

Managing Human Resources in Central and Eastern Europe



David Chelly

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Aims of the seminar

- This seminar is designed to acquaint students with **Human Resources Management practices and strategies** in Central and Eastern Europe.
- This course may be useful to them in their careers, as Central and Eastern European countries offer excellent job opportunities for students in management
- The topics range from the political and cultural values to the employee, with a special focus on how to manage people in foreign multinationals.
- Students are introduced to specialized research sources. The documents of the seminar are fully available at the web address <http://www.centreurope.org>

Your instructor

- David CHELLY
- Ph.D in Management Sciences, post-graduate diploma in Finance, degrees in Money and Banking, Law, Accounting and Sociology.
- Head of a consultancy firm and a website (<http://www.centreurope.org>) specialized in business with Central & Eastern Europe
- Professor of management in various business and engineering schools



contacts@centreurope.org

The seminar's outline

- Part I. The Central and Eastern European cultural and political environment
- Part II. Managing Human Resources in Central and Eastern Europe

I. The Central and Eastern European socio-economic environment

A rich and ancient history

- Almost all CEE countries have played a major role in Europe in their history
- But they have fallen under the domination of different empires:
 - Long dominated by the Habsburg Empire, the history of Central Europe has been marked by education, art and modernism.
 - Eastern European countries used to live under the Ottoman and the Russian Empires rule, which prevented their economic development.



Charles the IVth (1346-1378),
King of Rome and Empereur of
the Holy German Empire

Vlad Tepes (1428-1476), a
Romanian figure of the struggle
against the Ottoman Empire.



The communist heritage

- Central and Eastern European countries have lived forty (seventy) years of communism, which still influence local behaviors and habits.

The communist heritage:

Corrupted civil servants, unreliable businessmen, opportunist politicians...



Ailing institutions

- Central and Eastern European states suffer from bureaucracy and corruption
- Most institutions (The Police, Universities, Hospitals...) in Central and Eastern Europe are in crisis
- Income inequalities and regional discrepancies are widening
- Eastern Europe faces a serious demographic problem.

An inefficient legal framework

- In Central and Eastern Europe, the legal frameworks are very similar to those of Western Europe.
- But in practise, the legal environment is a “jungle”.
Law are:
 - Incomplete (lack of case law, decrees...);
 - Volatile and contradictory;
 - Not enough enforced

On the main square of Sofia, one can buy the most recent and expensive software CDs for a few dollars.



Restructuring and current situation of financial and production systems

- Privatisations of banks and companies are well advanced
 - But the industrial restructuring is still insufficient
- Central and Eastern European economies shift towards less industry and agriculture and more services

Exercise : sub-groups in Central and Eastern Europe



- *You are a consultant with the French Center for External Trade (CFCE). Your task is to promote business relationships with Central and Eastern European countries.*
- Up to now, the CFCE had grouped the countries of this region in a category called « Pays de l'Est » (« Eastern countries »).
- Until 1991, the region used to comprise eight countries: Albania, Yugoslavia, Bulgaria, Romania, Hungary, Czechoslovakia, Poland, and USSR. But now they count up to more than twenty.
- Your mission is to split them in different subgroups, that should be geographically close and economically homogeneous. Explain your decisions.
- *The countries are : Albania Armenia Azerbaijan Byelorussia Bosnia-Herzegovina Bulgaria Croatia Estonia Georgia Hungary Latvia Lithuania Macedonia Moldova Poland Czech Republic Romania Russia Serbia-Montenegro Slovakia Slovenia Ukraine*

Central and Eastern Europe map



II. Managing Human Resources

Managing people

- The workforce is qualified, relatively cheap, eager to learn, respectful for hierarchy and rules and able to stand harsh working conditions...
- ...but commitment, sense of initiative, mutual trust, ability to communicate and ethics at work are low
 - « pretend to pay us and we will pretend to work »
 - « the one who does not steal, steals his family »
(Czech proverbs)
- New generations perform better, but they tend to leave their country.

HRM strategies

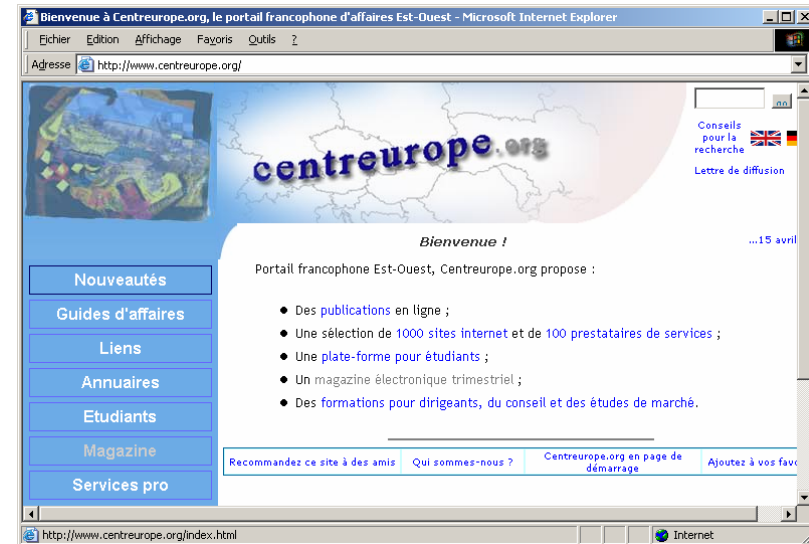
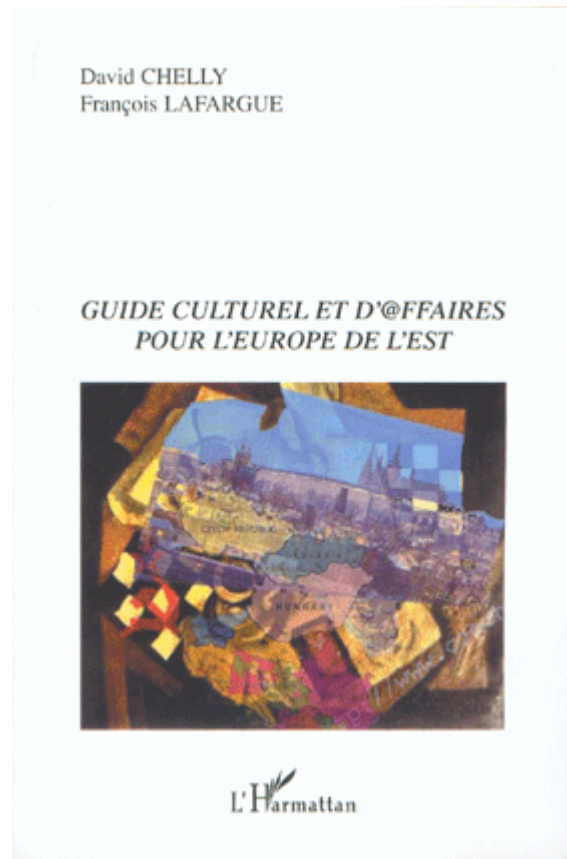
- Two HRM strategies coexist in Central and Eastern Europe:
 - A culture-free model based on the global best practices
 - Corporate cultures must be stronger than national cultures.
 - A cross-cultural management model based on contingent strategies
 - Different environments, cultures and attitudes towards work lead to different practices : corporate communication, pay systems, HRM...

HRM practices

- How to recruit/sack people?
- How to motivate? How much to pay?
- What is the importance of training?...
- These are the topics addressed in the « Paris Prague Fashion » case study

More information...

D. Chelly &
F. Lafargue,
Guide culturel
et d'affaires
pour l'Europe
de l'Est,
L'Harmattan,
2003



www.centreurope.org

East-west business portal