NEW MANAGERIAL APPROACHES IN ORGANIZATIONS' HUMAN RESOURCES AS A RESULT OF PRIVATIZATION

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Abstract. *One of the main challenges encountered in the privatization process refers to the transformation of the former management of state enterprises into a new management system, able to meet the new demands of a market economy. This challenge is addressed not only to local organizations, but also to multinational companies seeking to expand into former communist countries. They are in a different socio-economic circumstance that conditions opportunities and limits transferability of management practices and concepts of organizational management in the West. These have to be reinvented and/or adapted locally.*

Keywords: privatization, organization, human resources, THA, transition.

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1. Introduction

In the process, *human resource management* plays a *double role*: on the one hand it is the *object of change*, in the sense that the strategies and methods of the human resource management have to be redesigned, but on the other hand it is *the factor that initiates change throughout the organization*, in the sense that team within the HR department must think up trainings, courses, workshops, etc., designed to help and inspire other department managers to implement appropriate policies and strategies. The way in which these courses are provided is very important. Numerous studies demonstrate that Western training methods have not proven effective for employees in the East: many trainers have adopted an ethnocentric attitude, considering their methods and work routines superior and the Eastern methods inferior and thus they were perceived negatively by employees working in the East who were offended by this and did not react positively to the trainings provided (Hollinshead and Michailova, 2001; Meyer, 2002).

Strategies applied in emerging economies fundamentally differ from those applied in mature, developed market economies (Gebulda et al., 2008; Meyer, 2002). By default, management practices in Eastern Germany fundamentally differ from those in Western Germany. The main differences occur at the organizational culture level, (Cartwright and Cooper, 1993) cultural integration and human resource level (Birkinshaw et al., 2000).

2. New managerial approaches in organizations' human resources

Of course, changes in the organization management level are directly related to the external environment, and thus the legislative framework, which is usually in a continuously changing process. Thus, on the level of human resources, *personnel policies* are *directly influenced* by the *Labour Code* and the changes implemented with its modification. In terms of Eastern Germany before reunification, like in other socialist countries, labor laws were rather simplistic, usually with the employee and employer having a life-long relationship with reduced inter-institutional mobility. Labor laws in post reunification Germany were created by taking into account the social market economy principles in which employee benefits (including post-employment) were generous, and the law tended to be in their favor. With the labor market situation worsening in 2002, they adopted a new legislative package, known as Hartz (the name comes from the initiator, Peter Hartz, the former human resources director of Volkswagen). This set of reforms resulted in four legislative packages, Hartz I-IV. The Hartz I-III reforms were implemented between 2003-2004, and Hartz IV (the most debated and controversial) starting January 1st, 2005.

The following table presents the main amendments introduced by the Hartz package.

Table 1

Hartz's Reform Package

Name	Starting Date	Important Provisions
Hartz I	January 1st 2003	• Facilitating new forms of work • Facilitating professional reconversion and specialization of labor through agencies • Flexibility in work schedule • Establishing inside-work-agencies, the so-called PSA (Personal Service Agenturen), which are private companies that facilitate hiring and temporary staffing
Hartz II	January 1st 2003	• Introducing new forms of employment (Minijob and Midijob-tax differentiated by the number of hours worked weekly and monthly income) • Providing incentives for small businesses such as E.U.'s SME's (Ich A.G.) • Professional Growth Assistance Centers (training, job mediation, etc.)
Hartz III	January 1st 2004	• Reforming Vocational Assistance Centers (whose name was changed from "Bundesanstalt für Arbeit" in "Agenturfür Arbeit") in the spirit of the decentralization of their responsibilities and reorganization at a national, regional and local level. • Encouraging the unemployed to seek jobs by making it harder to obtain the unemployment benefit.
Hartz IV	January 1st 2005	• Significantly reducing unemployment benefit at the social support level after a certain period of time. • Correlating the level of the (social) unemployment benefit with other factors (e.g. partner's income, deposits, property, etc.) • The obligation to accept any job offered (as long as it does not come into conflict with human rights and family)

Source: Hartz Kommission, 2012; Info Soziallesitungen, 2012.

As can be seen from table analysis presented above, these legislative packages are also making the transition to a functioning market economy and have human resource management level implications within a company.

They are answers to problems encountered in the labor market and aroused much controversy, even today, despite the fact that after their application there was a decline in the long and short term unemployment rate (Fahrand Sunde, 2009; Krause and Uhlig, 2012).

Once the global economic crisis hit Germany, policymakers took measures to prevent labor market imbalances. They facilitated even at an organizational level the implementation of human resource policies aimed at developing capabilities of employees, all the while pursuing strategic company objectives. Some specialists (Hijzenand Venn, 2011) consider that subsidies for hiring's with a small number of hours per week (Kurzarbeitergeld) have contributed substantially to maintaining balance in the labor market, others believe that flexible employment conditions have prevented massive lay-offs and helped to preserve a continuity in corporate human resources policies (Burdaand Hunt, 2011; Dietz et al., 2011).

Dominant logic at a human resource management level in *capitalist societies differ fundamentally from that of socialist societies.* In the Eastern state, a company's primary objective is to achieve the plan. Central planning led to major imbalances, such as the production of large volumes of low quality goods, lack of concern for the client and negative externalities. In terms of human resources, *the primary objective was to ensure 100% occupancy rate*, as companies employed more staff than they needed because labor costs were not a constraint. Employment relations were based on *the idea of life-long hiring* and the company met the social needs of both active employees and those retired.

Thus, in terms of social contract, one can say that they were relatively efficient, inefficiency manifesting itself in terms of employee motivation, degree of innovation, flexibility, etc. (Kogutand Zander, 2000; Newman, 2000). Managers chased political or social objectives, but opportunities to show the real leadership were limited. In the human resources department transformation not only referred to the reorganization and reformulation of personnel policies in order to achieve specific objectives of the market economy, but also for the formation of those capabilities and skills needed in a competitive environment. The main challenges relate to both the reconfiguration of organizational structures, of processes and human resource policies, as well as individual employee skills and promoting learning of intra-and inter-organizational channels. The fact that we are facing a change at both an organizational as well as an individual level only enhances the complexity of the approach.

Various studies show that these changes are easier to implement in companies with foreign management or that can take and adapt to a company format from the mother company, located in our case in Western Germany (Lyles et al., 1996; Meyer, 2002).

Meyer (2002) talks about the dissolution of social constructs (e.g. kindergartens and schools with extended hours and clinics / hospitals from Eastern German plants) that affect daily lives of employees and that have to be replaced by the creation of similar facilities by new employers. In other words, human resource managers should be aware that when negotiating salary packages they have to take into account the social consequences of their corporatist work. Otherwise, they may be in conflict indirectly with state representatives, who still have a big influence on the national private market. In East Germany, the newly negotiated salary packages often

include non-financial provisions, as well as providing *places in kindergartens and private schools* for employees with children and health insurance (*private health cards*) to certain private clinics. Such additional services not only increase the motivation level of employees, but also create a positive image for the company in the local community and for the authorities (McCarthy et al., 2000).

One of the main tasks of the human resource managers is to *identify and develop those skills* necessary to *obtain organizational performance*. This set of skills differs substantially between former state companies and new organizations.

While in the old socialist enterprises *technical skills* played a key role and were well developed through a strong general education especially in mathematics and engineering sciences, management skills and so-called "soft competencies" (soft skills) were lacking in both employees and management companies. These deficiencies were due to neglect in an education in social sciences and socialist indoctrination. This has been a major barrier in the way of knowledge transfer. The new competences required in the labor market are often exceeded by those acquired during the study and work experience based on the central planning system. Thus, the human resources department had to think about training programs, which would focus on developing these new skills (Meyer, 2002).

Child (1993) identifies three categories of competences *to be acquired / remodeled*: *technical skills, systemic competences and strategic skills.* Technical competence refers to the ability to use new tools and technologies, to conduct specific marketing and sales activities in companies in capitalist economies, to organize the process of management of quality, etc. Systemic competencies refer to the adoption of new systems and procedures, which involve integrative learning, coordination, establishing relationships and networking (e.g. coordination and control of an integrated production system or multi-annual budgeting). To achieve this new systemic knowledge, managers and employees of former state enterprises must give up old practices and work routines and replace them with new ones.

This transfer of practices is more difficult to change as it means the changing of an entire system of values, both at an organizational and individual level. At the management level there should be new concepts to be understood, such as delegation of tasks, participatory management, methods of motivation etc. (Bitmis and Ergeneli, 2011; Lefter, 2007; Lefter and Deaconu, 2008; Nauman et al., 2010; Shagholi et al., 2011). At a strategic level managers must change their cognitive perception on how to do business and how to perform management activities. This can happen if the factors that determine organizational success are being reevaluated. Managers need to understand technological and management processes in depth and be able to stimulate product innovation or process, to select and adapt leading technologies and techniques to the needs of the organization, to adopt a strategic mindset and make optimal decisions in this respect.

The knowledge that needs to be transmitted by the managers of the West to the managers of the East is primarily of a tacit nature, which makes their

transferability all the more difficult, alongside other cross-cultural barriers: although Germans of the same culture, the practices of the East and the West have been shaped by their systems, the socialist and capitalist systems.

Tacit knowledge is difficult to convey through conventional methods, even as explicit as trainings or courses. Learning must be complemented by personal experience, which slows down the entire process. Also, the human resources management system is different from one system to the next (Duan et al., 2010;Gavrila and Lefter, 2007; Kostera and Wicha, 1996; Möller and Svahn, 2004). Transmission practices is the more difficult considering the fact that very few managers in the West have had prior relations with the socialist system and do not understand their institutional practices. Many specialists stress that the human resource management's approach methods and techniques must be contextualized to the conditions in Eastern Germany and that the chances of success of the new approaches in the transition periods are even higher as they preserve a certain continuity and that the transition method does not take place abruptly (Child and Czegledy, 1996; Vlachoutsicos and Lawerence, 1996). The knowledge transfer should take into account local capacities, traditions and organizational culture, possibilities of revitalization and reconversion of existing capacities.

One of the many responsibilities of the members of human resources department is to provide the premises for acquisition and transmission of new skills. In order to obtain a sustainable competitive advantage, is not enough to import Western practices from parent companies, because the Eastern company has its own dynamics, history, resources and organizational culture.

There have to be new skills created locally, that are connected to those of the parent company, and the individual value system must in turn adjusted over time. Also, by focusing exclusively on the takeover of Western techniques, they may lose many existing positive aspects in the organization. They reached the conclusions stated above later, after it had been empirically proven that the import method is not effective. The share of human resources managers who have stressed the importance of developing new solutions and approaching specifically Eastern Germany's immature economy has since been small. Most have limited themselves to the adaptation and implementation of Western methods (Dixon et al., 2010; Kogut, 1996; Meyer and Lieb, 2003).

Dixon et al. (2010) has identified three stages of organizational transformations which are illustrated in the table below. The first stage is about changing approaches of the past, more specifically the awareness of the need for change, for the removal of organizational capabilities that are not necessary and keeping only the useful. The rapid privatization that took place in Eastern Germany dissolved the old system, but not always created the institutional basis for acquiring the new capabilities needed for post-privatization. It is recommended that the top management team come from the West, because managers who have been educated in the old system present a cognitive inertia and have a reduced capacity of adaptation to

new mental models. In transition economies, it has been shown that the transformational leadership generated more results than the transactional one, in that it created a higher absorption capacity and has proven to be more appropriate for the processes of fundamental change (Clark and Soulsby, 2007; Garcia-Morales et al., 2007; Greenwood and Hinings, 2006; Vera and Crossan, 2004).

Table 2

Stages of organizational transformation in transition economies

	Stage I Recalibration of links with the past		**Stage II** Operation and use	**Stage III** Operations and Innovation
Leadership	Top management team = external	Transformational leadership	Transformational and Transactional Leadership	Transactional leadership
Organizational Learning	Awareness of the need for change		Organizational learning (exploitation)	Organizational learning (exploration)
Dynamic Capabilities	Institutional characteristics and socialist routines		Dynamic capabilities (use)	Dynamic capabilities (research and innovation)
Performance			Short-term survival	Sustainable competitive advantage

Source: (Dixon et al., 2010).

The second stage of the learning operation that leads to the creation of dynamic capabilities is the execution mode that allows organization to redesign, recalibrate and integrate resources in order to develop the necessary capabilities for short-term survival in a market economy. The leadership style used is mixed, with the transformational leadership being recommended in those parts of the organization where the learning process flows more slowly, and the transactional leadership in those parts of the organizations where there is a more advanced understanding of the rules of a functioning market economy. Different stages of organizational learning are associated with different types of leadership: in an initial stage a more authoritarian approach is recommended to facilitate learning through service, and then a more democratic approach to encourage learning through exploration.

In an economy in transition, learning through exploitation is necessary for developing those operational capabilities necessary for survival in a market economy, but they are missing in a planned economy (e.g. marketing function, some functions of human resources and finance, organizational governance etc.). Learning through

development involves selecting, adapting and implementing existing systems and capabilities already existent in companies in West Germany.

By learning and implementing new capabilities, the organization is better suited for market economy and its chances of survival are increased. Learning by helping develops new operating procedures, which contribute to the development of the organization, but that in its nature cannot generate fundamentally new capabilities - knowledge is exploited and it has a degree of novelty for an organization in transition, but it is already in old news somewhere else. (Dixon et al., 2007; Filatotchev et al., 2003; Vera and Crosan, 2004; Zott, 2003).

In stage three, exploitation and innovation, learning by exploring generates capabilities in research and innovation that are essential for the organization in order to acquire strategic flexibility to adapt to changes in the external environment and thus to acquire and maintain long-term competitive advantage in an unstable institutional market economy context .

Survival, the short-term objective, is replaced by that of obtaining sustainable competitive advantage. Many authors (Benner and Tushman, 2003; Gupta et al., 2006; He and Wong, 2004) recommend an ambidextrous approach, in the sense of learning both through exploitation and exploration. In terms of dynamic capabilities, in order to ensure sustainability it is not only sufficient to handle the operational capabilities well, but it is necessary to create new business models, tacit and explicit knowledge - which in a transition economy creates added value. By overcoming the second stage and adapting to market economy conditions, organizations have a greater potential to explore, to take risks, to experiment and innovate - fundamental characteristics of the exploration function (Brătianu, 2011; Brătianu and Orzea, 2010; Prahalad, 2004). Learning through exploration gives the organization greater flexibility, a higher capacity for innovation, for identifying business opportunities in a volatile external environment – both from an institutional and competitive point of view. Thus, importing and adapting Western business models is no longer sufficient in maintaining a competitive advantage in a dynamic market. Strategic flexibility is essential in transition economies because the political, social and economic are in constant change. This can be maintained by developing dynamic capabilities to explore and exploit knowledge (Helfat et al., 2007; Isaksen, 2007; Newbert, 2008; Teece, 2009; Wang and Ahmed, 2007; Zollo and Winter, 2002). In terms of the leadership style adopted, in the third stage Dixon et al. (2010) recommends the transactional leadership, because flow of knowledge does not only have to take place from top to bottom, and delegation must be replaced by so-called “empowerment”, which involves taking greater responsibilities and higher levels of motivations. Thus, the transactional leadership favors learning through exploration more than the transformational one. The model illustrated above and proposed by Dixon et al. (2010) provides an integrated framework for the analysis of the complex transformation processes taking place at an organizational level in the context of radical changes, like in the transition from centralized to market economy through massive privatization that took place in

Eastern Germany. Explained stages that can be identified in the economy as it undergone changes, until reaching a certain level of convergence.

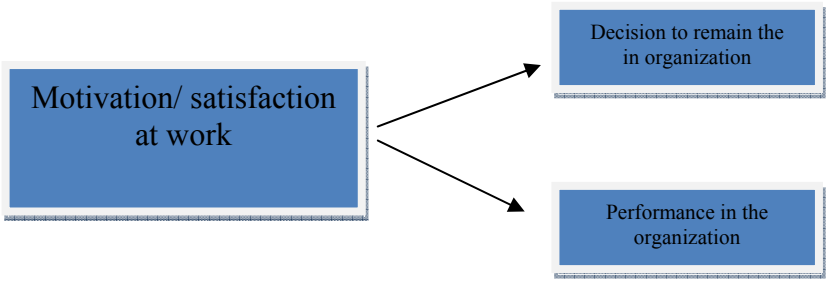
During socialism in East Germany, as in other socialist countries, the migration rate of employees from one company to another was very small. Employment was usually a life-long phenomenon and companies were not in danger of losing their best employees. On the other hand, given the relatively uniform system of rewards and chances of career advancement often conditioned by factors other than real skills, employees were not stimulated and motivated to reach their full potential. Also, job security offered some comfort that translated into unwillingness to strive for more and lack motivation to continuously improve.

Given the ideas presented briefly in the previous paragraph, one can say that what the human resources department needs is a new design and a new and improved implementation of an employee motivation system.

Methods to motivate employees to stay and work in businesses in the East. despite the mirage of the West, must be redefined and implemented quickly and efficiently. This is especially important because there are studies showing that it is the best workers who migrate to the West (Hunt, 2006; Fuchs-Schündel and Schündel, 2009).

There are many specialists who have studied the link between the concepts of job satisfaction, motivation and employees' performance and their decisions to keep or leave a job (Goldsmith, 2012; Guand Sin, 2009; Gunlu et al., 2010; Jang and George, 2012; Lefter et al., 2009; Lefter and Puia, 2010; Manolescu et al., 2007; Nicolescu and Verboncu, 2008; Puia, 2011; Zlate, 2007). Motivation has been recognized over the years as one of the factors that is able to explain the intentions to stay or leave a (Hwang and Huo, 2006; Mobley, 1982; Yang, 2010). There are many definitions of the word motivation, but we will focus on the one from Adair (2006) who we believe to have captured its essence. He defines motivation as all the reasons why a person chooses to act in a certain way. In a more descriptive way, Dwight Eisenhower said that motivation is the art of making people do what you want, because they want to. The link between motivation and job satisfaction is an often debated one and there has not yet been a unanimously accepted conclusion on the subject. In this thesis, the satisfaction one gets from work is considered to be a pleasant affective state resulting from activities performed at work, a good indicator of the employees' wellbeing, but also an indicator of the efforts put in by the organization in order to satisfy its employees (Egan et al., 2004; Puia, 2011). Thus, we believe that there is an interdependent and interrelated link between satisfaction and motivation, and also a positive relationship between these two concepts and the intent of the worker to remain in the organization and the workers' performance. The figure below expresses the relationship between the concepts mentioned earlier.

Below are some of the most popular and advanced theories on employee motivation from the new human resources departments in Eastern Germany that must be taken into account when configuring the human resources strategy.



Source: (Nicolescu and Verboncu, 2008).

Figure 1. **Motivation / satisfaction at work-decision to remain in the organization-performance in the organization**

NicolescuandVerboncu (2008) divide motivational theories into five categories. They said that according to the internal and external context of the organization prevails in one or more of the reasoning methods listed below.

1. Formally – economic: salaries, commissions, bonuses, materials, premiums, penalties, car and phone service, etc.
2. Formally – spiritual: non – material awards, diplomas, written warnings, written assessments, etc.
3. Formally – complex: promotions, demotions, layoffs, etc.
4. Informal – economic: gifts at certain events (birthday, Mother's Day, Christmas, Easter. etc.), Team buildings, payment for participation in certain courses, etc.
5. Informal and spiritual: encouragement, addressing some words of praise, criticizing, etc.

Motivational theories listed by Nicolescu and Verboncu (2008) can coexist in one organization, with one of them prevailing according to the specifics of that country's cultural, organizational culture, management style adopted, etc.

In his dissertation, Puia (2011) presents a *synthesis of motivational theories* in chronological order by Le Saget (1999) as presented in the table below:

Table 3

Synthesis of motivational theories

	First generation motivations (1900-1950)	Second generation motivations (1950-1990)	Third generation motivations (după 1990)
Conceptions of a worker	„Eveyone is the same"	„Individuals can be Classified into Categories"	„Each person is different in his/her own way "
	Identical solutions for All	Solutions as Appropriate	Solution unique to each Person, within a complex system

	First generation motivations (1900-1950)	Second generation motivations (1950-1990)	Third generation motivations (după 1990)
Age	Industrialization Taylor	Human relations Movement Maslow, Herzberg	Systematical thinking Holistic view Intuitive management
Motivation engine	Fear/Hope Material or financial Benefits	Listening to Employees Adapting jobs Recognizing the Contribution	Possibility of personal Expression and Achievement Intrinsic motivation

Source: (Puia, 2011).

As it can be seen from the synthesis above, the way in which employees can be motivated underwent substantial changes over time. For example, in the current application of old motivational theories and Taylor's theory, which was based on the idea that people are identical and mimic the same type of stimuli and that was based on the principle that "people work only for money" -- this can generate a reaction contrary to what was expected, namely motivation. However, there is evidence that in economies of transition like that of Eastern Germany after reunification, this theory was applied only for a limited time until there had been reached a certain level of employees' empowerment.

3. Conclusions

In a modern organization the future is expected to bring the human resource function to give up the transactional activities that do not bring much added value and focus mainly on activities that have a strategic component. Therefore, in addition to traditional activities, including hiring, rewards, evaluation, training and employee development, the human resources department needs to develop increasingly more the strategic skills necessary in order to maximize organizational results. Thus human resource experts must assume the role of strategic partner. This implies that the human resource specialists will work directly with the top management team to understand fully the challenges facing the company. Organization leaders must trust these human resources specialists and communication between the two parties has to be open. To qualify as a strategic partner, the human resources specialist should focus on the strategic projects and on developing partnerships with his "clients" in order to achieve one or more specific targets. By assuming the two previously mentioned responsibilities, human resource professionals, acting as strategic partners in the organization, obtain the right to "sit at the decision-making table", to participate in the most important decisions about the organization, to contribute to the organization's strategy, to conduct the business plan, take part in policy integration and form the human resources strategy of the organization (Puia, 2011).

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