The Most Recent Trends and Emerging Values in Human Resource Management: Comparative Analysis

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The article deals with the complexity of human resource management in the context of business globalization. The global trends in human resource management are shaped by competitiveness, downsizing, outsourcing, more diverse work force and an ageing population. On the contrary, the cultural differences significantly affect many aspects of human resource management, such as recruitment and selection, performance appraisal and compensation, career development. The problem is in balancing the global trends in human resource management with the influence of national cultures. The extent to which human resource management activities are successful across cultures will largely depend on manager’s abilities to understand and balance other culture’s values and practices as regards such things as the importance of work, its relationship to the whole person and to the group, how power and status is conferred, the desirability of change, the perceived value of experience versus formal classroom management training and other fundamental differences. The article explores major challenges arising from globalization and affecting human resource management practices in twenty-first century in the selected industrialized countries (United Kingdom, USA, Japan) and Lithuania as the representative country of the post-soviet bloc. The article shows that the process of globalization and the development of international companies unify human resource management and at the same time underscore the importance of national cultural values. In this way the international companies reconcile two contrary goals: employees accept the dominant organizational values, and at the same time they are encouraged to exploit their national cultural differences.

The general aim of the article – analyze the theory and the practice of balancing the seemingly opposing forces – global and national and to identify trends and values in human resource management across four countries: United Kingdom, USA, Japan and Lithuania.

Keywords: human resource management (HRM), globalization, cultural differences, values.

Introduction

The object of the study – managing human resources across the cultures in the context of the process of globalization. Formulated and solved these problems would have to analyze theories: strategic human resource management, cross-cultural management, organizational behaviour and organizational theory.

In the twenty first century the extent to which HRM is successful across cultures will largely depend on manager’s abilities to balance the global trends in HRM with national cultures’ values and practices.

The goal of the article is to investigate global trends and to make comparative analysis of national trends and values in HRM on the basis of several industrialized economies and Lithuania. The research questions are:

- What are the global trends in HRM?
- What are the main trends and values of HRM professionals in the selected countries in the twenty-first century?
- What are the managers’ values related to HRM in Lithuanian companies?

Methods. The following research methods have been used in the article: the system, logic and comparative analysis of scientific conceptions. Further, the empirical studies carried out in different countries are presented in the article. The primary data from Lithuanian companies were collected by conducting research. Other data have been derived from papers, books and statistics.

Managing human resources across the globe

What kind of a new form of “glue” helps to manage human resources worldwide? Two ideas emerging from organizational behaviour literature in recent years will help to find the answer. The first comes from the work of Paul Evans and Yves Doz from INSEAD business school in France. The second – from research conducted by Meridith Belbin in UK, Cambridge university.

Evans and Doz have described the managerial challenge in complex international organizations in terms of balancing opposing dualities (Hoecklin, 1996). They believe that the pace of change and the new complexity of globally operating companies create the need for harmonizing seemingly opposing forces, such as:

- Thinking global, Acting local
- Decentralization, Centralization
- Planned, Opportunistic
- Differentiation, Integration
- Change, Continuity
- Top-down, Bottom-up
- Delegation, Control
- Competition, Partnership

They urge that such forces should be considered not as binary, either/or decisions, but rather as complementary forces that need to be balanced. The analogy of the human personality is a useful one. Instead of trying to maximize
anything (decentralization, teamwork, formality, and so on), an organization should seek to ensure that it maintains a minimal threshold of desirable attitudes.

This conceptual framework itself is a useful one in which to consider differences in culture. The whole challenge of managing across cultures is about balancing seemingly opposing values and practices in such a way as to create advantages from them.

The Cambridge university professor Meridith Belbin (Sparrow, 1994) provides another useful frame in which to consider the impact of culture on various aspects of HRM. In his original research with high-performing teams, Belbin identified eight "team roles" that individuals can play when working in teams and that are required for effective team working. He suggested that each individual has a primary role that he or she tends to feel most comfortable playing, and one to four "back-up" roles that they are able to play, but which they are less comfortable with.

Such research are particularly relevant to all the areas of strategic HR across cultures and are directly related to the work of Evans and Doz. In addition to recognizing that dualities exist and must be balanced, Belbin’s work adds the necessary dimension of considering diversity, or "dualities", constructively. If Belbin’s findings can be generalized to broader organizational functioning in complex, diverse organizations, it is clear that HRM requirements become less a matter of having the right people at the right place at the right time, and more a matter of integrating selection, reward and appraisal practices within organizational values which will allow a balanced outcome under a range of cultural conditions.

**Trends and values in HRM in the United Kingdom, USA and Japan**

Previous chapter was an attempt to review the process of globalization of HRM. The analysis in this chapter is supported by examining the practice of HRM in the United Kingdom, Japan and USA. Our focus on UK reflecting the relative volume of national publications of HRM practitioners from this country and the dominant size of UK economy in the EU (Gooderman, 1999).

**United Kingdom** (labour force 29.4 million, unemployment rate 5 per cent in 2004). The general context within which HRM changes have taken place in the UK is a reflection, primarily, of changing regulatory frameworks, globalization and strong pressures to drive costs downwards. The latter are often focused on labour issues, because labour costs make up a significant proportion of total costs in many sectors of economic activity. The key role of labour, and thus HRM, in modern organizations is emphasized by Becker (Bercker, 1998). He concludes that getting the people issues right is critical. This perspective is reflected in the increased professionalism of the HRM function in the UK.

**Regulation.** HRM practices in the UK are influenced by increasing levels of regulation arising both from the UK government and from membership in the EU. The UK government’s tighter legislative controls on labour unions are the major contributory factor in the dramatic fall in strike activity. Working days lost annually per 1000 workers plummeted from 330 between 1980 and 1983 to only 11 days in 1999/2001. HRM practitioners, for the most part, have less concern with organized labour. The establishment of more employee supportive legislation is found in the introduction of the minimum wage. Nevertheless, much of the current UK employment legislation remains restrictive and controlling of labour. Policies emanating from the EU have worked in the opposite direction and seek to emphasize employee welfare, involvement and commitment.

**Incentive compensation.** In addition to well established incentives for equal pay between men and women, there are strong pressures to move away from standard pay scales towards systems which reflect individual performance and behaviour and the specific demands and characteristics of particular (regional) labour markets. Despite the 1970 Equal Pay Act and the subsequent 1983 amendment incorporating the concept of equal value, a gender gap still exists in the UK (Sparrow, 1994). For example, in 2002, in manufacturing the average wage of full-time male employees was £415 per week compared with £273 per week for women (Institute for Employment Studies, 2003). Such contrasts are typical of all sectors. The monitoring the equal opportunities on the basis of sex, race and disability remains a high priority for HRM professionals.

The continued move towards increased use of performance related pay presents a particular challenge to the HRM professionals.

**Globalization.** Owing the globalization, the UK economy has been driven by a push for greater productivity with the resultant outcome of downsizing or total closure of plants (Parker, 1998). A second major challenge arising from globalization has been foreign investment in the UK. In manufacturing, almost one-fifth of UK workers are employed in foreign companies. Foreign investment has brought with it new HRM practices, which can spill into domestic forms. Employment in Japanese manufacturing firms has risen from fewer than 5 000 in 1980 to over 60 000 in 2000 (Institute for Employment Studies, 2003). Japanese plants have brought new HRM strategies focused around team working and total quality management.

**Labour shortages.** Like many advanced economies, the UK has an ageing population. By the year 2040, one in four will be a pensioner and barely half the population will be under 45 (Institute for Employment Studies, 2003). It may become a necessity to make fuller use of the older employee. Hiring older employees is a strategy already adopted by some UK companies. Employees work longer hours per week than employees in other EU countries. The average working week is 44 hours, with only 28 days’ holidays per year. Breaking this long hours culture may become a major task for the HRM professional.

From October 2000, changes in the UK work permit system have made it easier for immigrants to fill gaps in the labour market. Act 2004 sets out a progressive policy of welcoming immigrants where that helps UK economy.

**Flexible working.** A particular interest in the UK has been the debate about the extent of new forms of working, which include outsourcing, flexible working patterns and the emergence of new forms of work.

**Outsourcing.** The move towards the flexible firm has seen a trend towards the outsourcing of activities outside the core (Gooderman, 1999). This may take the form of
outourcing to new suppliers or changing employment contracts to hire individuals as consultants rather than employees. Increasingly too, UK firms are externalizing actual HRM activities. For example, a period of downsizing often sees the hiring of outplacement specialists.

**Flexible working patterns.** An indicator of the importance of numerical control of labour costs is seen in patterns of short-term contacts, temporary working and part-time working. The proportion of workplaces characterized by the first two forms of flexible working increase from 19 per cent to 36 per cent between 1980 and 2000. Similarly increases have been recorded in the numbers of part-time workers. By 2000, the UK had over 6.7 million part-time workers (Institute for Employment Studies, 2003).

**New forms of work.** The most striking new types of workplaces are call centres. These tend to be located where labour costs are low. Because of their newness, they have employed female with little experience of office work. Teleworking is another emerging trend. In the UK, the number of teleworkers is now estimated to more than 1.6 million. HRM practitioners need to develop skills appropriate to the recruitment, selection, and motivation of the workforce of a “virtual office”.

In conclusion, today’s HRM professional in the UK needs the ability to operate within an increasing degree of labour regulation and to simultaneously respond to a wide range of changing individual and organizational needs in new and creative ways.

**USA** (148.6 million labour force, 6.2 per cent unemployment rate in 2004). **Labour shortages.** US economic prosperity during the 1990s has led to labour shortages, which are pushing organizations to engage in creative recruitment and retention practices and to employ workers from non-traditional sources, leading to a more diverse workforce (Becker, 1999). HR professionals are realizing that they need to update their technological skills and develop systems for managing more virtual organizations. In the 2000 Society of Human Resource Management carried out **Survey on HR Priorities**, 64 percent of respondents indicated that recruitment would be a top issue and 46 percent said that training would be a top priority due to labor shortages (Konrad, 2001). Labor shortages have turned companies’ attention to retention practices, including fostering a sense of community, identifying and investing in the organization’s best people, making it easy to move within the organization, hiring very selectively, providing decision-making authority to all employees. The reason why US labour shortages have remained manageable is an expanding labour supply, as firms tap previously overlooked groups such as people with disabilities, former welfare recipients, older workers, ex-convicts, and foreign students. A more diverse workforce requires organizations to change practices, attitudes to enhance performance.

**Globalization.** MNCs are becoming increasingly important players in a global economy, and their HR practices are increasingly influenced by diverse cultures. A certain degree of fit between HR practices and local culture enhances performance, because congruent HR practices are consistent with existing behavioural expectations and routines that transcend the workplace (Parker, 1998). Management practices that are congruent with the national culture have been associated with enhanced firm financial performance. US firms seem to have learned this lesson.

**Variable compensation** Companies in the USA are moving toward pay systems that are flexible and strategically aligned with complex and changing business environments. Examples include the increasing use of competency based pay, in which pay is geared more to individual skills and abilities that contribute to company success than the job individuals perform, and broadbanding. The most significant trend is the increasing use of “variable pay” plans which conventionally refer to payments that are based on an objective or quantitative assessment of individual, group, or company performance, that do not add to base salary (for example, gain sharing plans, profit sharing, and stock based plan). According to a report by Hewitt Associates (Konrad, 2001), 78 percent of surveyed organizations currently have at least one type of variable pay plan in place, up from 70 percent in 1999 and 47 percent in 1990. Perhaps the most interesting variable pay trend is the increased use of stock option plans not only for top executives but for lower level employees, too. Stock options are a way to link employee pay to firm performance.

**Strategic HRM.** HR is increasingly seeking a strategic role in business to help firms create value and gain competitive advantage in the marketplace. Effective HR practices that competitors cannot duplicate easily or quickly provide a competitive advantage to firms. HR can create value by developing systems to make an employer of choice to attract and retain top quality talent. Becoming an employer of choice is costly, however, and these costs are only justifiable if the firm’s workforce demonstrates high productivity. In addition, HR can become a strategic partner by providing tactical support for implementing a business strategy (Becker, 1999).

**Future directions.** In late 2000 the US economy is slowing. Though workers may become easier to find in general as the economy slows, recruitment is likely to continue to be challenging in areas where skill shortages exist, such as IT. The US workforce will continue to become more diverse, so firms are likely to continue experimenting with variable compensation and high performance work systems to enhance productivity.

**Japan** (68 million labour force, 5.3 per cent unemployment rate in 2004). During an extended period of economic recession for the most of the 1990s, broad and striking changes have been made to the Japanese employment system. How fundamental or reversible they are is harder to evaluate. Japan’s economy finally began to show signs of a recovery in 1999. If the economic recovery prevails, a considerable stabilization of Japanese HR practices can be expected, although at a higher level of market-oriented flexibility than previously existed (Selmer, 2001).

**Traditional practices.** Employment is based on lifetime system, hiring of workers and managers into entry-level positions directly out of college is common. Pay rises and promotions are automatic. In the wage system based on seniority, status and seniority are tied to length of service, rather than to job duties or merit. Although subordinates know that they can influence decisions, the ultimate decision comes from the top. Japanese managers make an active commitment to preserve harmony, through intricate
social rituals like gift giving, bowing to superiors, and using honorific language to show deference (Bechler, 1995). Workers often gain a broad perspective on production by being rotated through different departments. Such investments in breadth of skill and overall understanding of the production process are justified by the strong lifetime employment guarantees bonding workers to their companies and allowing the skilled and experienced production workers to contribute to management decisions.

Changing HR practices. The breakdown of the inter firm network system of cross shareholding and preferential trading among member corporations of a business group has badly hurt the safety net of supporting the long-term growth strategy of Japanese firms and their ability to protect employees from downside market risks. Deregulation is another force for change. It has made Japanese markets more accessible to competitors, foreign as well as domestic. The aging population also has clear implications for corporate HR practice. With an aging workforce, the permanent employment and seniority system burdens firms with rising numbers of higher-paid and less productive workers (Selmer, 2001). Recently, growing numbers of companies are explicitly weighting ability and performance over tenure and age in salary decision. Finally, the transition to a service economy combined with socio-cultural and socio-economic changes has had a profound effect on Japan’s employment institutions. Although leading-edge manufacturers are still competitive, their contribution to Japanese domestic employment and income is shrinking, in favor of the emerging service sector as the next great engine of jobs and wealth. Employment practices of sales and service firms are different from those of manufacturing. Their younger workforce is more mobile, less committed to work and the firm. Furthermore, since the organization of work in service firms is less team based, individual performance is more easily evaluated. Accordingly, occupational skills are valued over firm-specific skills, so that broad job experience becomes the main driver of wages and performance rather than loyalty to one employer. Gender issues are rapidly surfacing in the Japanese traditionally male dominated corporate world. Japanese women, long locked in the crouch of tea serving duties, are standing up. Professional young women are flocking to new high-tech ventures, where they are, it is difficult to evaluate. No matter whether it regards performance pay or reductions of the workforce, the change of HR practices in Japanese companies seems to be slow and incremental, carefully avoiding abrupt or traumatic breaks with the past.

HRM in Lithuania

(1.6 million labour force, 6.4 percent unemployment rate in 2004). The previous part of the article shows that the process of globalisation and the development of MNC unify HRM and at the same time underscore the importance of national cultural values.

Having compared the changes in patterns of HMR in the UK, USA and Japan, let us proceed with the analysis of the peculiarities of HRM in Lithuania, the representative country of the post-soviet bloc. The practice of HRM in Lithuania is influenced by two controversial groups of factors: traditions that came into being under the soviet regime (authoritarian work methods, lack of employee initiative, material priorities of the employers); and new traditions still undergoing their formation (EU accession, emigration of qualified employees, establishment of branches of international companies). As the scope of the article does not allow the possibility for an exhaustive analysis of all functions of HRM, it will focus on one of them, viz. reward. The main problems of Lithuanian enterprises share one common feature: the managers attempt to mechanically increase salaries (following the trends in the market) rather than actually manage them (Songinaite, 2003). However, some executives who are aware of this problem and make it a priority issue by searching the ways which would ensure that every litas spent on salaries increase the added value for the enterprise. They also begin to favour the idea that a sound reward system should contribute to restricting of the influence exercised by the middle and lower management on the reward of their subordinates. In addition, the executives, fearing the decreasing supply of qualified labour force, shift their attention from material priorities to their employees by implementing real employee reward criteria. This was in part proved by the survey carried out by the members of the Management Department of the Faculty of Economics of Vilnius University, which interviewed managers of all levels of 12 manufacturing companies of Lithuania (in total 559) (Cesyniene, 2002). The findings of the questionnaire could be used to infer about the attitude of the managers to the employees.

While exploring the guides for objective-raising and decision-making, the technocratic orientation of managers became apparent. Majority think that involvement of the employees into the formulation of the objectives and decision-making process is an important factor in improving personnel motivation, encouraging initiative. However, as far as making of important decisions is concerned, 33.8% of managers think that their opinion is not taken into consideration at all, 17.3% familiarise with the already passed decisions, 65.5% can observe the process of passing of important decisions as they are involved in preparation of supporting information, and only 13.4% feel that they are making important decisions. The respondents equaled to zero the possibilities of staff to participate in this process (Cesyniene, 2002). When answering the question about reward system, 45.3 % of managers pointed out that most significance is attached to the cash reward systems. Other forms are not widely used: 8% of managers pointed self-development and qualification upgrading plans; 6.3% said that employees are motivated by re-designing their work and by trying to increase job purposefulness; 3.3% of managers said the motivation is increased by involving the employees into company management. 14% of managers stated that employees are not motivated at all. Answering the question about the advantages and disadvantages of the reward systems applied in the companies, 12% of managers were rather self-critical, by stating that there is no re-
ward system applied in their company. Managers of the companies that apply such systems mentioned such major drawbacks: 1) limited financial resources for incentives; 2) insufficient link between reward and the employees’ efforts, qualification and competence; 3) penalties are more often applied than incentives.

Management style has a great influence on the performance of the employees. Based on the answers returned by the respondents, the dominant management styles fall into the following order: authocratic – 37%, democratic – 4%, liberal – 28%, mixed – 31%. Enterprises with the authocratic management style are dominated by the especially formal way of communication (pointed out by 48.9% respondents), an insufficient degree of autonomy in performance of one’s duties, and lack of the managerial attention. Respondents from such enterprises state that while focusing to their work, the managers should not forget the needs of the employees. In addition, even 45.5% of the respondents agree with the statement that a good subordinate is hard-working, compliant and loyal.

The survey exposed that up till now Lithuanian companies have been dominated by the so-called “hard” HRM, with the focus on the employee control, utmost exploitation of their potential and obtaining of maximum benefit out of them, neglect of employees needs. However, the EU accession, the potential and obtaining of maximum benefit out of them, neglect of employees needs. On the other hand, the lack of qualified workers and the growing competition urge the managers to shift their attention to their employees as one of the key resources of the competitive advantage.

Conclusions

1. Many aspects of HRM are affected both by globalization and by differences in national culture. Evans and Doz have described the managerial challenge in complex international organizations in terms of harmonizing seemingly opposing forces rather than making binary either/or choices. Belbin’s work provides another useful frame in which to consider the impact of culture on various aspects of HRM.

2. The overview of HRM within different cultures has sought to bring out the main trends and the principal tasks facing HRM professionals in the selected countries.

3. The general context within which HRM changes have taken place in the UK is a reflection, primarily, of changing regulation arising both from the UK government and from membership in the EU, globalization and strong pressures to drive costs downwards.

4. In the late 2000 the US economy is slowing. Though workers may become easier to find in general, recruitment continues to be challenging in areas where skill shortages exist. The US workforce will continue to become more diverse. Firms are likely to continue experimenting with variable compensation and high performance work systems to enhance productivity.

5. The change of HR practices in Japanese companies seems to be slow and incremental, carefully avoiding traumatic breaks with the past. Japanese managers have a strong sense of corporate obligation to provide jobs, income and security.

6. In Lithuania as the representative country of the post-soviet bloc dominates by the so-called “hard” HRM, with the focus on the employee control, utmost exploitation of their potential and obtaining of maximum benefit out of them, neglect of employees needs. On the other hand, the lack of qualified workers and the growing competition urge the managers to shift their attention to their employees as one of the key resources of the competitive advantage. These trends indicate that there is no single Lithuanian “model” in HRM.

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Naujausios žmönų išteklių valdymo tendencijos ir vertybės: lyginimo analizē

Santrauka

Straišpino tiksles – palyginti žmönų išteklių valdymo pokyčius keliose šalyse, taip pat ir Lietuvoje, sugravejot globalizacijos procesą, tarpautinių kompanijų plėtrą ir socialinius aspektus.

Priežiūra