
THE ROLE AND IMPORTANCE OF HRM IN ORGANIZATIONS: A COMPARATIVE ANALYSIS IN THREE EUROPEAN COUNTRIES

Branka Zolak Poljašević

Faculty of Economics, University of Banja Luka, Bosnia and Herzegovina,
branka.zolak-poljasevic@ef.unibl.org

Saša Vučenović

Faculty of Economics, University of Banja Luka, Bosnia and Herzegovina, sasa.vucenovic@ef.unibl.org

Abstract: Human resource management as a business function, but also as a specific management philosophy, can significantly contribute to the creation of competitive advantage, growth and development of the organization. Due to the above, the role of human resource management departments has been increased through the past decades. The main characteristic of 21st century is dynamic environment which imposes many challenges to business organisations. Regarding human resource management field, organizations must develop an adequate approach to the emerging challenges associated with globalization, technology development, digitalisation, demographic changes, different values of new generations of the workforce, ethical issues, as well as environmental issues. Contemporary organizations are intensifying their efforts in order to find an appropriate human resource management model, which will enable them to successfully deal with those challenges through the efficient use of available human resources. Unfortunately, in transition countries, these processes take place at a slow pace. Many organizations still, out of ignorance or fear of change, practice the philosophy of personnel management, even though this concept was rejected in theory and practice as inadequate for modern business conditions. Therefore, in transition countries, human resource management, as one of the key business functions, usually has a reactive, passive, approach and adapts to the changes that have already occurred in the environment. The main aim of this paper is to determine the role and importance of the human resource management in companies operating on the territory of Bosnia and Herzegovina, in comparison with companies from Serbia and Slovenia. These European countries share a common socialist heritage, but the transition processes in them took place with different intensities. The research is based on data collected through the international CRANET network, which is large academic research network in the field of human resource management, and which conducts periodic research regarding the development of human resource management practices such as recruitment, selection, training and development of employees, performance management, compensation management etc., using the same methodology in more than 40 countries around the world. Additionally, the theoretical part of this paper aims to elaborate and highlight importance of human resource management in changing environment of 21st century.

Keywords: human resource management, human resource department, transition countries, CRANET

1. INTRODUCTION

Human resources are very complex and unique resources that cannot be copied by competitors. Due to these specificities, management of human resources is very difficult task that every organization faces. Human resource management can be seen as a management philosophy, which reflects organization culture and values, and shapes the way employees are managed. Also, it can be seen as a business function in the organization. In this context, human resource management can be defined as a set of "policies, practices and systems which influence employees' behaviour, attitude and performance" (Noe, et al, 2016, p. 3). Through a set of harmonized and coordinated practices, human resource management can significantly contribute to the competitive advantage, growth and development of the organization.

Business organizations are not isolated systems, they are in continuous interaction with their environment. Numerous external factors influence policies, processes and activities of organizations, including the practices of management of human resources. Some of the most important external factors that directly or indirectly shape human resource management are: globalization, technological development (especially the development of information and communication technology), changes in the characteristics of the workforce, changes in the value system of the new generation of employees, change in customers' demands (Nasir, 2017) and similar. Each of these factors can represent a limitation of the organization's development, but at the same time it can be a potential source of competitive advantage.

Human resource management can act reactively, that is, adapt to changes that have already occurred in the environment. However, a proactive approach is much better, which involves predicting future changes and creating policies and programs that will amortize external threats and take advantage of opportunities that come from the

environment (Zolak Poljašević, 2021). The choice between a proactive or reactive approach depends on the role and importance that human resource management has within the organization.

A lot of contemporary organizations view their employees as one of the most important sources of competitive advantage. Accordingly, human resources management is assigned the role of a strategic partner (Mitsakis, 2014), which implies active participation in the process of business strategy formulation, long-term development of human resources, use of their potential, as well as the development and multiplication of human and intellectual capital, all for the purpose of strategic differentiation and achieving a sustainable competitive advantage.

In the last decade number of external changes are related to digitalization (Strohmeier, 2020) and Industry 4.0, which connects the virtual and physical world. "Digital technologies are transforming conventional HRM processes, the structure and functions of HR departments, the activities of relevant staff members, and, ultimately, the entire human capital-based value chain" (Zavyalova et. al., 2022, p. 43). Digitization and Industry 4.0 require a smart model of human resource management that relies on upcoming technologies such as the Internet of Things (IoT), big data analytics, robotics, artificial intelligence (AI), fast data networks for effectively managing the next-generation employees (Hecklau et al., 2016; Rojko, 2017) and so on. Therefore, a smart human resource management requires adapting the business strategy to the digital economy (Fedorova, Koropets and Gatti, 2019; Lengnick-Hall, Neely and Stone, 2017). Some of the most significant challenges associated with this concept of human resource management are related to the selection of appropriate technological tools, overcoming development limitations which arise from the existing organizational culture, and managing the expectations and attitudes of different generations of the workforce (Rana and Sharma, 2019; Sivathanu and Pillai, 2018). On the other side, "smart HR 4.0. technologies powered with new generation of employees have the potential to transform HR processes and offer various benefits to the organization" (Verma, Bensal and Verma, 2020, p. 9), such as more efficient and faster performing of HR operations, leaner HR departments, and increasing human resource potential through drawing, developing and retaining new-age talent (Sivathanu and Pillai, 2018).

At the same time, in many transition countries, process of developing and increasing of the importance and role of human resources management is taking place slowly. The philosophy and practice of personnel management is still applied in numerous organizations operating in the territory of transition countries. Personnel management is an administrative function, which is characterized by the formalization and standardization of personnel activities (Svetlik, et al. 2010). In such organizations, human resources management has image of a marginal business function, which is insufficiently involved in business decisions process or solving some important problems within the organization. In other words, human resources management is not sufficiently developed to be able to act proactively in relation to the digitization process and other challenges that arise from the dynamic business environment.

The main goal of this paper is to present empirical data regarding the role and importance of human resources management in organizations that operate on the territory of three European countries which share a common socialist heritage, namely Bosnia and Herzegovina, Serbia and Slovenia. In these countries, transition processes and the shift to the Western philosophy of management took place with different intensity, under the influence of factors such as: transformation of the ownership structure of business organizations, arrival of the foreign companies on their market and international competition, which forced business organizations from post-socialist countries to realize that human resource management is an objective necessity in market oriented economy (Alas and Svetlik, 2004; Thang and Quang, 2005). Also, this paper provides plenty of information which aim is to emphasize the importance of human resource management in the conditions of the dynamic world of digital economy.

2. METHODS OF WORK

The empirical data presented in this paper were collected through the CRANET research network (Cranfield Network of International Human Resources Management). CRANET is large academic research network in the field of human resource management, established in 1989. Today this network gathers researchers from more than 40 countries around the world. One of the basic goals of this network is to conduct periodic research regarding the development of human resource management practices. Research is conducted on the basis of the same methodology in all member countries. The last research cycle was conducted in 2021-2022 in 39 countries. The data are collected on the basis of a standardized questionnaire, which purpose is to assess the state of the basic activities of human resources management. The questionnaire contains six sections, namely: HRM activity in the organization, resourcing practices, employee development, compensation and benefits, employee relations and communication, and organizational details. Most of the questions are closed-ended with alternative answers provided. In order to reduce respondent and cross-country bias very few open-ended questions are included (Szabó, Slavić and Berber, 2019).

The main goal of this paper is the presentation of empirical data regarding human resource management in the organization (first section in the questionnaire) and the analysis of the role and importance of this business function in the observed organizations in three countries of the Central and Eastern European region: Bosnia and Herzegovina, Serbia and Slovenia. Role and importance of human resources management in the observed organizations were analyzed based on several key indicators. Those are:

1. Existence of HR department;
2. Position of the HR department in the management structure;
3. Participation of the HR department in the process of formulating a business strategy;
4. Existence of strategic documentation in the HR field;
5. Responsibility for core HR practices;
6. Level of the digitization of HR practices.

The analysis was performed by using techniques of descriptive statistics. The total number of organizations included in the research is 321. The structure of the sample by country and ownership structure is given in the following table.

Table 1. Structure of the sample

Sector	Country			Total
	BiH	Serbia	Slovenia	
Private sector	61,70%	84,90%	45,24%	60,75%
Public sector	34,04%	15,10%	20,83%	20,87%
Non-Profit sector	0,00%	0,00%	0,59%	0,32%
Mixed (private and public)	4,26%	0,00%	4,17%	2,80%
Other	0,00%	0,00%	29,17%	15,26%

Source: Authors

In research cycle participated 47 organizations from Bosnia and Herzegovina, 106 organizations from Serbia and 168 from Slovenia. In Bosnia and Herzegovina, research of this type was conducted for the first time, while Serbia and Slovenia also participated in earlier cycles of CRANET data collection. More than half of the observed organizations come from the private sector (60.75%). About 20% of the sample consists of organizations from the public sector, while a significantly smaller percentage is non-profit organizations, as well as mixed organizations (private and public sector). It should be noted that 49 of observed organizations (15,26%) did not respond to questions regarding the ownership structure.

3. RESULTS AND DISCUSSION

Regarding the first observed indicator, it could be stated that the function of human resources management can be organized in many ways, which primarily depends on the size of the company. In smaller organizations (approximately up to 100 employees), HR activities take place in a simple way and it is not necessary to form an HR department. In such organizations, HR activities are performed by the owner or become the subject of outsourcing. With the organization development and the growth of the number of employees, HR activities become more complex, so it is usual to form a HR department. Regarding size of organizations, 98.44% of the total sample consists of organizations with more than 100 employees. Because of that it is not surprising that majority of organizations in the observed sample have an established HR department (84.74%). In all three observed countries, there is a very high percentage of organizations that have an HR department (BIH: 87,23%; Serbia: 94,34%; Slovenia: 77, 97%). Despite the high percentage, this data does not indicate the role or importance of the HR department.

In the theoretical part of the paper, it was explained that human resources management can have different roles in the organization. In the former socialist countries of Europe, the function of personnel management dominated, which most often had a marginal, administrative role in organizations. Later, in the period of transition, this function was westernized, i.e. turn to Western management philosophy and practice. According to Western philosophy of management, human resource has a more significant role, which is especially evident in modern organizations that strive to adapt to the demands of digitization and Industry 4.0. One of the indicators of the role in the organization is the position of the HR department in the management structure, which was assessed through the participation of the HR manager in the Board or equivalent top executive team. In the case of this indicator, Bosnia and Herzegovina lags behind Serbia and Slovenia. Thus, in only 38.29% of observed organizations operating in Bosnia and Herzegovina the HR manager is a member of the Board or equivalent top executive team. In Serbia, that percentage is 65.09%, and in Slovenia 54.76%.

Table 2. Participation of the HR department in the process of formulating a business strategy

Form of the participation	Country			Total
	BiH	Serbia	Slovenia	
From the outset	38,29%	62,26%	35,12%	44,55%
Through subsequent consultation	19,15%	15,09%	11,31%	13,71%
On implementation	6,38%	8,49%	21,43%	14,95%
Not consulted	23,40%	8,49%	11,90%	12,46%
Not applicable	12,76%	3,75%	20,24%	14,33%

Source: Authors

The development of human resources management in the organization, among other things, can be monitored through the level of involvement of this function in the process of strategic management. In organizations that do not value human resources, this business function is marginalized. As such, it is not included in the formulation and implementation of the business strategy. In other words, HR department is not included in the process of strategic management. At the next level of development, HR department is considered as important function for the implementation of the chosen business strategy. With further development, HR department is involved, both in the implementation and in the formulation of the business strategy. However, at this level, the role of human resources management is most often reduced on providing of subsequent consultation. Finally, in organizations that truly recognize employees as a source of competitive advantage, human resource management function is actively involved in the formulation of strategic alternatives, the selection of the optimal strategy and its implementation in the organization. As can be seen on the basis of the data shown in table 2, the percentage of organizations in which the HR department is involved in the process of formulating a business strategy, fully or through subsequent consultation, is the highest in Serbia, while this percentage is significantly lower in Bosnia and Herzegovina and Slovenia.

Table 3. Existence of strategic documentation in the HR field

Strategic HR documentation	Country			Total
	BiH	Serbia	Slovenia	
HRM strategy	31,91%	70,75%	44,64%	51,40%
HR recruitment strategy	23,40%	66,98%	22,61%	37,38%
HR training and development strategy	40,42%	68,87%	32,74%	45,79%
Corporate Social Responsibility statement	25,53%	60,38%	33,93%	41,43%
Diversity statement	12,76%	48,11%	25,59%	31,15%

Source: Authors

H HRM strategy derives from business strategy. Organizations can develop a general and specific HRM strategies. A general HRM strategy represents the policies, objectives and action plans regarding the attraction, development, retention and reward of employees. Based on the data shown in table 3, it can be concluded that organizations in Serbia are leading in terms of this indicator. Even 70.75% of observed organizations operating in the territory of Serbia have an HRM strategy. while in Bosnia and Herzegovina only 31.91% of observed organizations have this strategic document. Organizations can also develop specific strategies in key segments of human resource management, such as recruitment or employee development. Table three shows the results of the research regarding the percentage of organizations that have specific strategies on certain areas of human resource management. In this regard, too, organizations from Serbia are leading in comparison to organizations from Bosnia and Herzegovina and Slovenia.

Table 4. Responsibility for core HR practices

Core HR practices	Country						
	BiH		Serbia		Slovenia		
	LM	HR	LM	HR	LM	HR	NA
Pay and benefits	93,61%	6,38%	70,75%	29,24%	52,38%	35,12%	12,50%
Recruitment and selection	78,72%	21,28%	49,06%	50,94%	45,24%	44,64%	10,12%
Training and development	76,59%	23,40%	45,28%	54,71%	45,83%	45,23%	8,93%
Industrial relations	74,47%	25,57%	36,79%	63,21%	28,57%	59,52%	11,90%
Workforce expansion/reduction	85,10%	14,90%	62,26%	37,73%	52,38%	36,31%	11,31%

Source: Authors

Table 4 shows the data regarding primary responsibility for core HR practices such as pay and benefits, recruitment and selection, training and development, industrial relations and workforce expansion and reduction. In the largest number of observed organizations from Bosnia and Herzegovina, the responsibility for these issues is given to line managers, while in Serbia and Slovenia, there are a slightly larger number of organizations in which the HR department is responsible for the aforementioned practices.

The last indicator refers to the level of the digitization of HR practices.

Table 5. Level of the digitization of HR practices

Support HR systems	Country		
	BiH	Serbia	Slovenia
Manager self-service	0,9149	1,4811	0,9404
Employee self-service	0,7659	1,1509	0,8333
HR information systems / e-HRM	1,0000	1,6604	1,2678
Algorithm-based HR processes	0,3829	0,7547	0,5476

Source: Authors

In the last segment of the analysis, it was considered at what level the observed organizations use certain technological solutions in order to improve the HR function. Among other things, it was examined at what level observed organizations use manager and employee self-systems which giving managers and employees access to information and ability to handle HR tasks rather than relying on HR department. Also, it was examined level of use of the HR information system, as well as certain Algorithm-based HR processes, was. Respondents had the opportunity to rate the degree of use of the mentioned technological solutions on a scale from 0 to 3 (0 - not at all; 3 - very great extent). In all observed countries, the HR information system has the highest level of application, while the observed organizations use the least algorithm-based HR process. Generally speaking, in Bosnia and Herzegovina the level of use of all mentioned technological solutions is lower than in Serbia and Slovenia.

4. CONCLUSION

The results of the analysis support the thesis that the transformation of human resources management from an administrative function to a strategic partner takes place much more slowly in transition countries. This is particularly pronounced in Bosnia and Herzegovina, while the situation regarding some indicators is partially better in Serbia and Slovenia. Despite the fact that in all three countries most of the observed organizations have a human resources department, other indicators such as the position of the HR department in the management structure, participation of the HR department in the process of formulating a business strategy, existence of strategic documentation in the HR field and responsibility for core HR practices, indicate that in many organizations HR department does not have a strategic role or great significance. The low level of digitization of HR practices indicates the low capacity of existing HR departments to become more actively involved in the emerging challenges and use of the potential of Industry 4.0.

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