

# A STUDY OF HUMAN RESOURCE MANAGEMENT PRACTICES IN ROMANIAN PRIVATE COMPANIES

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*In a society based on knowledge, the human force becomes the best card to get a competitive advantage. The HRM practices can make the difference in an environment in which competitiveness becomes the main element and the economic growth is influenced by diverse factors.*

*In the past, researchers focused almost exclusively on how changes in HRM practices affect employee performance or satisfaction, but now researchers are beginning to ask how organizational conditions shape HRM practices.*

*In our paper we aim to diagnose two private organizations from human resource management practices perspective, the hypothesis being that HRM practices differ based on the company's size and activity length.*

*Key words: human force, human resource management practices, private companies*

## **Human Resource Management Practices – Literature review**

Human resource management (HRM) practices are being increasingly treated as dependent rather than independent variables. Whereas in the past researchers focused almost exclusively on how changes in HRM practices affect employee performance or satisfaction, researchers now are beginning to ask how organizational conditions shape HRM practices. Examples of organizational conditions hypothesized to impact HRM practices include strategy (Hambrick and Snow 1987; Snow and Hrebiniak 1980; Olian and Rynes 1984; Lawler 1984; Hambrick and Mason 1984; Gupta and Govindarajan 1984a, b; and Miller, Kets de Vries and Toulouse 1982), organizational life cycle stage (Kochan and Chalykoff 1987; Kerr 1982, 1985), technological change, union presence, internal labor markets and even whether or not an organization has a personnel department (Osterman 1984; Pfeffer and Cohen 1984; Cohen and Pfeffer 1986).

Until recently almost all HRM research was dominated by the *technical* perspective. The technical perspective presumes that organizations wish to plan, staff, appraise, compensate, train and develop their employees in order to ensure that the right people (skill-wise) are in the right place (job) at the right time (Collins 1979). The technical perspective leads to research designed to develop techniques for maximizing the match between employees' knowledge, skills and abilities on the one hand and the demands of the jobs on the other (Schneider 1985). The presumed result of good matching is organizational effectiveness, from which individual employees and the organization as a whole both benefit.

The *control* perspective views HRM practices as a means for organizations to ensure the predictability and reliability of social interactions. The goal is to ensure that employees behave as solid citizens, living according to organizationally approved norms and values (Noland and Bakke 1949; Hollingshead 1949; Bowles and Gintish 1976; Edwards 1976; Collins 1979). This perspective recognizes that organizations attempt to govern social performances in addition to job performance. Desirable social behaviors presumably include getting along well with others and acting as a good citizen who shows concern for the organization's functioning.

The *institutional* perspective posits two major explanations as to why organizations use particular HRM practices: organizations copy the practices they see being used by others, and/or they adopt practices to gain legitimacy and acceptance (Meyer and Rowan 1977; Zucker 1977; Meyer 1980). The institutional perspective assumes that legitimacy and acceptance are important objectives for most organizations because constituencies have the power to offer and withhold resources which, in the long run, may determine the firm's economic performance.

The *political* perspective holds that HRM practices reflect the distribution of power in an organization. For example, having an extensive set of HRM practices implies a powerful personnel department upon which others must depend when making personnel-related decisions (Osterman 1984; Pfeffer and Cohen 1984). But existence of other powerful groups-such as unions or competitors who minimize their labor costs-may act to countervail or suppress the expression of the personnel department's wishes (Doeringer and Piore 1971).

As suggested by Kochan and Chalykoff (1987) the *economic* perspective can also explain variations in HRM practices. Relatively affluent conditions in an organization permit it to pay higher wages. This in turn enables an organization to attract more job applicants and be more selective. Higher selectivity (lower selection ratios) diminishes the need to train employees. Furthermore, the attraction of more highly qualified individuals may lead to conditions that give more power and discretion to the employees, thus reducing the attractiveness to them of collective bargaining. The reverse scenario holds under less affluent economic conditions (Osterman 1984).

Based on the five perspectives previously presented which help explain some of the variation and similarity in HRM practices across organizations, we aim to diagnose two private organizations from human resource management practices perspective.

Our **hypothesis** is: HRM practices differ based on the company's size and activity length.

## **Method**

### ***Sample***

One of the private organizations (organization 1) is a society of financial investments services, with 120 employees and 20 certified offices at national level. It was set up in 2005 and its portfolio range between mining industry, pharmaceuticals, chemical industry, construction materials industry and car spare parts.

Organization 2 is member of a Romanian holding having entirely private capital. It was set-up 14 years ago and its main activity is civil and industrial constructions. Its current portfolio of clients contains individuals, companies and public institutions at local and national level. The company has 900 employees specialized in different fields.

### ***Questionnaire***

In our study we used a quantitative method – a questionnaire with 56 questions addressed to the human resources manager. It contains mainly closed questions, the respondents have either to rank a set of values or to choose one value at the expense of another in a forced choice format, but there are also some open questions specific to the human resources management practices.

### ***Procedure***

The questionnaire was developed in Romanian and self-administered and it took approximately 20 minutes on average to complete.

### ***Results***

The first set of questions refers to HR recruitment, selection and integration.

Organization 1 has an *open* policy, the recruitments being done according to the current and prospective needs; organization 2 has a *prospective* policy, the employments being done in order to raise the organization's potential on a medium and long term. The privileged population for both companies, when it comes to employment, is composed of *young people without much experience*.

In the candidates' prospecting, organization 1 uses ads in the written media, radio and on specialized sites, and organization 2, besides the previously mentioned method, uses prospecting in schools and universities which justifies its prospective policy in recruiting future employees.

The two analyzed organizations systematically redefine the positions and the profile of the appropriate candidate, using diverse selection procedures. Organization 1 prefers interviews and practical tests; and organization 2 uses, besides the previously mentioned techniques, questionnaires or tests.

In the candidates' final selection there are no other elements that interfere in the case of organization 1, but organization 2 uses, besides the initial criteria, recommendations. The rejected candidates are informed on the rejection motives, in both organizations.

The integration of the new candidates is realized through a tour of the organization. In the case of organization 1, the new employee gets a copy of the Organization and Operation Regulation. In both cases, the information of the new candidate regarding his/her responsibilities and management's expectations is carried out by his/her direct boss.

For the new employees, regardless the hierarchical level, there is always a probation period (organization 2) and only sometimes in organization 1. In the case of a probation period, both organizations define appropriately and communicate the employee the duration of this period and the evaluation criteria. If, after this probation period, the management of the two organizations come to the conclusion that the new employee can not be retained within the company, he/she is told in detail the reasons of such a decision and he/she would be helped to find another job (usually on another position within the company – organization 1).

The second set of questions regards the ***HR prevision management***.

Both organizations calculate the HR necessary according to their forecasting regarding the activity evolution. It is taken into account the fluctuation and absenteeism, the forecasting being adjusted based on the new businesses contracted. The management of organization 1 makes alternative scenarios for situations in which the activity volume increases, but the management is not concerned with the decrease of the activity volume, maybe because the organization's activity is developing. The management of organization 2 makes alternative scenarios both for the increase and decrease of the activity volume; as such an analysis is useful in the case of a demand fluctuation.

The third set of questions regards the ***HR training and career development***.

Both organizations consider the development of employees' competency as a major objective, HR training and career development being seen as a strategic investment. Annually, both the management of organization 1 and organization 2 evaluate the training needs, the starting point being different. Organization 2's evaluation is based on the *needs and objectives defined by the organization's management*; and organization 1's evaluation is based, besides the previously mentioned elements, *on the needs or objectives expressed by the employees*. Both organizations design a plan for HR training and career development, and annually they evaluate the training activities, as well as the results obtained regarding the employees' performance improvement. Regarding the notable performances in the HR training recorded in the last 12 months, only organization 2 has specified the *promotion of the trained personnel*.

The fourth set of questions regards ***the reward management***.

The level of the average salary in organization 2 is identical with the brunch salary, and the payment systems used are: global salary agreement, hourly fees payment, payment for performance. The management of organization 2 uses non-financial rewards as: free access or with a lower price to the company's wellness spa. The management of organizations 1 uses pay for performance and there are no non-financial rewards.

The fifth set of questions refers to the ***HR evaluation and promotion***.

Both organizations practice annual systematic HR evaluations, the results being communicated to those concerned. When these evaluations are positive (together with the training attended by the respective person), they are used as the basis of internal promotions in both organizations.

The sixth set of questions regards the ***working conditions***.

Regarding the level of endowments at the working place, respectively offices and execution area, it is a *good* one for organization 1 and a *very good* one for organization 2. This means that there is room for improvements in the working conditions within organization 1, even though *good* is a positive aspect.

As regards the level of endowments with protective and working equipments, as well as with sanitary materials, the same level is recorded in both organizations.

The seventh set of questions refers to the ***social relationships***, including *working conflicts* and *social protection*.

There are recorded no working conflicts, either officially declared or spontaneous, and there are no vindications formulated by the labor unions or the employees representatives in the last year. Also, there are no vindications considered right by the management of the analyzed organizations but for which they could not find solutions or financial resources.

Regarding the social protection there have been taken into consideration a few aspects that can improve the relationship and the employees' performance. The companies provide no lodging for their employees. In the case of organization 2, the employees have the transportation assured by the company, there are two buses used for this service.

In the case of organization 1, the top management and the execution personnel (approximately 10% from the total number of employees) use company cars. In organization 2, the company cars are used by 70 employees and the administrative personnel.

All the employees of organization 2 benefit from lunch tickets and the company provides meals for 200 persons in the company's canteen. Organization 2 has a doctor and a contract with a dentist. Through this contract a part of the fees are supported by the company. There are 34 employees in organization 2 who have private health insurances paid by the company.

The eighth set of questions regards the *communication with employees*.

Both companies have a systematic policy to inform their employees, the results obtained and main orientations, as well as the objectives of the company are being periodically communicated to the employees. None of the organizations have an internal publication for employee. In the case of organization 2 the management uses forms of upward communication (suggestion boxes, quality circles, internal memos). Both organizations use employee counseling methods.

## Conclusions

Based on the analysis, we can conclude that both companies are efficient from HRM point of view. Both organizations are continually developing, having a market in expansion, the difference between them, which may influence the HRM practices, are the size and the activity length: organization 2 is large and relatively old compared to organization 1. The differences recorded are related to prospecting, selection methods, training needs evaluation, working conditions, and social protection area where organization 2 is more developed.

From the five perspectives presented, only three are representative for the analyzed organizations. The technical perspective presumes that organizations wish to plan, staff, appraise, compensate, train and develop their employees in order to ensure that the right people (skill-wise) are in the right place (job) at the right time. That is why both organizations are carrying out trainings for their employees and the trained people usually got promoted.

The political perspective holds that HRM practices reflect the distribution of power in an organization, having an extensive set of HRM practices implies a powerful personnel department upon which others must depend when making personnel-related decisions. The results of the analysis point out that human resource department of the two companies are relatively strong and well organized. There are no conflicts, which can mean that either the employee are satisfied with their work and rewards or the labor unions are not very strong compared to the management and HR departments of the companies.

The economic perspective can also explain variations in HRM practices. It is well illustrated by the analyzed organizations as they have a continually growing activity volume which means that they can give higher salaries. In the case of organization 2, which is larger and relatively old compared to organization 1, the management offers, besides rather good salaries, non-financial benefits. Also, the social protection is more developed in the case of organization 2.

Based on all these results, we can conclude that our hypothesis is confirmed, HRM practices differ based on the companies' size and activity length.

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