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## TRAINING PRACTICE IN CENTRAL AND EASTERN EUROPEAN COMPANIES – BASED ON CRANET RESEARCH

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**Summary:** In the period of global competition and radical economic changes human resources and their intellectual capital become a vital resource for organizations. Employees' competence, knowledge, skills and experience have to contribute not only to the company's financial and marketing success, but also to broader (environmental and social) considerations. The main aim of the Training & Development as a human resource management (HRM) activity is to help this organizational knowledge acquisition systematically. In Central and Eastern Europe (CEE) HRM managers have a challenging task to implement new methods of effective in-company trainings. The aim of this work is to describe some characteristic features of the training practices in 6 CEE (Bulgarian, Czech, Hungarian, Serbian, Slovak and Slovenian) countries based on Cranet international research results from the year 2008/10. The findings can provide good benchmark for HR practitioners when designing their new region- and country-specific training approaches.

**Keywords:** training, Central and Eastern Europe, human resources, Cranet

### 1. THEORETICAL BACKGROUND

In the 21st century when the companies' success mainly depends on the competences and innovativeness of their employees, training and development, as one of the key HRM functions becomes more and more important. Lekovic and Susnjar (2010) note that training includes all those activities, which enable, make easier and accelerate knowledge acquisition necessary for successful business activity. On the other side, Armstrong (2007) defines development as the growth or realization of a person's ability and potential through the provision of learning and educational experiences. Peretz and Caspi (2011) enhance that organizations can follow many paths to secure a skilled and competitive human force. One of the most direct ways is to focus on training and development HRM activity. The more advanced the firm's training policy is, and the more efficiently it invests in T&D, the more likely it is to position itself well on the market (Stavrou and Brewster, 2005).

According to one school of thought, HRM practices always depend on the context. Based on a longitudinal study conducted in 18 European countries Nikandrou, Apospori and Papalexandris (2005) emphasize that European HRM is characterized by internal variations among clusters of countries and at the same time by external uniformity compared to the rest of the world. Mayrhofer, Sparrow and Brewster (2012) have a similar view, underlining that considering the various elements of external context (national cultures, institutional environment, economic factors, social characteristics, education and political systems) Europe offers a mix of hetero- and homogeneity leading to a unique context for organizational decision makers about HRM matters. Mayrhofer, Sparrow and Brewster (2012) identify the following differences between European and US context of HRM which makes the US HRM techniques only partly applicable in Europe: stakeholder rather than shareholder approach, the role of the state, people's rights in and to their jobs, and the importance of consultation and collective representation.

Even within Europe there are significant differences in internal and external HRM context and therefore in HRM practice, too. Brewster, Morley and Buciuuniene (2010) state that charting the landscape of HRM in Central and Eastern Europe (CEE) is a difficult task. The societies of CEE have undergone through radical changes since the early 1990s, but with rather different outcomes. CEE is now characterized by rising economic heterogeneity and rapidly changing socio-cultural context stressed with privatization, increasing FDI and emerging individualization. Morley, Minbaeva and Michailova (2012) stress that CEE is not historically well documented in management and human resources literature and contemporary developments occur against the backdrop of large scale of political, economic and socio-cultural shifts. Poór and Milovecz (2011) state that the quick transition from state control and national economic planning to free market, globally competitive capitalism in CEE region resulted in significant consequences.

- The political and administrative map of the region has undergone drastic changes.
- Due to the privatization process the private sectors has become dominant in GDP terms.
- Economic problems – the transition is followed by high inflation and decrease in performance.

Ignjatovic and Svetlik (2003) analyzed data of 24 European countries (Cranet research from 1999/ 2000 research period) and determined four European HRM clusters:

- Nordic cluster is characterized by employee-focused HRM of medium intensity.
- The Central Southern cluster where HRM is of low intensity and mainly gives administrative support to managers.
- In the Western cluster HRM activities are intensive and professional and HRM is a strategic partner of management.
- In the Peripheral cluster (with mainly CEE countries) HRM has a low status and management-focus.

Based on the data of Cranet survey conducted in 2004 and 2005 in Bulgaria, Czech Republic, Estonia, Hungary, Slovakia and Slovenia Karoliny, Farkas and Poór (2009) identified the similarities in HRM practice in CEE companies. These are the following:

- Staffing (especially managerial selection) relies heavily on the company's internal resources.
- The planning and implementation of training activities is dominated by the HRM department, while the training need identification is mainly line management responsibility.
- The performance appraisal is a widespread activity and used the least for manual works.
- Local establishments have a powerful role in determining the basic pay.
- The proportion of companies with low unionization rate is high.

Long ago CEE region is well-known for its high-educated, competent and innovative but cheap labor force. Poór and Milavecz (2011) confirm that investors choose the CEE region not only because of its cheap labor but the skilled, blue-collar workforce, engineers, technicians and perceived higher flexibility are also important strengths of this area.

According to Ignjatovic and Svetlik (2003) findings in Northern and Western European clusters the focus is more on internal, in-company training programs and these companies send a larger portion of their employees on training programs than in two other clusters. In the Southern and Peripheral clusters managers spend more days in training than in the Western or Nordic clusters. On the basis of the recent Cranet survey Karoliny (2010) underlines that there is a slow convergence and improvement in the rate of implementation of up-to-date techniques in T&D – across CEE region. Especially notable are the good results in several

T&D indicators, although the methodology used in their evaluation may be subject to questioning.

## 2. RESEARCH METHODOLOGY

This current research is based on the Cranet data obtained in 2008/10. The Cranfield Network of International Human Resources Management (Cranet) was established in 1989 is now a collaboration of more than 40 universities and business schools, representing a country from all over the world. In this paper the authors analyze the data of the latest Cranet survey round (2008-2010), when the European sample was created by the respondent companies from 18 EU countries and five other European (Iceland, Norway, Russia, Serbia and Switzerland) countries.

In 2008/10 research period 267 Bulgarian, 54 Czech, 139 Hungarian, 50 Serbian, 225 Slovakian and 219 Slovenian, id. est altogether 954 CEE companies' HR managers filled out the Cranet questionnaire concerning various aspects of HRM function. The respondents of the CEE sample were made of companies mainly from manufacturing and service sector in private ownership, with less than 1000 employees. The EU sample consisted of 3748 companies from 18 countries, while the total European sample from 4189 companies from 23 European states. Beside Europe Cranet has data about HRM practice in USA, Japan, Taiwan, South Africa, Israel, Australia and Philippines, too, but the results of these countries are out of the focus of this current paper.

The aim of this work is to present and analyze the training practices in Bulgarian, Czech, Hungarian, Serbian, and Slovak and Slovenian companies both by countries and as a particular region average and compare it to practice of companies from all EU respondents and all European region participants averages. The paper will present and analyze data indicating the:

- *importance* of T&D expressed by the ratio of the annual training budget in the total payroll costs,
- *extensiveness* of T&D function, characterized by annual training days per year among different type of employees and the
- *effectiveness* aspect of T&D described by the most often used techniques for evaluating the T&D function.

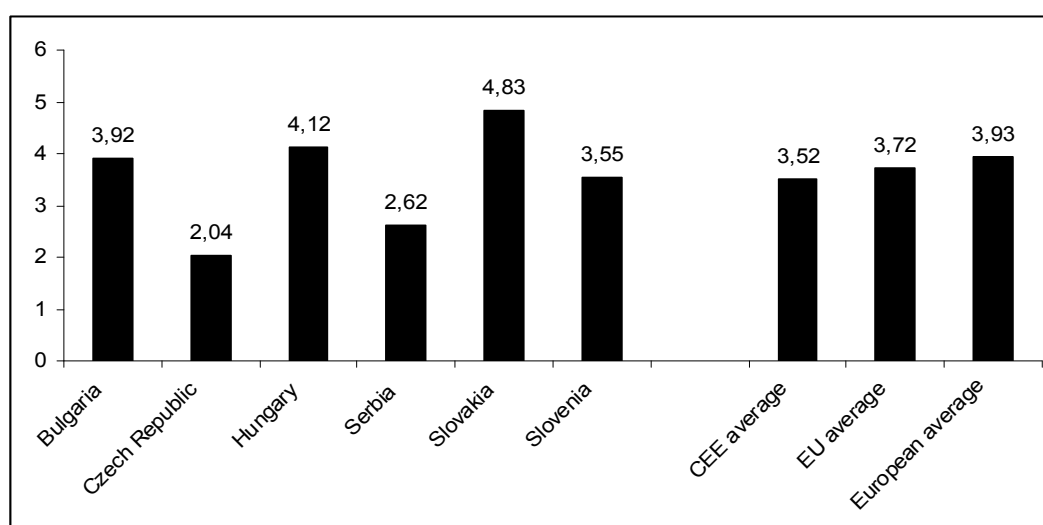
## 3. RESULTS

### 3.1. PROPORTION OF ANNUAL PAYROLL COST SPENT ON TRAINING

According to the Cranet data, companies in EU countries in average spent 3,72% of their annual payroll cost to training and development, while for European companies this ratio average is a little bit higher: 3,93%. As the individual and average ratios on Figure 1. indicates, the average ratio of this T&D importance indicator in the analyzed CEE countries is further gap lower, than the EU counties average. In conclusion, the rank of importance of T&D practice is as follows:

- European countries,
- EU countries,
- CEE countries.

**Figure 1: The proportion of annual payroll cost spent on training (%)**



Source: Cranet data and authors' calculation

Among the examined CEE countries in the 2008-2010 research period majority of the companies spent 2– 5 % of their annual payroll cost to employee training and development programs. The highest average proportion is reported from Slovakia (4,83%) and Hungary (4,12%), while the lowest from Czech Republic (2,04%) and Serbia (2,62%).

As a summary, it can be stated that on the one part there is a significant difference among CEE countries in the importance of investments into T&D function, on the other part their average ratio is the lowest in comparison to the rest of the investigated European samples in our analyses.

### 3.2. ANNUAL TRAINING DAYS

The extensiveness of T&D function is characterized by the indicator of training days per year offered for different employee categories. (see Table 1)

**Table 1: Training days per employee**

Country	Employee categories				Average
	Manual	Clerical	Professional	Management	
Bulgaria	7,90	5,75	10,90	7,62	8,04
Czech Republic	3,56	5,35	8,00	8,15	6,26
Hungary	1,98	3,53	6,63	6,81	4,74
Serbia	1,71	6,13	8,16	11,50	6,88
Slovakia	5,50	7,10	10,45	10,11	8,29
Slovenia	6,25	3,89	10,45	7,97	7,14
CEE average	4,48	5,29	9,10	8,69	6,89
EU average	4,14	4,71	7,88	7,20	5,98
Europe average	4,11	4,86	7,88	7,71	6,14

Source: Cranet data and authors' calculation

The rank of extensiveness of T&D is lead by the Slovakian and Bulgarian companies. On average their employees spend more than 8 (8,29-8,04 days/year consecutively) days on training. At Slovakian companies not only the management and professional staff members

spend considerable amount of time (a little bit more than 10 days) with training, but also the clericals are receiving the highest (7,1) in sample days/year and the 5,5 day offered to manuals is also substantial. In spending time on manual workers training, the highest numbers (7,9 days/year) are reported from the Bulgarian firms, where this indicator is creates the second highest average in CEE sample, with the narrowest standard deviation.

On the bottom of the rank of T&D extensiveness indicator are the Hungarian employees, who in average spend less, than 5 (4,74) days per year on competence-development. This average is hiding a practice, where the members in all the staff categories are receiving the lower in CEE sample time spent on T&D and there is only one country (Serbia 1,71) in this sample, where the manuals are participating with fewer days/year in training courses than in Hungary (1,98). On average the professional staff spend the most time on training, except in Czech Republic, Hungary and Serbia where managers have the most paid days off for training purposes.

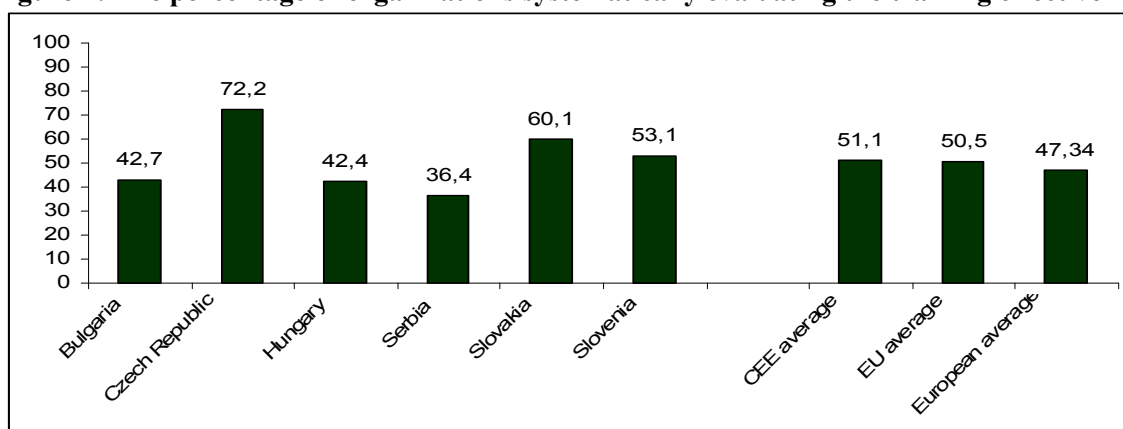
It is interesting to note, that the CEE average (6,89 days/year) of this T&D indicator is the highest among of our analyzed European samples. Namely while the average of all 23 European countries examined hardly exceeds (6,14) the 6 days/year the EU average falls below it (5,98 days/year) . In conclusion the rank of extensiveness of T&D practice is as follows:

- CEE countries,
- European countries,
- EU countries.

### 3.3. THE EVALUATION OF TRAINING EFFECTIVENESS

Figure 2 presents the obtained data on the percentage of organizations who systematically evaluate training effectiveness (Kirkpatrick, 1994). On average less than half (47,34%) of European companies evaluate the effectiveness of their training programs. The value of this indicator for CEE countries is a bit higher (51,1%), while for EU states is in between (50,5%). Among the analyzed CEE countries there are remarkable differences. In Serbia only 36%, while in Bulgaria and Hungary about 42% of companies evaluate their training programs, while from Czech Republic more than 72% of companies are reporting the usage of systematical training evaluation methods.

**Figure 2: The percentage of organizations systematically evaluating the training effectiveness**



Source: Cranet data and authors' calculation

Table 2 presents the techniques most commonly used for training evaluation.

**Table 2: Techniques used to evaluate training (%)**

	BG	CZ	HU	SRB	SR	SLO	CEE	EU	Europe
Training days	48	60	52	45	57	79	57	52	50
Meeting objective	63	88	86	83	76	87	80	80	78
Evaluation immediately after training	59	94	86	69	73	79	77	83	82
Job performance immediately after training	64	14	28	57	27	23	35	28	31
Job performance several months after training	69	21	30	50	37	37	41	33	33
Feedback from line managers	63	94	90	85	82	88	84	80	80
Feedback from employees	55	79	90	73	77	88	77	77	75
Return on investments	35	19	20	27	16	15	22	15	16

Source: Cranet data and authors' calculation

Based on the obtained data one can conclude that in the CEE region the techniques for the evaluation of training effectiveness can be characterized as mainly informal, because of the rank of these are as follows: feedback from line manager (84%), meeting objectives (80%), evaluation immediately after training (77%) and feedback from employees (77%).

In the countries of the European Union the most frequently used techniques create a bit professional approach about the care for effectiveness of T&D practices. The majority of companies namely use evaluation immediately after training (83%), meeting objective (80%) and feedback from line managers (80%). In the examined European companies the most commonly used techniques are the same as in the EU. Among the analyzed CEE countries, there is a difference in the usage of techniques for evaluation training effectiveness. In Bulgaria the most common technique is job performance several months after training (69%). In the Czech Republic the evaluation is immediately after training (94%). In Hungary, the most common evaluation technique is the feedback from the line manager (90%) and employees (90%). In Serbia and Slovakia feedback from the line manager (83% and 82%), while in Slovenia feedback from the line manager and employees are used in the same percent (88%). It must be noted that return on investment (Bohlander and Snell, 2007) is the least commonly used technique in all the CEE countries, just like in the EU and the examined European companies.

#### **4. CONCLUSION**

In the competitive and globalized world a highly- or multi-skilled, competent labor force becomes vital factor of reaching the organizations' triple-level objectives. Organizations have to focus on different on-site and off-site training programs for all employee categories. It falls within the HRM department's cognizance to analyze the need, design, sometimes execute and finally evaluate different training programs.

Due to its special context, HRM activities in the CEE region are different from those in the EU countries and even more distant from HRM practices in the US. Multinational companies and other organizations tending to cooperate with CEE partners have to be aware of the specialties of HRM activities in former socialist countries.

In this paper the authors focused on the training activity of companies from six CEE countries: Bulgaria, Czech Republic, Hungary, Serbia, Slovakia and Slovenia based on the Cranet research data from 2008/10. The archetype companies from these CEE countries spend between two and five percentages of their annual payroll costs on training. The CEE average is 3,52% – a bit behind the EU and European average of about 4%. Companies in the Czech

Republic and Serbia spend about 2% for training purposes, while in Slovakia employers are more generous as they invest almost 5 % of payroll costs on training. It can be stated that the importance of T&D activity expressed by the annual training budget is the lowest in CEE region compared to EU and other European countries examined. In the same time, there are significant differences among the six CEE countries in this aspect.

On average, the employees spend seven days on training in CEE, which is very similar to the EU and European value of six days. In Bulgaria, Slovakia and Slovenia professional staff, while in Hungary, Serbia and the Czech Republic managers spend the most time on training programs. The extensiveness of T&D activity is the highest in CEE region compared to EU and examined European companies. The effectiveness of T&D function is low, as on average only 51% of analyzed companies in CEE region systematically evaluate their training programs. In Serbia, Bulgaria and Hungary this indicator is about 40%, while in the Czech Republic it is more than 70%. In CEE region, the T&D evaluation is mainly informal, as the most common methods are feedback from the line manager, meeting objectives, evaluation immediately after training and feedback from employees.

Even though in all six CEE countries the modern HRM approach is accepted, there is still space for development. Improving the importance and extensiveness of training activity as well as its effectiveness may contribute to the more effective organizational knowledge acquisition, to the more advanced HRM activities and to the companies' overall success, too.

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