

THE IMPACT OF GLOBALISATION ON THE CHANGES OF CONCEPT AND PRACTICE OF HUMAN RESOURCE MANAGEMENT SOME INDICATORS - THE CASE OF CROATIA

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INTRODUCTION

Among the many differences between enterprises in developed countries and those in transition countries, one seems to us to be of key importance: in the relations with the management of human resources. It can be said that the human potentials are the only capital of which those countries, specially Croatia, have sufficient for rapid transformation and development but whose importance is given insufficient consideration or even overlooked.

In contrast to this, human resource management (HRM) is a dominant theme of interest among today's managers who have understood that people are the key to success and that they make the basic distinguishing difference between success and failure. As certain international surveys have shown, HRM has become "the second most important area of expertise for the chief executive of the future, overtaking marketing and sales, and second only to strategy formulation" (1; 69). The capacity to manage human intellect - and to convert it into useful products and services - is fast becoming the critical executive skill of the age (2; 71). The latest trends in HRM express the concept of strategic human resources Management (SHRM). This concept on one hand

places the significance and problems of HRM into the context of strategic management and on the other hand returns the strategic concept as a whole to the long neglected human dimension. It also stresses that the practice of HRM is becoming the primary managerial lever in implementing strategy and managing strategic change (3; 142).

The simplest definition of strategic human resource management is the process which links human resource management of an organisation with its strategy (4;47). Some authors also define it as "a pattern of planned human resource deployments and activities intended to enable an organisation to achieve its goals" (5; 298) or "the practice of placing human resource management in an important position in developing the strategy of the firm. Human resources are becoming a major part of the strategic planning process in most firms concerned about competition and survival" (6; 690).

It can be said that SHRM means systematic and deliberate development of human resources aimed at achievement and development of organisational capability and competence, and assuring the relevant competitive advantages for the purpose of achieving the strategic business goals.

REASONS FOR DEVELOPMENT SHRM

Why is increasing stress placed on the strategic dimension of human resources and SHRM described as the key element in the overall process of strategic management? There are many reasons for this. Here we will present those which seem to us the most important.

1. Increasing turbulence and uncertainty in the business environment. The great turbulence surrounding the modern organisation, which prevents prediction of the future of business with an appreciable degree of certainty and preparation of detailed long-term business plans, leads to different strategy options. In such conditions, strategic decisions rather than plans determine the future of an organisation (7;70). These strategic decisions and business strategies depend increasingly on people and their abilities. It can be safely concluded that the more turbulent and uncertain the business environment, the greater the importance of people and their potential and the stronger the links between strategic management and HRM. In such conditions, the summation of human capabilities, knowledge and creative potential becomes "in itself the most valuable strategic weapon" (8; 515). Furthermore, people's knowledge and skills have the specific property that "in contrast to physical assets, they do not decrease with use and distribution. They grow" (9; 82).

2. The necessity of constant change and rapid, direct reaction. Rapid changes in the external environment demand the counterbalance of rapid and constant change in organisations, which must become the foundation of management philosophy and the organisational lifestyle. The external changes then become opportunities rather than threats. A new kind of business strategy is increasingly discussed - the strategy of time or speed (10), which places emphasis on the speed with which innovations, changes and services are introduced as the fundamental factor in gaining a competitive advantage. This is why people, their potential and constant development are becoming the key source of organisational flexibility and success. Intelligence, intuition, imagination, knowledge and creative ability; in short, high quality people, are becoming the source of organisational capability of successfully coping with business change in an uncertain future. Whenever an organisation adopts a new strategy or plan, this must be implemented through people (three; 135).

3. Orientation towards constant improvement and innovation. The dominant orientations of successful companies are becoming constant improvement (in quality, processes, methods, products, services etc.) and innovation, which again necessarily put the focus on people as the only source of creativity, and their development.

4. Orientation towards the customers. This is also an important term of reference in modern business and management. Besides people and innovation, this is another major obsession of successful managers. It is becoming an imperative of success to discover and satisfy the needs of the customers, to fulfil all their wishes, to consider matters (quality, value, service etc.) from their point of view, to offer a customised approach and always acts in keeping with the motto "the

customer is the King.” This can be achieved only through high quality people who are aware that they exist and make a living thanks to the customer and that their basic task and goal, as Drucker puts it, are to generate customers (a large or small profit is a consequence of this). This is why "human resource practices offer management **primary levers** for changes that translate into customer satisfaction" (3; 136).

5. Strengthening competitive capability and advantages. The main interests of an organisation in selecting a strategy are development of competitive capability, and achieving and sustaining a competitive advantage. According to Porter, a competitive advantage arises fundamentally from the value which a company is capable of creating for its customer and which exceeds the costs of its creation (11;3). Two criteria must be satisfied in creating and sustaining a competitive advantage (3; 135). **First**, a firm must produce a good or service that is valued by customers. **Second**, a competitive advantage comes from activities that are unique to the firm and cannot easily be replaced by competitors.

HRM plays a major role in creating the organisational capability of fulfilling these two criteria and sustaining a competitive advantage. It is found that in a world in which there are no secrets or they last only for a very short time, over the long term, people, their specific knowledge and capabilities, the interaction and synergy which arise from them become the only organisational quality which satisfies this second criterion.

6. The economic superiority of Japanese management and the practice of human resource management. In analysing the reasons for the development of the concept and practice of human resource management, it is impossible to ignore the influence of Japan, which in many aspects of its management with its extraordinarily competitive and economic effects, has become a world-wide paradigm of management. Thanks to its specific practice of HRM (which is deeply rooted in its culture), Japan has developed an exceptional ability to learn from its competitors and apply new knowledge and technology to create a competitive advantage. This has been seen in all areas where Japanese companies have appeared as the strongest competitors against the invulnerable world manufacturers of yesterday. The secret undoubtedly lies in the deep belief of Japanese managers that „the enterprise is the people“ and their specific practice of HRM, which was best summed up by Konosuke Matsushita: „When my company was still small I often told my employees that when customers asked, ‘What does your company make?’ they should answer, Matsushita Electric is making men. We also make electric appliances, but first and foremost our company makes men’.“ (quoted in: 12; 5). In fact, this brief reply contains an entire philosophy of management which could be good advice for managers in transition countries.

7. The influence of globalisation. The latest developments on the international business scene like breaking down of the market barriers within the European Community, the opening and democratisation of the former Easternblock countries, the improvement in communication and transport etc.; caused the increase of international exchange of goods, services, people and

information (22;1). It has also sharpened the international competition and forced the companies to „play the global game“ (20;79) or in other words, to gain and maintain the opportunities of the global market. In order to globalise their actions which means reaching all prospective customers and improve a cost-benefit relation, companies rely on the various kinds of market entries and global outsourcing strategies. Whatever strategy the company chooses, its success always depends on the capability of its people to think globally and integrate the global perspective with the conditions and requirements of the local markets.

It means that the imperative of globalisation poses on the companies HRM a new and very hard assignment, to manage people of very different cultural backgrounds and to develop them to think, lead and act from a view of global perspective at the same time showing big sensibility and tolerance for the local environment and culture. The people that act on the international or "supranational" business scene must possess excellent knowledge of languages, open-mindedness, understanding of different cultures and rapid orientation at unknown terrain. (21;268). The companies which have managed to develop the synergy of different cultures and embed it into the organisational system and processes, have also gained a competitive advantage of multicultural synergy which nowadays belongs among one of the hardest to copy. The development of management with the "global mind" is also very important for companies of small countries like Croatia because that is the first condition in order to reach an adequate position in international business.

HUMAN RESOURCE MANAGEMENT IN CROATIAN ENTERPRISES

In connection with the above discussion, it is logical to ask what is happening in Croatian enterprises and where they stand in relation to the global trends in human resource management and strategic management.

One of the basic requirements for fast development of Croatian enterprises and the economy as a whole is the adoption and application of the latest findings in all areas, naturally with necessary adaptation to the cultural and economic conditions of Croatian society. The notion that today people are the key to success and economic development is no longer questioned, neither is the notion that with specific creative forms of human resource management, that potential can be put to better use and converted into the strongest competitive force. Nobody in the world needs to prove anymore that the ability to produce knowledge, information and innovation - rather than equipment and capital - has become the main factor of development.

The importance of people and specific practices of human resource management has been shown best and quite pragmatically by Japan in the history of its development and its present position on the world market. It is also being shown by the Asian Tigers, countries which were until recently underdeveloped and lacking natural resources but are now using their people to turn into

considerable forces on the market and world-class competitors. It is such social rather than technical innovations (methods of employment, education, specific culture; in short, HRM) which Drucker considers the foundation of Japan's economic success (13; 32).

This leads to two basic conditions for a change of philosophy and hence in management practice in Croatian companies:

1. the understanding that people are their biggest and most important resource; and
2. effective use of that potential in strengthening overall competitive capability and creating a specific competitive advantage, which demands constant investment and creative practice in its management, which must become the first and most important task of its managers.

Apart from the honourable exceptions who have grasped that awareness and are making changes to existing practices, it can be concluded that the present state of management in Croatian companies is a long way from those notions and their implementation and realisation in practice. There are several reasons for this, of which we will here present some, in our opinion the most important. Some of them are linked to the general problems of transition - changes in the economic and social systems, values, the general level of economic development - while others are linked to the transition model itself and its specific implementation. Of course, the wartime events had extremely negative impacts on those processes.

Without going into detail on the problems which characterise the overall economic and social situation, it is possible to briefly give a thumbnail sketch of the dominant business scene in which companies operate and which determines their behaviour.*

1. Institutional turbulence and insecurity, due to a series of new laws and regulations and the lack of a thoroughly worked out, consistent and complete system in the function of economic development to encourage entrepreneurship and economic activity.
2. In many companies, the processes of restructuring and establishing ownership relations are still going on, which makes the internal situation highly turbulent and unpredictable, which diverts all attention toward internal relations, positions and interests, with people taking care of themselves rather than their work. Such situation inhibitates the existence of clear and consistent organisational and management concepts.
3. The process of privatisation does not always lead in the direction of stimulating output and business activity but sometimes in the opposite direction of release from manufacturing and employees.
4. The new owners and capitalists do not have the necessary developed business habits or traditions of doing business.
5. The market economies has still not been completely established, neither do market criteria determine whether a company will succeed or fail.

* About economic situation, problems and trends in more details see references: 14, 15, 16, 17, 18, 19.

6. High unemployment (more than 17%) and large supply of labour.
7. Stagnation of economic activity and output especially in manufacturing industry.
8. Exceptionally low financial liquidity, habits of not paying creditors and constant growth of internal debt, which almost completely block out healthy enterprise and the development opportunities in many companies, especially small private firms which wish to operate on the basis of a healthy market economy.
9. A fluid and unstructured situation concerning trade unions with insufficiently defined roles of the unions and negotiation, the insufficiently developed labour law, workers' unwillingness to active engage or support the trade unions as an reaction to the former "socialistic" system; which all leads to high uncertainty and a lack of protection for employees.
10. There are many indications that the concept of liberal capitalism from the beginning of this century, although completely anachronistic in today's conditions, is still used as everyday practice. The consequences of this overall situation at the enterprise level include:**
 - Short-term orientation;
 - Preoccupation with current, immediate problems;
 - Absence of strategic thought and long-term strategic orientation and planning;
 - Absence of external market orientation and assessment criteria and comparison with own practice and success parameters
 - Orientation toward material and financial problems and resources;
 - Orientation of managers toward the hard elements of the organisation to the complete exclusion of the soft elements such as people, culture, style etc.;
 - Autocratic management style and Taylorism as the ideal philosophy and practice;
 - Negative and even hostile attitude toward every labour organisation and negotiation (it is not rare for new employers to expressly ban any mention of trade unions under threat of dismissal);
 - Negative attitudes toward employment participation and all forms of participative management as a reaction against the previous system and insufficient knowledge of modern management methods and systems;
 - Large discrepancies between the aspirations, values and capabilities of young qualified people on one side and the existing situation with the opportunities which it offers them on the other, which results in the brain-drain;
 - A misconception of the abundance of labour inhibits systematic and creative approaches to human resource management, from its recruitment to a range of activities aimed at retaining good quality staff;
 - Very slow abandonment of the classic personnel function and development of the human resource management function (management shows insufficient interest for implementation of ideas and proposals of human resource specialists): people are simply still not seen as the most important capital or human resource management as the key business and strategic activity.

** These statements are based on discussions with managers from many enterprises.

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Notwithstanding this predominantly negative picture sketched by the still prevailing overall characteristics of the existing business environment, there is an important sign of change and completely different practices in a number of enterprises, some large and some small.

The end of war enabled a more intensive entry of foreign companies onto the Croatian market. It also fostered many Croatian companies to intensify their orientation towards the global market. Many foreign companies have their representation offices or subsidiaries in Croatia, and some have large stakes, sometimes a majority stake, in Croatian companies. This has, in our opinion, initiated and opened positive trends that are getting more pronounced in the human resource management philosophy and practice.

After analysing numerous individual cases a general conclusion can be drawn: **The companies which are more open towards the international co-operation and competition and have a closer contact with a foreign company (in the form of ownership, partnership etc.), will have a more positive approach to human resource potentials, ideas and the practice of modern management, and will carry out bigger internal changes.**

We can further conclude that globalisation of business operations necessarily alters management philosophy and practice in all fields. It simply globalises management ideas and practice and fosters the transfer of not only technological know how but also of management know how and innovations. Thus managers in transition countries are forced to change quicker and learn faster.

We will not enter into a detailed analysis here, but will only outline some positive trends in changing HRM which are, in our opinion, the result of the globalisation process and Croatia's participation in the world and European business activities.

1. Companies like Pliva, for example, which are competing on the global market, are increasingly managing and doing business according to the international standards of excellence. The awareness is growing that people are the most valuable assets and that investing in their development is at the same time investment in the future of a company. This is seen through recruitment, selection, training, compensations and generally through investing in human resources. Companies are increasingly accepting the philosophy and ideas of strategic human resource management.

2. Many foreign companies have set up their representation offices in Croatia, and foreign capital has been entering the country. This new situation has sharpened competition among employers in getting capable, high quality staff. Employers have become increasingly aware of the importance of having such people as well as of their limited number.

3. The need of foreign companies to recruit high quality people through a high quality process of recruitment, have prompted the establishment of specialised head hunting agencies, which did not operate before. This is also a sign of accepting the human resource management ideas and practice of developed countries.

4. Quality advertisements that foreign companies put in Croatian newspapers have prompted Croatian companies to pay more attention to advertising posts and vacancies and to attracting people. Instead of formal qualifications, so "popular" before, Croatian companies increasingly ask in their job advertisements for analytical skills, initiative, creativity, communication skills, ability to work in teams, ability to co-operate etc. On the other hand, they offer challenging jobs, specialisations, careers development, etc.

It means that advertisements are increasingly an instrument of attracting capable, talented people, and are less and less just a formality to advertise a vacancy.

5. One of the significant factors indicating change in general direction of managing companies and showing closer communications with the international business is the basic requirement for recruits to know foreign languages, predominantly English and German.

6. An important factor in pressing for changes in managing human resources is international systems and norms of managing quality - ISO 9000 standards. These norms include numerous elements of managing quality systems in which training and motivation are fundamental parts of the norms and prerequisites for entering the international market.

7. Managing human resources and employees' satisfaction have become an essential part of the European Business Excellence Model developed by The European Foundation for Quality Management. The model serves as a basis for the European Quality Award and provides guidance for organising and functioning of European companies. Croatian companies are getting to know this model better. To be able to accept it, companies quickly have to introduce changes in managing human resources.

8. Many Croatian private and public companies engage foreign consulting firms in helping them to solve various issues in the choice and implementing strategies, organisational restructuring and concerning human resource management.

9. Many companies organise their own educational programmes for young qualified recruits to prepare them better for the requirements of their future evocation. In carrying out these educational programmes many professors and experts from abroad are engaged but the increased need for further education has also initiated the development and affirmation of some Croatian private consulting, educational and training firms.

10. There is an evident change in the possibilities for young people for a quick promotion and climbing on the "hierarchical ladder" of organisation.

11. Business orientation asks for benchmarking with the best ones. Globalisation of business operations means comparing the results with the best in the world and analysing their management

practices. It is a requirement in all fields of doing business, including the segment of human resource managing. At this moment, Croatian companies have to learn constantly and apply solutions of the best ones.

All of these positive trends also show some negative characteristics which should be improved in the future. Some of the bigger companies try to obtain as much young qualified people as possible without concerning companies' strategic plans and further employment needs and possibilities. They place those people at jobs and positions which are far under the level of their ambitions and competencies. These and some other characteristics show the lack of strategic thinking and suggest that the future concern of HRM in Croatian companies should be more directed towards better co-ordination of actions of HRM with company's strategy and organisation.

Further, many companies which have recognised the need of qualified, flexible and prospective people have concentrated their educational and development efforts only on the young, qualified employees and managers because they are the first in the company who are faced with the all-round changes and they are the most appropriate for their initiation and implementation. All other employees are not involved, or even really concedered in the educational and development processes. It shows that most of the Croatian companies still have to learn that if they want to gain real competitive advantage through and of their people, they have to give the opportunity for development and integrating to everyone, from the shop-floor to the top-management.

Although all of positive trends, mentioned above, prove the recent big constructive changes in the practice of HRM in Croatian companies, some mentioned problems also show that the human resources and potentials are still not treated as a key companies' strategic advantage for the future success.

Business orientation asks for benchmarking with the best ones. Globalisation of business operations means comparing the results with the best in the world and analysing their management practices. It is a requirement in all fields of doing business, including the segment of human resource managing. At this moment, Croatian companies have to learn constantly and apply solutions of the best ones.

We hope we have supported our starting hypothesis that internationalisation and globalisation of business operations, and particularly the entering of transition countries into global business flows, necessarily bring change, and fast, in management practice in all fields, human resource management included. Human potentials also start to be seen as a key strategic advantage.

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ABSTRACT

THE IMPACT OF GLOBALISATION ON THE CHANGES OF CONCEPT AND PRACTICE OF HUMAN RESOURCE MANAGEMENT; SOME INDICATORS - THE CASE OF CROATIA

This paper analyses the concept of strategic human resource management, which stresses the exceptional strategic importance of people for creating competitive capabilities and advantages of an enterprise in today's turbulent business environment. In this context, the situation and overall trends among Croatian enterprises are discussed.

In the beginning are specified some of the most important reasons why the strategic human resource management is nowadays becoming the key element in the overall process of strategic management like:

- increasing turbulence and uncertainty in the business environment
- the necessity of constant change and rapid, direct reaction
- orientation toward constant improvement and innovation
- orientation toward the customers
- strengthening competitive capability and advantages
- economic superiority of Japanese management and the practice of human resource management
- the globalisation of economy.

This all poses new requirements and challenges for future success on the companies. The right answer to all of these challenges are always the people because they are the only source of creativity and innovation and the key source of organisational flexibility, they are the only ones enough sensible and able to identify and satisfy the needs of customers. Peoples specific knowledge and capabilities, their interaction and synergy build an unique competitive advantage of the company which cannot easily be replaced by competitors.

In order to explain the business situation particular for the Croatian companies and to describe its relation to the global trends in human resource management and strategic management, the paper specifies some general problems of transition-changes in the economic and social systems and the economic development which make the great impact on the development of management and HRM in Croatian companies like:

- institutional turbulence and insecurity
- the ongoing process of restructuring and establishing ownership
- the process of privatisation
- insufficient established market economy
- high unemployment
- stagnation of economic activity and output
- exceptionally low financial liquidity
- high uncertainty and a lack of protection for employees.

Due to all of them, the present state of management in Croatian companies is a long way from the world best practice. In many Croatian companies prevail short-term orientation, preoccupation

with current and immediate problems, absence of strategic and long-term orientation and planning, orientation towards material and financial problems and resources, orientation of managers towards the hard elements of organisation with the complete exclusion of soft elements such as people, culture, style etc. The negative reaction against the previous system also implies the autocratic management style, negative and even hostile attitude towards every labour organisation and negotiation and negative attitudes toward employment participation. Naturally, in such a business situation the process of abandonment of classic personnel function and development of the human resource management function is very slow.

In spite of the overall economic situation, the influence of globalisation, in more intensive presence of foreign companies in the Croatian economy and on its market and at the same time the increased appearance of the Croatian companies on the international market, makes the great impact on valuing the importance of human resources and actually changes the practice of their management.

In fact, the companies which are more open towards international co-operation and competition and have closer contact with a foreign company show a more positive approach to human resource potentials, ideas and the practice of modern management, and carry out bigger internal changes.

According to this notion, the paper describes some positive trends in changing human resource management in Croatian companies:

- 1 The companies which are competing on the global market are becoming aware that the people are their most valuable assets and take the steps to improve their human resource management practice.
- 2 The ever greater presence of offices and branches of foreign companies in Croatia has sharpened competition among employers in getting capable, high quality staff.
- 3 The establishment of specialised head hunting and management consulting agencies.
- 4 The evident shift of the qualifications required by the companies from only „formal“ to the interpersonal and communication skills.
- 5 The impact of introducing international systems and norms of managing quality - ISO 9000 standards.
- 6 The quantitative and qualitative improvement of offers and possibilities for employees' education and training.
- 7 Engaging of foreign professors, experts and consulting firms in solving various business issues and carrying out the further educational programs.
- 8 An evident change in the possibilities of young people for a quick promotion and climbing on the "hierarchical ladder" of organisation.
- 9 The trends mentioned above and some others are, in our opinion, the result of the globalisation process and Croatia's participation in the world and European business activities.

We can conclude that the paper discusses some indicators that support the hypothesis that globalisation entails changes of management philosophy and practice in all its fields, including the HR management, the most important one, we believe, for a further and quicker economic development.