

ACTA ECONOMICA  
Volume XV, No. 26 / June 2017  
ISSN 1512-858X, e-ISSN 2232-738X

ORIGINAL SCIENTIFIC PAPER  
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UDC: 005.96:338.1  
DOI: 10.7251/ACE1726075P  
COBISS.RS-ID 6748952

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## **Ownership Structure of the Organisation as a Determinant of Human Resource Management in the Context of Transition Countries**

**Власничка структура организације као детерминанта менаџмента људских ресурса у контексту транзиционих земаља**

### **Summary**

*Transition period of the post-socialist countries and opening of their markets have led to the positive shift in understanding the role of employees in organizations and the importance of proper management of this specific resource. An important factor in spreading modern principles of human resource management in transition countries is the arrival of foreign companies on their market. In that context, this paper focuses on the relationship between the ownership structure of the organisation and the level of development of the core activities of human resource management. The subject of the empirical research was companies which operate on the territory of the Republic of Srpska, and employ more than 200 employees. Empirical data were collected by using questionnaire, and some of them were generated from the official websites of the observed companies. Testing of hypothesis was performed with the Analysis of Variance. The research results show that in the foreign-owned*

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companies there is a statistically significant difference in the level of development of human resources management, compared to the state-owned and national private companies. On the other hand, among foreign-owned companies, which differ in the country of origin of the majority owner and the number of years in business in the domestic (BiH/RS) market, there is no statistically significant difference in the level of development of basic activities of human resource management.

**Keywords:** ownership structure, human resource management, transition countries

## Резиме

У пословој социјалистичким земљама шек у периоду транзиције и отварања тржишта долази до позитивних помака у разумевању улоге запослених и значају адекватног управљања овим специфичним ресурсом. Један од фактора ширења савремених принципа менаџмента људских ресурса у транзиционе земље представља долазак страних компанија на њихово тржиште. У том контексту, фокус овог рада односи се на наслеђавање везе између власничке структуре организације и нивоа развијености основних активностима менаџмента људских ресурса. У овом раду предмет емпиријског истраживања биле су организације које поседују на територији Републике Српске, а које имају више од 200 запослених. Прикупљање емпиријских података извршено је уз помоћ анкетног уједињеника и циљане интервјуе званичних интерних страница пословних организација, а анализа варијансе је представљала основну статистичку методу за тестирање постављених хипотеза. Резултати истраживања су показали да у организацијама са већинским учешћем стране квалитета послојој статистички значајна разлика у нивоу развијености менаџмента људских ресурса, у односу на државне и приватне организације са већинским учешћем домаће квалитета. С друге стране, резултати истраживања нису потврдили тврдње да међу приватним организацијама са већинским учешћем стране квалитета, које се разликују према земљи поријекла већинског власника и према броју година пословања на домаћем (БиХ/РС) тржишту, послојој статистички значајна разлика у нивоу развијености основних активностима менаџмента људских ресурса.

**Кључне ријечи:** власничка структура, менаџмент људских ресурса, транзиционе земље.

## **Introduction**

Human Resource Management (HRM) is a term used to describe a holistic management system aimed at achieving current, development and strategic objectives of the organization, sustainable competitive advantage and organizational success. Compared to the countries with decades of market-oriented economies, in the Socialist countries HRM never had a great significance. At that time, state intervention was present in almost all personnel activities (Poór et al., 2015), and consequently influenced the scope of personnel management. The process of recruiting and professional selection did not have great significance, and political references were one of the key factors regarding career development and promotion of employees. According to Quang & Thang (2004, p. 181) “the pay system was centrally fixed and standardized for all levels to ensure egalitarianism. Pay and merit increase were not based on performance, but on seniority, responsibility, and personal judgment”. Pearce (1991, p. 80) contends that “under these circumstances, the dearth of any systematic formal performance review practices should not be surprising.” Based on the above it can be stated that the personnel department dealt more with political and social issues rather than with functional activities.

Transition period of the post-socialist countries and opening of their markets have led to the positive shift in understanding the role of employees in organizations and the importance of proper management of this specific resource, and generally to embracing the Western philosophy of management. An important factor in spreading modern principles of HRM in transition countries is the arrival of foreign companies on their market (Poor et al., 2010; Fey et al., 2000). Presence of foreign companies in transitional markets has opened a number of research questions. Some of them are related to the obstacles and challenges in HRM field faced by foreign companies (see Poór et al., 2015; Horwitz, 2011), environmental determinants of HRM transfer, adaptation and innovation in host countries (see Novitskaya, 2015; Poor et al., 2010; Weinstein & Obloj, 2002) and the impact on business performance (see Law et al., 2003; Fey et al., 2001). In addition, some studies compare HRM practices in foreign and local companies (see Thang & Quang, 2005; Zhu & Dowling, 2002). The presence of foreign companies in BiH/RS market and their impact on the transformation of HRM is also the focus of this paper. The main research question in this paper is the following: Is the ownership structure of the organization a determinant of human resource management?

The paper starts from the main hypothesis that there is a statistically significant difference in the level of development of HRM among companies with a different ownership structure, whereby this management field is more developed in foreign-owned companies compared to state-owned and national private compa-

nies. In order to get more detail insight into relationship between research variables, two additional factors are included into the analysis: the country of origin of foreign-owned companies and the number of the years in business in domestic (BiH/RS) market. Regardless of their ownership structure, the organizational form of the human resource management department and the position of the head of this organizational unit in the overall managerial structure are included in the analysis as control variables.

This paper is based on the empirical research which was conducted in 2015, but 2014 was the observed business year. The subject of the empirical research was companies from the Republic of Srpska, which employ more than 200 employees. Empirical data related to HRM and the ownership structure were collected by using specially created questionnaire, structured interview and targeted search of official websites of the observed business organizations. Statistical data processing was performed with the software package SPSS, and the Analysis of Variance (ANOVA) was chosen as an appropriate statistical method for testing hypotheses.

The purpose of this paper is to present the results of conducted research and to provide more insight into the variation of HRM practices that exist in companies with a different ownership structure. Also, the results of this study provide an opportunity to state-owned companies, which are by their nature more rigid and slower in the adapting to change, to identify possibilities for HRM development.

## **1. Theoretical background**

Bahtijarević-Šiber (2014, p. 5) defines HRM as a comprehensive and integrated system of complex and interrelated initiatives, activities and tasks related to providing the appropriate number and structure of employees, their knowledge, skills, competencies, interests, motivations and behaviours, needed to achieve current, development and strategic goals of the organization, sustainable competitive advantages and organizational success. However, this concept of HRM comes from the Western countries, namely the United States of America. Compared to the countries with decades of market-oriented economies, in the Socialist countries HRM was neither integrated in the entire organization, nor contributed to solving business and development issues in the organizations. Generally, before transition processes in the socialist countries the activities in the field of human resource management were under the strict control of the party and state bureaucracy (Poór et al., 2015; Svetlik et al., 2010; Gordon-Smith, et al., 2008, Kovari et al., 2008; May & Ledgerwood, 2007; Cooke, 2004; Quang & Thang,

2004). At that time the basic features of the personnel policy were centralization, formalization and standardization of personnel activities.

In order to ensure stability, state owned enterprises in socialist countries offered job security. Such approach to recruitment process further restricted the operations of the personnel management. Key positions in the organization were held by the employees “who were not only professionally but also politically suitable” (Svetlik et al., 2010, p. 808; also see Quang & Thang, 2004). Pearce (1991, p. 83) argues that “in organizations without strong performance pressures, managerial positions become awards for loyalty or for having useful connections (...) it was the normal staffing practice to place loyal party members in executive positions”. As Quang and Thang (2004, p. 181) noted that “little attention was paid to external sources of recruitment and selection, and word-of-mouth, connections and employee’s referral were the most practiced methods” of hiring employees. In other words, professional selection did not have great significance. As for the remuneration of employees, “wages were kept low as a matter of public policy to prevent individuals from accumulating capital” (Pearce, 1991, p. 79), but compensated with a broad range of benefits (Cooke, 2004), which ensured a higher level of social welfare. In terms of the performance management, Quang & Thang (2004, p. 181) emphasized that “no formal appraisal session was planned or held on a regular basis”. Pearce (1991, p. 80) noted that “under these circumstances, the dearth of any systematic formal performance review practices should not be surprising”. He also explained that some state owned enterprises already had an established system of performance appraisal, but there were difficulties in its implementation.

Transition period of the post-socialist countries has brought changes in this area. Alas & Svetlik (2004) noted that the general trend of HRM in countries of Eastern Europe can be summarised as “gradual Westernisation”. A literature review shows that this conclusion can be extended to other post-socialist countries, which also accepted the Western philosophy of management (see May & Ledgerwood, 2007; Cooke, 2004; Quang & Thang, 2004). Such direction of development was influenced by international competition that forced local companies to understand that HRM is becoming an objective, i.e. economic necessity. Besides, “privatisation gives management more decision-making autonomy with associated accountability and places more pressure on management for better company performance” (Cohen, 2002; cited in Thang & Quang, 2005). Furthermore, the process of foreign investment from developed countries (...) contributes in a meaningful way to the process of HRM development, because the inflow of funds leads to the inflow of knowledge, concepts, experiences, competencies, management systems, as well as the HRM system of successful companies (Đurović, 2010, p. 229). Regarding Bosnia and Herzegovina, Svetlik et al. (2010, p. 812)

assumed that foreign companies contributed to the phenomenon of professional HRM, and that the professionalization of HRM will spread with the rise in their number and development of national private companies.

In Bosnia and Herzegovina, as well as in other countries in the region, it is still believed that HRM is just a modern name for the personnel management. For that reason it is important to stress once again that the difference between former personnel management and today's HRM is not only semantic, but also substantial change in approach to human resources in the organization. Bahtijarević-Šiber (2014, p. 113) emphasizes the importance of management of intangible assets in modern management and the organization and that "differences in HRM as a key intangible asset are a source of differences in business and competitive success of organizations in the global market today". According to Bahtijarević-Šiber (2014), competency-based management, knowledge management, talent management, intellectual capital management and managing diversity are recent trends in HRM. One consequence of these trends is reflected in the change of position, role and the importance of HRM in companies. Information technology has recently affected almost every aspect of society. "It has also had a profound impact on organizational processes, including those in Human Resource Management" (Stone et al., 2015). Marler and Peri (2015) suggest that the use of information technology has a significant impact on an increase in the strategic role of human resource management in organizations. Therefore, HRM is not a static category and this function has gradually evolved from a strategy performer to a strategic partner. Stone & Deadrick (2015), point out that shifts in economy, globalization, domestic diversity and technology are challenges that will influence HRM in future.

One of new approaches to this field is reflected in connecting HRM and sustainability. The term that describes this alternative approach is sustainable human resources management (Marriappanadar, 2003; 2012). "Unlike SHRM, which proposes that HRM practices should be designed to further organisational strategy and economic outcomes, a common feature of the writings on sustainable HRM is that HRM practices contribute to the development of human and social capital within the organization" (Kramar, 2014, p. 1077). Also, the concept of green human resource management has recently been developed. According to Dumont, Shen and Deng (2016, p. 1), "as an emerging concept, green HRM has been conceptualized to influence employee workplace green behaviour." Cleveland, Byrne and Cavanagh (2015, p. 158) noted that "in order to be effective, HRM must develop a broader perspective, be responsive to multiple layers of the environment (including the organization and the larger society), and be active in shaping or initiating change in those same environmental layers".

Although the development of the theory in this field is significant, implications of new scientific knowledge into practice are being slowly implemented. National context also affects this process. In other words, the attitudes of HR practitioners and their willingness to apply the theoretical knowledge vary from country to country (see Tenhiala et al., 2016). This last observation contributes to the convergence-divergence debate, which is still current in the HRM field.

From the convergence theory perspective, market activity and business globalization affect the convergence of HRM towards universal model. On the other hand, divergence theory starts from the hypothesis that political, structural, cultural and social differences between countries cause national differences in the HRM model. In the context of this paper, it is important to emphasize that some scholars and practitioners suggest that modern HRM principles from Western countries cannot be fully adopted and implemented in the transition countries without their adjustment (see Horwitz, 2011; Poor et al., 2010). As Kamoche et al. (2004, p. 183-84; cited in Horwitz, 2011) noted “HR issues that have been identified in the emerging economy literature include the inappropriate use of foreign HR policies and practices (...) and a concern with procedural and transactional HRM rather than strategic issues”. Inappropriate implementation of HR practices is often the consequence of local institutional and legal systems, nepotism and the lack of transparency in the politicised decision-making process. In the development and implementation of individual HRM practices in transition countries it is necessary to consider local institutional, regulatory and cultural aspects, and then modify HRM practices (Zupan & Kaše, 2005). This is necessary because HRM principles that provide good results in one country can fail in another country, due to the aforementioned factors.

Moreover, “the new theory perspective involves incorporating economic principles of international trade and economic geography to explain the effect of global competition on the cross-national pattern of industry, firm, and production location and consequent patterns in HRM practice” (Kaufman, 2016, p. 338). Based on the foregoing, it can be stated that the development of appropriate HRM model is one of the challenges transition countries such as Bosnia and Herzegovina are facing.

## **2. Research model and methods**

As previously pointed out in the introduction, the main research question in this paper is the following: Is the ownership structure of the organization a determinant of human resource management? Due to its complexity, hypothetical research model is presented in the following figure.

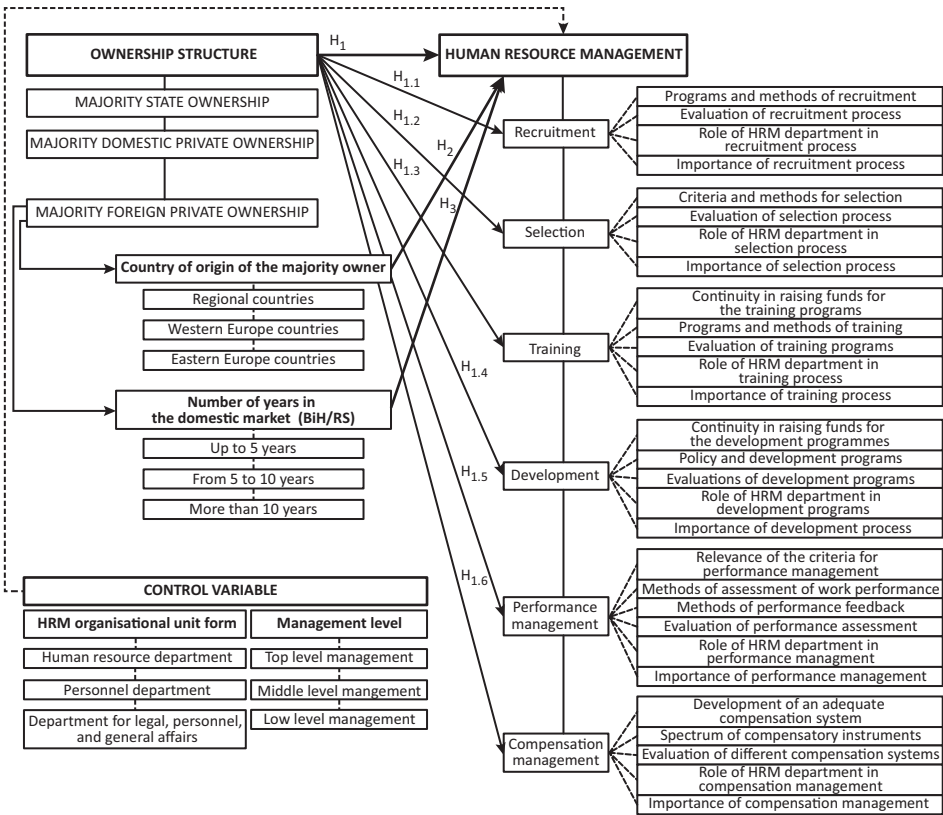


Figure 1 Hypothetical research model (creation of the authors)

In this research independent variable is the ownership structure of the observed organizations. For the purpose of the research the observed companies were divided into three categories: organizations with majority state capital (state-owned), private organizations with majority domestic capital (domestic private) and private organizations with majority foreign capital (foreign-owned).

Dependent variable in the research is presented by the group of six core HRM practices: recruitment, professional selection, training, employee development, performance management and compensation management. The level of development of each of these HRM practices was evaluated on the basis of influential factors shown in the previous figure.

Regardless of the ownership structure, the **organizational unit form** of the human resources management department and the position of the head of this organisation unit in the overall management structure may also affect the development of the core HRM practices. For the purpose of this research, these factors were included in the analysis as control variables.



The first tested hypothesis in this analysis is the following:

H<sub>1</sub>. There is a statistically significant difference in the level of development of HRM among the companies which have a different ownership structure, whereby this management field is more developed in foreign-owned companies compared to state-owned and domestic private companies.

In order to get more detailed insight into relationship between research variables, each of the observed HRM practices was analysed and the following hypotheses were tested individually.

H<sub>1,1</sub> Human resource recruitment process is more developed in foreign-owned companies than in state-owned and domestic private companies.

H<sub>1,2</sub> Selection process is more developed in foreign-owned companies than in state-owned and domestic private companies.

H<sub>1,3</sub> Training of employees, as one of the most important HRM practices, is more developed in foreign-owned companies than in state-owned and domestic private companies.

H<sub>1,4</sub> Systematic approach to employee development is more developed in foreign-owned companies than in state-owned and domestic private companies.

H<sub>1,5</sub> Performance management is more developed in foreign-owned companies than in state-owned and domestic private companies.

H<sub>1,6</sub> Compensation management is more developed in foreign-owned companies than in state-owned and domestic private companies.

Foreign companies have different origins, specific institutional heritage and national tradition that significantly influence the management of subsidiaries (Poor et al., 2010, p. 4). Because of the stated, the country of origin of foreign-owned companies was included in the analysis as an additional factor. For the purpose of this segment of analysis, the countries of origin were also divided into three groups, namely: countries in the region, i.e. countries of the Former Yugoslavia (Serbia, Croatia and Slovenia), Western European countries (GB, Austria, Netherlands, Italy and Switzerland), and Eastern European countries (Russia). The following hypothesis has been tested:

H<sub>2</sub>. There is a statistically significant difference in the level of development of the basic HRM practices among foreign-owned companies which differ by the country of origin.

Next additional factor included in the analysis was the number of years of foreign-owned companies in the domestic (BiH/RS) market. The following tested hypothesis is:

H<sub>3</sub>. There is a statistically significant difference in the level of development of the basic HRM practices among foreign-owned companies which differ by the number of years in the domestic (BiH/RS) market.

In order to test this hypothesis, foreign-owned companies were divided into companies operating in the Republic of Srpska market for less than five years,

companies which have been present and active in this market for five to ten years, and companies that have been in the domestic market for more than ten years. Confirmation of this hypothesis would explain whether foreign-owned companies adapt over time to host country institutional and cultural environment in terms of adaptation of human resource management.

Data required to test this set of hypotheses were obtained by empirical research. Empirical research was conducted in 2015, but 2014 was the observed business year. The subject of empirical research was companies which operate on the territory of Republic of Srpska, and employ more than 200 employees. According to the data of Intermediary Agency for IT and financial services (APIF)<sup>4</sup>, there were 88 registered organisations in the observed business year in the Republic of Srpska. It should be emphasized that public health institutions were not the subject of observation, and they were excluded from the analysis.

Empirical data related to HRM and ownership structure were collected by using specially created questionnaire, structured interview and targeted search of the official websites of the observed business organizations. The main research instrument used to collect data on ownership structure of the observed companies and the core HRM activities was a questionnaire. The questionnaire was distributed via e-mail, and afterwards the heads of the **organisational unit form** for HRM practices were phoned. The process of data collecting guaranteed anonymity and confidentiality of the collected data. Exactly 92.7% of the data were collected from the questionnaire, while 7.3% were collected from structured interviews with managers. Empirical data related to the country of origin of the foreign company and the year of establishment of subsidiaries were generated from the official websites and available official documents of the observed companies.

Statistical data processing was performed with the software package SPSS. Considering the hypothetical research model, Analysis of Variance (ANOVA) was chosen as an appropriate statistical method to test the hypotheses, whereby the significance of testing was the assessment at the level of  $p < 0.05$ .

### 3. Research results

After the process of data collection, it can be concluded that 55 companies provided complete information which were used in the statistical data processing. In other words, the representativeness of the collected data is very high and amounts to 62.50%. In addition to the overall score, representativeness of the col-

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<sup>4</sup> According to the Law on registration of business entities in the Republic of Srpska (Official Gazette of the Republic of Srpska, No. 67/13) and the Law on Intermediary Agency for IT and financial services (Official Gazette of the Republic of Srpska, No. 96/05, 74/10 and 68/13) dated 1 December 2013, Intermediary Agency for IT and financial services of the Republic of Srpska is responsible for establishment and management of the Register of Business Entities.

lected data was also evaluated from the aspect of geographic distribution of the observed companies.

**Table 1**  
*Representativeness of collected data by geographic distribution of the observed companies*

Region	Total number of companies by region	Number of companies which participated in research by region	Percentage of companies which participated in research by region
Banja Luka	40	28	70,0%
Prijedor	5	2	40,0%
Doboj	18	12	66,7%
Bijeljina	13	7	53,9%
Trebinje	6	2	33,3%
Istočno Sarajevo	6	4	66,7%

Source: Authors' calculation

The territory of the Republic of Srpska can be divided into six regions. Based on the data presented in the above table, it can be concluded that companies which participated in the research are representative sample of the total number of companies registered in each region in the Republic of Srpska.

Very high overall representativeness score (62.50%) and high individual representativeness scores by each region in the Republic of Srpska, allow the generalization of the derived conclusions on the entire population of the observed companies.

Regarding the economic activities, the observed companies can be divided into 12 areas. The structure of the sample by economic activity is shown in the following table.

**Table 2**  
*The structure of the sample by economic activity*

Economic activity	Percentage of companies which participated in research by economic activity
Manufacturing	41.82%
Wholesale and retail trade; repair of motor vehicles and motorcycles	12.73%
Financial and insurance activities	10.91%
Construction	9.09%
Electricity, gas, steam and air-conditioning supply	9.09%
Water supply; sewerage, waste management and remediation activities	3.64%
Mining and quarrying	3.64%
Agriculture, forestry and fishing	1.82%
Transportation and storage	1.82%
Accommodation and food service activities	1.82%
Information and communication	1.82%
Administrative and support service activities	1.82%

Source: Authors' calculation

As it can be seen from the data presented in the above table, companies from the manufacturing industry dominate in the sample (41.82%). Apart from them, there are companies that are engaged in wholesale and retail trade (12.73%), financial and insurance activities (10.91), construction (9.09 %), and electricity, gas, steam and air-conditioning supply (9.09%). Other activities are significantly less represented in the sample, which was expected, given the fact that very few companies with these activities employ more than 200 employees.

The following tables show the structure of the sample from the aspect of the observed research variables.

**Table 3**

*The structure of the sample by independent variable*

Ownership structure	Sample structure
State-owned companies	20.00%
Domestic private companies	43.64%
Foreign-owned companies	36.36%
Total	100.00%
Country of origin of foreign-owned company	Sample structure
Countries in the region (Serbia, Croatia, Slovenia)	50.00%
Western European countries (GB, Austria, Netherlands, Italy, Switzerland)	30.00%
Eastern European countries (Russia)	20.00%
Total	100.00%
Number of years in the domestic (BiH/RS) market	Sample structure
Up to 5 years	20.00%
From 5 to 10 years	60.00%
More than 10 years	20.00%
Total	100.00%

Source: Authors' calculation

The data presented in the table above indicate that the research included the biggest number of private companies with majority domestic capital (43.64%). As for the private companies with majority foreign capital, a deeper analysis of the data shows the domination of organizations from countries of the Former Yugoslavia, more precisely Serbia, Croatia and Slovenia (50.00%). Majority of foreign-owned companies have been in the domestic (BiH/RS) market between five and ten years (60.00%).

**Table 4**  
*The structure of the sample by control variables*

Organisational form of the human resources management department	Sample structure
Human resource department	23.64%
Personnel department	20.00%
Department for legal, personnel, and general affairs	56.36%
Total	100.00%
Position of the head of the human resources management department in the overall managerial structure	Sample structure
Top level management	43.64%
Middle level management	45.45%
Low level management	10.91%
Total	100.00%

Source: Authors' calculation

Regarding the control variables, the data in the table above show that majority of the observed companies have no independent department for human resource management (56.36%), and that activities in this management field are performed within a broader organisational unit together with legal and general affairs. Regardless of the organisational unit form of the human resources management department, collected data show that the head of this organisational unit in 43.64% of the observed companies participates in the top level of the overall management structure, and in 45.45% of companies they operate in the middle level of the overall management structure. In negligible number of companies the head of the human resources management department participates in the lower management level.

Hypothetical research model was intended to examine the relationship between control and dependent variables through the analysis of variance. Therefore, it was further analysed if there is a statistically significant difference in the level of HRM development among companies which differ by the organizational unit form of the human resources management department and the position of the head of this organisational unit in the overall management structure. The results of these analyses are shown in the following tables.

**Table 5**

*Descriptive analysis of the level of development of human resources management based on control variables*

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min.	Max.	
					Lower Bound	Upper Bound			
HRM org. unit form	1	13	38.62	14.009	3.885	30.15	47.08	9	52
	2	11	33.55	9.417	2.839	27.22	39.87	13	42
	3	31	27.39	12.698	2.281	22.73	32.04	6	53
Total	55	31.27	13.127	1.770		27.72	34.82	6	53

Notes:

1 - HR department

2 - Personnel **department**

3 - Department for legal, personnel, and general affairs

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min.	Max.	
					Lower Bound	Upper Bound			
Management level	1	24	32.08	13.452	13.452	26.40	37.76	6	51
	2	25	30.56	12.868	12.868	25.25	35.87	9	52
	3	6	31.00	15.100	15.100	15.15	46.85	6	53
Total	55	31.27	13.127	13.127		27.72	34.82	6	53

Notes:

1 - Top level management

2 - Middle level management

3 - Low level management

Source: SPSS

**Table 6**

*Analysis of variance for the level of development of human resources management based on control variables*

Control variable 1: HRM org. unit form	Sum of Squares	df	Mean Square	F	Sig.	
HRM - Total	Between Groups	1225.750	2	612.875	3.945	.025
	Within Groups	8079.159	52	155.368		
	Total	9304.909	54			
Control variable 2: Management level	Sum of Squares	df	Mean Square	F	Sig.	
HRM - Total	Between Groups	28.916	2	14.458	.081	.922
	Within Groups	9275.993	52	178.384		
	Total	9304.909	54			

Source: SPSS

As for the first control variable, the analysis of variance indicates that there is a statistically significant difference in the level of HRM development among companies which have a different organizational unit form of the human resources management department, namely HR department, **personnel department** and department for legal, personnel, and general affairs ( $F = 3.945$ ;  $p = 0.025$ ;  $p < 0.05$ ). The companies that have a single HR department revealed a statistically significant higher level of HRM development. Statistically significant lower level

of HRM development was noticed in companies that do not have single department for human resource management, which is a logical and expected result.

In terms of the second control variable, basic descriptive measures indicated and the analysis of variance confirmed that there is no statistically significant differences in the level of HRM development among organizations with identified different positions of the head in the HRM organizational unit form in the overall management structure ( $F = 0.081$ ;  $p = 0.922$ ;  $p > 0.05$ ).

After the assessment of the effects of control on the dependent variable, we started testing the hypotheses. The first hypothesis tested in this study is about the presumed impact of ownership structure on human resources management, where it is claimed that this control area is more developed in private organizations with majority foreign capital, compared to organizations with majority state capital and private organizations with majority domestic capital. The test results are shown in the following tables.

**Table 7**  
*Descriptive analysis of the level of development of human resources management based on the ownership structure of organization*

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min.	Max.
					Lower Bound	Upper Bound		
1	11	23.00	9.121	2.750	16.87	29.13	8	34
HRM - 2	24	30.58	12.129	2.476	25.46	35.71	6	51
Total 3	20	36.65	14.042	3.140	30.08	43.22	7	53
Total	55	31.27	13.127	1.770	27.72	34.82	6	53

Notes:

- 1 - State-owned companies
- 2 - Domestic private companies
- 3 - Foreign-owned companies

Source: SPSS

**Table 8**  
*Analysis of variance for the level of development of human resources management based on the ownership structure of organization*

		Sum of Squares	df	Mean Square	F	Sig.
HRM -	Between Groups	1342.526	2	671.263	4.384	.017
Total	Within Groups	7962.383	52	153.123		
	Total	9304.909	54			

Source: SPSS

Based on the data presented in the above tables it can be stated that there is a statistically significant difference in the level of HRM development among companies which differ by the ownership structure ( $F = 4.384$ ,  $p = 0.017$ ,  $p < 0.05$ ). More specifically, in the group of foreign-owned companies it was found a sta-

tistically significantly higher level of HRM development compared to other two groups of companies (state-owned and private domestic). This result supports the hypothesis  $H_1$ .

In order to get more detailed insight into relationship between research variables, each of six observed HRM practices (recruitment, selection, training, development, performance management and compensation management) was analyzed, and the results of the descriptive analysis and the analysis of variance are shown in the following tables.

**Table 9**

*Descriptive analysis of the level of development of the core HRM practices based on the ownership structure of organization*

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min.	Max.
						Lower Bound	Upper Bound		
Recruitment	1	11	3.09	1.375	1.375	2.17	4.01	1	6
	2	24	4.29	1.922	1.922	3.48	5.10	1	8
	3	20	5.25	1.970	1.970	4.33	6.17	1	9
	Total	55	4.40	1.978	1.978	3.87	4.93	1	9
Selection	1	11	3.82	1.991	.600	2.48	5.16	0	7
	2	24	4.88	1.918	.392	4.07	5.68	1	8
	3	20	5.90	2.469	.552	4.74	7.06	0	9
	Total	55	5.04	2.244	.303	4.43	5.64	0	9
Training	1	11	5.27	2.054	.619	3.89	6.65	2	9
	2	24	5.21	2.843	.580	4.01	6.41	0	9
	3	20	6.20	2.876	.643	4.85	7.55	0	9
	Total	55	5.58	2.713	.366	4.85	6.32	0	9
Development	1	11	4.27	3.259	.982	2.08	2.08	0	8
	2	24	5.38	2.763	.564	4.21	4.21	0	9
	3	20	6.90	2.553	.571	5.71	5.71	1	10
	Total	55	5.71	2.917	.393	4.92	4.92	0	10
Performance management	1	11	6.27	4.407	1.329	3.31	9.23	0	12
	2	24	8.46	4.403	.899	6.60	10.32	0	14
	3	20	9.90	5.004	1.119	7.56	12.24	0	16
	Total	55	8.55	4.733	.638	7.27	9.82	0	16
Compensation management	1	11	4.55	2.464	.743	2.89	6.20	2	9
	2	24	7.75	4.078	.832	6.03	9.47	1	16
	3	20	9.40	3.619	.809	7.71	11.09	4	14
	Total	55	7.71	3.989	.538	6.63	8.79	1	16

Notes:

- 1 - State-owned companies
- 2 - Domestic private companies
- 3 - Foreign-owned companies

Source: SPSS



**Table 10**  
*Analysis of variance for the level of development of the core HRM practices based on the ownership structure*

		Sum of Squares	df	Mean Square	F	Sig.
Recruitment	Between Groups	33.583	2	16.791	4.916	.011
	Within Groups	177.617	52	3.416		
	Total	211.200	54			
Selection	Between Groups	31.866	2	15.933	3.451	.039
	Within Groups	240.061	52	4.617		
	Total	271.927	54			
Training	Between Groups	12.042	2	6.021	.812	.449
	Within Groups	385.340	52	7.410		
	Total	397.382	54			
Development	Between Groups	53.739	2	26.869	3.445	.039
	Within Groups	405.607	52	7.800		
	Total	459.345	54			
Performance management	Between Groups	93.696	2	46.848	2.183	.123
	Within Groups	1115.940	52	21.460		
	Total	1209.636	54			
Compensation management	Between Groups	167.318	2	83.659	6.286	.004
	Within Groups	692.027	52	13.308		
	Total	859.345	54			

Source: SPSS

Four out of six individual results speak in favour of the summary result. Namely, the levels of development of the recruitment ( $F = 4.916$ ,  $p = 0.011$ ,  $p < 0.05$ ), selection ( $F = 3.451$ ,  $p = 0.039$ ,  $p < 0.05$ ), staff development ( $F = 3.445$ ,  $p = 0.039$ ,  $p < 0.05$ ), and compensation management ( $F = 6.286$ ,  $p = 0.004$ ,  $p < 0.05$ ) are statistically much higher in foreign-owned companies than in other two groups of companies. These individual results support the following hypotheses:  $H_{1.1}$ ,  $H_{1.2}$ ,  $H_{1.4}$  and  $H_{1.6}$ . It should also be pointed out that the lowest level of development of six core HRM practices was noted in state-owned companies. As regards to staff training ( $F = 0.812$ ,  $p = 0.449$ ,  $p > 0.05$ ) and performance management ( $F = 2.183$ ,  $p = 0.123$ ,  $p > 0.05$ ) there is no statistically significant differences among companies which differ by the ownership structure. Therefore, it can be stated that the hypothesis  $H_{1.3}$  and  $H_{1.5}$  were not statistically confirmed.

The second hypothesis was tested on a group of foreign-owned companies. Results of this segment of analysis will indicate whether the country of origin of the foreign-owned companies affects the level of HRM development. Results of the descriptive analysis and the analysis of variance are shown in the following tables.

**Table 11**

*Descriptive analysis of the level of HRM development in foreign-owned companies based on the country of origin*

		N	Mean	Std. De- viation	Std. Error	95% Confidence Interval for Mean		Min.	Max.
						Lower Bound	Upper Bound		
Recruitment	1	10	5.50	2.273	.719	3.87	7.13	1	9
	2	6	5.00	2.000	.816	2.90	7.10	2	8
	3	4	5.00	1.414	.707	2.75	7.25	3	6
	Total	20	5.25	1.970	.441	4.33	6.17	1	9
Selection	1	10	5.90	3.178	1.005	3.63	8.17	0	9
	2	6	5.50	1.871	.764	3.54	7.46	3	8
	3	4	6.50	1.291	.645	4.45	8.55	5	8
	Total	20	5.90	2.469	.552	4.74	7.06	0	9
Training	1	10	6.40	3.026	.957	4.24	8.56	0	9
	2	6	4.67	3.011	1.229	1.51	7.83	1	8
	3	4	8.00	.816	.408	6.70	9.30	7	9
	Total	20	6.20	2.876	.643	4.85	7.55	0	9
Development	1	10	7.10	2.685	.849	5.18	9.02	1	10
	2	6	6.33	2.733	1.116	3.47	9.20	3	10
	3	4	7.25	2.500	1.250	3.27	11.23	4	10
	Total	20	6.90	2.553	.571	5.71	8.09	1	10
Performance management	1	10	11.00	4.738	1.498	7.61	14.39	0	16
	2	6	7.17	5.947	2.428	.93	13.41	0	14
	3	4	11.25	3.304	1.652	5.99	16.51	8	15
	Total	20	9.90	5.004	1.119	7.56	12.24	0	16
Compensation management	1	10	10.00	3.127	.989	7.76	12.24	5	13
	2	6	8.00	4.382	1.789	3.40	12.60	4	14
	3	4	10.00	4.000	2.000	3.64	16.36	4	12
	Total	20	9.40	3.619	.809	7.71	11.09	4	14
HRM - Total	1	10	38.80	15.303	4.839	27.85	49.75	7	53
	2	6	30.33	15.042	6.141	14.55	46.12	11	47
	3	4	40.75	7.182	3.591	29.32	52.18	33	50
	Total	20	36.65	14.042	3.140	30.08	43.22	7	53

Notes:

1 - Countries in the region (countries of former Yugoslavia)

2 - West European countries

3 - East European countries

Source: SPSS

**Table 12**  
*Analysis of variance for the level of HRM development in foreign-owned companies based on the country of origin*

		Sum of Squares	df	Mean Square	F	Sig.
Recruitment	Between Groups	1.250	2	.625	.147	.865
	Within Groups	72.500	17	4.265		
	Total	73.750	19			
Selection	Between Groups	2.400	2	1.200	.180	.837
	Within Groups	113.400	17	6.671		
	Total	115.800	19			
Training	Between Groups	27.467	2	13.733	1.800	.195
	Within Groups	129.733	17	7.631		
	Total	157.200	19			
Development	Between Groups	2.817	2	1.408	.198	.822
	Within Groups	120.983	17	7.117		
	Total	123.800	19			
Performance management	Between Groups	64.217	2	32.108	1.326	.292
	Within Groups	411.583	17	24.211		
	Total	475.800	19			
Compensation management	Between Groups	16.800	2	8.400	.616	.552
	Within Groups	232.000	17	13.647		
	Total	248.800	19			
HRM - Total	Between Groups	352.867	2	176.433	.884	.431
	Within Groups	3393.683	17	199.628		
	Total	3746.550	19			

Source: SPSS

Data shown in the above tables indicate that there is no statistically significant difference in the level of HRM development among the foreign-owned companies which differ based on the country of origin of the majority owner. Therefore, hypothesis  $H_2$  was rejected.

The next hypothesis was also tested on the group of foreign-owned companies. In this segment of the analysis the aim was to examine whether the number of the years in the domestic (BiH/RS) market affects the level of HRM development in foreign-owned companies. Results of the descriptive analysis and the analysis of variance are shown in the following tables.

**Table 13**

*Descriptive analysis of the level of HRM development in foreign-owned companies based on the number of years in the domestic (BiH/RS) market*

		N	Mean	Std. De- viation	Std. Error	95% Confidence Interval for Mean		Min.	Max.
						Lower Bound	Upper Bound		
Recruitment	1	4	6.25	1.258	.629	4.25	8.25	5	8
	2	12	4.83	1.850	.534	3.66	6.01	1	8
	3	4	5.50	2.887	1.443	.91	10.09	2	9
	Total	20	5.25	1.970	.441	4.33	6.17	1	9
Selection	1	4	6.75	1.500	.750	4.36	9.14	5	8
	2	12	5.50	2.714	.783	3.78	7.22	0	9
	3	4	6.25	2.754	1.377	1.87	10.63	3	9
	Total	20	5.90	2.469	.552	4.74	7.06	0	9
Training	1	4	6.75	1.708	.854	4.03	9.47	5	9
	2	12	6.08	3.175	.917	4.07	8.10	0	9
	3	4	6.00	3.464	1.732	.49	11.51	1	9
	Total	20	6.20	2.876	.643	4.85	7.55	0	9
Development	1	4	8.00	2.309	1.155	4.33	11.67	6	10
	2	12	6.83	2.855	.824	5.02	8.65	1	10
	3	4	6.00	1.826	.913	3.09	8.91	4	8
	Total	20	6.90	2.553	.571	5.71	8.09	1	10
Performance management	1	4	12.00	4.082	2.041	5.50	18.50	8	16
	2	12	9.42	5.125	1.479	6.16	12.67	0	15
	3	4	9.25	6.185	3.092	-.59	19.09	0	13
	Total	20	9.90	5.004	1.119	7.56	12.24	0	16
Compensation management	1	4	10.75	4.573	2.287	3.47	18.03	4	14
	2	12	8.75	3.415	.986	6.58	10.92	4	13
	3	4	10.00	3.830	1.915	3.91	16.09	5	13
	Total	20	9.40	3.619	.809	7.71	11.09	4	14
HRM - Total	1	4	42.50	10.661	5.331	25.54	59.46	29	52
	2	12	34.58	14.216	4.104	25.55	43.62	7	53
	3	4	37.00	18.203	9.101	8.04	65.96	11	51
	Total	20	36.65	14.042	3.140	30.08	43.22	7	53

Notes:

1 - Up to 5 years

2 - From 5 to 10 years

3 - More than 10 years

Source: SPSS

**Table 14**  
*Analysis of variance for the level of HRM development in foreign-owned companies based on the number of years in the domestic (BiH/RS) market*

		Sum of Squares	df	Mean Square	F	Sig.
Recruitment	Between Groups	6.333	2	3.167	.799	.466
	Within Groups	67.417	17	3.966		
	Total	73.750	19			
Selection	Between Groups	5.300	2	2.650	.408	.672
	Within Groups	110.500	17	6.500		
	Total	115.800	19			
Training	Between Groups	1.533	2	.767	.084	.920
	Within Groups	155.667	17	9.157		
	Total	157.200	19			
Development	Between Groups	8.133	2	4.067	.598	.561
	Within Groups	115.667	17	6.804		
	Total	123.800	19			
Performance management	Between Groups	22.133	2	11.067	.415	.667
	Within Groups	453.667	17	26.686		
	Total	475.800	19			
Compensation management	Between Groups	13.800	2	6.900	.499	.616
	Within Groups	235.000	17	13.824		
	Total	248.800	19			
HRM - Total	Between Groups	188.633	2	94.317	.451	.645
	Within Groups	3557.917	17	209.289		
	Total	3746.550	19			

Source: SPSS

As in the previous testing, the data shown in the above tables indicate rejection of the proposed hypothesis H<sub>3</sub>. In other words, the analysis of variance confirmed that there is no statistically significant difference in the level of HRM development among foreign-owned companies, which differ by the number of years in the domestic (BiH/RS) market.

#### 4. Discussion

Research results have statistically supported the basic hypothesis, which claims that HRM is more developed in foreign-owned companies compared to state-owned and private domestic companies. It may also be noted that this result is compatible with the findings of similar studies that were carried out in some other transition countries. For instance, the results of research that was conducted in Vietnam (Quang & Thang, 2005) also confirm this thesis. In general, these authors found that HRM practices are more developed in foreign-owned companies which operate in Vietnam, compared to state-owned companies. A few years earlier Harel (2002) found that in developed countries HRM practices

are more sophisticated in the private sector compared to the state sector, but the aforementioned research in Vietnam yielded different results. Namely, Tang and Quang (2005) found that HRM practices are less developed in domestic private companies compared to state-owned companies. Weinstein and Obloj (2002) also obtained similar results in the study conducted in Poland. These authors found that foreign-owned companies are more prone to adopt HRM innovation compared to domestically owned companies. When it comes to domestically owned companies, Weinstein and Obloj (2002) confirmed the hypothesis that state-owned companies are more inert in the process of HRM innovation compared to domestic private companies. Differences in some segments of HRM among foreign-owned and local companies were also found in Russia (Fey et al., 2000) and China (Zhu & Dowling, 2002).

As for the individual HRM practices, it can be stated that successful recruitment and selection processes are a challenge for many organizations (see CIPD, 2011; 2007). “Although high unemployment rate on the labour market increases the probability of attracting a greater number of qualified candidates, it does not guarantee successful recruitment and selection process” (Zolak Poljašević & Ilić, 2016, p. 11). Some research conducted in transition countries showed that companies often face the problem of satisfying the demand for qualified workers (see Ilić & Zolak Poljašević, 2013; Babić & Slavković, 2009). The results of this research indicate that foreign-owned companies are more active in the recruitment process, especially if state-owned companies are seen as a benchmark. For instance, in state-owned companies there is neither development of specific recruitment programs for different categories of employees, nor for different positions. Furthermore, in this group of organisations the most frequent sources of recruitment are referrals and personal acquaintances, and advertisements in daily newspapers. On the other side, in private companies multiple sources of recruitment are commonly used, depending on the position that needs to be taken. Professional selection also significantly differs among organizations with different ownership structure. The most important differences of this HRM practice are reflected in the development of specific criteria and methods of selection for different positions in the organization, as well as in the evaluation of selection process. In addition, in most private companies, which is not the case with most state-owned companies, besides the interview of candidates, there are other selection methods, such as testing.

In current business environment, training and development of employees are considered a key source of competitive advantage. Changes in technology that lead to the rapid obsolescence of the applicable knowledge and skills, dynamic changes in the business environment, as well as incompatibility of the education system and the labour market’s demands, which is particularly evident in transi-

tion countries, are some of the main factors that have contributed to an increase in the importance of employees' training and development. As for the employees' training, Noe et al. (2011) point out that this activity is more than a simple choice of training methods, and identify basic steps in the employee development: needs assessment, readiness for training, planning the training program, the choice of training methods, implementing the training program, evaluating results of training. Results of this research have shown that the ownership structure has no impact on the employee training, i.e. the way this HRM practice is conducted does not significantly differ among organizations with different ownership structure. For the employee development, which is focused on future demands of the organization, Noe et al. (2011) recommend four approaches: formal education, assessment, job experience and interpersonal relationships. Employee development programs should be implemented systematically, especially when it comes to the development of managers, i.e. the development of key people in the organization. This last assertion represents one of the differences observed in companies with different ownership structure. Namely, research results show that 75.0% of foreign-owned companies carry out succession planning (finding and developing high potential employees who could successfully replace people in managerial positions if needed), while that percentage is significantly lower in state-owned (36.36%) and domestic private companies (54.17%). It is interesting that 72.73% of state-owned companies continuously plan and allocate funds for staff development, whereas the systematic approach to employee development is adopted in a much smaller number of companies from this group. Another important difference between the observed groups of companies is reflected in the design and implementation of development programs on the basis of performance appraisal. Research results show that 80.0% of foreign-owned companies base employee development programs on the results of the performance appraisal, while this percentage is much lower in state-owned (45.45%) and domestic private companies (58, 33%).

The above mentioned performance appraisal is not the same as performance management. However, it should be stressed that, in practice, performance management is often reduced to this relatively simple task. Performance management is much broader approach that helps to direct activities and results of employees towards the goals of the organization. The essence and the relationship between these two terms are described most simply by Foot and Hook (2008). They point out that performance appraisal is only one of the techniques, while performance management is an attempt to connect employee performance with the wider values and goals of the organization. Traditionally, performance management was reduced to the formal process of evaluating employees which was usually performed once a year. Completed forms with the annual employee performance

evaluations were usually archived into individual files and in general they did not have any significant purpose. After conducting an annual performance evaluation, this HRM practice would be completely ignored until a new cycle of assessment (Armstrong, 2009; Torrington et al., 2007). Today, successful companies give much greater importance to this HRM practice because it is considered that performance management directly contributes to the organizational success (Mathis & Jackson, 2008). Considering this basic HRM practice, results of this research show that the observed difference in performance management in companies with a different ownership structure is not statistically significant.

The last of the observed HRM practice is related to rewarding of employees, and the results show that there is a statistically significant difference in the compensation management among companies with different ownership structure. Creating an incentive compensatory policy, which would be used to achieve the organizational goals, is one of the challenges the management of any organization faces. Some of the main decisions which should be made in this management field are related to the selection of compensatory instruments and the determination of their amount and structure. Diversity of compensatory instruments represents an important feature of the quality of compensation management (see Jiang et al., 2009). Diversity of compensatory instruments is one of the differences noted among the companies with a different ownership structure. Thus, 95.0% of foreign-owned companies, in addition to basic wages, use different incentives for individual performance (usually bonuses and pay raises) for the purpose of stimulating employees and directing their job behaviour towards the achievement of organizational goals. This percentage is also high in private domestic companies, while most state-owned companies do not apply this type of stimulation of employees. The results are similar in terms of optional benefits (benefits which are not required by law). It could be argued that due to the legislative framework state-owned companies are constrained in the use of incentives and optional benefits, but they have a whole range of intangible motivators at their disposal. However, research results show that state-owned companies use fewer intangible motivators compared to private companies, particularly foreign-owned companies.

## **5. Conclusion**

Through this research, authors wanted to determine whether there are significant variations in HRM among organizations with different ownership structure, i.e. whether the ownership structure represents a determinant of HRM. As previously noted, this research confirmed that foreign-owned companies applied more developed concept of human resource management. Also, the differences in the



implementation of the particular HRM practices are analyzed and described in the previous section. However, it should be noted that the observed differences are statistically significant only in the case of four out of the six surveyed practices. Namely, the levels of development of recruitment, selection, staff development, and compensation management are statistically and significantly higher in foreign-owned companies than in local companies.

All discussed differences among organizations with different ownership structure were analyzed in the context of the influence of foreign-owned companies on the expansion of modern HRM principles. Countries of origin of these companies vary from transition countries of Central and Eastern Europe to the traditional market-oriented countries of Western Europe. Through deeper analysis of collected empirical data we wanted to examine whether this factor determines the approach to human resources management in foreign-owned companies in the Republic of Srpska. Surprisingly, the analyzed data indicate that the average value which reflects the level of HRM development is the lowest in the group of companies that come from Western Europe, i.e. the countries without socialist heritage. However, in this case identified variations in the level of HRM development are not statistically significant, and do not provide sufficient evidence to confirm the tested hypotheses and carry out valid conclusions.

Another additional factor that was analyzed in this research is the number of the years in the domestic (BiH/RS) market by foreign-owned companies. As previously stated, for the purpose of this analysis foreign-owned companies were divided into three groups: companies operating in the Republic of Srpska market for less than five years, companies which have been present and active in this market for five to ten years, and companies that have operated in the domestic market for more than ten years. Deeper analysis of the data shows that an increase in the number of years in the domestic (BiH/RS) market by foreign-owned companies leads to a decrease in the average value which reflects the level of HRM development. This result implies that over time foreign-owned companies adjust to the local environment in terms of adaptation of the basic HRM practices. But, as in the previous case, the observed variations in the level of HRM development are not statistically significant; thus to confirm the above statement it is necessary to perform additional research.

Certain studies conducted in other transitional countries (see Law et al., 2003 - China; Fey et al., 2001 - Russia) have determined the positive relationship between HRM practice in foreign companies and business performance. This field emerges as a logical direction of further research in BiH/RS, in order to determine whether the concept of HRM applied by foreign-owned companies contributes to better business performance compared to the concept that is applied in domestic private companies and state-owned companies. Regardless of the identified

direction of further research that should be taken, this research provides new insights into variations of HRM practices that exist in companies with different ownership structure. Also, it provides an opportunity to state-owned companies, which are by their nature more rigid and slower in adapting to change, to identify possibilities for the HRM development in order to increase competitiveness and improve business performance.

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