

Similarities and differences in HR consulting in Croatia and in Hungary

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Abstract

For last decade Human Resources (HR) consulting services have been focused to transform and improve its operational effectiveness, but although significant changes in sense of improvement are done, the real impact of those transformations has limited level of success.

Modern companies working today in challenging and rapidly changing environment are faced with significant requirements to change importance and role of HR as company's valuable assets.

Despite these business and HR challenges, talent and skilled people shortages, complex and demanding regulatory framework, and working in highly globalised conditions, companies are asked to demonstrate financial, organizational and business sustainability generating adequate and steadily increased profit ensuring growth and development.

Addressing those business and market challenges effectively will affect organization's ability to sustain overall financial results. HR consulting services are one of most important and uniquely qualified services aimed to help companies to create right answers to those challenges using HR transformation consulting services like

- HR value & strategy
- HR service delivery
- HR technology
- HR outsourcing

Concerning the further development in the SEE region, companies will increase its demand for complex and sophisticated HR consulting services as

- Motivation strategies,
- Talent management
- Management and leadership training including coaching services

Key-words: Croatia, Hungary, Human Resource Management (HRM), HR consulting

Introduction

Generally speaking, consulting is "*a knowledge-based service*, it can be sold and bought, but it cannot be dropped on your foot, and it cannot be displayed in a shop-window. The service of a consultant is often intangible, hard to store and/or transport, and difficult to demonstrate its advantages to potential clients" (Miles, et al. 1999:3). In this respect of such services we need to highlight four important aspects in the following areas:

- human capital and knowledge intensive,
- high degree of intangible activities and services,
- difficulties in standardization,
- intensive interaction between consultants and clients.

Management consulting is the rendering of independent advice and assistance about management issues. This typically includes identifying and investigating problems and/or opportunities, recommending appropriate action and helping to implement those recommendations. Besides traditional management *consulting* (e.g. strategy, organization, HR, change management, IT advice and project management) *new service lines* (e.g. development and integration excluding software development and outsourcing) also belong to this profession (FEACO, 2007; Niedereicholz, 1996).

Knowledge transferred by an HR consultant consists of two main types:

- Explicit *knowledge* can be transferred through such media as reports, books, archives, databases and groupware technology
- Tacit *knowledge* can be best transferred through personnel movement and collaboration of individuals.

Such a contextual model of HR consulting issues, including a different aspect in this industry, is consistent with long standing calls for a more sophisticated approach to global consulting issues. The central issue of a well managed consulting organization is not to identify the best local and international policy per se, but rather to find the *good fit* between the firm's external environment, its overall strategy, and its implementation.

In the consulting process, the consultant can fill three typical roles (Meister, 1993; Poór-Gross, 2003):

- *Expert/ Resource consultant*, who suggests solutions based on his expertise and experience, persuades clients about the correctness of these solutions and gives

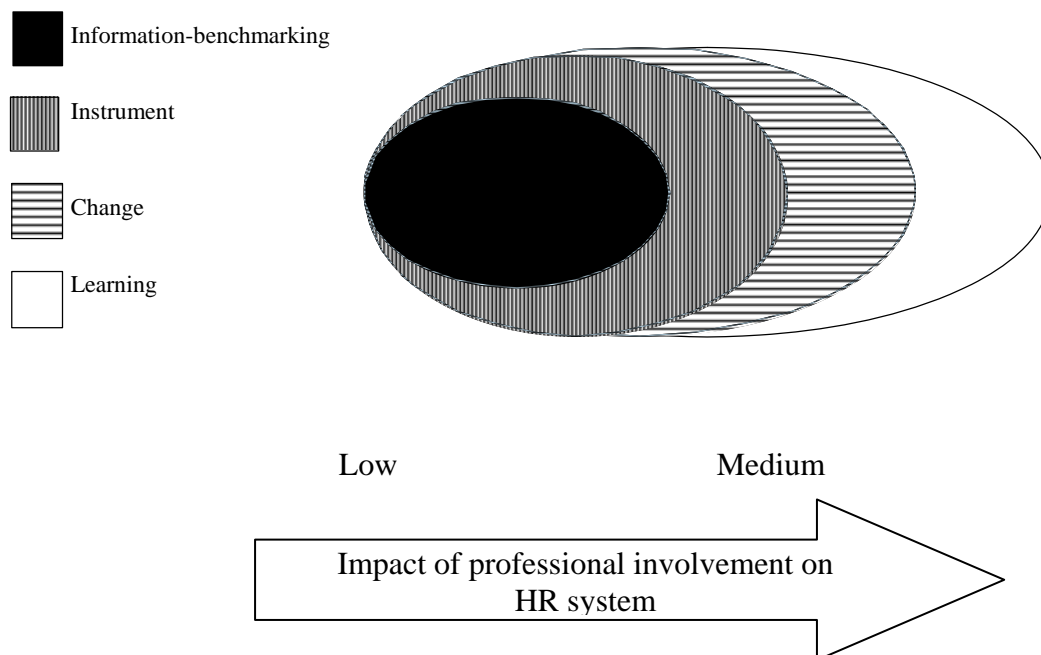
assistance in the implementation. An expert consultant transfers usually tacit knowledge (Polanyi, 1967)

- *Process/People consultant*, who assists the client in searching for solutions with methods that facilitate and raise the creativity of the client's employees, and therefore the clients themselves, will be able to implement solutions. This role has traditionally been demonstrated by organizational development and change consulting (Schein, 2002). A process consultant transfers typically explicit knowledge.
- *Mix consultant*, who combines the tacit and explicit knowledge, using both of them together for the greater success of the consulting company

About HR consulting

In this part, further, we give an overview on the typical consultant intervention methods in relation to HR – based on Markham's model – (see Exhibit 1):

Exhibit 1: Levels of knowledge transfer intervention in HR



Source: Markham, C. (1999;2).

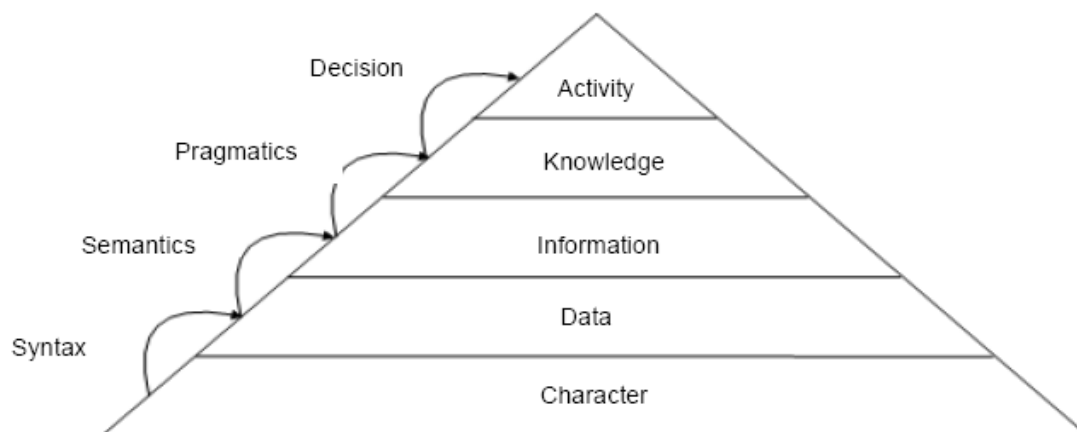
Information based knowledge transfer

"The intellectual property of an organization is arguably one of its most valuable assets. Ensuring that the individuals in an organization have been properly trained and prepared to adopt new technologies and products is essential for the continued evolution of a company."

(Microsoft Corp)

Despite the important role in client value creation, there is not a lot of research and studies made about knowledge transfer in professional service organizations.

Exhibit 2: Knowledge pyramid



Source: Pötschko, S. (2005).

The pyramid as shown in Exhibit 2 displays the importance of the knowledge. Knowledge is a condition for an action. The chart shows that action (the quality of the output) is dependent on the quality of the knowledge regarded to that action.

Knowledge management is in the first line the managerial function concerning usage and enhancement of knowledge within the company. Knowledge can be distinguished in tacit and explicit knowledge. Tacit knowledge is knowledge which is hidden in the minds of the employees. Unlike explicit knowledge which can also be described as objective or written knowledge in manuals, books, etc. (Heinrich 2002: 256)

Effective knowledge management and client-specific knowledge transfer are crucial elements of value creation consulting organizations can provide for their customers. This paper discusses specifics of knowledge transfer approaches in both countries, Croatia and Hungary, in order to identify and articulate coherent consulting services over the specific expertise areas to be shared between management, business units and individual experts within the company.

Benchmarking is a constant and systematic process for measuring competitiveness, and also those best practices that an organization is most interested in. This measurement – as described by Evans – analyzes, "how the company analyzed is doing (i.e. reward, employee satisfaction e.g.) what others are also doing" (Evans, 1977:14.).

The basic aim of this type knowledge transfer is to get answers for his questions, based on the data collection and analyses performed on general or special samples inside or outside the company. Such questions can be: What is the general practice in terms of variable pay? What is the level of absence rate? What kind of salary increase do the competitors plan to make in the future? How satisfied are the line managers with the HR work?

In recent years the benchmarking method was applied in relation to many other HR areas. Without aiming to give a full picture, the following surveys and analyses can be highlighted, that were made for collecting information and drawing comparisons:

- surveys and databases analyzing HR practices,
- remuneration and motivation surveys,
- comparisons based on general and specific competency databases relevant to positions and grading,
- database comparisons and specific analyses regarding organizational and team culture,

analyses of employee attitudes and satisfaction etc.

Despite the above problems benchmarking research, surveys and other similar empirical analyses will still remain important for the business world in the future. As changes are accelerating the companies specialized in making these surveys will have to satisfy their clients' needs more quickly, and new technologies and e-solutions will probably provide a lot of support in this.

System and instrument design

The essence of instrumental transfer is, that the HQ works out a system design of the HR method or process that satisfies newly acquired or established company's needs the most, and also implements it, if requested. Here, the main objective of instrumental transfer is to facilitate the planning and implementation of such formal systems that ensure a more efficient and more effective utilization of human resources of the organization to support the achievement of organizational objectives (Mathis-Jackson, 2003:4).

This instrumental approach is characteristic of the administrative, the collective bargaining, and partly the strategic HR, as well. Multinational companies have a significant advantage compared to local companies in the introduction of various HR tools and methods. Hiltrop (1991) described this fact already at the beginning of the 1990's. Local companies and the public sector are pioneering rather in collective bargaining, and not in applying the latest HR methods. Of course, this statement can be challenged, like all general trends. We know several state-owned companies where HR practice is well ahead of that of some multinational companies, but the lack of financial resources, or the constantly changing business management or organizational concepts often hinder the application of modern methods and procedures – even if intentions are good. The situation in Eastern Europe is especially bad, as SMEs do not care about the development of their HR practices.

Organisational learning capability transfer

This type of knowledge transfer aims to establish organizational learning capabilities with external or internal help that can later serve as a basis for self-development. This approach is characteristic of the 'coach' development phase of HR. Instead of the limited bureaucratic structures this management practice supports the implementation of solutions with fewer boundaries.

The evolution of organization learning knowledge transfer in the region followed the pattern written below:

Prior to the '90s, lengthy tenure and relevant work experience were highly regarded, and relative to other job categories, production and technical positions were well-respected, but changes in the political environment, followed by privatization and significant foreign investment, changed this trend. In the late '90s, production and technical

positions significantly decreased in prestige terms, whilst sales and marketing positions rose in the rankings. Key subjects of organizational learning have been to support adapting key technical know-how and skills on fields of client orientation, people management and basic technological processes.

Contemporary organization learning knowledge transfer in this field is starting to leave behind the instrumentalist, Taylorist, scientific management approach and practice which also used to be characteristic in this region. The notions of Maslow's and Herzberg's need- and dual-factor theories; the motivation researches of McClelland and cognitive approaches (expectation, objective, behaviour selection and market value) are becoming increasingly well – emotions must be reinvigorated and the economy must be made more satisfying. We must also recognize this new requirement; which, at the same time, creates new opportunities to elaborate practical solutions.

One of the key results of learning knowledge transfer that the workforce of the advised company can possess new mindset. Experienced HR consultants (Kasigic, 2004) believe that new generation of EE executives have already raised the level of management skills to Western standards.

Transfer of change capability

We can talk about this type of knowledge transfer, if the aim and the implementation methods are only broadly outlined (Markham, 1999) and the implementation affects human, formal and informal, and operational subsystems of a given organization (Katz-Kahn, 1978; Morgan, 1986, Nadler et al, 1992 and Burke, 1993). The organizational success – and thus the main emphasis of consulting – is moving from the creation of strategies towards successful implementation of changes. In this model the main objective of consulting is the creation of an appropriate relationship between partners, and also the creation of a force field, where forces supporting change are stronger than forces obstructing this change (Cummings and Worley, 1993). Change consulting is a new phenomenon in the region. Since the regime changes it has underwent several development stages. In 90s' it related mostly overcoming differences in value and motivation between old and new system. Today it orients typically toward added-value generation.

Impact of outsourcing

Outsourcing is considered as one of the most important and powerful trends in HRM. Companies (especially MNC's) expect financial savings, increased ability to focus on strategic issues and core competences, more specialized expertise and ability to demand measurable and improved service level. Almost all of the activities can be outsourced, which means great business opportunities to external parties (i.e. consultants, independent contractors, service providers).

The global outsourcing market is continuing to grow, but at a slower rate and with lower average deal sizes. Europe is now the largest market with 56 percent of the global market share, totalling more than €20bn (HRO, 2006). The market is becoming more diversified, offering a greater choice of location and provider.

Multinationals, especially those that have made numerous acquisitions over the years, often inherit a plethora of HR systems. Integrating payroll from these deals has proven to be no small task. Why so difficult to set up a pan-European or off-shore payroll for a multinational in Europe?

- Administering payroll centrally in Europe has long been a holy grail among multinational employers, but as any good HR manager knows, there are simply too many local regulations that keep this goal out of reach.
- With so many languages spoken in Europe, dissatisfied customers abound when they are forced to make inquiries with a non-native speaker at the service centre. And offshore wouldn't even be tolerated,

It is very hard to describe the overall impact of outsourcing in knowledge transfer and HR consulting. In one respect there is an opportunity. Growing market means stable work and income for market partakers. But on the other hand there are some very important questions:

- What is the relation between outsourcing and knowledge generation?
- Who will gain knowledge from the transactions?
- Is outsourcing an active or just passive knowledge transfer method?
- How can consulting firms add positive knowledge value to the process?
- In our opinion consulting firms have to accept more responsibility in the EE region, in supporting the clients in more benefit without knowledge loss.

Convergences and divergences in HR consulting

Consultancy, like any kind of problem-solving activity is a multi-step process. Typical consultant intervention methods in relation to HR – based on the Markam model (1999) – can be divided into four major categories as follows: *provide information-benchmarking, design systems and framework, delivery change & learning and carry out outsourcing*. Depending on the characteristics of the problem (e.g. operation management, organizational development or IT) various consulting companies and theorists will recommend different solutions on how to proceed with the consultancy assignment. Various consulting books (Meister, 1993; Markham, 1999; Schein, 2002 and Curnow/Reuvid, 2003) offer several models. In general, a consulting process consists of five steps. Regarding this matter one of the most typical discussion subjects is the cultural aspect. The subject matter of convergence and divergence is not new in Human Resource Management (Brewster et al. 2004 and Morley 2008;), but it is brand new in the management consulting literature. Three major cultural streams can be identified in connection with the matter:

Convergence (universalist) stream

Representatives of the so-called *convergence (universalist)* stream (Kerr et al. 1960; Hickson et al. 1974) believe that technological development dims cultural differences and fosters convergence among nations and sectors as well. The expansion of globalization has made this theory increasingly widely accepted in the field of HR (Sparrow et al, 1994; Kelley et al, 1995). Due to this theory, a universalistic consultant doesn't recognize cultural and people related differences. For him the world is *flat*, indifferent to where he stays and works.

Today, the increasing range of product and service are marketed online not only in Western Europe but in Eastern Europe like in Croatia and in Hungary. As changes are accelerating, the companies specialized in delivering these services will have to satisfy their clients' needs more quickly, and *new technologies and e-solutions* will probably provide a lot of support in this. The above discussion has centered on the positive outcome of the usage of new technologies and the universalistic management style. But we shouldn't forget that a robust, expensive expert system, developed in U.S. does not

always satisfy specific needs of the EE consulting market. Consequently, we argue that a jointly developed system, less expensive and closer to the specific demands of these markets in the EE region is needed.

Divergent (cultural) stream

At the opposite pole, a divergence perspective stresses national, cultural and sectoral differences. The *divergent (contextual)* stream, however, highlights the importance of local culture, business and institutional systems and the labor market when applying management techniques (Hofstede 1980; Ronen/Shenkar 1985; Brewster 2004; Morley 2004). According to Moran (2007: 219) „each technological transfer has a cultural dimension“. Consultancies are less globalized than manufacturing firms (Bernard, 2007). In our view, the complexity of a HR consultancy business in different countries and employing different professionals is a key variable that reinforces divergent approaches. Regardless of headquarter, donor organization (e.g. EU, World Bank etc.) or expat (who is a foreign representative of mother company in host country) driven assignments, local language plays a primary role. Reports, presentations and workshops are delivered in the local language or in a bilingual way. HR is specifically subject to specific forms of local regulation including labor law, taxation and benefit scheme.

Cross-vergence stream

According to the *middle-of-the-road, cross-vergence* approach, convergence and divergence coexist in the world (Adler 1983). Looking at Europe, Brewster (2004) identifies the differences between the US and European HR management systems, the differences between regional groupings within Europe, and then the differences at the national level. Traditional values of the organizations of the private- and public sectors are fundamentally different (Daley 2002), which, in consequence, results in the difference of substance of the organization, management, and management environment of human resources. Broad research has shown the influence of ownership on HRM policies and practices. Local subsidiaries of multinational companies emphasize and promote globalized, regionalized or localized HR frameworks and systems. HR practices of local public organizations are driven by collective bargaining; however, certain convergence has been initiated on behalf

of these institutions to learn and absorb modern HR tools. (Hiltrop 1991; Budhwar and Boyne 2004).

HR consulting market

Modern organizations today are faced with scope of challenges and opportunities forcing for quick responses in HR area with regard to globalization of the business operations, talent shortages and conservative HR regulatory framework

Although HR consulting industry has been for the last decade focused on its transaction efficiency, and lots of significant improvements have been worked out, the real impact of the improvements is quite limited in its possibilities, ranges and altitude of effective and useful changes.

This section of our paper relies on three major sets of multiyear surveys, conducted by the authors' direct or indirect involvement.

Croatia

Croatian companies being local but working in the dynamic global business environment pay attention on improving the return on their most important asset – their human resources. In these times of vibrant and turbulent economic distress as well as radicalized needs for change, development and optimization of HR using right development strategies and engagement of the workforces becomes a critical factor of success. To make the best from their human capital investments in sense of an effective, efficient, engaged workforce the business community and in great measure the public sector need to be led and facilitated by management consultants. It can provide them with single greatest competitive advantage in responding to the market challenges.

According to results of the survey conducted by USAID (2003), over 50% of MNC and large enterprises (over 200 employees) and about 30% of small enterprises (25 – 200 employees) surveyed have used consultants in the past three years. The most highly demanded services have been for:

- quality assurance systems
- information technology assistance

- marketing and sales assistance and
- management & human resources development.

These results essentially identify for consultants where to focus their energies, as they coincide with future plans for use (next section). Less than half of the consulting engagements resulted in any software being left at the client company and about half of all assignments are brief – completed in less than 5 weeks.

Proactive marketing by consultants is extremely low and has accounted for less than 19% of consulting work sold in the last three years especially in the area of HR consulting services. The absence of marketing efforts on the part of consultants appears closely connected with a lack of customer focus in general. One of the main reasons cited by respondents for not using consulting services was they had never been contacted by any consultants. Other reasons included services available were not in line with what enterprises need and, of course, there is a perception that services are too costly. Croatian consultants, as a rule, are not customer focused.

According to Kennedy Information research on Eastern Europe Consulting (2006), the HR consultancy market in sense of its size, number of active consultants, and typical challenges in Croatia concerning its attractiveness, could be described as low attractive with tendency to remain on that level in future which is in line with overall HR trends in Eastern Europe.

IBM (2007) global human capital study showed that more than 75% of HR managers are concerned about future possibilities of further qualification and training of employees. There is shortage in adequate HR consulting services partly due to intensive growth of the new markets but partly due to lack of skilled workforce in consulting companies.

The study points out that in the comparison to USA and Japan, the key characteristic of European HR consulting practice and organizational behaviour consider HR as advisory function rather than having proactive role in workforce transformation (31% versus 23% on the global level). The second important feature of HR consultancies the study says is that they do not pay adequate attention on using analytics in decision making processes which indicates that HR function is traditionally considered as a supporting one, rather than a driver of change.

Apart of notifying as a constraint the slow response to challenge of fast employee training and qualification needs more than 52% of HR managers claim that employee skills are not accommodated with company business priorities. In the future, the basic competence of HR services will be fast development of the critical mass of the employees with the skills necessary to ensure company's global competitiveness.

Second big constraints are intensive employee fluctuation rate. More than 47% companies evidenced increase of the fluctuation, while less than 16% reported the decrease. Therefore studies display concerns of the HR managers for skills development of existing employees more than difficulties in attraction of new qualified workforces.

Hungary

This set was and is conducted by the Centre for European HRM at the School of Management, Cranfield University, in the UK. The one of the author of this paper was responsible for the Hungarian dataset of this survey (Farkas et al., 2007). Since 2004, the team from Pecs/PTE coordinated with and collaborated on the multinational surveys by Cranet. Cranet surveys were conducted in the 1990s and again in 2003 and 2005. In this subsection of our paper we rely on a subset of the 2005 Cranet dataset — external service providers.

Exhibit 3: Typical areas of external consulting providers

Country(ies)	Use of external professional providers (%)					
	Payroll	Benefits	Pensions	Training and development	Workforce reduction, outplacement	HRIS
Hungary	45.20	48.40	37.00	86.20	45.20	78.70
Eastern European	45.80	47.50	35.60	86.20	40.00	69.10
Total	59.20	64.00	67.30	88.60	57.10	74.30

Source: Farkas, F./Karoliny, M-ne/Poor, J. (2007):

Exhibit 3, provides data on the significance of typical areas of external consulting providers' practices in six Eastern European countries (Bulgaria, Czech Republic, Estonia, Hungary, Slovakia, Slovenia), and all 32 European and Non-European countries. The total international sample comprises 7952 elements, of which 864 respondents are from Eastern Europe, including 97 from Hungary.

The studied samples show *great similarity in training and development* being the HR function where external professional providers have a robust presence everywhere. More than 85% of the responding organisations in all three samples stated that they used the specialist services of training firms. External providers are also used by organisations in all three samples (at a rate of about 70%) when *HR information systems* are configured and developed.

In the other HR fields surveyed it can be seen that the use of external professional providers is higher in the total sample than in the Eastern European one. The largest differences may be found in the areas of pension administration (nearly 30 percentage points) and downsizing and workforce outplacement (almost 20 percentage points).

Nearly half of the Hungarian organisations turn to external providers when developing, running and managing pay and benefits systems. In the area of payroll, the difference from or the lag behind the frequency of use in the total sample is not significant (only 5 percentage points), but it is remarkable in the area of benefits (nearly 15 percentage points).

According to our studies, the increasing use of external providers is the most typical at organizations rooted in the Anglo-Saxon culture (Curnow/Reuvid, 2003). In all HR fields surveyed it can be seen that the use of external professional providers is higher in the private sector of the all surveyed countries sample than in both samples of the public sector and the private sector of Eastern Europe countries (Exhibit 4). The total sample comprises 5 443 private and 1 944 public companies and institutions from 32 countries.

The Cranet database was adjusted to exclude non public and non private institutions (1041). The Eastern European sample includes 647 private and 160 public companies and institutions from the previously mentioned six countries. The studied samples show differences with the previous comparison in pension administration. Eastern European Public Sector samples are slightly higher than Eastern European Private Sector samples.

Exhibit 4: Typical areas of external consulting providers; private and public sector comparison

Sectors	Country(ies)	Use of external professional providers (%)					
		Payroll	Benefits	Pensions	Training and development	Workforce reduction, outplacement	HRIS
Private sector	Eastern European countries	46.8	49.0	35.0	87.7	38.6	68.2
	All surveyed Countries	59.3	65.9	67.3	88.9	57.3	73.5
Public sector	Eastern European countries	42.7	43.1	37.9	80.1	40.0	70.4
	All surveyed countries	58.1	58.2	66.2	86.8	54.7	75.3

Source: Farkas, F./Karoliny, M-ne/Poor, J. (2007).

The last survey of IPMA-HR (2006) highlights an emerging trend. More and more public sector organizations try to replace traditional distributed HR operational models and build up shared-service or outsourced services.

It was also observed that whilst the organisations that had large HR departments had decreased the use of external providers, the ones with small personnel departments had increasingly turned to such specialists. The smallest organisations rarely or never use external providers.

Nearly half (48.9%) of the respondents in Hungary claimed that they had *increased the use of external service providers in the field of training and development* in the past three years (see Exhibit 5). The importance of external consultants has increased in the fields of benefits, redundancy, workforce reduction and outplacement, and HR information systems to a smaller extent than in training and development, but approximately by the same rate according to roughly a quarter of the respondents. The survey, however, also revealed that more than half of the organisations did not use external specialists in fields outside training and HR information systems.

Exhibit 5: Percentage changes in the use of external HR providers in the Hungarian sample

	Payroll	Benefits	Training and development	Workforce reduction / outplacement	HR Information systems	Pensions
Increased	6.5	26.9	48.9	24.7	29.8	4.3
Decreased	1.1	-	7.4	2.2	-	2.2
Same	37.6	21.5	29.8	18.3	48.9	30.4
Not used	54.8	51.6	13.8	54.8	21.3	63.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Farkas, F./Karoliny, M-ne/Poor, J. (2007).

Specific needs of different clients

Croatia

The human resource management (HRM/HR) is closely connected to the cultural environment to which an organization or company belongs to and operates in; Given the fact that in Croatia operate world largest management consulting companies like Deloitte, KPMG Int, McKinsey & Co, Pricewaterhouse-Coopers, Horwath Int, IBM, and Ernst &Young the majority of the MNCs and big local firms are using their consulting services leaving very small portion of the market to small local consultancy practices.

As survey shows, large enterprises use consultants more frequently than small enterprises Large enterprises also use foreign consultants more frequently than small enterprises. This is likely the result of two factors:

- foreign consultants are more adept marketers than their Croatian counterparts and are aggressively targeting companies and
- the large companies have more foreign contacts and believe the quality of foreign consultants is superior to domestic consultants.

Facing the market growth consultancies requires a number of talents to ensure growth and development being forced to identify in quick time right people in order to

increase and keep the productivity and quality of the service delivery. Due to the shortage of the qualified people in Croatia and as well in entire region of SEE, those people are overpromoted taking the advantage of the situation. Consulting companies are focused to find people possessing the skills they will need in future and have already developed a forward-looking view of human capital.

In that respect the main constraint in HR consulting in Croatia encountered are employee rotation, generation gap, talent

The specific HR consulting services offered to the MNC and large Croatian companies are

- Talent acquisition and management strategies and services
- contingent workforce acquisition, and management services
- recruitment, training, compensation strategy
- Performance management, workforce optimization, and measurement and reporting services
- Occupational Testing (Saville & Holdsworth, work sampling etc.)
- Career development and counselling

Hungary

The third set was a primary study of multinational companies in Hungary₁, conducted by the authors, a total of 42 MNE subsidiaries were surveyed in 2004 and 2005. We chose large corporations that – within somewhat varying time frames – had gone through the five steps of development (privatization/firm establishment, firm restructuring/development, learning & development, slowdown and stabilization). An important selection criterion was that participating firms should come from several nations, including large European countries, the USA, and from other regions. We contacted 50 subsidiaries, and 42 participants accepted our invitation. Of these, forty participants were legally independent companies. The remaining two were divisions of another company. The selected sample represents almost 5% of the large multinational subsidiaries operating in Hungary.

One of our research topics was to analyze changes in areas of consulting in light of firms' development. Consulting is widely used among MNEs' subsidiaries in Hungary, with *staffing* ranked as the top assignment, followed by training (Exhibit 6). Outsourcing is still

in an immature phase in Hungary, although rapidly gaining ground. Big American and Western European MNEs have traditionally relocated their business services to India. “But India is not the only destination of *substantial outsourcing work*. Firms in the CEE region perform support work for payroll, HR, architecture and engineering as well.

Exhibit 6: Changing Topical Utilization of External Consultants (n=42), Hungary, 2004-2005

Research phases Ranking of topics assigned to	3rd Stage Transition-learning	4th Stage Economic Slow-Down	5th Stage Steady-State
1.	Staffing	Staffing	Staffing
2.	Salary surveys & salary management	Training and development	Training and development
3.	Training and development	Salary surveys & salary management	Organizational culture and internal communication
4.	Job and person profiling	HRIS	Salary surveys & salary management
5.	Organizational culture	Internal communication	HRIS

Source: Poor, J. /Allen E. / Gross,A. (2008).

Conclusions

Since changes in regimes, consulting linked to privatization, firm restructuring and development has been developing significantly in all countries. HR consulting has undergone significant development in the region. During the past decades the relationship between consultant and client has changed significantly in Eastern Europe as well. Within traditional consulting the client and the consultant were not equal partners. The consultant, especially Western consultants, knew much more about the methods and processes than the client who employed him/her. In the meantime, however, managers and professionals made up for this shortfall. Clients now expect consultants not just to simply transfer the knowledge and documentation related to given HR methods and procedures, but also to develop an organizational capability that enables the company or public institution to efficiently apply the tools implemented, when the consultant's assignment is finished.

The new era creates new opportunities both for traditional consulting (facilitating change, implementing privatization) and for new (cross-border, intercultural) consulting.

Finally let's quote a statement of the Czech President, Vaclav Havel, made back at the beginning of the 1990's: "In Central and Eastern Europe everything is possible but difficult". If we keep this in mind during our assignments, our consulting activity will be successful in this region as well.

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