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The take-up of HR practices in Hungary: illusion and disillusion

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Introduction

Hungary will be one of the first of the transition economies to join the EU. Researchers claim that, whilst there are still changes to make, the transition has been made from a planned economy to that of a market economy. (Agenda 2000, 1998). However, there is claimed to be a lack of enterprising managers as Hungary struggles to come to terms with its new identity, leading to a focus on the way in which organisations manage people. It is not surprising, that Human Resource Management (HRM), with its focus on management development, is seen as the new magic which can create these managers. In this paper, we seek to challenge the view that what Hungary needs in transition is the wholesale adoption of HR practices. Rather, we would argue that what is required is a deeper understanding of both what we understand by HR practices, and of the cultural context in which such practices are being implemented.

We would question the rather simplistic assumption that HR practices will be necessarily helpful on two grounds. Firstly, we examine the notion of HR itself, and suggest that its conceptualisation is complex and problematic. We would argue that 'managing people' is a process that emerges from specific historical and cultural contexts, and therefore needs to be examined in this light before prescribing 'best practice' models. Further, we suggest that recent work in the UK and elsewhere on discipline in management practices may suggest that we need to be cautious in advocating or adopting such practices without sufficient reflection on the way in which such practices are adopted or implemented.

To illustrate this thesis, we first examine our current understandings of HR management, tracing its evolution from the formal management models of the USA into the UK, basing our discussion on Lawrence's analysis (1993). We then chart the discussions and debate around the take-up of HR in the UK, noting that our conceptualisations and paradigms can be confused and contradictory. We argue, however, with Lawrence (1993) that the reasons that the HR rhetoric (if not the practices) has been welcomed in the UK is due to a series of historical events which have created a particular set of conditions where the need for clear communication and motivation created through management development is seen to be particularly important. Here the promises of HR practices are particularly appealing (see for example, Zimmerman, 1993).

We then show the evolution of 'people management' in the Hungarian context, tracing its emergence from planned to market economy.   Drawing on history and past and contemporary literature, we trace the ways in which organisations have developed in the Hungarian context. We then suggest that, whilst there is a radically different history and set of attitudes to work in Hungary and the UK, there are some similarities in terms of the need for communication and motivation of the workforce which may lead to the take-up of HR rhetoric, if not practices. These conditions are such where management control is of the utmost importance, thus the disciplinary potential of such practices may well be actualised. Before such practices are implemented wholesale, we would argue, there needs to be more critical reflection on the nature of HR and the context in which it is implemented if Hungarian organisations are to evolve creatively from its dramatic process of change.

Section 1 The roots of HRM

A commonly shared understanding exists that HRM is to do with managing people. So what do we mean by 'managing'? Lawrence (1990) has shown there is often lack of clarity about the term 'management'. It can be seen to be an activity, an idea and a subject. According to Lawrence, as a discipline, and something that could be taught, its roots can be traced back to the US. It was here that management became a phenomenon that could be extrapolated, analysed, made the subject of generalisation. The germs of this idea, lay in the years between 1783 to 1890 when a vast, empty continent was 'filled-in'. Then there was too much space and too little time, too few people, and therefore a need for drive, entrepreneurialism, versatility, adaptability and the exploitation of circumstance. From there it was a short step to realise that these qualities and methods could be nurtured through teaching: the world's first business school was established at Wharton, Pennsylvania in 1881. The growth of management as a subject of observation was accompanied by the development of social sciences in the US in the early part of the century with its empirical emphasis, even though the founding fathers (Marx, Weber, Durkheim) were, of course, European.

This outpouring of social sciences and growth in methodologies was intensified during the war years, which according to Lawrence, produced not only an American military response but also a sociological one. Americans wanted to understand the human and organisational dimensions of belligerence, and to profit from its understanding - particularly in terms of organisational and leadership studies. As Lawrence points out, all theories of motivation, leadership, group dynamics, supervisory effectiveness, informal organisation, work group behaviour, and much organisation theory and analysis took place in the USA. However, one important facilitating factor is, any absence of a European style class consciousness, a serious socialist movement and any penetration of Marxist ideology(Lawrence 1990). Thus Americans come to issues such as group dynamics, supervisory effectiveness with a relatively open mind – or perhaps from the European perspective, a rather simplistic view of the complexities of organisational life.

One manifestation of this is the American love of the organisation; because it is a man-made construct, they find the organisation endlessly fascinating, whereas Germans, for example, see the organisation as a secondary consequence of engaging in manufacturing activity. In the American view, because man has made it, it is both primary and perfectible. Managerial leaders can be taught how the system works and thus be equipped to modify it. Further, management as it had developed in the States can be said to have its roots in a rejection of European elitism. Whereas in Europe, industrial organisations used the systems, principles and methods of state bureaucracy as a model, with a totally centralised management(Kocka 1975), in the US there was an understanding that people cannot be relegated to role incumbents. They are primary and equal, so there must be a greater concern with their motivation, leadership, satisfaction, and with the dynamics of their co-operation (Lawrence, 1990, p. 13).

For this reason the USA is where HRM sprang up alongside formal management development, both in terms of practice and of the academic research-driven

underpinning. The roots of HRM can be viewed as pre-eminently American . However, as Lawrence goes on to point out, in the UK HRM is 'alive and well' as borne witness by its inclusion on every management course from DMS to MBA. In France and Germany, on the other hand, due to a differing evolution of the managerial role, HRM has not taken such a hold.

However, whilst there has been an enormous literature on the nature of the HR model, (for an extensive discussion, see for example, Brewster and Hegewisch (1994), the on-going and sometimes heated nature of the debate suggests that HRM as a theory or concept is not as unproblematic as some of the prescriptive texts, journal articles and internal organisational communications would have us believe. A major aim of this paper is to explore this complex and shifting phenomenon through a cross-cultural and historical comparison, bearing in mind the American origins of the term 'HRM'.

We argued in an earlier paper (Illes and Rees, 1999) following the social scientist Elias, that without a centuries-long historical perspective, and without a theoretical framework that can bring together macro and micro levels, many insights into organisation practice stays out of our reach. Our approach here is underpinned by an understanding that we need an understanding that can explore the interwoven nature of human development and socio-political development . Elias argued that institutional development and psychological development were intimately connected: events at one level (institutional) shape the individual, and the individual then further reinforces the institutional basis of a particular culture. These manifest in the form of individual values. Thus institutional change can only be understood within a long-term perspective since these values are carried from one generation to another.

Drawing on contemporary and historical literature about management and HRM in the UK and in Hungary, we ask the following questions:

What is the emergent background in which HRM practices are being advocated?
To what degree can we see implementation taking place?
Are there any similarities in work attitudes in both environments?

Section 2: The meaning of HRM in the UK

The emergent background in the UK: the meaning of management
In the UK, 'management' as a concept is both relatively new and also very old. In the sense that it has its own body of theory and literature, it has only emerged in the second half of the twentieth century. Prior to the Second World War management literature was limited to probably less than 100 texts with few managers of the day realising that they were practising management (Walters 1996). Management was embedded in the disciplines of accounting, banking and finance. Over the past two decades, however, the understanding of the 'manager' has been a matter for debate and calls for action (Handy 1986, etc)

Over the past decade, the intense globalisation and diversification of markets combined with the rapid growth of service industries has created a need to rethink

organisation design and management within it. This has brought with it a notion of the 'enterprising' organisation, accompanied by modern approaches to work reform such as 'Excellence', 'Total Quality Management', 'Just-in-Time' 'Culture Change Programmes' 'Teamworking' or 'Business Process Re-engineering'. These developments centre around an emphasis on relations with customers such that the 'sovereign consumer' reigns supreme. In organisations dominated by this view of the customer, the traditional view of the merits of the 'bureaucratic' structures is entirely opposed by the current language of the consumer. In order to compete successfully, and to achieve adequate profit margins, organisations must be able to satisfy customers. And in order to do this internal organisational relations must resemble, even become, market relations.

All these approaches place emphasis on the development of more 'organic' 'flexible' organisational forms and practices which would overcome the perceived stasis, rigidity and inefficiency of more 'bureaucratic' structures and practices. Here the customers, not management, exert control over employees. Bureaucratic control is seen as too alienating, too inflexible to encourage employees to behave in the subtle ways which customers define as indicating quality service .In order to do so, organisations are required to develop more sophisticated ways of 'changing culture' by analysing behaviour, values and attitudes of employees, and measuring such change through customer feedback.

Within the rhetoric of these approaches, the manager is charged with creating the culture change that will enable real customer satisfaction. They have a pivotal role in securing change through fostering 'entrepreneurial values', first within themselves, and then within their subordinates(Du Gay, Salaman and Rees, 1996). This has brought with it a call for effective people management to be realised through the effective implementation of HRM practices.

Managing people: from personnel to HRM
The growth of HRM has been rapid in the UK over the past two decades. So much so that it has a place on every business school curriculum. HRM, it seems, is alive and kicking in the UK. However, our understandings of the term are problematic, as the history of its evolution in this country will show.

Generally speaking, HRM in the UK has been predicated upon the differences between an individualist and collectivist model. The industrial conflict that characterised much of the 70s business environment, with its emphasis on collective bargaining has, it is argued, been overtaken by a focus on human resource management with its perceived emphasis on individualist approaches. The former was focused on trade unions, collective bargaining and the handling of collective grievances and disputes, and its centre was seen as the 'personnel department', acting as gatekeeper between unions and management; while the latter, with its emphasis on the individual employee is focused on matters of recruitment and selection, appraisal, reward and training, and its centre is seen as the Human Resource Department.

In the individualist model, management aims to speak directly to its employees through employee communications rather than through the mediation of the trade unions, occupational psychologists are employed to measure the competences of

employees, and ensure that they are properly motivated to be working towards the organisation's main goals. At the heart of many of these approaches is the appraisal system, which attempts to measure and control the individual's output over the year. Such a tool is seen as key not only to managing by objectives, but also to setting and measuring conformance to behavioural norms.

However, we need to be somewhat cautious about these espoused differences in managing people. The above models are based upon normative descriptions that emerge from management literature, much of which has been imported from the US, which tends to have a 'universalist' view of HRM . Brewster (1998) argues that whilst this paradigm has its benefits, researchers and commentators often ignore the fact that the universalist paradigm is only applicable at an organisational level: commentators and practitioners often extrapolate prescriptions from organisational models that would not be appropriate in different national contexts. Brewster shows, for example, that whilst there is evidence in Europe to suggest a tendency towards what are considered to be characteristics of HRM in the universalist paradigm in HRM, namely: labour market deregulation; more extensive training and development of staff, increased flexibility, greater line management influence, increasing individual communication and reducing trade union membership, there are other trends which fit less comfortably with this picture. For example, there is increasing institutional and legislative influence of the European Union on employment contracts; a growth in flexible working practices and types of employment contract which do not fit with the universalist view of a full-time, permanent employee; and increasing communication through trade union influenced consultation structures (Brewster 1998, p. 230)

The reality of the workplace seems, also to belie the normative distinctions. Storey and Sisson (1993) show how, despite the claim that the HRM model is essentially unitarist (that is it has supposedly little tolerance for multiple interest groups and the multiple expression of interests) the take-up of HR strategies as an integrated programme in the UK's large mainstream organisations has been fragmentary. Through a survey, they note how the way in which the organisations were operating might :

'…indicate the true nature of the HRM phenomenon – i.e. that it is in reality a symbolic label behind which lurk multifarious practices, many of which are not mutually dependent on one another'. (p. 23.)

Cressey and Jones (1992) show also in their study of a British bank and an Italian car manufacturer that there are unforeseen and concrete difficulties in integrating HRM into the broader business strategy. Despres and Hiltrop (1995) argue that: 'The current HRM agenda has definition but seems far from achieving a sense of fruition' (p. 14).

Further, with devolvement of responsibility down the line, it is unclear where final accountability lies for HR practices. Some believe that the importance given to the language of HRM is more due to the activities of line and strategic managers than the concerted actions of HRM practitioners (Hendry and Pettigrew 1990). As one chief executive in a survey put it: 'Human resource management is more important than ever, but I can't trust my personnel people to do it', while a senior HRM executive reported:

'We are traditional, welfare-focused, administrative, the handmaiden of the line. We are the sweeper-up of problems and treat the wounded (Derr et al, 1992, p. 9).

The reason that HR initiatives are not taken up wholesale as predicated in the normative models is probably due to an internal contradiction in the model itself. Legge draws together what are perceived as the predominant characteristics of HRM:

'… that human resources policies should be integrated with strategic business planning and used to reinforce an appropriate (or change an inappropriate) organisational culture, that human resources are valuable and a source of competitive advantage, that they may be tapped most effectively by mutually consistent policies that promote commitment and which, as a consequence, foster a willingness in employees to act flexibly in the interests of the "adaptive organisation's" pursuit of excellence.' (p. 25.)

The internal contradiction here, of course, lies in the words 'mutually consistent policies that promote commitment'. Matching HRM policies to business goals calls for minimising labour costs, which will not necessarily be policies that promote commitment. It is in this inevitable tension between managing people as a resource to further the ends of the organisation, and in seeking the commitment and motivation of employees that 'empowerment' may be reinterpreted as 'control'. It seems then, that with the implementation of HRM practices, there is a tension between the notions of 'empowerment' and 'control'. This tension was highlighted in a study of the implementation of competence practices in the UK in six differing organisations. Rees (1997) showed that, despite superficial similarities in both the language and the nature of practices, the way in which such practices were implemented varied enormously depending on the type of organisation, the culture of the organisation and the overall aim of the organisation. Whether the competence practices were 'empowering' or 'controlling' depended on many factors such as original organisational culture, reasons for introducing competences (in some cases downsizing was taking place) and market forces.

The take-up and indeed meaning of HR practices is then, complex and sometimes contradictory. Here the simplified models as they are imported from the US become transformed into a different beast, open to a number of interpretations. Although all approaches share the American heritage of apparent openness and transparency, with the focus on individual development, the way in which such practices are interpreted varies enormously from organisation to organisation. The HRM model, although the language is the same, can appear as a very different phenomenon depending on the context in which it is introduced. It is in the light of this perspective, that we now turn to examine the uptake of HRM practices as we defined them earlier in Hungary. Before so doing, however, we need to look at the conditions which prevailed before their introduction.

Section 3: The meaning of HRM in Hungary - the emergent industrial background

In this section, we shall examine the industrial background into which Western HRM practices have been introduced. We are taking a longer perspective here, in order to paint a richer picture of the context in which such practices are being introduced.

Early phases of industrialisation and development of the Hungarian organisation

Hungary with its fertile land and moderate climate is historically an agricultural country, mostly growing food mainly for its own survival, and where possible, trading commodities elsewhere. Industrialisation came from the West through predominantly Austrian and German mediation. The1848 Revolution prepared the conditions for the free market economy and Hungary started to progress towards industrialisation and capitalism (Kardos, József ed.1998).

At this time, and throughout the next century, the German model became the predominant influence on the way in which Hungarian organisations developed. Two important studies were published in Germany at this time and exerted a great influence on management development in Hungary. Karl Bernhard Emminghaus wrote about the organisational problems of large industrial companies focusing primarily on a united and centralised management (Emminghaus, 1868). Max Haushofer developed a theoretical basis for the organisational apparatus and his book on business management (Industriebetrieb) is considered as one of the key texts of German organisation theory (Haushofer, 1874). As in other European countries industrialising at this time, the owner/manager function did not separate out until the turn of the century or later, and the centralised large company became an ideal model for management and organisation (Schwarz,1896). Often, the owners only involved their family members and friends in leadership and management. In 1858, for example, companies such as Georg Fischer Ltd or Siemens und Halske with approximately 3500 employees had only family members in the management (Kocka, 1969). Management was very much a family affair.

In the early part of the century, European organisations needed to increase performance productivity, and some influence was felt from over the Atlantic. The German translation of Taylor's 'Scientific Management' was available in Munich in 1912. (Dobák, 1999). Taylor's work also became available in Russian by the end of the period and on Lenin's recommendation Russian institutions started to further develop Taylor's scientific management model (Bedrij ,1983).

During this period in Germany particular attention was given to the rationalisation of management. The function of owners and managers started to separate. And (probably for the first time in the German history of organisations) in Georg Fischer Ltd a non-engineer managing director was appointed (Frese, 1984).

In the inter-war period, while German companies partly drew from the existing American solutions such as structural development and Taylorism. They also tried to find independent solutions resulting in a developing notion of German organisational

management. These determined the European (including Hungarian) development of organisations for the next few decades.

It is from this point that clear differentiation between Central European models and the rest of Europe begins to emerge. Here there is an attempt to achieve high levels of regulation and standardisation within the organisations (Dobák, 1999).

Whilst in the 1920s signs of American management orientation can be found (e.g. Kálmán Méhely and Ervin Szabó) as quoted by László Ladó (Ladó, 1985), the German influence in Hungary became stronger and by the early 1930s it was totally dominant. For example, following the German model in 1932, the Hungarian Federation of Industries established the Rationalisation Committee. The aim of this committee was to develop the Hungarian standards for the calculations related to production and the cost of production (Hegedüs, 1932).

After the second world war, the differentiation became even more marked. Whilst in the rest of Europe, American organisational theory was becoming influential, in the socialist countries by the beginning of the 1950s all the country specific management and organisation was replaced by the ' Russian model' (Szentpéteri, 1979). This model was based on the primary importance of production and the organisation of work, precise planning of production, motivating for constant growth of production, formulation of internal cost centres and cost reduction. This model is basically identical to the centralised, linear and functional structure that was used in the early development of organisations in the West.

The key management functions were planning and control. In this period planning was sector based. This had a profound effect on organisational structure and attitudes to work. Whilst at shopfloor level, operations and production could be said to follow largely a Tayloresque model (bearing in mind that this pattern had been replaced in the rest of Europe by the introduction of human relations, motivational theories etc.), the patterns of ownership were so different, social welfare, organisations and political life so closely intertwined that the ethos and attitudes to work cannot be compared to anything we might find in the West. The following diagram, taken from a primary textbook on how to run businesses, illuminates the ethos better. It shows how the individual factories fitted into the hierarchy of the planned economy, and, the implications this had for organisation structure, leadership and decision-making (Varga, 1966 p.24).
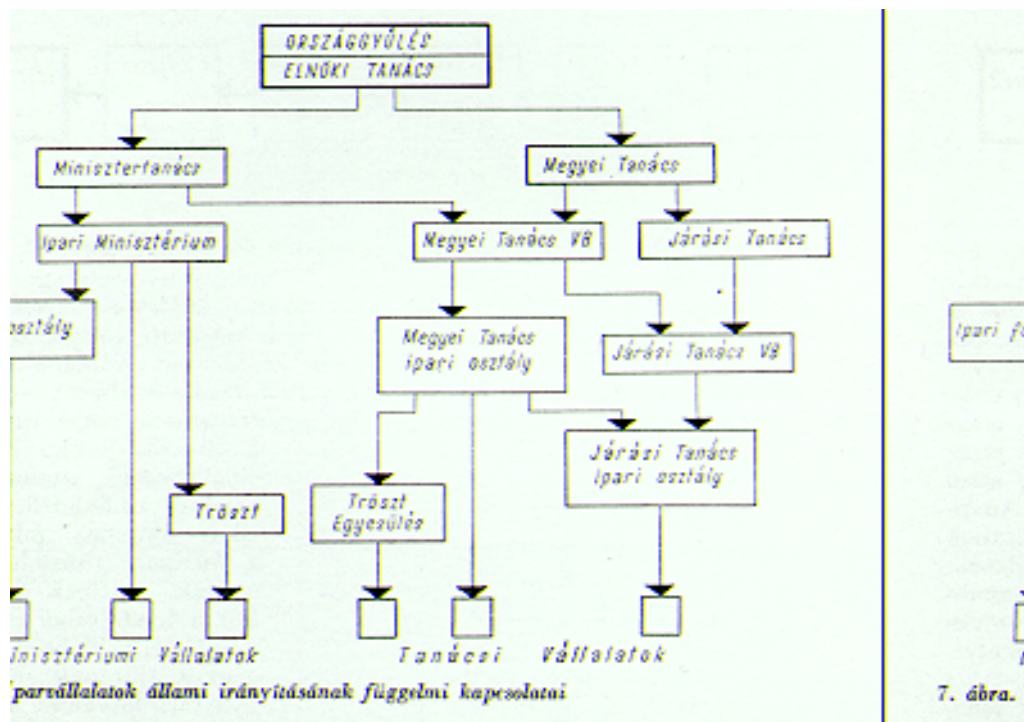
Glossary of Hungarian terms:

Országgyülés - Parliament;   Elnöki Tanács - Presidential Council
Minisztertanács - Council of Ministers;   Ipari Minisztérium - Ministry of Industry
Ipari Föosztály - Department of Industry
Minisztériumi Vállalatok - Ministerial Companies
Megyei Tanács - County Council
Megyei Tanács VB - County Council Executive Board
Járási Tanács - District Council
Járási Tanács Ipari Osztály - District Council Department of Industry
TanácsiVállalatok - Council Companies

The highest decision making forums of the planned economy were the Parliament and the Presidential Council. Companies were either state owned or co-operatives.

Factories were supervised and reported to either to the ministry or to the council. Those who were ruled and supervised by the ministry were divided into three groups depending on their size and strategic importance. The most important factories reported directly to one of the deputy ministers of industry. They had the greatest freedom in decision making (they had to liaise only with one person) and also the greatest responsibility when it came to meeting production targets. Those factories that reported to the Department of Industry were also significant, however they were smaller and typically operated only on one site. The third group of factories were the smallest in size and reported to an Industrial Trust. The Trust had a co-ordinating role and also acted as an intermediary between the factories and the ministry.

The directors of strategically important companies were appointed by the minister. These positions were filled by people who were committed members of the party.

Trustworthiness and the right political pedigree played much more important role in the appointments than professional knowledge. Managerial skills were not considered to be of any importance(Bodor, interview 1999).This is also, very much in keeping with the traditional German model, where engineering skills are considered of more importance than managerial ones.

The organisational structure was a mirror image of the industrial and ministry structure and thus centralised control continued to be a major feature of Hungarian management. The economic reforms of the 1960s further strengthened the centralised linear and functional structure of organisations by merging more and more manufacturing companies. As a result the number of large companies increased and they started to overpower the whole economy. For the first time, scientific recognition was given to management by the establishment in 1964 of the Committee of Organisational Science (Erdei, 1980).

The growth of companies was a characteristic feature of the 1970s and 1980s. Hungarian factories were still growing in a hierarchical fashion during the first half of the 1980s whereas in Western organisations had begun to work horizontally, in divisions (Dobai, 1999). In the cumbersome Hungarian system measuring the production and performance of individual factories of divisions became almost impossible (Marosi, 1981). By the 1980s it became quite clear that the lack of external pressure and direct economic motivation gave no incentive for the management to modernise the internal organisational structure. The economic problems and the country's foreign debt led to changes in two areas. First of all the linear - functional structure was loosened in the large companies, some were broken up to smaller companies and others were transformed into a matrix type structure. Secondly legal background was provided for small enterprises (Dobák, 1999). With transition, modernisation became a prerequisite for companies to receive loans from the World Bank , and this was assisted by Western consultants and advisors (Dobák, 1999).

It is clear from the discussion so far that management as a concept played a relatively small part in the development of Hungarian organisations, which has implications for the way in which HR practices are currently being implemented.

Ethos of work and personnel activities before 1989
In the foregoing discussion, we have focused on the organisation structure, since this sets the context in which we may begin to understand what 'people management' meant. We now turn our attention to how this took place, and also to try to understand the nature of working attitudes.

Before 1989 there was no HRM activity as it is now manifest in the UK. The name 'personnel' indicated a purely administrative function. The main activities of a personnel department were: keeping a record of the employees, payroll, holidays, grievance and a limited amount of training.

The influence of the party: recruitment and selection

It is difficult for us in the West if we have no knowledge of East to imagine the conditions in which people generally worked.

In most cases there was no independent strategic planning in the organisations since plans were prepared centrally in the ministries of different industries. Companies were given a target figure and were told how much they had to produce to achieve those targets. The role of the personnel department was simply that of implementor of the central plans.

The company ethos was that of 'cadre politics'(káder politika). The Hungarian 'káder' meant that someone was an active member of the communist party, and thus by implication someone who was reliable and trustworthy at any level of the organisation. A káder would have been expected to share the ideology and values of the communist party and unconditionally obeyed the orders of the superiors. Generally speaking, káders were trusted with all key positions in companies. Káders existed at every level of the organisation.

The party had local groups not only in districts and in work organisations but also in academic institutions. Students could either apply for party membership or sometimes - when they were reluctant to do so - they were 'invited' to join the party. Those competent professionals who did not join the party were invited to meetings, sent to 're-training courses' and were 'encouraged' in many ways to come to their senses and to take on the ideological beliefs of the communist party. Needless to say party members had a close network both inside and outside the organisations. When an important *káder* needed a new job very often it was someone from the party headquarters who phoned the appropriate personnel departments to find out who could create a suitable post. In order, then, to secure a successful career in this environment, party membership was a prerequisite.

Labour markets and trade unions

The role of the trade unions was , deemed to be of importance, but in reality they had no power. Union and personnel staff worked together on the implementation of the central plans, so the classic opposition interest groups of employers and employees did not exist.

There was no unemployment in a statistical sense. This meant that organisations and the personnel did not need to take into account factors of supply and demand, and could recruit from a large pool. As we saw earlier, recruitment and selection, particularly for attractive positions with high status and higher than average salaries was not done on an unfair competition basis between the candidates. The main selection criteria tended to be party loyalty and trustworthiness.

Training of the workforce

Since there was no demand-led planning in higher education, the universities followed the spirit of the 'five-year plans' and produced more than enough engineers, economists etc. These graduates had to be employed regardless of the level of demand.

Organisations as welfare institutions

In order to support the stability and ideology of the communist regime, organisations also took on some responsibility for the social welfare of its workers. The system tried to keep everybody happy by providing a reasonably high level of social care and well being. A typical example for this policy was the allocation of holiday vouchers. Most companies had a holiday resort at places like Lake Balaton or in the mountains. Employees were eligible in agreed intervals to spent a week or two in these resorts with their families. The distribution of the vouchers and the allocation of the time slots was the responsibility of the personnel department. From one of the author's own experience at this time, we can say that there was no transparency and it gave plenty of opportunities for nepotism and bribery.

Ethos of suspicion

Although Hungary tried to preserve as much of its identity as it could, the communist jargon was quickly learned and widely used. Personal property became a thing of the past. People were asked to be alert and report their neighbours to the authorities if they had more than the minimum personal possessions or if they were less than enthusiastic about the new order in society. Poverty and a poor working class background was considered a virtue and gave opportunities for quick career advancements. People were judged on the basis of their family background and not on the basis of their individual merits. Those from middle class backgrounds were not allowed to go to university. In many cases, ideological commitment was made manifest simply out of fear, and a need to make one's way up the 'party' ladder.

Change in personnel practice since 1989

Given the conditions outlined above, the scale of change since transition has been monumental. At an economic level, it is broadly agreed amongst researchers and commentators that the transition to a market economy has taken place (Budapest University of Economic Sciences, 1998). This economic transition is broadly characterised by the following factors:
* increasing autonomy by privatisation
* globalisation of economic activities
* key role of Foreign Direct Investment in the modernisation process

In 1989 20% of the population was employed by the private sector. By 1994 this figure was 65%. The private sector's contribution to GDP grew from 20% to 56% during the same period. The number of enterprises more than doubled between 1990

and 1997. In 1990 there were 407,152 and in 1997 there were 998 264 registered enterprises in Hungary.(Hungarian Central Statistical Office, Year Book 1998). The importance of small businesses increased considerably. Currently, about 50% of the entire population of 10 million are in employment and about 10% have an association with a small business. Factories were either sold to foreign investors, bought by Hungarians in powerful positions, or reverted back to their former owners.

It is easy to underestimate the amount of changes required under privatisation. Not only is there an enormous change in working conditions and attitudes, but the country has needed to catch up with the rapid technological changes that had already taken place in the West. The speed is almost breath taking when you consider that 10 years ago, even a long distance telephone call could be a challenge or sometimes impossible. Now managers use not only e-mail , all kinds of general software and are expected to take active part in developing the sophisticated internal communication systems of the organisations.

Further, the whole ethos of the workplace has changed. Under communism, companies were state owned so no-one had a personal ownership and no-one felt responsible for the assets and the prosperity of the company. Since the ownership was felt to be so distant, there was no sense of personal responsibility and individuals felt they could use and abuse the benefits that were offered to their own advantage. Consequently, when the new owners actually appeared in the flesh, guarding their interests, the myth of the impersonal 'state owner' was crushed for good. Further, in this period, the state
ceased to be a provider. Suddenly individuals were expected to provide for themselves and be responsible for their own survival. For many, particularly those who had experienced 40 years of Russian rule, this came as a real shock, since the ideology of equality had created the notion of a patriarchal provider.

Consequently, former personnel officers, needed to learn rapidly about new concepts such as redundancy, labour market, labour management and how to deal with the demand and supply sides of human resources. Making people redundant was the first real challenge for personnel managers. They had no past experience in this field. The redundancies of course has brought all kinds of other professional issues to the surface such as performance measurement, economic efficiency and meeting social needs.

The relationship between the personnel department and the trade unions also started to change. Hungarian personnel managers had the opportunity to gain first hand experience of strikes. The role of personnel started to become more intermediary. Managers are expected to be effective negotiators and face regular confrontations with the trade unions.

This has brought with it a call for Western HR practices, seen to be the panacea for these ills. Following the hidden practices of employment we saw earlier, one of the most pressing problems was seen to be the creation of rational, depersonalised and transparent practices for management recruitment and promotion. This has required an enormous rethink for the former personnel manager. The new owners required a new, much more transparent organisational structure. The acquisition of new management knowledge and practices has been seen to be crucial in the redefinition of the post-

communist personnel function, since it is felt that it is through management learning that the institutional basis of personnel management can be changed.

Penetration of HR practices
The need for new managerial techniques, and HR practices has been well-documented (e.g. Agenda 2000) However, as in the UK, the uptake of HR practices is difficult to assess.

It has been claimed that during the past 10 years the Hungarian personnel profession closed the gap between Western and Eastern practices. The transformation is demonstrated by the success stories of major companies like the Hungarian oil company MOL, the American owned aluminium company, ALCOA-KÖFÉM or TVK, from the chemical industry (Csóti , 1999). With privatisation, and the influx of new owners, the extent to which HR practices as we defined them earlier have been introduced depends very much on the nationality of the parent company. Generally speaking, multinational companies replicate the HR practices of the parent in their subsidiary, and the practices differ between nationalities.

What is clear, however is that the label 'HR' title and its related jargon appeared very quickly in Hungarian organisations after 1989. This was due primarily to the appearance of the multi-national companies who introduced their specific know-how not only in terms of technology but also in organisational structure and the way in which people were managed. For example, the HR Director of Electrolux, Hungary, noted in an interview that in general recruitment has become much more transparent over the past 10 years. He felt there had been a healthy shift from the old secretive decision making to a more transparent one where people are judged more and more on the basis of their competencies and contribution rather than on the basis of their role in the party. The personnel function has also started a move from the role of implementor to become a corporate member of strategy making. With the opening up of the markets, increasing competition means that managers seek tangible reasons for decision making and they expect figures even from traditionally non-quantifiable professions. Thus the use of performance measures, standard competency models and the use of assessment centres, associated with HRM are becoming, at least in the multinationals, more and more popular. We should perhaps note here, of course, that such models of HRM tend to be derived directly from the US universalist approach.

Noticeable change has been observed in the language: words such as 'communist', 'socialist', 'atheist', 'centralised', 'jointly owned' and 'káder' either disappeared or gained negative associations. New words such as 'market economy', 'private ownership', 'profit', 'entrepreneurship' and 'management' grew rapidly in popularity and became widely used almost overnight. Most things associated with the past era were considered wrong, obsolete and needed to be replaced with something new, good and modern that came from the West. The status of a recent conference on HR highlights this importance(further refs here).

The latest American and British HRM books and journal articles are widely available in Hungarian translation, so in this respect language is not a barrier any more.

Growth of a new elite

The introduction of HR practices has meant a great deal of personal change for many former personnel managers. Many personnel officers were afraid that they would be among the first to be made redundant by the new owners because not only had they held confidential positions in the old system based on *kadre* politics, but they did not have the requisite skills of the modern HR professional such as professional knowledge, qualifications or knowing foreign languages.

There were only two alternatives: either to leave the profession or to learn, adjust and survive. Those who were close to retirement and did not particularly welcome a challenge left their positions or were made redundant. Those who remained had to learn and adjust fast. This meant a period of historical distancing from their kadre past and rehabilitation in the newly formed function of 'HR management'.

However, during the past ten years the number of young HR professionals has started to grow. They do not have the hands-on experience, but they have an up-to date understanding of all aspects of HRM, they speak English well and have access to the latest international research publications.(Interview, HR Manager, Headhunting firm) The new generation of HR managers start their career without the 'unlearning' phase which was inevitable for those who worked in personnel before 1989. These young managers are eager to learn and introduce new elements of HR management into the organisations.

It is interesting to observe that many former personnel professionals managed to preserve their positions in the transforming organisations. They made the necessary adjustments to the new form of ownership and learned to obey to the new requirements. Often the foreign investors realised the importance of employing local personnel officers, however, they also noticed the limitations and typically they reduced the HR officers' responsibility to the comfortable level of implementers and law-enforcers. In an interesting study of the role of personnel in Czechoslovakia, Soulsby and Clark (1998) noted how former members of the party used the label of HR as a means of disguising their party past. This may also be true in Hungary.

The only quantifiable evidence that we have discovered so far for what is happening overall is the Cranfield-G Survey of European Human Resource Practices Interestingly, the figures here suggest a rather different picture. In 61% of organisations, the head of HR did not have a place on the main board, and in 55% it is still the Chief Executive or Managing Director who takes on responsibility of personnel issues - thus suggesting that Hungary has not moved that far from its central controlling function. We believe that despite the language and the upbeat language of the successful multinationals, the uptake of HR practices may be slow with great individual differences between organisations.

In summary, then, despite the increased use of HR language and a perceived need for new managers, it would be difficult to assess overall what the impact of HR has been so far in Hungary. We can say with certainty from interviews that there is a buoyancy and optimism about the introduction of HR practices, but what is happening in smaller Hungarian-owned enterprises is much more difficult to assess. As Souslby and Clark discovered, there is a possibility that the HR label is being used as means by which former party members may distance themselves from the past.

Section 4: Comparing work values – a new home for the rhetoric of HR?

So far, we have examined the very different backgrounds in which the rhetoric of HR has been introduced in two European countries. In the discussion so far, we have considered differing approaches to HR, and outlined the industrial climates in which they have evolved. What is clear are the extraordinary different environments in which such practices are being implemented. In the UK, an evolving tradition of employee/employer conflict is apparently to be resolved by the panacea of HR practices, with their empowering messages of self actualisation, aligned to organisational goals. In Hungary, forty years of Communist rule have been swept away creating a managerial lacuna, a sense of shock as individuals need to learn about managing their own careers, and constructing their own work identity. In some ways, nothing could appear more different; both countries are facing very different challenges.

However, if we take into account the cultural background in which these practices are being implemented, and look more deeply into why it is they are so enthusiastically embraced, at least by management, we may gain a more rounded understanding of the nature of HR practices. Let us look firstly at the UK.

Given the fact that the model of HRM as imported from the US has emerged from the background we discussed earlier, it is surprising that HR has become, as far as we can see, the prime 'label' under which managing people takes place. Whilst, as we have seen, it is difficult to unpick what HR means in practice, without doubt the language of HR has been adopted throughout the UK. So how has it managed to take root? Lawrence suggests that the reason the rhetoric has gained such currency could be put down to the British view of the human condition – or in other words to the underpinning values relating to work, which he views as a series of 'intersecting negatives'. Firstly, on a positive note, he suggests that Britain has recognised throughout the century that industry and management are not its strengths, leading to a desire to 'look up ' to other states, particularly the US, where you came back and did what they did, if the trade unions let you, at least up till the 1970s. Secondly, other writers have identified an anti-industrial strain suggesting that industry and business are depersonalising, calculating and overly materialistic. Such an attitude is reflected in novels of the time such as Dicken's *Hard Times*. Here industrial endeavour would not be considered the type of activity in which an enterprise for the gentleman or the intellectual would engage. Thirdly, there is an under valuation of engineering, so that technical functions have lower status, so playing on the role of enterprise as a means of a crucial management role builds on this tension. . Finally, the valorisation of the 'great man' in the UK sets up the conditions in which 'growing managers' and 'leaders' can take place. These factors, argues Lawrence, are not at play in German or French organisations. Lawrence summed up five factors which rendered the UK, in comparison to France and Germany, a ripe breeding ground for HR practices:

- anti-industrialism
- class consciousness,
- aristocratic disdain
- employee intransigence
- valorisation of the 'great man'

At first sight, such factors bear little resemblance to the picture we have painted in Hungary. Here, the conditions are very different: the new owners are struggling to make enormous changes in the latent attitudes of workers. But they have a lot to change. The work values of the Hungarians can be traced historically to the Magyar tribes, who came to settle in the Carpathian basin from the Urals around 800. This period was followed by patterns of collusion or compromise which have been repeated in Hungarian history. From 1541-1686, the Turks occupied Hungary. Hungarians gradually learned how to do business with the Turks, how to outwit them and how to laugh at their expense. The best known book describing life in Hungary under the Turks is *The Stars of Eger* by Géza Gárdonyi. It is compulsory reading for primary school children. In the novel the Hungarian characters are heroic, good hearted, clever and courageous. The Turks are cowardly, mean, dishonest and stupid. Even, when the Turks win it is only because of their numerical superiority – but the moral victory always lies with the Hungarians who are fighting for the freedom of their country.

In order to liberate themselves from the Turks, Hungarians became part of the Austrian Empire and then needed to learn to live with the Austrians. This was a time of unequal resource allocation . The latter part of the nineteenth century was marked by passive resistance, which , it is claimed led to a state of obsession, where activities such as outwitting customs, smuggling goods, concealing income and not paying taxes, were considered not immoral, but honourable national exploits. After the First World War the country was again in trouble, losing two thirds of its territory , a pattern that was repeated in the Second World War to be followed by life under Communist rule. Hungary is steeped in a history of patterns of collusion and compromise, yet at the same time, it has, unlike some of its sister Balkan states, retained a stubborn independence and a rich cultural heritage.

In Hungary, different factors are at play, but there is still the same need for better motivation of the workforce. We have noted that, over the centuries, and right up to 1989, Hungary has been in the uneasy position of either collusion or compromise. This has led to subtle employee and indeed, subject, (in terms of nationhood) intransigence in sense of 'tax fiddling', using the organisation for one's own ends. It has created a vacuum where there is a need to develop 'great men' and possibly, though we have not as yet looked for evidence for this, a feeling of 'anti-industrialism' of not wanting to 'dirty one's hands' in state working.(At some level, 'working for the enemy' is not going to be considered to be an enterprise fit for a 'Magyar').The cynicism with which the new state 'youth' government is talked about bears witness to this. The rich jargon of HR management will no doubt be of great appeal to the new owners in attempting to motivate a jaded workforce, and in helping to develop the managerial strata that is perceived to be missing. The appeal that HR makes to draw the individual into the organisational's aims may also aid owners as

employees begin to realise that the organisation will not necessarily provide for their welfare. Above all, and given our discussion of the complexity of the HRM label, we have shown here, through a discussion of the evolution of the organisation and management concept in Hungary , that the Hungarian system has been one of centralised control at a collective level. A set of practices which offers individualised schemes of pay and appraisal is of enormous appeal. However, given that, in an Eliasian interpretation, the older values will take far longer to change, it seems likely that the combination of the subservience to authority inherent in a system of centralised control, combined with the potentially disciplining nature of appraisal practices means that HR is more likely to be interpreted as one of 'control' rather than 'empowerment'.

Conclusions
Our paper has highlighted the complex nature of HRM and shown that its interpretation is different in different organisational and national contexts. We would argue that we cannot assume the simplistic nature of HRM as it has emerged from the US, and that a universalist model of HR is unhelpful. As management academics we have a responsibility to reflect back the realities of the workplace. Therefore, a more critical approach which takes into account the political nature of management would be recommended in order that policy in cross-cultural knowledge transfer takes a deeper analysis of both the practices themselves and the country in which such policy is being recommended.

As Deetz (1992) points out: 'The presumed neutrality [of management practices]makes understanding the political nature of organisations more difficult. Order, efficiency and effectiveness as values aid the reproduction of advantages already vested in organisation form. The dream of organisational effectiveness hides the discussion of whose goals should be sought.'(p.24)

Such a dream is clearly spelt out in the following extract:

> 'Employees must not only be free to maximise their contributions to the corporation, they must be encouraged and motivated to do so. They must be freed from the shackles of bureaucracy…
> Freeing the individual is not enough. This competency must go beyond – it must motivate the individual to reach further, to fly higher, and in order to do this, individuals must be empowered to maximise their contributions to the organisation. The ability to empower individuals with the reward of self-fulfilment is a must for the *Complete Executive*.'

(Zimmerman 1993, p.389, original author's italics)

Let us set this against the following extract from a leading textbook of the 1960s in Hungary:

 ' A socialist factory is not only the centre of production but also a workshop of socialist education that helps people to become class-conscious and self-conscious. Capitalist factories on the other hand are concerned only about profit making and provide no opportunity for their workers for ideological and cultural development.

Workers can only satisfy these development needs outside the workplace through different self-organised activities. (Varga, 1966)

It is interesting that the language and ideas expressed in this 90s text in a land of democracy and freedom is not very different from that expressed in the socialist textbook of the 60s. The language of HR exhorts managers to fulfil their dream of self-actualisation within the workplace itself, just as the socialist ideology proclaims the benefits of the factory as a place of education, and cultural development.

We have offered here a comparative perspective on the nature of HR management. We hope that this can open up the field of HRM to different theorising, and make our understanding of organisational life more three-dimensional. In this way, we hope that cross-cultural knowledge transfer is more a cross-fertilisation of ideas rather than a colonisation.

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