was not the sign of devolution the responsibilities towards line management. High level of line responsibility was likely caused by the immature nature of personnel function.

Reducing employees in organisations was a clear tendency, at the same time recruitment activities were active. One of the strategic challenges of personnel management was shaping organisations' staff in order to select and recruit talented people who could implement the strategic choices in organisations. Since labour market could not satisfy the needs for qualified workforce then the main difficulties in recruiting and retaining of desired staff were connected with specialists-professionals and skilled workers.

The flexible working arrangements were introduced in organisations. There was emerging tendency in Estonian organisations that traditional employment relationship started to withdraw. Clear signs were the usage of part-time and fixed-time work. Tele-working and services outsourcing appeared in the organisational practices. Those were used relatively widely, but the extent of usage inside an organisations stayed at low level.

Training of the employees was and is a strategic developmental factor. Estonian organisations stood out for their training of employees. Investments rate into the training of employees was relatively high in Estonian organisations. Average expenditure on training in large organisations constituted 4.1% of annual labour costs what exceeded the average levels of many Western European countries. The further investments into the employee training were considered as the biggest challenge in people management. Employee training was largely based on identifying the training needs. The proportion of organisations dealing with assessing the training results was relatively high.

The performance related pay systems were on the slight increase. The basic pay in companies was usually determined at the organisational or individual level. National or industry-wide collective bargaining was practically non-existent.

In the communication between employers and employees, direct and individual communication ways were clearly in majority. The role of trade unions as collective representing body was inappreciable among the communications channels between employers and employees.

Abovementioned conclusions from the conducted research assure that the creation and development of market economy institutions in 1990ies resulted in development of personnel management practices in Estonian organisations.

Personnel management as a profession started to develop simultaneously. The changes have been very big compared to personnel administration in the Soviet period. The disappearance and dissimilation of organisations has also destroyed old cadre departments, onetime personnel workers have left their positions and new laws that regulate labour relations field have evolved (Tepp 2007). During that period the development of profession was started but it has moved on at a slow pace.

4.1.4. Proposition 4

Proposition 4: The transition from personnel management phase to human resource management in Estonian large organisations has occurred mainly during the current decade and continues to move on (Studies III, IV and V).

Personnel management and human resource management are considered to be different developmental phases of one management function – people management. The boundaries between 2 different phases in people management development are agreeable and relatively vague. One of the most known assessments is Legge's (1995) understanding of personnel management and human resource management similarities. First, both are serving the purpose of achieving organisational goals. Second, personnel management as well as HRM is related to line managers at different levels in organisation. Third, both approaches stress that employees are

effective only when their work related needs, primarily developmental needs, are satisfied. Fourth, it is stressed that in the case of both conceptions it is important to get the right people to right positions which puts critical requirements on employee selection and development.

According to Mayrhofer and Larsen (2006) the main factors which differentiate personnel management from human resource management are the following: strategic orientation of HRM, line managers' growing role, organisational performance orientation and direct employment relations rather than industrial relations.

Additionally, Kalleberg (2003), Dewettinck et al (2006), de Menezes and Wood (2006) point out that the application of flexible working practices is a critical factor in human resource management in order to achieve organisational performance.

Relying on the notions above the critical factors of HRM are presented in the Figure 4.

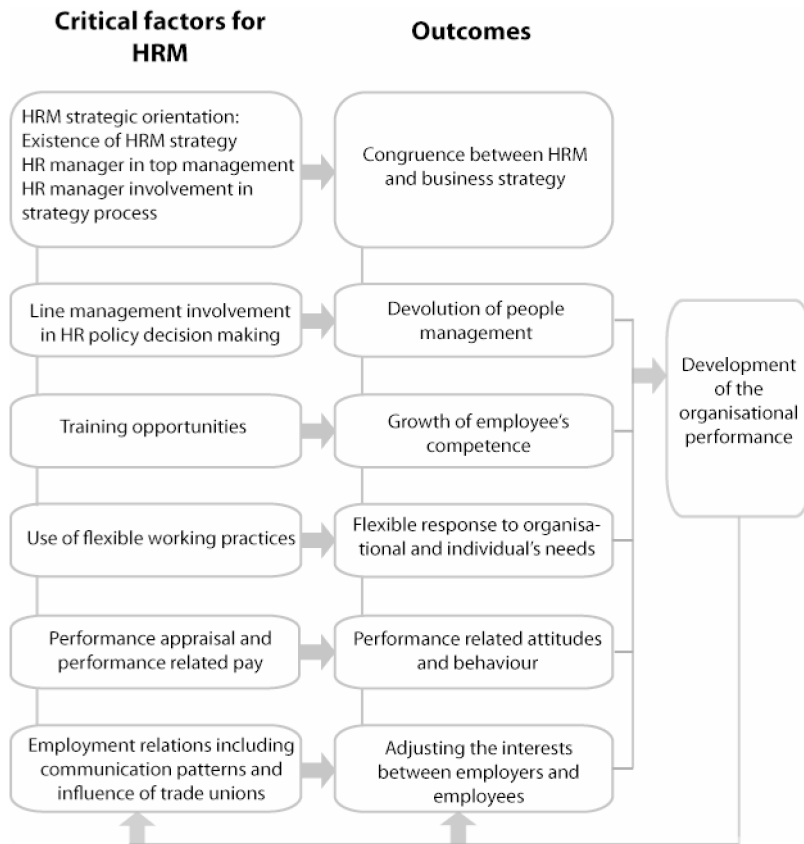


Figure 4. Critical factors constituting the framework for HRM
 Author's drawing

The level and dynamics of characteristics is discussed based on the results of surveys carried out in Estonia in years 2000 and 2004. In addition, the results from the survey conducted in year 2009 have been presented.

HRM strategic orientation

One of the most important criteria in assessing people management developmental level is its association and correspondence with business strategy demands (Becker et al. 1997). All discussions related to HRM highlight the connection with organisational strategy.

Indicators such as the existence of HR strategy, the inclusion of the HR manager at the top executive level and the HR manager's involvement in strategic processes express the strategic orientation of HRM in an organisation. In case the HR manager is involved in the making of managerial decisions at the top level, integration of the HR function into management is ensured (Ulrich 1998; Mabey et al. 2006).

Table 2 presents indicators characteristic for the HRM strategic orientation in organisations. This is emphasized in strategic human resource management that people management policies and practices should be aligned with the business strategy. The number of organisations which have developed a business strategy in the written form has increased over 9 years.

The proportion of those organisations who have developed a HR strategy in written form has grown even faster.

Table 2. HRM strategic orientation in organisations (% of organisations)

Indicators	2000	2004	2009
Existence of written business strategy	66	75	84
HR manager at the top executive level	35	56	58
Existence of written HR strategy	38	57	73
HR managers' involvement in the strategy process from the outset	40	44	48

Over the past 9 years one can witness a moderate increase in involving HR managers in the strategy processes. This entails that HR managers are today more than ever represented at the top management level and they are involved in developing organisational strategies.

Based on the characteristics of HRM strategic orientation, HRM in Estonia has acquired a notably stronger strategic orientation compared to the beginning of the decade.

Line managers involvement

Next to strategic orientation, HRM as a concept is connected with the extension of the role of line management in people management. Those who research and write on HRM, almost unanimously agree that the inclusion of line management in issues related to people management is a clear characteristic of HRM (Guest 1990; Storey 1993; Legge 1995; Brewster 2007) and is one factor contributing to the connection of HRM practices to organisational performance. The process known as devolution is definitely a very important characteristic for contemporary people management. Cranet surveys in Europe have shown the increasing role of line management in organisations. Between countries, there are significant differences, which occur due to the institutional environment (Larsen and Brewster 2003).

This indicator in the questionnaire has been expressed in a way that it shows the division of responsibility between line management and HR department in questions that concern policies and practices of people management in areas covered by the HRM function (Table 3).

Table 3. Primary responsibility for major policy decisions (% of organisations)

Indicators	2000	2004	2009
Recruitment and selection			
Line management	13	7	6
Line mgt with HR department	51	47	30
HR department with line mgt	31	42	58
HR department	5	4	6
Training and development			
Line management	13	2	3
Line mgt with HR department	51	35	30
HR department with line mgt	36	56	58
HR department	-	7	9
Pay and benefits			
Line management	40	27	28
Line mgt with HR department	33	47	44
HR department with line mgt	22	22	28
HR department	5	4	-

The importance of line management has not increased over the past 9 years. In terms of training and development as well as recruitment and selection, the most widespread practice is based on a cooperation model, in which the role of HR specialists is greater than that of line managers. Regarding pay and benefits, line managers play a more important role.

The relevant role of line managers in the beginning of the decade could be due to the weaknesses of the HR profession at that period. With the development of the HR

function, their role has gained significance in developing and implementing the policies for recruitment, selection and training.

The devolution process shows currently no development. It is likely that one first must go through the period where the influence of HR specialists increases, after which the role of line management may start going up.

Use of flexible working practices

Implementing flexible working practices in organisations is one of the most relevant HRM practices which has been resorted to in order to react to the rapid changes in the environment. Flexible practices are considered to be as a critical factor in achieving organisational performance during changing times (Kalleberg 2003; Dewettinck et al. 2006; de Menezes and Wood 2006).

The scope of using flexible working practices indicates the extent to which the organisation is able to adjust to the changing environment in order to ensure cost efficiency and employee satisfaction. The results of the surveys show clearly that over the past decade organisations are changing and are extensively adopting the use of such practices (Table 4).

Table 4. Flexible working arrangements (% of organisations not using)

Indicators	2000	2004	2009
Part-time contracts	17	20	6
Temporary/casual contracts	59	30	25
Teleworking	72	67	53
Flexi-time working	32	42	19
Fixed-term contracts	8	2	N/A

Performance appraisal and performance related pay

Employee performance appraisal and performance related pay are the concrete practises in HRM contributing to organisational performance. The evidence about the positive connection has been shown in several approaches (Guest 1997; Fletcher 2001; Den Hartog et al. 2004).

Concerning performance appraisal, surveys in Estonian organisations show two tendencies (Table 5). There has been constant increase in the number of organisations who use performance appraisal as an HRM tool. Additionally, in all employee categories (except blue collar workers) the proportion of those whose performance results are evaluated, has grown.

Table 5. Performance appraisal system (% of organisations not using and % of employees involved)

	2000	2004	2009
Management	44	25	15
- involvement	N/A	80	86
Professionals	36	29	9
- involvement	N/A	77	84
Clerical	36	27	21
- involvement	N/A	82	92
Manuals	44	29	27
- involvement	N/A	68	64

In addition to performance appraisal, performance related pay is also among one of the HRM practices (Table 6).

Table 6. Performance related pay (% of organisations)

	2000	2004	2009
Management	35	N/A	62
Professionals	49	N/A	71
Clerical	30	N/A	53
Manual	30	N/A	41

The growth of implementing performance related pay in all employee categories speaks about the expansion of flexible pay methods contributing to the better organisational performance.

Training opportunities

Regarding training, formalized HR strategy affects positively employee development which was measured in terms of training days provided to different categories of employees (Apospori and Papalexandris, 2008). Training, in its turn, shapes employees competence, attitudes and behaviour which lead to the organisational performance.

Training and development of staff is one of the main possibilities to increase human capital in organisations. Investments in this field speak for the organisations' drive to ensure that the competencies of the staff better match the business objectives. The average proportion of training costs in relation to payroll costs in large organisations in Estonia in year 2000 was 4.1% (Table 7).

Table 7. Number of training days per year (% of organisations)

	2000	2004	2009
Management	8.4	6.9	5.3
Professionals	6.7	7.5	6.2
Clerical	6.4	4.2	2.8
Manual	2.9	3.4	3.2
Proportion of training costs (% of annual payroll costs)	4.1	2.8	3.9

High level like this was caused by the needs to improve the employees' competences during the fast developing period in the economy.

Employment relations

Together with the development of HRM, there has been a shift from industrial relations to employment relations (Mayrhofer and Larsen, 2006). With a few exceptions, union density rate has dropped over the past two decades in almost all European countries. In year 2000, the union density rate was averagely 20% in the OECD countries compared to 1980ies when it stood at 32% (Rasmussen and Andersen, 2006). The relationship between trade unions and HRM must be analysed contextually. Already during the period when HRM theories were being developed, one of its key characteristics was unitaristic nature of employer-employee relationships, which excluded the role of a third party. HRM research in Europe has shown that influential trade unions and HRM principles may coexist in organisations (Mayrhofer et al, 2000). However, changes in the economic structure and on the labour market have brought about a clear tendency – the influence of trade unions is on the decrease in Europe. Because of this, the relevance of individual agreements regarding payment relates issues made at the organisational level is increasing. The implementation of direct downward and upward communication methods and ensuring information flow to the staff is gaining importance (Wood and de Menezes, 2008). The adjusted patterns of payment negotiations and communication are aimed at ensuring staff motivation and inclusion in the decision-making process. Those, in their turn, are a prerequisite in achieving organisational performance. Thus, employment relationships constitute relevant indicators in characterising HRM. .

The data in Table 8 testifies that the impact of trade unions is very weak. In the sample of the 2009 survey, none of the organisations who participated in the survey had 76-100% of the employees belonging to the trade union.

The number of organisations, where members of trade unions do not exist, keep increasing. Compared to Nordic countries and other countries in the European Union, Estonia shows significant differences.

Table 8. Trade union membership (% of organisations)

	2000	2004	2009
76-100% of employees	3	2	0
0% of employees	31	49	52

The principles that begun and evolved in the United States eliminate the influence of trade unions on labour relations, leaving this field to be regulated by the employers and employees.

The inclusion of employees in the life of an organisation is ensured by keeping people informed.

Data in Table 9 show that there is a noticeable growth in number of organisations where different categories of employees are briefed about the organisation's strategy and financial results.

Table 9. Employee categories formally briefed about the following issues (% of organisations)

	2000	2004	2009
Management			
- strategy	93	93	97
- finance	97	89	94
Professionals			
- strategy	59	82	91
- finance	58	68	77
Clerical			
- strategy	35	55	72
- finance	33	41	59
Manual			
- strategy	22	48	63
- finance	22	36	48

The downwards communication between management and employees, and also upwards communication between employees and management has strongly intensified (Table 10).

The ever modest importance of trade unions keeps decreasing in terms of both downward and upward communication. All the organisations in the survey are using electronic communication channels and team briefings when it comes to downward communication. Regarding upward communication, the organisations in the sample all resort to communication with immediate manager. Direct communication with senior management has also gained importance to some extent.

Table 10. Downward and upward communication channels (% of organisations not using)

	2000	2004	2009
Downward communication			
Through trade unions	38	49	57
Electronic communication	8	2	0
Team briefings	7	0	0
Upward communication			
Direct to senior managers	16	10	7
Through immediate superior	0	2	0
Through trade unions	46	54	66

The role of trade unions in information exchange between employers and employees is continuously in a weak position in most Estonian organisations. There have been attempts to introduce trade union shop steward and out of trade union shop steward institutions for purposes of sharing information, consultation and involving employees into the decision making process. Both function badly (Kallaste et al. 2008), direct communication between employer and employees has stayed essential and the research results presented in this paper also confirm that.

Salaries' determination level has moved during the decade towards the direct negotiations between employers and employees. This means that salaries have become more individualized (Table 11).

Table 11. Individual pay determination level (% of organisations)

	2000	2004	2009
Management	42	64	79
Professionals	33	36	74
Clerical	25	18	44
Manual	20	20	35

The collective bargaining at the national or industry level is of no importance. The salaries of executives and professionals are determined in most organisations by individual agreements. Employee satisfaction studies also confirm the preference of individual negotiations (Estonian Working Life Barometer 2005).

From the comparison of results of three studies, also circumstances emerged that do not support the proposition.

The first is the question concerning the line manager's role in human resource policy decisions. It has become evident that in all the HR policy fields the relative importance of line managers has decreased or stayed at the same level and the role of HR experts has increased. The change is opposite in comparison to the growing role of role of line managers characteristic to HRM. The reason for this situation could be

the relatively fast development of HRM profession and the growth of influence of HR managers large organisations.

Second, human resource management profession is only at the developmental stage. Institutional changes in the beginning of 1990s and rearrangements in economy and organisations that came with them brought along elaborate changes in the development of HR function. Along with that came the need for professional HR management specialists. Management training companies and applied higher education providers have relatively actively reacted to the need of HRM specialist training. Studying opportunities in that field on an university level have remained modest.

In 1992 Estonian Association for Personnel Development was created. They started to provide personnel specialists with training opportunities, occupation standards have been composed to develop the profession. Some Estonian language handbooks on HRM field have been published during last few years. Research on this topic in universities is bound with only few surveys and related international publications. Research on development of HR managers profession (Tepp 2007) showed that “. . . HR community members in Estonia differ markedly in the extent of their professional attitude, knowledge, experience, roles, and responsibilities . . .” which is a sign of lack of common understanding about the function of professional HR manager.

Due to these reasons, there is a lot of work to be done in the field of academic education of personnel specialists as well as complementary training of existing HRM staff.

According to the fourth proposition in this paper the author can say that there are distinct features in Estonian human resource management practices which basically refer to reaching HRM phase in this management function. Surely the institutional pressure on organisations has contributed to that. One might say in conclusion that the research proposition was supported on majority of characteristics.

4.2. Implications for management

The appropriate practice of people management has proved that can contribute to achieving of organisational success. Therefore the efforts made in creating relevant systems, policies and practices in the field of human resource management are likely the investments with high return.

The implications for managers related to the discussed topic of thesis are the following:

- Human resource management, which has been integrated into business strategy and considers also other contextual factors, may develop into a substantial competitive advantage or a factor contributing greatly to the creation of added value in an organisation;

- The theory of human resource management, different research and well-developed practices show that a well-considered management of people contributes greatly to the achievement of organisational goals;
- Senior management of organisations is expected to integrate human resource managers into the strategic decision making processes considering them as partners in business. In order for this to happen, the voice of a HR manager should be heard among the management of the organisation. Only then it is ensured, that human resource issues are always represented in a top management;
- The desired positive shifts within an organisation begin foremost with top managers. Relevant HRM policies are directly connected to creating a strong organisational culture and contribute to the change management process. Therefore, it is essential to integrate HRM into the general management of the organisation as a whole;
- Complementary training of top managers should concentrate more on the possibilities which lie in the people management field;
- Every HR manager within an organisation as well as the community of HR managers should share their profession-related possibilities and competencies with the top managers to ensure the success of the organisation;
- Human resource management is especially topical in relation to small companies, which frequently lack the HR function as such, and where the task falls upon the shoulders of the top manager.
- Organisations, which consider the issues of human resource development and its use to be one of the success factors for its competitive advantage, make high demands on the competencies of a HR manager. However, the inclusion of a HR manager into the work of top management cannot be taken for granted, i.e. inclusion and participation must be justified by one's professional competencies. It is therefore of essence for organisations to ensure, that the human resource manager receives proper training, which help to fulfil their role as one of the strategic managers. While appointing a HR manager, one must consider that the person, among other things, is competent in the field of business administration, knowledge management, possesses communication skills, etc.;
- Depending on the needs of an organisation, every human resource strategy is unique; it must support the overall strategy and ensure its implementation. HR strategy can by no means be left solely for the HR manager to devise; this is especially true for organisations whose employees are the essential resource contributing to success. For the strategy to emerge and work, the top executive must ensure cooperation within management. The same applies to developing HR policies. All managers, who work with and manage people, are responsible for implementing the policies. It is therefore of utmost importance that managers participate in the creation of the policies. The outcome – human resource strategy and policies – must be communicated to as many employees as possible. It is insufficient to view different human resource policies separately – they must be wholesome and support each other;
- To evaluate the activities of a HR manager or a respective departmental head, there is a need for measure. A departmental budget cannot be the only measure.

HR managers must be included into the system of management by results, they must have their own specific goals and attainment of the goals should be monitored and evaluated;

- Appropriate HRM decisions require the understanding of the context of an organisation. The policies and practices of HRM must take into consideration both internal and external contextual factors and must at the same time be congruent with each other.
- The whole package of HRM policies and practices should create an environment, which all employees understand and recognise. The policies and practices outline the requirements for recruitment, development, motivation and remuneration in such a way that it would ensure the attainment of the strategic goals of the organisation as a whole.

4.3. Limitations and suggestions for further research

The main limitation of the studies is related to survey methodology. The international Cranet surveys on strategic human resource management are designed to examine the characteristics of HRM in different countries.

By nature, the questionnaire is universal in order to be used in different circumstances.

Using this questionnaire provides an overall view of the policies and practices of HRM in organisations. However, in terms of the complexity of qualitative aspects, the results provided by the survey remain relatively modest. Therefore, it would be of importance to receive in Estonia additional research results on HRM practices and on ways in which they, if implemented, support the achievement of corporate goals.

The number of surveys on human resource management conducted in Estonia is quite small. They have mainly been initiated and coordinated by research centres outside Estonia. The data has been collected and analysed in international perspective which compares countries.

Therefore, there is a distinct need to thoroughly research the HRM function as a whole and its subfunctions in organisations active in Estonia. The research could have 2 wider directions. Firstly, which HRM policies and practices and, if implemented, then in which way, contribute to the achievement of organisational goals in Estonia; and secondly, which contextual factors and in which way influence HRM policies and practices.

Structured questionnaires are not the only way of collecting systematic information from a cross-section of cases, but they constitute a very popular way of doing so (Marsh 2004). Applying the contingent or contextual approach to analyse the problems and development of HRM in different organisations depending on their strategy, size, sector, ownership model, etc, the case-study method would be beneficial.

The future surveys should resort to triangulation, i.e. simultaneous implementation of various methods to characterise the situation and development of human resource management. Surely, the triangulation of quantitative and qualitative methods can broaden our knowledge and understanding of HRM issues. The articles in the dissertation mainly rely on quantitative empirical data. The collection and analysis of qualitative data should be more prominent. In addition, the longitudinal aspect in the HRM research should be applied.

4.4. Final conclusions

The dissertation has examined the development of human resource management in Estonia. The broader cultural context is discussed in the wider scope. The articles included in the thesis and published between years 2002-2008 serve as the basis for this dissertation. The articles and later on added results of Estonian survey conducted in 2009 provide an answer to the research propositions, which have been identified and discussed above.

The comparative analysis between Estonia and Finland and Estonia and Slovenia shows, that the practices of human resource management in organisations mirror the institutional disposition inherent to the society, and that development in human resource management follows the respective institutional changes. Relevant choices in human resource practices are not determined by will and best examples of managers, but rather by existing societal regulations and norms which are inherent to the context. This influence is particularly prevalent in the industrial relations system, which has a specific institutional background in the three countries under observation.

The concurrence of 3 forces characterises HRM in Slovenian and Finnish organisations: the prominent role of managers, influential trade unions and professional HR function with long heritage.

In organisations in Estonia, there are 2 main forces of HRM: managers and currently developing professional community of HR specialists, both of which have been under a great pressure of rapid changes.

Based on the data of Cranet survey, Ignjatovič and Svetlik (2003) compiled a cluster analysis on European countries. As a result of the analysis, Estonia stands in the so called peripheral cluster together with a few other countries from the Eastern-Europe and some other regions. The so called old countries of the market economy form regional clusters, where HRM practices have, for a long time, been influenced by local and regional factors. Logically, the peripheral cluster should fall apart and the countries in that cluster should relocate themselves into clusters which stand closer to them geographically and culturally.

Although the possible unification of institutional environment in Europe has a converging influence on management practices, the cultural factors within a society represent the source of difference.

The thesis shows the existence of connections between societal cultural practices and HRM practices in organisations. Being aware, whether certain established societal behaviour contribute to or work against the existence and implementation of one or another practice of human resource management within an organisation helps us to better understand which ways of management fit or do not fit organisations within a certain cultural context.

Based on connections between human resource management practices and societal cultural practices, two relevant groups of cultural dimensions could be differentiated.

The societal cultural practices like Institutional Collectivism, Gender Egalitarianism, Human Orientation, Uncertainty Avoidance, and Future Orientation are seen as enabling factors related to HRM practices. In countries with high values for these orientations, the strategic orientation of HRM is at a higher level, responsibilities for HRM decisions lay more on line managers, organisations have more programmes for minority groups than in the other countries and trade unions' influence remains at high level.

The cultural practices in society like Assertiveness, Group Collectivism and Power Distance are considered to be disabling factors or obstacles for developing HRM practices. In the countries with higher levels of those cultural phenomena the strategic orientation of HRM is weaker, fewer responsibilities for the HRM area have been given to line managers and organisations have less minority action programmes.

The thesis views the development of human resource management function in Estonian organisations through five development stages. Until the end of 1980ies, activities related to personnel agenda were considered to be of secondary importance and they were mainly of administrative nature and essence. The societal and organisational re-structuring, which begun at the end of that decade, also influenced people management. Institutional changes and know-how which accompanied foreign investment, shaped the human resource function in a way that it became a specific managerial field. This provided the basis for the new practices of personnel/HR management which spread widely in Estonian organisations.

Relying on the results of surveys carried out in Estonia, the following conclusions regarding HRM developments can be formed:

- The strategic role of HRM in organisations has increased. People management has become a functional area, which contributes to the attainment of organisational objectives more than in the beginning of the previous decade;
- The role of line management concerning development and implementation of HR policies has not changed;

- Increasing use of flexible working practices in a growing number of organisations contributes to the organisational performance;
- The growth of performance orientation is clearly noticeable. This can be seen in the widening circle of organisations, where performance management is applied;
- Employment relations function without the influence of trade unions since their impact is constantly decreasing. The informing and inclusion of employees in the life of the organisation is via immediate employer-employee relations.

Continuous development of this managerial function has resulted in the appearance of characteristics inherent to human resource management.

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APPENDICES

Appendix 1 Connections between the dominating institutional forces and developmental stages of HRM function in Estonia

The dominant institutional forces in society and typical institutional phases	The developmental stages of personnel/HR function
<p>Centralized command economy in connection with repressions in society</p> <p>Dissolving of previous institutions, emergence the new ones and reinstitutionalization towards Soviet institutions</p>	<p>Administrative-ideological stage 1945-1960</p> <p>Characteristics:</p> <ul style="list-style-type: none"> - strictly administrative aimed at achieving control over employees - co-operation with repressive institutions - recruitment and instruction of workers - accountancy in staff issues
<p>Centralized command economy in connection with political ‘thaw’ in society</p> <p>Development of Soviet institutions</p>	<p>Initiation stage 1960-1980</p> <p>Characteristics:</p> <ul style="list-style-type: none"> - mainly administrative by nature - Taylor’s approach to work - handling of social problems of employees (housing, health care etc.) - complementary training for workers and specialists
<p>Weakening of command economy and emerging the traits of changes in political and social life</p> <p>Existence of Soviet institutions with emerging dissolving phase and beginning of deinstitutionalization of Soviet institutions</p>	<p>Pioneering stage 1980-1990</p> <p>Characteristics:</p> <ul style="list-style-type: none"> - complementary training for all categories of employees - introducing of new selection methods - personnel appraisal - organisation development - management development
<p>Establishing the market economy principles, achieving the re-independence of the country what caused influx of foreign investments</p> <p>Deinstitutionalization of Soviet institutions with emerging formation of new institutions and beginning of Reinstitutionalization</p>	<p>Personnel management stage 1990-2000</p> <p>Characteristics:</p> <ul style="list-style-type: none"> - destroying old staff departments - beginning of the professionalisation of the function - dealing with change management issues - new recruitment and appraisal practices
<p>Fast economic growth and joining the European Union</p> <p>Development of both local and European new institutions</p>	<p>Human resource management stage since the beginning of 2000ies</p> <p>Characteristics:</p> <ul style="list-style-type: none"> - appearance of strategic HRM thinking - performance orientation - employment relations solved mainly between management and employees - dealing with organisational culture

Appendix 2. Connections between the dominating institutional forces and developmental stages of personnel/HR function in Slovenia

The dominant institutional forces in society and typical institutional phases	The developmental stages of personnel/HR function
<p>Relatively high degree of autonomy within Yugoslav state with relatively liberal one-party regime</p> <p>Dissolving of previous institutions, emergence the new ones and reinstitutionalization within Yugoslav federal state</p>	<p>Administrative-ideological stage 1945-1960</p> <p>Characteristics:</p> <ul style="list-style-type: none"> - strictly administrative - recruitment of new workforce - accountancy in staff issues - setting salaries
<p>Industrialization and economic reforms with intention to introduce 'market socialism' accompanied with one-party regime</p> <p>Development of existent institutional system</p>	<p>Initiation stage 1960-1970</p> <p>Characteristics:</p> <ul style="list-style-type: none"> - administrative nature - becoming visible although not professionalized - centralised personnel departments
<p>New federal and Slovene Constitution and Associated Labour Law</p> <p>Economy regulated by social rather than market principles</p> <p>Self-managed socialist society</p> <p>Development of existent institutional system</p>	<p>Pioneering stage 1970-1980</p> <p>Characteristics:</p> <ul style="list-style-type: none"> - personnel policies depending on social agreements - important role of enterprises' work councils - beginning of the professionalisation of the function
<p>Economic and political crisis in late 1980s</p> <p>Democratisation of the political space</p> <p>Increasing influence of trade unions</p> <p>Dissolving the former institutional system with emerging the new one and beginning of reinstitutionalisation</p>	<p>Personnel management stage 1980-2000</p> <p>Characteristics:</p> <ul style="list-style-type: none"> - rapid professionalisation of the function - development of employees' competences - development of managers - focus on selection issues - education for personnel managers
<p>Steady economic growth and joining the European Union</p> <p>Development of both local and European new institutions</p>	<p>Human resource management stage since 2000</p> <p>Personnel/HR function:</p> <ul style="list-style-type: none"> - significant involvement in achieving of business goals - important role of trade unions in employment relations - rise of line managers - dealing with the issues of learning organisation and knowledge management

Appendix 3. Connections between the dominating institutional forces and developmental stages of personnel/HR function in Finland

The dominant institutional forces in society and typical institutional phases	The developmental stages of personnel/HR function
Beginning a period of internationalisation and orientation towards Europe Creating the basis for strong metal and engineering industry (Lindell and Sigfrids 2007)	Initiation stage 1945-1960 Characteristics: – primarily administrative – arousing interest in personnel issues – personnel issues seen as a cost
Applying ‘the Nordic model’ in Finnish society (Lindeberg et al. 2004) Movement to high unionization level (Vanhala 1995)	Pioneering stage 1960-1970 Characteristics: – personnel policy phase – establishing new personnel departments – beginning of personnel research
Expansion of the public sector (Lindeberg et al. 2004) Strong social protection system (Lindeberg et al. 2004) Labour market relations moving up due to renewed legislation (Vanhala 1995)	Personnel management stage 1970-1985 Characteristics: – raising the status of personnel issue – shift from primarily administrative to more dynamic personnel management
Tri-partite industrial relations system (Lindeberg et al. 2004) Labour legislation reform regarding employee representation and equality issues (Vanhala 1995)	Introduction to human resource management stage 1985-1991 Characteristics: – rapid development of the function – growing investments into the function
Economic recession since early 1990s Joining the European Union in 1995 Joining the European Monetary Union (Lindell and Sigfrids 2007)	Strategic HRM stage 1991- Characteristics: – links with corporate level strategic planning – increasing line responsibility – the flexible use of the labour – requirements towards cost-effectiveness – rise of strategic orientation

SUMMARY IN ESTONIAN

Personalijuhtimine Eesti organisatsioonides: iseloomulike tunnuste kujunemine institutsionaalses ja kultuurilises kontekstis

Dissertatsioon põhineb kuuele artiklile, mis on avaldatud ajavahemikus 2002 kuni 2008 erinevates eelretsenseeritavates ajakirjades. Artiklid on kirjutatud kaasautorluses teiste sama valdkonna uurijatega.

Teema tähtsus ja uudsus

Personalijuhtimine on üks osa organisatsioonide juhtimispraktikast, mis on kujunemas üheks juhtimise võtmevaldkonnaks, mille oskuslik korraldamine on eelduseks organisatsioonide eesmärkide saavutamisel.

Antud valdkond omab nii ärijuhtimises kui avalikus halduses kasvavat osatähtsust seoses inimressursile omistatava kriitilise eduteguri rolliga organisatsioonide eesmärkide saavutamisel.

Eriline tähelepanu ja tähtsuse kasv personalijuhtimise teema osas hakkas kujunema, kui sai üha selgemaks, et tegemist on organisatsiooni strateegilist võimekust oluliselt mõjutava valdkonnaga (Fombrun et al. 1984; Wright et al. 1994; Boxall 1996; Truss et al. 1997).

Paljudes organisatsioonides on töötajad ning nende tegutsemisviisid konkurentsieelise allikaks. Seda olulisemad nõuded esitatakse personalipoliitikatele ja praktilistele viisidele, kuidas inimeste kui organisatsiooni liikmete juhtimine on korraldatud.

Sellest tulenevalt on personalijuhtimine saanud juurde strateegilise mõõtme ja omandanud üha suuremat tähelepanu nii organisatsioonide juhtimispraktikas kui ka teaduslikes uuringutes.

Eestis on antud valdkonna uuringuid tehtud väga vähe. Seetõttu on käesolev üks nendest, mis käsitleb teemat laiemalt ja ka longitudinaalses perspektiivis.

Töö ingliskeelses tekstis on terminoloogilises plaanis omavahel eristatud personalijuhtimist (personnel management) ja inimressursi juhtimist (human resource management). Mõlema ühiseks nimetajaks on dissertatsioonis loetud inimeste juhtimist (people management). Personalijuhtimine ja inimressursi juhtimine on kaks teineteisest kvalitatiivselt erinevat käsitlust. Seetõttu on võimalik, kuigi suhteliselt tinglikult, eristada inimeste juhtimise praktikas personalijuhtimise ja sellele järgneva inimressursi juhtimise etappe.

Eestikeelses kokkuvõttes on autor kasutanud üldkasutatavat mõistet personalijuhtimine.

Töö eesmärk ja uurimisülesanded

Dissertatsiooni ainevaldkonnaks on juhtimistegevuse üks spetsiifiline funktsionaalne haru – personalijuhtimine.

Töö eesmärgiks on uurida personalijuhtimise olukorda ja arengut Eesti organisatsioonides, tuvastada selle iseloomulikke jooni laiemas sotsiaalses kontekstis ja võrdluses kahe riigi organisatsioonidega.

Töös on püstitatud **4 uurimisväidet**.

Esimese väite kohaselt on personalijuhtimise areng organisatsioonides seotud institutsionaalse keskkonna iseärasustega

Teine väide eeldab, et ühiskonna väärtussüsteemis on tegureid, mis soodustavad teatud praktikate arendamist personalijuhtimises ja on tegureid, mis seda takistavad.

Kolmanda väite kohaselt oli kiire institutsionaalse arengu mõjutusel personalijuhtimise näol Eesti organisatsioonides välja kujunenud kindel juhtimisvaldkond 1990-te aastate lõpuks.

Neljandaks väideti, et Eesti nn suurtes organisatsioonides on käesoleva kümnendi algusest alates jõutud inimressursi juhtimise seisukohtade rakendamise teele.

Lähtuvalt eesmärgist on töös seatud **6 uurimisülesannet**.

Esimeseks uurimisülesandeks oli personalijuhtimise olukorra väljaselgitamine Eesti organisatsioonides peale turumajanduslike institutsioonide väljakujunemist 1990-te aastate lõpuks (Uurimus I).

Teine uurimisülesanne seisnes Eesti ja Soome organisatsioonide personalijuhtimise võrdlevas analüüsis, nende erinevuste ja sarnasuste käsitluses (Uurimus II).

Kolmas uurimisülesanne keskendus Eesti ja Sloveenia võrdlevale analüüsile, milles vaadeldi turumajanduslikule arenguteele asunud kahe maa organisatsioonide personalijuhtimise erisusi ja sarnasusi sõltuvalt institutsioonide arengust mõlemas riigis (Uurimus III).

Neljas uurimisülesanne seisnes Eestile iseloomuliku institutsionaalse keskkonna, mis on mõjutanud juhtimise ja sealhulgas personalijuhtimise arengut organisatsioonides, analüüsis (Uurimus IV).

Viiendaks uurimisülesandeks oli personalijuhtimise mõnede osategevuste analüüs Eesti erasektori ettevõtetes (Uurimus V).

Kuuendaks uurimisülesandeks oli ühiskonna kultuurifaktorite ja personalijuhtimise praktikate vahelise seose selgitamine (Uurimus VI).

Kasutatud meetodid

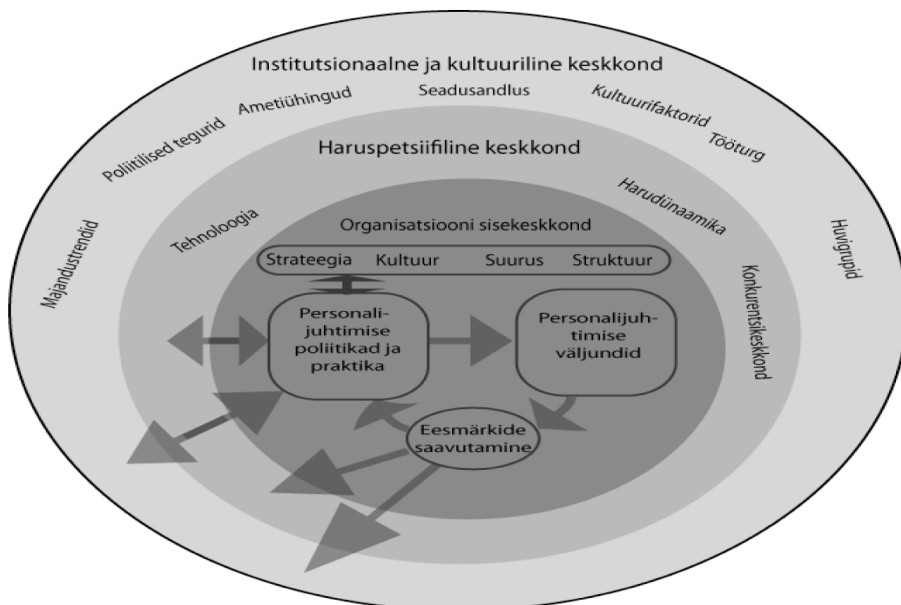
Põhilise uurimisvahendina kasutati rahvusvahelise personalijuhtimise uurimisvõrgustiku Cranet poolt väljatöötatud universaalset struktureeritud küsimustikku (Tregaskis et al. 2004). Estonian Business School on selle võrgustiku liikmena osalenud uuringutes ja küsimustiku arendamises alates 2000-te aastate algusest. Cranet uuringud on Eesti organisatsioonides läbi viidud aastatel 2000, 2004 ja 2009.

Küsimustik on loodud selleks, et välja selgitada osalevates riikides personalijuhtimist iseloomustavad poliitika ja praktikad ning hinnata personalijuhtimise arengut riikidevahelises võrdlevas analüüsis.

Erasektori ettevõtete personalijuhtimise uurimisel kasutati Sotsiaalministeeriumi tellimusel läbi viidud uuringu andmeid. Uuringuvahendina oli kasutusel struktureeritud küsimustik.

Ühiskonna kultuurifaktorite mõju uurimiseks personalijuhtimisele on kasutatud rahvusvahelise GLOBE uuringu tulemusi (House et al. 2004).

Teoreetilises plaanis on käesolevas töös lähtunud personalijuhtimise kontekstuaalsest käsitlusest. Selle kohaselt organisatsioonide juhtimistegevus ja sealhulgas personalijuhtimine on vaadeldav ja seletatav erinevas kontekstis. Sellest tulenevalt kujunevad välja erinevad juhtimispraktikad. Alljärgnev joonis 1 illustreerib kontekstuaalse lähenemise ideed (Brewster et al. 2004; Morley et al. 2000; Gooderham et al. 2004; Larsen and Mayrhofer 2006).



Joonis 1. Personalijuhtimise konteksti arvestav mudel.

Autori joonis

Organisatsiooni vaadeldakse nii laiema institutsionaalse ja kultuurilise keskkonna kui ka kitsama sektoripõhise keskkonna mõjuväljas olevana. Personalijuhtimise praktikale avaldavad mõju ka organisatsioonisisemed tegurid, millest olulisemaks on peetud strateegiat.

Empiiriline osa

Esimese uurimisväite teemal on esitatud kolm artiklit kaasautorluses teiste uurijatega. Eestit käsitleva osa empiiriliseks baasiks on käesoleva töö autori poolt aastatel 2000 ja 2004 läbi viidud Cranet uuringud Eesti avaliku ja erasektori organisatsioonides.

2000. aastal küsitleti personalijuhte 218 organisatsioonis, neist 69 olid ettevõtted ja asutused töötajate arvuga üle 200. 2004. aastal viis autor järgmise uuringu läbi 118-s Eesti ettevõttes ja avaliku sektori organisatsioonis. Nendest 56 esindasid organisatsioone töötajate arvuga enam kui 200. Uurimisvahendina kasutati Cranet võrgustiku struktureeritud küsimustikku.

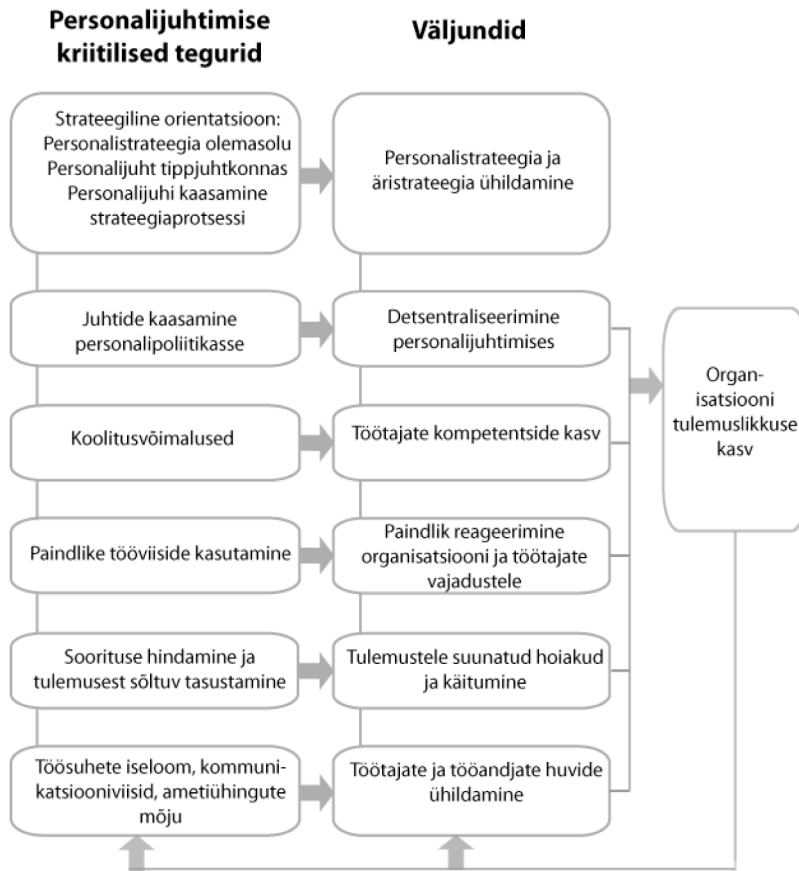
Küsitluse tulemusi on kasutatud personalijuhtimise võrdleva analüüsi tegemiseks Soome (uurimus II) ja Sloveenia (uurimus III) organisatsioonidega. Eraldi uurimuses on vaadeldud personalijuhtimise arengut Eesti organisatsioonides institutsionaalses kontekstis. Dissertatsiooni autori poolt on personalijuhtimise arengut Eestis erinevatel arenguetappidel üldistatult käsitletud alates eelmise sajandi keskpaigast. Uurimuste tulemusena leidis esimene väide täielikku kinnitust.

Teise uurimisväite analüüsiks on kaasautorluses avaldatud uurimus VI. Uurimuse läbiviimiseks võeti ühelt poolt aluseks 11 riigi andmeid, mis olid saadud 2004. aasta Cranet uuringuvoorust ja rahvusvahelise uurigu GLOBE tulemused samadest riikidest. Faktor- ja korrelatsioonianalüüsi rakendades leiti seoseid ühiskonnatasandi kultuuritegurite ja organisatsioonitasandi personalijuhtimise tegevuste vahel. Saadud tulemus toetas püstitatud uurimisväidet.

Kolmanda uurimisväite osas on esitatud artiklid, mis on aluseks ka esimesele uurimisväitele ja lisaks neile on uurimuses I analüüsitud eraldi tulemusi, mis saadi esimesest Cranet uuringust Eestis 2000. aastal. Viidatud uurimused kinnitavad, et personalijuhtimine Eesti organisatsioonides oli 1990-te aastate lõpuks jõudnud kujuneda funktsionaalseks juhtimisvaldkonnaks.

Neljanda uurimisväite teemat käsitlevad uurimused III, IV ja V. Nendele lisanduvad käesolevas töös esitatud 2009. aasta Eesti Cranet uuringu tulemused. Need on saadud kokku 74 organisatsioonist, sealhulgas 200 ja enama töötajaga ettevõtteid ja asutusi on esindatud 33. Dissertatsiooni autor on välja töötanud inimressursi juhtimist iseloomustavate kriitiliste faktorite kogumi, mille alusel on võimalik hinnata inimeste juhtimise valdkonnas poliitikate ja praktikate vastavust inimressursi juhtimise nõuetele (joonis 2).

Neljas uurimisväide leidis enamikes aspektides kinnitust.



Joonis 2. Inimressursi juhtimise kriitilised osategurid

Autori joonis

Peamised järeldused:

- Eesti ja Soome ning Eesti ja Sloveenia võrdlev analüüs näitab, et organisatsioonide personalijuhtimise praktikad peegeldavad ühiskonnale omast institutsionaalset korraldust ja areng personalijuhtimises toimub vastavuses institutsionaalsete muutustega. Organisatsioonid taotleavad legitiimsust oma sotsiaalses kontekstis, selleks et edu saavutada;
- personalijuhtimise praktikate kujunemises ei määra olulisi valikuid mitte ainult juhtide tahe ja parimad eeskujud, vaid oluline osa on ühiskonnas kehtivate regulatsioonide ja normide järgimisel, mille mõjualas tegutsetakse;
- hoiakuid ja praktikaid ühiskonnas, mida iseloomustab institutsionaalne kollektivism, sooline võrdõiguslikkus, inimlik orientatsioon, ebakindluse vältimine ja tulevikuline orientatsioon võib lugeda organisatsioonide mitmeid olulisi personalijuhtimise praktikaid toetavateks teguriteks
- agressiivsus, grupiline kollektivism ja võimudistants kui ühiskonna tasandi ilmingud esinevad mitmeid personalijuhtimise praktikaid takistavate teguritena

- personalijuhtimise arengut Eesti organisatsioonides võib vaadelda 5 erinevas etapis; käesoleva kümnendi algusaastatel on jõutud inimressursi juhtimise põhimõtete juurdumiseni;
- inimressursi juhtimise perioodi iseloomustavad: personalijuhtimise funktsiooni strateegilise orientatsiooni kasv, tulemustele orienteeritus personalijuhtimise praktikates, tööandjate ja töövõtjate suhetes otsese kommunikatsiooni tugevnemine ja paindlike töökorraldusviiside rakendamise kasv töösuhetes.

CURRICULUM VITAE

Personal data

Name: Tõnu Kaarelson
GSM: 5013550
E-mail: tonu.kaarelson@ebs.ee
University address: Estonian Business School, Lauteri 3, Tallinn 10114, Estonia

Education

2007 – 2010 Estonian Business School, doctoral studies
2005 – 2007 Tallinn University of Technology, Open University,
doctoral studies
2002 Tallinn University of Technology,
Master of Business Administration (MBA)
1975 – 1979 Tartu University, diploma in psychology
1969 – 1973 Tallinn University of Technology, diploma in economics

Employment

Aug 1999 – Estonian Business School,
Director of Management Institute, lecturer
Jan 1998 – June 1999 AS Kalev Ltd., HR director
Feb 1988 – Jan 1998 EKE ARIKO Consulting Ltd,
member of management board, management consultant
Aug 1977 – Feb 1988 Estonian Rural Construction Association,
deputy head of training department

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