

Alexandru Ioan Cuza University of Iași
Faculty of Economics and Business Administration

Cătălin-Ioan CLIPA

Thesis summary

**HUMAN RESOURCE MANAGEMENT
STRATEGIES AND POLICIES IN A EUROPEAN
FRAMEWORK**

Scientific adviser

Panaite NICA, Professor Emeritus PhD

Iași, 2014

Summary

The thesis presents the results obtained during a long activity of documentation, analysis and synthesis to identify the strategic aspects of human resource management.

Human resources have the capacity to create competitive advantage and that is why they can be considered as a development engine for the ex-communist countries and especially for Romania. The economic and social results depend on capitalization of human resource. In the context of global capital flows, the economic development depends on attracting and valorization of capital, particularly human capital. Creating competitive advantage based on people may be analyzed at national and EU level thereafter, as long as the states in the union retain their national character but are subject to a system of relationships and common rules. The economic performance of Romania, the low attractiveness to foreign investors, under-utilization and migration of human resources, require an analysis of human resource strategies and policies at national level, and then an analysis of the strategic aspects of human resource management in the European Union.

The analysis was performed at different levels, from the European level to regional-European level (cluster), national level and then organizational level. Several questions served as starting point in developing the research: Is Romania like the other European countries when it comes to human resource strategies and policies? Should Romania be more oriented to European strategic human resource practices such that it does not represent a periphery in these terms? Do the organizations succeed, through their strategies and policies, in influencing the national / regional / European context? Is there a European model for strategic human resource management or the existing models are nationally rooted?

Considering the above questions can be said that the theme of the work is complex, with multiple connections with other areas. The literature gathered several European and regional level studies and comparative international management of human resources delimited itself as an area of interest for researchers.

This paper contributes to knowledge in the field through the study of human resource strategies and policies developed in Romania and the inclusion of Romania in the analysis of strategic human resource practices in the European Union.

The purpose of research

The research aims to identify strategic approaches and practices in the EU countries for placing Romania in the European structure of clusters of strategic human resource management.

The objectives of research

1. Describe the strategic role of human resource and human resource management for the European Union;
2. Describe the European framework for human resource management;
3. Identifying and assessing the effect of influential factors on the formulation, implementation and evaluation of human resource strategies and policies in the European context;
4. Comparative analysis of the strategic aspects of human resource management for Eastern and Western Europe.
5. Configuring a Romanian model of strategic human resource management.

6. Identifying the strategic practices and human resource policies in Romanian organizations;
7. Structuring the European model / models of strategic human resource management;
8. Delimitation of a cluster structure of strategic human resource management in the European Union.
9. Identifying the place of Romania on the European map of strategic human resource management clusters;
10. Identifying key strategic practices, assessing links between them and their development in the European Union.

The hypotheses of research

Hypothesis 1: The strategic approach to human resources management in Romania is closer to the Peripheral cluster model and less to the Central-Southern, Northern and Western cluster models identified in Ignjatovic and Svetlik (2003) study.

Hypothesis 2: There is a direct correlation between the level of formalization of organizational strategy and human resources strategy, on one hand, and national economic performance calculated as labor productivity, on the other hand.

Hypothesis 3: There is a direct correlation between the existence of a human resource strategy and the responsibility of human resource department for human resource decisions.

Hypothesis 4: There is a tendency to increase the role of line management in human resource management activities.

Hypothesis 5: Devolution of responsibility for human resource decisions to line management with the human resources department having a consultative role is a growing strategic practice in the EU.

The competition for attracting, keeping and developing talent in the globalization context and the increasing potential for competitive advantage of human resources leads to the necessity of setting clear objectives and organizational strategies. Furthermore, changes of paradigms in the economy and the approach called knowledge economy created conditions so that the leap from the concept of human resources to human capital was made easier in the literature. However, organizational realities do not change as fast as ideas, because change requires new people, new structures and new ways of working that are created, tested, implemented and evaluated.

Strong orientation towards human resources asked first for human resource function adaptation to new realities, through its transition from an operational role to a strategic one. Being dominated by an administrative role, the human resources department was suddenly invited to the table of strategic decision-making and given a big responsibility. The new acquired responsibility came with a new title, that of strategic partner. This new role connects the human resource function directly with the organization's strategy to integrate people issues with it. These are initiated by changes in the demographics of the workforce, globalization of markets, including the labor market, increased orientation towards innovation, productivity and growth, and especially changes in the customers preferences. Therefore it is necessary for the organization to develop and implement a human resource strategy to provide clear directions of action on which business managers to focus. These directions come from a lot of alternatives that are available to managers.

The task of HR department is to create a framework for strategy, human resource policies and practices to become effective, to reduce the distance between expectations and results and to synchronize people with long-term existence of the organization, in the context of dynamic environmental factors. HR department should participate in the management of restructuring and creating good relationships with employees. HR contribution to strategy comes along with information about the effects of change and anticipation of priorities related to people. Strategic Human Resource Management (SHRM) connects the business strategy with the HRM strategy and focuses on the integration of human resources with business and its environment. SHRM also aims to create congruence between HR policies and management policies. Other authors treat MSRU as a way to increase employees involvement and therefore the results of the organization. Regardless of the approach, all that matters in the end is the organizational performance, be it economic value, value for shareholders, customers, market share or value added through involvement of people, skills and knowledge. SHRM determines how business objectives will be achieved with people (Armstrong, 2006, p. 10).

Organizations being dependent by people and the strengthening relations between states in some parts of the world led to the creation of specific social and economic contexts and, secondly, to the development of SHRM variants adapted to these contexts. The most interesting case is considered the one of Europe, namely the European Union, the first creation of its kind in the world. The European Union has created a common space that includes the differences in size, location, history and institutional features of countries. The culture with a low level of individualism and higher uncertainty avoidance (compared to the U.S.) leads to a strong role of the state manifested by legislation in Europe. The state has legislative control and interferes in employment relations through regulations for recruitment and dismissal, for formalization of education certification, payment, hours worked, the types of employment contracts, trade union rights and others. All these add to the legislation for equal rights and opportunities and health and safety at work. Another unique aspect is created through the legal framework of the European Union that includes aspects of employee-employer relationship. European Union Social Charter and Social Action Program have a great legislative influence over HRM. Although governments support easing restrictions imposed by legislation, supranational law tends to expand its influence.

SHRM brought challenges for decision makers at European level, whether Union management structures or the ones belonging to national or multinational business entities. The main challenge is creating and maintaining a framework of policies and practices related to human resources management to ensure the implementation of European policies, employees mobility and employee satisfaction, success of business and investment, respectively removing strong imbalances between Member States. Also the best practices transfer and standardization at the multinational companies level and the convergence of these practices at European level is of major interest.

Regarding the debate on convergence and divergence, the trends of political, economic and social integration supported by the EU create a regulatory framework for member states, future members and neighbors. Factors that improve convergence are represented by rules relating to employment contracts details, recruitment activities and labor relations. Also the regulations for the European associations of employers and employees who have a significant role in the exchange and dissemination of ideas and in issuing directives for human resource management activities are contributing to convergence. These factors are added to the role of multinationals contributing to the creation of a model of HRM by disseminating best practices. Concerted actions of these factors

could explain the existence of convergence for a specific European model of human resource strategies and policies.

On the other hand, the opposite trend implies that human resource strategies and policies are significantly influenced by the national and local context. Different institutional systems in the European countries are a barrier to convergence. These systems are the result of history of European countries that favored cultural and institutional differences creating heterogeneity of culture, language, social rules and legislation. Institutional influence includes the cooperation and networking between companies, and external organization of knowledge defined by the national institutional reward practices that are related to income distribution and cultural accepted legal minimum wages. Variability at national level is based on a set of rules that may constrain also the branches of multinational companies to adapt, which will diminish their influence to uniformity. (Farndale et al., 2008).

There are two forces influencing the configuration and the role of HR department in European companies. On the one hand, the EU has promoted the integration through policies and procedures affecting indirectly the human resources policies. On the other hand, cultural and institutional factors in each country continue to influence the practices through the process of organizations adaptation. Empirical evidence shows that what is called convergence has a slow pace, hence, the different models of HR strategies and policies. The number of models cannot match the number of countries, meaning that there are commonalities at the cluster level. The institutional framework that becomes important in understanding the HR strategies and policies in the European Union influences the existing trends.

The empirical study used a similar methodology with Cranet research conducted globally, given the need for comparison of the results for several countries in the European Union. For Romania a sample of 213 organizations was created and they were sent a simplified questionnaire adapted from Cranet 2008/2010 questionnaire. Data obtained for Romania were added to those from Cranet 2008/2010 research for the analyzes at EU level. The analysis also used the 1992 Cranet survey data.

Summarizing the results highlighted the following:

- Romania belongs to the Peripheral-European cluster considering the strategic human resources management practices;
- There is a moderate correlation between the formalization of strategies and employees productivity at national level within the EU;
- The responsibility of HR department for HR decisions is connected with the existence of a human resource strategy;
- The line management has an increasing role in HR activities;
- The devolution of HR responsibility to line management with the HR department having a consultative role is not a growing practice in the EU.

These results show some important aspects of strategic management practices in human resources and their links with the organizational and national results.

Future research directions

The analysis of HR strategies and policies for Romania can be extended by using the full questionnaire of the Cranet research. This will allow detailed longitudinal comparisons and clustering of human resource policies and practices and a re-grouping of European countries in clusters. Also the research should be repeated every 3 years to have the possibility to analyze the evolution of

policies and strategic practices. The creation of a database of organizations that meet the criteria for comparison and provide support for research would be the appropriate way to develop further research.

Another interesting issue is related to the results of human resources strategies and their contribution to organizations performance. Organizational performance evaluation in Cranet research is done on five levels without being able to calculate correlations between policies, practices and performance indicators. These correlations can be used to identify best practices nationally and at economy sector level.

Thanks to good relations established with Republic of Moldova and existing business opportunities there, it would be useful to cooperate with academics to expand the study, considering that the questionnaire in Romanian can be used as it is.

Limits of the thesis

During the theoretical documentation and research development the compliance with the methodological norms was ensured, however a number of constraints and inherent trade-offs have led to limitations of the thesis:

- Theoretical and methodological the thesis has limitations related to its correlation with CRANET research. The constraint arose because of the comparison need, the CRANET research being the only one with a European coverage for the strategic management of human resources.
- The adaptive-dynamic model is only partially tested in the applicative part of the thesis;
- The problems in creating a representative sample of organizations in Romania led to the creation of a convenience sample;
- For Romania it was used a simplified version of the CRANET questionnaire which led to limitation of the analyzes. The absence from the questionnaire applied in Romania of the items regarding the existence of HR department and participation of the head of HR in board created those limits.
- The questionnaire does not provide items to test the respondent's sincerity, so the provided answers were considered true.
- Comparability of data from Romania with those in other countries from CRANET 2010 was conducted under conditions in which for Romania was used the questionnaire CRANET 1992, with some answer options missing.
- The study is based on questionnaire responses of a single person, with the possibility of errors due to limited knowledge and personal subjective perceptions.

Theoretical and methodological contributions

1. Analysis of the strategic role of human resource in the European context, approaching the context and actors in a sequential order (EU, clusters of states, national context, economic sector and organizational context);
2. Creation of structure of influencing factors over human resource strategies and policies;
3. Gathering and explanation of European human resource management particularities;
4. Analysis of convergence for European models of human resource management;
5. Creation of a new adaptive-dynamic model for strategic human resource management;
6. Adding to international comparative human resource management literature in Romanian language the new knowledge obtained through theoretical documentation.

Contributions of practical and applicative nature

1. Integrating the process of comparing strategic practices in human resource management for Romania with the ones in the other EU states;
2. Evaluation of the relationship between human resource strategies and macro-economic results;
3. The correlation of decision makers involvement with the existence and formalization of human resources strategies;
4. Estimating the trend of line management role in HRM;
5. Analysis of strategic practices in human resource management for Romanian organizations;
6. Positioning of Romania on the European map of clusters of strategic practices in human resource management.