

# Changing HRM practices in Croatia: Demystifying the impact of the HRM philosophy, the global financial crisis and the EU membership\*

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## Abstract

The paper explores recent change dynamics of human resource management (HRM) practices by examining underlying reasons why these changes have occurred within large-sized Croatian organizations. In Study 1, for hypotheses development purposes, we applied the expert survey method to assess how HR practitioners perceive the role of contextual factors (the HRM philosophy, the global financial crisis and the European Union membership) in influencing various HRM practices. In Study 2, we reported empirical findings from two rounds of our field survey research (2012 and 2014) using the CRANET methodology. Lastly, the expert opinion method on a sample of academics in Study 3 was used to attribute HRM changes to the contextual factors explored. The global financial crisis was found to be the most plausible explanation for the majority of HRM changes that happened in the observed three-year period. However, both the HRM philosophy and the European Union (EU) membership were recognized to have a certain impact as well.

**Keywords:** HRM practices, HRM philosophy, global financial crisis, EU membership, Croatia

## Introduction

A number of radical, large-scale institutional, political and economic changes occurred in Croatia during the last three decades. As one of the post-transition countries and the newest EU member country, Croatia moved to the free-market economy, privatized a large amount of state-owned enterprises, and recently a regime of a free flow of labour across borders has been introduced. These circumstances have certainly influenced the policies used to manage employees. It is therefore interesting to explore not only what has changed in human resource management (HRM) practices of large-sized organizations, which are the fastest adopters of new HRM trends (Kotey/Sheridan 2004), but also what has been the driving force behind those changes. Accordingly, we find the following research questions particularly relevant for studying HRM practices of large-sized Croatian organizations: Are they and to what extent embracing the HRM philosophy

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of investing in material and non-material motivation strategies (typical for a neo-liberal ideology) to raise the level of employee engagement and performance? Were their HRM practices affected by the global financial crisis? Are they adopting and how quickly the EU-driven HRM standards? Namely, those three contextual elements could be detected as dominant impetuses shaping current and future Croatian HRM practices.

The paper reflects on the changes that occurred in HRM practices as well as it attributes those changes to the abovementioned trends in the relatively short Croatian history of HRM through a multi-study. First, for hypotheses development purposes, we used the *a priori* expert survey research method to assess HRM practitioners' judgment on impetuses to changes in HRM practices. Second, an extensive number of HRM indicators were collected from large-sized Croatian organizations through a questionnaire research method in two time points. Using the CRANET methodology, a field survey was first conducted in 2012 (four and a half years after the outbreak of the global financial crisis), and repeated in 2014 (a year after Croatia had become a full member of EU). Third, the *a posteriori* interview-based expert opinion research method on the sample of academics was used to allocate variances in HRM indicators either to changes in the HRM philosophy, the global financial crisis or the EU membership impact.

The paper offers several contributions. Besides providing an overview of HRM trends within an under-researched post-transition EU country, it demystifies the reasons for ongoing change dynamics in different HRM practices by using both expert practitioners and academic experts. In addition, we used a sequential multi-source research procedure. Combining findings from three studies enabled us to make valid conclusions about HRM dynamics. Thus, we were able to add to the previous efforts of studying HRM in Central and Eastern European (CEE) countries (e.g., Morley et al. 2009; Brewster et al. 2010), by uncovering the most recent HRM trends in Croatia.

## Contextual Influences on HRM Practices

The essential impact of context on HRM is not sufficiently addressed within the literature (e.g., Johns 2006). In particular, we lack empirical findings about how external environmental forces shape HRM specifics in different countries. As contextual differences influencing HRM practices do exist across national borders (e.g., Smith et al. 2003), we focused on the following single-country contextual variables: (1) a change in the HRM philosophy – the development of high-performance HRM practices consistent with the market-focused HRM philosophy, (2) the global financial crisis – which resulted in cost-cutting decisions focused on reducing HRM expenditures, and (3) the Croatian accession to the EU – which demands aligning HRM practices with current trends in the EU.

## Global and local change in the HRM philosophy in the last decades

People management in organizations has shifted dramatically in the western world from 1980s onwards, i.e. from personnel to human resource management (also called the HRM philosophy). A personnel management perspective – which treats people as a disposable factor of production, is oriented towards cost minimization, and has a short-term viewpoint (Bahtijarević-Šiber 1999) – has largely been abandoned. Instead, the HRM perspective – which views people as the most profitable investment, long-term asset and a main source of sustained competitive advantage (e.g., Wright et al. 1994; O'Reilly/Pfeffer 2000) – has become prevalent. One of the most influential explanations of the degree of movement from one approach to the other was provided by Storey (1995). He explains that the two named approaches differ as a corporate plan is marginal to personnel approach and central to the HRM approach, managerial tasks *vis-à-vis* labour shifted from monitoring to nurturing, compensation is not awarded anymore based on job evaluation (fixed grades) but is performance-related, collective bargaining contracts turned into individual contracts, restricted flow of communication converted into increased one, division of labour switched to teamwork, and controlled access to courses is replaced by learning companies.

New HRM practices are associated with the emerging neoliberal economic and societal policies and practices across developed countries (Peltonen/Vaara 2012). The influence of the neoliberal ideology has led to the higher work intensification, increased role demands, demands for long hours and high performance, rise of performance-related pay and enlarged investments in training and development (T&D), but resulted in reduced job security and higher peer-to-peer competition as well (e.g., Hassard et al. 2007; Peltonen/Vaara 2012).

As recognized by Morley et al. (2009), the adoption of market-focused HRM principles, which began simultaneously with the adoption of neoliberal free-market principles at the beginning of 1990s, has different trajectories in CEE transition countries. Therefore, HRM in the majority of post-transition countries, including Croatia (Pološki Vokić/Vidović 2007), is still improving and catching up with the well-established high-performance HRM practices in the developed countries. However, as globalization has a much further reaching consequence on the HRM profession than probably any other external force since the end of the industrial revolution (Claus 2003), the leading western-countries HRM philosophy is unstoppable spreading in post-transition countries, following similar but time-lag adoption trajectories.

## Global financial crisis and HRM

By the end of 2008, the majority of world economies were faced with the most serious economic downturn in terms of scale and magnitude since the Second World War. The global financial crisis that began in the United States soon

spread worldwide affecting millions of businesses in an increasingly connected world (e.g., Kotz 2009; Shen/D'Netto 2012). Politicians and businessmen were eagerly searching for interventions to ease the strain on the labour market (Crimmann et al. 2012), and one of the ways businesses used to respond to the long-term challenges of the financial crisis was the HRM adjustment (e.g., Sharma et al. 2010; Makovec Brenčič et al., 2012; Zagelmeyer et al. 2012; Malik 2013).

McDonnell and Burgess (2013) write about a 'soft' and a 'hard' approach to HRM that could be applied in a crisis – the former sees HR as an asset and the latter views it as a cost to be minimized. Soft HRM practices are oriented towards maintaining employee engagement and commitment, and involve strong communications, employee motivation, training and redeployment of staff (McDonnell/Burgess 2013). However, although aware of the short-term loss of significant amounts of human capital and jeopardizing long-term competitiveness (e.g., Fodor/Poór 2009; Shen/D'Netto 2012), the majority of organizations all over the world followed a hard HRM approach during the crisis, characterized by crisis-driven layoffs, recruitment freezes, reduced working hours, pay cuts, T&D reductions, and exploitation of the weaker bargaining power of trade unions and employees. In other words, the global financial crisis affected HRM practices worldwide with cost reduction as the main feature, as depicted in Table 1.

**Table 1: HRM practices during the crisis**

HRM area	HRM practices
HR planning	recruitment/hiring freezes (a hiring stop), redundancies (compulsory and voluntary), downsizing (primarily of temporary and seasonal workers, and freelancers using the FIFO method, or by using downsizing), non-renewal of fix-term labour contracts, no contract staff employment, terminating/reducing contracts with temporary work agencies, temporary lay-offs, incentives for employees to leave, early retirement programmes, temporary leave, unpaid leave, better absence management, a mandatory holiday shutdown, hiring for a new set of competencies
Job design	job design changes if reorganized, redirecting employees (job rotation) to other departments to deal with redundancies, alternative workweek schedules, flexible scheduling, reduced working hours, reduced working week, short-term work, greater proportion of part-time work, casual/temporary labour, reductions of overtime and holidays
Recruitment and selection	shift from external to internal recruitment, increased selection efforts because of the increased number of applicants, increased recruitment efforts to attract talents/leaders for the new environment, recruiting high-calibre employees for post-recession time
Performance management	more stringent performance management, quantitative performance measurement, determining criteria for lay-offs, determining key people a company cannot afford to lose, reducing individual performance goals

HRM area	HRM practices
Pay and benefits	pay cuts (accompanied with readjustment plans when the economy recovers), pay freezes, no pay increases over and above the cost of living, new pay scales, moving towards performance-related pay systems, reducing base pay rate / shift premiums / overtime rates / sick pay and bank holiday premiums, lower new entry pay rates and pension schemes, reducing variable/merit pay and bonuses, reducing benefits, revamped gain/profit sharing schemes, lower wages to exploit market opportunities, attendance bonuses, repayment of savings to employees if strict profit targets are achieved, health care plans changes (e.g., reduced or increased employee participation/contribution), pensions schemes reduction, "leave and return" plan (returning on reduced pay and conditions after leaving with severance payment), cancelling social events
Training and development	decrease in T&D expenditures, shift from off-the-job training to on-the-job training, shift from external to in-house training, reduction in off-the-job training, shift towards targeted training (management and leadership training as a priority)
Career development	career development decisions put on hold, decline in promotional opportunities

Developed using: Fodor/Poór (2009), De Hauw/Vos (2010), Sharma et al. (2010), Jaussaud/Liu (2011), Crimman et al. (2012), Shen/D'Netto (2012), Zagelmeyer et al. (2012), Wickramasinghe/Perera (2012), Gunnigle et al. (2013), Malik (2013), McDonnell/Burgess (2013)

However, the positive effects of the economic/financial crisis on HRM could be discussed as well. Some of those are reduced absenteeism figures and a decrease in employees' counterproductive behaviour because of a fear of job loss, reductions in voluntary employee turnover due to diminished employment opportunities, as well as greater work motivation among layoff survivors while the threat of future layoffs is high (e.g., Brockner et al. 1993; Vanhala 1995; Chraif/Anitei 2011; Malik 2013). These positive side-effects of the global financial crisis strongly intervene with the negative ones, making the role of HRM even more demanding.

## EU membership and HRM

The new member states of the EU face significant changes in their day-to-day management practices (e.g., Verheijen 2007). They are expected to increase their level of competitiveness, which requires adjustments in their HRM practices as well. However, HRM in Europe still spreads on a continuum from personnel administration to very strategic HRM (e.g., Claus 2003; Scholz/Müller 2010). Although variations in HRM practices across the EU exist due to the different national heritage and employment/labour laws (e.g., Nikandrou et al. 2005; Brewster 2007; Sanchez Marin 2008), there are signs of convergence as a result of the EU impact (e.g., Claus 2003; Scholz/Müller 2010).

By definition, the EU stands for growing structural, political and legislative unification trends (Claus 2003), and provides a context within which mobility and

free movement are enshrined in law, as well as where geographical, national, institutional and legal boundaries to working across member states are becoming increasingly permeable (e.g., Doherty et al. 2010; EC 2014; Ward-Warmedinger/Macchiarelli 2013). The implications for HRM in the EU member countries are therefore mainly related to the free movement of labour resulting in the ability of employees to cross borders for employment opportunities (Claus 2003).

The increased people mobility within the EU member states should give organizations the opportunity to recruit a substantial number of new employees (Langley 2004), which demands an adequate HRM (Scholz/Müller 2010) – both employment and HRM practices convergence. This calls for the development of a “European HRM” through the common factors such as the importance of employee involvement and participation, fair compensation packages, substantial vocational education and training possibilities, high health and safety standards, protection of part-time workers, and the emergence of flexible work patterns (e.g., Groth 1994; Claus 2003; Brewster et al. 2004; Langley 2004; Brewster 2007). However, although the actual changes due to the EU experience are reported to be minor (Vanhalala 1995), it became clear that employment relations in the EU are no longer a purely domestic issue (Perkins 1998).

The youngest EU members were especially affected by the implementation of the EU employment directives, as they had to upgrade their standards to levels set by the EU (Claus 2003). The implications of the EU for Croatian organizations include an obvious risk of talent drain and, therefore, the potential loss of key organizational knowledge. This creates a need for designing HRM practices like the EU counterparts do, both to keep top-performers and to become an employer of choice on the EU labour market.

## Study 1: Hypotheses Development

### Method

An *a priori* expert survey research was conducted for the purpose of hypotheses development. Generally, an expert method is appropriate when there is a lack of knowledge or information on an issue (Evans 1997), such as the one at hand. As long as they represent a homogenous group (Delbecq et al. 1975), 10 to 15 respondents are considered a standard in the expert method evaluation (e.g. Olson 2010). In our study, 13 expert practitioners holding a higher-education degree in management or psychology, and occupying HR managerial positions in Croatian companies were contacted to participate in the survey.

The survey questionnaire was designed with an attempt to cover a large number of HRM practices, precisely 32 different practices in areas of strategic HRM, job design, recruitment and selection, performance appraisal, training and development, rewards, and career management. Practitioners were asked to assess the extent to which three previously elaborated different contextual factors con-

tributed to the change in the aforementioned HRM practices in Croatia. They were asked to apply a 7-point Likert-type scale with intervals from -3 = significantly decreased to +3 = significantly increased, with 0 representing no change.

The data collection was initiated in March and was concluded at the beginning of May 2016 with a 100% response rate. The quantitative data analysis was applied using the IBM SPSS Statistics 23 software package. In addition to mean values calculations, as a measure of reliability of measurements/ratings, an intra-class correlation coefficient was calculated ( $ICC = 0.922$ ,  $p = 0.000$ ), and found to be high above the cut-off point of 0.70 (Fleiss 1986).

## Results and hypotheses building

HR practitioners on average assessed that HRM trends in Croatia should be attributed to the embracement of the contemporary HRM philosophy. This impetus was revealed to have a positive impact (+ values signifying an increase in HRM quality) in the majority of HRM areas (27 out of 32) – the highest mean values were reported for the usage of performance appraisals ( $M = 2.46$ ), and the presence of on-the job training and talent management programmes ( $M = 2.23$ ). In addition, except for overtime work ( $M = -0.31$ ), practitioners evaluated the impact of the HRM philosophy to be positive. Thus, from their evaluations, we derived the following hypothesis:

*H1: The change in the HRM philosophy positively impacted HRM practices in Croatia.*

Furthermore, practitioners believe that the global financial crisis impacted HRM trends in Croatia negatively or neutrally – a negative change (- values signifying a decrease in HRM quality) regarding 15 HRM practices, and no change (values below 0.1) for additional five examined practices. In other words, in 62.5% of cases there is a perception of the negative influence of the global financial crisis, with the lowest mean values attributed to annual payroll costs spent on training ( $M = -1.69$ ) and the HR-to-employee ratio ( $M = -1.62$ ). Therefore, we built the following hypothesis:

*H2: The global financial crisis negatively impacted HRM practices in Croatia.*

According to the average judgment of HR practitioners, in comparison to other explored impetuses the EU membership has the weakest impact on Croatian HRM practices. Besides being evaluated only once as the most influential impetus, it is assumed to have a weak positive influence (value below 1.0) on each of the examined HRM practices, except on profit-sharing ( $M = -0.15$ ). Thus, we formulated the following hypothesis:

*H3: The EU membership did not substantially impact HRM practices in Croatia.*

Finally, comparing scores across different impetuses (see Table 3 for detailed comparative results), we noticed that the highest impact (marked bold) in the majority of HRM areas (84.4%) was attributed to the evolution of the HRM philosophy. The global financial crisis was assessed to be the most influential impetus only in five cases (15.6%), while the EU membership was recognized as the most relevant driving force only in a single case. Hence, our final hypothesis is:

*H4: The change in the HRM philosophy dominantly impacted HRM practices in Croatia.*

## **Study 2: Time-Lag Field Research**

### **Method**

The time-lag data on HRM practices in large-sized Croatian organizations in 2012 and 2014 were collected by a questionnaire survey using the CRANET methodology. The CRANET questionnaire collects numerous HRM indicators grouped in five areas: (1) the role of HRM in the organization, (2) recruitment and selection, (3) employee development, (4) compensation and benefits, and (5) employee relations and internal communication. In addition, it collects information regarding organizational data. For the purpose of this paper, 45 HRM indicators from the CRANET questionnaire were analysed (equivalent to 32 HRM indicators used in Study 1, out of which six were explored for different employee categories – managers, professionals, clericals/manuals).

In both data collection rounds we targeted Croatian organizations with more than 500 employees. Out of 173 organizations listed in the Croatian Chamber of Commerce online database (HGK 2011), properly fulfilled questionnaires were returned by 41 organizations (the response rate of 23.7%) in 2012, and by 48 organizations (the response rate of 27.7%) in 2014, which makes a quarter of the entire population in both measurement time-points. Organizations employing 500 to 1000 employees, manufacturing and private-sector organizations are over-sampled (see Table 2). This, however, corresponds with the population of large-sized organizations in Croatia (DZS 2016), and does not imply a non-response bias. Moreover, although organizations which participated in both surveys overlap only in one-third of cases ( $n = 14$ ) representing a research limitation, two proportions Z-tests conducted for the size, the industry/sector and the ownership type have shown that the 2012 and the 2014 samples are representative of their respective populations ( $\alpha = 0.010$ ). The revealed HRM tendencies could thus be considered indicative.

**Table 2: Profile of organizations in the 2012 and the 2014 sample**

	Indicator	Percentage of organizations	
		2012	2014
Organizational size (no. of employees)	500 to 1000	48.8	58.3
	1000 to 2000	19.5	22.9
	more than 2000	31.7	18.8
Industry	agriculture, food industry and mining	7.5	4.1
	manufacturing	45.0	35.5
	water supply	2.5	4.1
	construction	5.0	4.1
	wholesale and retail	12.5	18.8
	transport and storage	2.5	2.0
	financial services	10.0	6.3
	other services	15.0	25.1
Ownership	private	70.7	77.1
	public	19.5	22.9
	mixed	9.8	0.0

Survey questionnaires supplemented with a brief cover letter explaining the purpose and importance of the research were sent to HR directors personally by e-mail, as they are the most knowledgeable and informed respondents regarding HRM practices in their organizations. Relative frequencies and mean values calculations, as well as chi-square tests and Mann-Whitney U tests (depending on the nature of criterion variables) for determining the statistical significance of differences between the 2012 and the 2014 HRM indicators' levels were calculated using the IBM SPSS Statistics 23 software package.

## Results

The percentages of organizations having specific HRM practices, together with data providing evidence on T&D, are presented in Table 3.

Table 3: Results of the three studies related to changes in HRM activities in Croatia from 2012 and 2014

HRM indicators	Study 1			Study 2			Study 3 A posteriori expert method
	A priori expert method (mean values)			CRANET survey (% of organizations applying)			
	HRM	GFC	EU	2012	2014	p	
<b>General HRM indicators</b>							
Independent HR department	<b>2.15</b>	-0.54	0.54	80.5	<b>91.7</b>	0.124	HRM
HR manager has a place on the board or an equivalent top executive team	<b>1.69</b>	-0.15	0.31	52.6	<b>71.1</b>	0.083*	HRM
% of employees employed in the HR department out of the total number of employees	1.31	<b>-1.62</b>	0.15	<b>0.82</b>	0.71	0.440	GFC
Existence of a written HRM strategy	<b>1.38</b>	0.15	0.46	53.7	<b>69.8</b>	0.129	HRM
Evaluation of the HR department performance	<b>1.50</b>	0.00	0.42	<b>97.6</b>	87.0	0.069*	CA
<b>Job design</b>							
Flexible work arrangements	-0.31	<b>1.62</b>	0.15	<b>92.7</b>	91.3	0.813	GFC
Overtime	0.38	0.46	<b>0.69</b>	<b>48.8</b>	30.2	0.082*	GFC
Part-time work	<b>0.85</b>	0.69	0.46	15.0	<b>24.4</b>	0.277	GFC
Job sharing	<b>1.77</b>	0.31	0.85	<b>52.5</b>	39.1	0.214	CA
Flexi-time	<b>1.62</b>	0.69	1.15	<b>15.0</b>	10.9	0.567	CA
Teleworking							
<b>Recruitment &amp; selection</b>							
Recruitment methods	<b>1.77</b>	1.62	0.38	<b>100.0</b>	95.7	0.182	CA
Internal recruitment	0.85	<b>1.23</b>	0.23	71.8	<b>81.4</b>	0.303	GFC
Word of mouth / employee referrals	<b>1.77</b>	-0.08	0.77	71.8	<b>82.2</b>	0.255	GFC
Recruitment websites	<b>1.77</b>	-1.38	0.77	45.0	<b>46.5</b>	0.890	HRM & GFC
Recruitment agencies							

HRM indicators	Study 1 <i>A priori</i> expert method (mean values)			Study 2 CRANET survey (% of organizations applying)			Study 3 <i>A posteriori</i> expert method
	HRM	GFC	EU	2012	2014	P	
Selection methods	<b>2.08</b>	-0.33	0.33	<b>79.5</b>	70.5	0.345	GFC
Interview panels	<b>1.31</b>	0.08	0.23	<b>87.5</b>	86.7	0.909	GFC
Ability tests / work samples	<b>1.92</b>	0.08	0.23	<b>72.5</b>	60.5	0.247	GFC
<b>Performance appraisal</b>							
Performance appraisal for	<b>2.46</b>	0.77	0.62	48.7	<b>64.4</b>	0.146	HRM & GFC
Professionals				53.8	<b>60.9</b>	0.514	HRM & GFC
Clericals/Manual workers				40.5	<b>56.5</b>	0.063*	HRM & GFC
Pay	<b>2.15</b>	0.08	0.54	<b>71.4</b>	63.2	0.481	CA
Training and development	<b>2.08</b>	-0.77	0.77	<b>78.6</b>	67.6	0.326	CA
Career moves	<b>2.15</b>	-0.31	0.69	<b>78.6</b>	77.8	0.939	CA
Workforce planning	<b>1.69</b>	0.08	0.46	<b>75.0</b>	55.6	0.108	CA
<b>Compensation practices</b>							
Individual performance related pay	<b>2.08</b>	0.31	0.08	48.6	<b>57.1</b>	0.471	HRM & GFC
Professionals				52.6	<b>58.3</b>	0.622	HRM & GFC
Clericals/Manual workers				51.4	<b>59.5</b>	0.483	HRM & GFC
Bonus based on individual goals	<b>1.92</b>	-0.08	0.15	<b>56.1</b>	55.0	0.921	GFC
Professionals				51.2	<b>52.6</b>	0.900	HRM
Clericals/Manual workers				26.3	<b>41.9</b>	0.171	HRM
Profit-sharing	1.00	<b>-1.23</b>	-0.15	<b>32.5</b>	18.2	0.130	GFC
Professionals				<b>15.0</b>	7.7	0.307	GFC
Clericals/Manual workers				<b>15.8</b>	7.7	0.269	GFC

HRM indicators	Study 1 A priori expert method (mean values)			Study 2 CRANET survey (% of organizations applying)			Study 3 A posteriori expert method
	HRM	GFC	EU	2012	2014	P	
Stock options	0.54	<b>-0.85</b>	0.00	<b>22.5</b>	21.7	0.932	GFC
Managers				<b>17.5</b>	12.2	0.502	GFC
Professionals				<b>16.2</b>	10.0	0.418	GFC
Clericals/Manual workers							
<b>Training &amp; development</b>							
Annual payroll costs spent on training (%)	<b>1.77</b>	-1.69	0.54	1.86	<b>1.89</b>	0.067*	HRM & EU
Annual training days per employee	<b>1.85</b>	-1.38	0.54	6.38	<b>7.66</b>	0.213	HRM & EU
Managers				6.00	<b>7.36</b>	0.108	HRM & EU
Professionals				2.99	<b>4.64</b>	0.146	HRM & EU
Clericals/Manual workers				5.28	<b>6.27</b>	0.169	HRM & EU
AVERAGE				<b>3.55</b>	3.39	0.696	CA
On-the-job training	<b>2.23</b>	0.69	0.77	3.35	<b>3.60</b>	0.517	GFC
T&D methods (presence from 1 to 5)	<b>2.15</b>	1.15	0.69	3.00	<b>3.00</b>	0.252	GFC
Mentoring	<b>1.85</b>	1.38	0.92	2.38	<b>2.95</b>	0.325	GFC
E-learning	<b>2.23</b>	-0.23	0.77				HRM
Talent management programmes (presence from 1 to 5)							

Notes: HRM = HRM philosophy, GFC = global financial crisis, EU = EU accession, CA = cannot attribute; \* p < 0.10

Pair-wise comparisons of HRM practices revealed that the examined large-sized organizations exhibit higher values in 2014 in comparison to 2012 in almost half of the measured indicators (22 cases or 48.9%). Statistically significant differences (marked \* in Table 3) are present for five HRM practices (p-value < 0.10) – the presence of HR managers on corporate boards (increased by 18.5%), the evaluation of HR department performance (decreased by 10.0%), part-time work (reduced by 18.6%), the usage of performance appraisal for clericals/manuals (increased by 16.0%), and a growth in annual payroll costs spent on training (an increase of 0.03).

### Study 3: A Posteriori Expert Opinion Research

#### Method

With a goal of demystifying the change in HRM practices, we decided to support the *a priori* subjective evaluations and objectively-derived field research results. During November 2016 a group of academic experts was assembled to attribute revealed differences between the 2012 and the 2014 CRANET data either to the change in the HRM philosophy, the global financial crisis or the EU membership.

A group of experts consisted of five academics from the human resource or the compensation management field. All participants have tenured positions, work at the same business school, and four of them are women. Experts were instructed to reach a consensus in each case, to attribute a change to one impetus (but were allowed to attribute it to two impetuses if not resolute), and were allowed to assign the “cannot attribute” label to a practice whose change they cannot interpret.

#### Results

Academic experts’ consensus on the main contextual impetus for the change in the specific HRM indicator is visible in Table 3. Overall, academic experts attributed the majority of changes in HRM practices in Croatia to the global financial crisis (55.6% of cases). However, a considerable change (40.0% of cases) was attributed to novel HRM practices which result in more satisfied, engaged and therefore better performing individuals.

### Discussion and Conclusion

#### Trends in specific HRM practices

According to academic experts’ opinion, **general HRM indicators** imply the emergence of the market-focused HRM philosophy in Croatia. Specifically, HRM activities are organized more within standalone departments, HR managers have a more strategic role, and HR departments formally plan their strategic endeavours to a greater extent. Such findings are aligned with Lawler and

Boudreau (2012), who argued that the HRM function must think about whether the elements of its design indeed do create a high performance organization. Moreover, it is quite possible that the strategic importance of HR departments has increased because HR departments do play even a bigger role during the recession (e.g., Bidya 2009; Gunnigle et al. 2013), which however was not mentioned by experts. Still, the global recession has downsized HRM departments of sampled Croatian organizations, similar to international practices (e.g., Gunnigle et al. 2013; McDonnell/Burgess 2013), which experts attribute to the global financial crisis. Finally, experts were not comfortable to attribute the decrease in the percentage of organizations evaluating HR department's performance to any of the impetuses.

Besides creating macro-level adjustments, organizations introduce flexible **job design** to improve productivity of their workforce at the micro level (e.g., Claus 2003). Experts attributed the variance in three out of five HRM indicators in this group to the global financial crisis. In line with previous research (e.g., Crimmann et al. 2012; Zagelmeyer et al. 2012), the reduced economic activity resulted in the overtime reduction, an increase in job sharing, and a decrease in part-time work. Experts avoided attributing the decrease in two indicators to any impetus, probably because both flexi-time and home-based work are practiced to a greater extent nowadays as they offer higher levels of work-life balance and lower costs for employers (e.g., Bloom et al. 2015; Hayman 2010).

According to experts, the change in **recruitment and selection processes** could be predominantly attributed to crisis driven cost reduction initiatives. The usage of low-cost methods of recruitment has increased (word of mouth/employee referrals and commercial job websites), while the usage of more costly selection methods that demand expert knowledge or extra time (psychometric tests, interview panels and ability test/work samples) has decreased. Furthermore, experts attributed the increase in the usage of recruitment agencies to both the HRM and the global financial crisis. This could be explained by the emergence of many recruitment agencies in Croatia in the last few years (Posao.hr 2016), aligned with the overall expansion of the HRM philosophy in Croatia (Pološki Vokić et al. 2015). Additionally, there is a need for selective hiring through the rigorous selection to increase ability levels and employee productivity during the crisis (e.g., Becker/Huselid 1998; Pfeffer 1998; Vlachos 2010), as during the recession many organizations continued to recruit highly desirable talents while downsizing their workforce (Shen/D'Netto 2012). Finally, experts did not attribute the decrease in the usage of internal recruitment to any of the impetuses, probably because they are aware that an especially remarkable change in recruitment behaviour during the crisis all over the world was a shift from external to internal recruitment (e.g., Malik 2013), originating from the companies' need to adjust to labour reductions and recruitment bans (Vanhalala 1995).

**Performance management systems** can be thought of as a core concept of the high-performance working paradigm, as empirical studies on the relationship between performance-related pay and company performance have generally found a positive relationship (e.g., Becker/Huselid 1998; Pfeffer 1998). Data reveal an increase in the usage of performance appraisals for all the three assessed categories of employees, which experts attributed to the HRM philosophy. Besides the HRM philosophy, a factor that has influenced performance management practices during the last several years is the global financial crisis. The literature identifies the global financial crisis' impact on performance management systems in terms of involving employees in setting targets, providing feedback, improving employees' comfort levels, and making them adhere to a timetable during recession (e.g., Bidya 2009). Bidya (2009) stresses the importance of involving employees in the planning process as it boosts their morale and confidence, helps to avoid any communication gaps in the process, and provides them with a clear picture of what the firm expects from them and what they need to accomplish during the recession. It can be deduced that the global financial crisis would result in more stringent performance appraisals in organizations, visible in Croatian data as well, especially for the purpose of decision making processes regarding downsizing, pay and T&D (e.g., Sharma et al. 2010; Shen/D'Netto 2012; Malik 2013), which are usually at the centre of cost-cutting strategies during the crisis. However, academic experts were not confident to attribute the decrease in the usage of appraisal data for further HRM decisions to any of the impetuses.

As one of the anchors of the HRM philosophy, **compensation practices** have been extensively researched in the context of aligning employees' performance with organizational goals (e.g., Becker/Huselid 1998; Pfeffer 1998; Vlachos 2009; Ferreira 2012). According to the contemporary HRM philosophy, performance-based compensation is in particular considered a straightforward practice that firms use in order to reward employees (e.g., Huselid 1995; Ferreira 2012), as experts believe that the increase in performance-related pay for all the three categories of employees should be attributed primarily to the changing HRM philosophy. However, as performance-related compensation systems automatically reduce the wage bill and thus labour costs (Zagelmeyer et al. 2012), and were therefore used by some organizations during the global financial crisis (e.g., Gunnigle et al. 2013), academic experts attributed this increase to the global financial crisis as well. Furthermore, although it is expected that during crisis firms would award less bonuses (Gunnigle et al. 2013), according to experts the usage of individual bonuses in Croatia has increased for two out of three employee categories as a consequence of the HRM philosophy. The exception is a decrease in managerial bonuses, which could be attributed to a common HRM practice of not awarding bonuses to chief executives, directors and senior managers during the crisis (Gunnigle et al. 2013), as a personal example of cost-re-

duction mentality. Generally, there is a downward pressure on pay and benefits during the recession (e.g., Fodor/Poór 2009; Sharma et al. 2010; Wickramasinghe/Perera 2012; Zagelmeyer et al. 2012; Gunnigle et al. 2013; Malik 2013; McDonnell/Burgess 2013) as the demand for labour falls and the unemployment increases, although there are companies that feel it would be better to downsize the workforce than to reduce pay rates (Shen/D'Netto 2012). However, employee participation, in terms of profit-sharing and stock-sharing, could be considered a means for overcoming the crisis (Kranz/Steger 2013). Disappointingly, our data reveal that Croatian organizations drastically reduced employee financial participation, compared to numerous companies around the world (e.g., Gunnigle et al. 2013), which, as expected, experts attributed to the global financial crisis.

Reductions in **training and development** expenditures have been among the first restructuring programmes in response to the global financial crisis in the HRM domain (e.g., Shen/D'Netto 2012; Gunnigle et al. 2013; Malik 2013; McDonnell/Burgess 2013), as T&D is considered nonessential in challenging financial times (Wickramasinghe/Perera 2012). Moreover, T&D budgets are the first savings targets during the crisis (Vanhala 1995) as they are a quick cost cut (Sharma et al. 2010). On the contrary, our data reveal that cutbacks in T&D were not present in Croatia despite the long-lasting crisis. Croatian companies are progressively recognizing that extensive T&D activities are high-performance working practices (e.g., Delaney/Huselid 1996; Becker/Huselid 1998; Pfeffer 1998; Fey et al. 2000; Ferreira 2012), i.e. practices strongly related to employee job competences and hence their productivity, with the spill-over effect on the organizational performance. The increase is visible in the majority of T&D indicators presented. However, besides the HRM impetus, academic experts assigned higher T&D levels in five cases to the EU requirements as well. For example, the Social Programme for the EU has provided directives related to T&D funding (Claus 2003) that raise T&D standards (Brewster 2007). Although the extent of T&D in Croatian organizations is still below the EU levels, as for example annual payroll costs spent on training in the EU are 3.72% (Peretz/Caspi 2011) and in Croatia in 2014 only 1.89%, the improvement is visible. Second, during the crisis, besides the decline in the T&D volume both in employees trained and T&D costs, there is a shift from external and off-the-job to in-house and on-the job training, as well as towards targeted instead of non-billable basic or soft-skills training (e.g., Sharma et al. 2010; Shen/D'Netto 2012; Gunnigle et al. 2013; Malik 2013), as supported by two T&D indicators (mentoring and e-learning). Finally, according to experts, talent management programmes exhibit an increase, as a consequence of embracing the HRM philosophy. Namely, talent management programmes are seen as supportive work systems of high-performance (Leisy/Pyron 2009).

## Hypotheses testing

The contemporary HRM practice in Croatia is changing. However, very few HRM indicators changed significantly within the examined three-year time period, indicating that change processes within large-sized Croatian organizations require time and investing efforts.

We recognized three major external drivers of HRM practices changes – the HRM philosophy, the global financial crisis and the EU membership. While the *a priori* expert practitioners' opinion survey (Study 1) clearly indicated the emergence of the market-driven HRM philosophy in Croatia, our field study research (Study 2) and the *a posteriori* academic experts' opinion survey (Study 3) evidenced that among the three, the global financial crisis is the most probable explanation for the majority of changes. Many changes in HRM practices of large-sized Croatian organizations could be attributed to the shift from the personnel to the HRM philosophy and to the HR departments' position heading towards the role of the strategic partner, as well as to the EU membership. Croatian organizations have to adjust to those instances to become active members of major regional and global economic flows. For instance, despite being the least influential external HRM antecedent, the EU membership has at least threefold impact on employment and HRM practices in Croatia. Firstly, the employment opportunities are greater. Secondly, the pressure to align Croatian labour laws with the EU standards led to a less favourable working environment for employees, but more beneficial/flexible one for employers. Finally, in order to catch up and to be competitive on the EU markets, Croatian organizations have to invest more in training and development of their employees.

We tested our hypotheses building on evidences from three studies conducted sequentially. The first hypothesis is accepted, as the HRM philosophy was assessed to have a positive impact on HRM practices in each case when considered a main impetus for change. The second hypothesis is also accepted, because in the majority of cases (56.0%), when identified as a major single impetus for change, the global financial crisis led to a decrease in the HRM level. The EU membership was only sporadically identified as a major impetus for the change in HRM practices, which is in line with our third hypothesis. Finally, the fourth hypothesis is rejected, as academic experts find the global financial crisis to intervene with HRM practices in Croatia the most.

## Practical implications

Three groups of implications for HR experts and managers in general can be drawn from our results. Firstly, the paper stresses the added-value of high-performance HRM practices. Numerous Croatian organizations are still practicing "personnel management", which is not in line with the contemporary HRM theory or HRM practices in successful western companies. Secondly, Table 1 offers

a comprehensive list of HRM practices which could be used in the time of crisis. As the recession is ongoing in many parts of the world, and especially in CEE, managers still have to think of interventions in the HRM area and could, therefore, find the numbered options to be useful. Thirdly, Croatian organizations should align their HRM systems, such as work arrangements and T&D activities, with established HRM practices in the EU-based organizations. By that, the present trend of brain-drain from Croatia could be reduced.

### Limitations and future studies

The main limitation of our study is that our field research data were obtained through a single source (i.e. managerial respondents), which is a limitation of the CRANET methodology in general. Although this approach is widespread and common for the CRANET research, as well as for studies on high performance work systems (e.g., Becker/Huselid, 1998), a multi-stakeholder perspective (e.g., Beer et al. 2015) – encompassing senior HR managers but line managers, employees or other stakeholders' groups as well – would be more objective despite the evidence of congruence between the subjective and objective HRM measures (e.g., Wall et al. 2004; Forth/McNabb 2008). Additionally, our research is designed as a cross-sectional study using survey methodology, thus not enabling us to examine causal relationships. Future research could complement questionnaire surveys with interviews and secondary data to validate findings. In particular, interviews with HR directors could be a rich source of additional information, not only because of the mixed-methodology perspective, but because they could validate academic experts' assumptions about the impetuses for specific HRM trends. Finally, the expert method, which was used in Study 1 and Study 3, has its own limitations. The main problem refers to the fact that results depend on the quality of experts who participate in the research. However, as our experts were distinguished professionals in the HRM area with a substantial HRM experience, and academic experts with high HRM credentials, the results should be considered reliable.

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