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## Comparative evaluation of the practical areas of human resource management in Lithuania and Latvia

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### Abstract

The aim of the paper is to identify the significant aspects of human resource management practices. The article discusses significant aspects of human resource management practices in the context of the high performance human resource management. The authors carried out a comparative theoretical analysis of the various functional areas of human resource management practices. This paper presents the results of experts' evaluation of human resource management in organizations of Latvia and Lithuania in terms of a set of performance enhancing human resource management practices. Based on this investigation, the authors reveal the spread of effective human resource management practices realized in Latvian and Lithuanian organizations. The directions for future researches of effective human resource management practices in Latvian and Lithuanian organizations are proposed.

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**Keywords:** human resource management; human resource management practices; European human resource management model; expert opinion method

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### 1. Introduction

Though the human resource concept was first used in the sixth decade of the 20th century, two decades after the appearance of human resource management models in the literature (the Michigan model: Devanna, Fombrun,

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Tichy, & Devanna, 1984; Harvard model: Beer, Spector, Lawrence, Mills, & Walton, 1984) and their spread (in the 90's, the teaching of various aspects of human resource management was started at universities and business schools), the problem of human resource management is still being discussed and new approaches to its analysis are being suggested. Thus, in the first decade of the 21-st century, the efforts were made to consider workforce as a strategic business partner, rather than the system of an organization, performing only a supporting function. The leaders of the workers, as their main representatives, contribute to strengthening social responsibility of an enterprise, developing the ideas of sustainable growth and solving the environmental problems (Armstrong, 2006; Sinha, 2011; Hanada, 2000).

The integration of the ideas of human resource management into traditional systems of personnel management may be considered to be a great achievement. The models of human resource management, particularly, the 'soft' Harvard model, drew attention of both business management practitioners and public management strategists because it suggested that, in the long term, individual and social welfare should be sought alongside the organization's efficiency. Moreover, the Harvard model provided a possibility to approach human resources as valuable organization's resources.

The European human resource management model gave rise to heated discussions and interpretations (Brewster, Mayrhofer, & Morley, 2004) in comparing human resource management methods used in Europe and in the US. The attention was drawn to the fact that the context of the situation in human resource management in European organizations (background, meaning, relationships) differs from that found in the United States, the country where the first models of human resource management originated. The European (the so-called "contextual") human resource management model emphasizes that the management of the state, market and work relations is a specific management combination, becoming highly efficient in the European Union.

The main advantage of European human resource management model is that the external factors are given the greatest attention, allowing the organizations to freely decide how much attention to pay to every particular factor (Brewster, Mayrhofer, & Morley, 2004). Authors also emphasized that the above approach would allow the organizations, working under similar conditions, to choose other human resource management strategies than those 'recommended' by some popular model and still to achieve good results. The relationship between the level of human resource management and the welfare of a particular state was sought by considering the problems associated with issuing labor market laws and trade union involvement. Brewster with his colleagues (Brewster, Mayrhofer, & Morley, 2004) claimed that this model was the best in reflecting the EU realities and the best results were expected from testing it in the post-Soviet countries, where staff management policy differed from the Western Europe policy. Testing was performed in East Germany and Czech Republic which confirmed the advantages of using the European (contextual) model of human resource management in these states.

Discussing the problems of human resource management models' efficiency, the European researchers emphasize that methods of highly developed countries should not be blindly copied because they were developed under the influence of other cultures and traditions. The emergence of European models of human resource management may be partly accounted for by the fact that European researchers critically assessed the adequacy of the respective US models for European needs and, therefore, suggested a purely European concept. They also emphasize that management of state, market and working relations is a specific management combination, becoming very efficient in the European Union. The European human resource management model has not been widely discussed by researchers in the years which followed its presentation, though the main prospects of its application were outlined and some positive results were mentioned (Brewster, Mayrhofer, & Morley, 2004).

The aim of this paper is to identify the significant aspects of human resource management practices in context of the high performance human resource management. This paper presents the results of experts' evaluation of human resource management in organizations of Latvia and Lithuania in terms of a set of performance enhancing human resource management practices. A greater use of performance enhancing HR practices is associated with higher levels of employee commitment and contribution and is in turn linked not only to higher levels of productivity and quality of services, but also with social quality of society.

## 2. Changes in the human resource management paradigm

Looking at changes that have occurred in the human resource management paradigm from the middle of the last century (see Table 1) further confirmed the assumption that significant changes in attitudes can be interpreted in accordance with the methods of development trends.

Table 1. Retrospective of Human resource management paradigms (compiled by Hanada, 2000)

<i>Human Resource management</i>	<i>Human Resource Development</i>
HRM paradigm's evolutionary retrospective	HRM paradigm's development perspective
– Labour relations development (1950–1965)	– <i>Structured training</i>
– Personnel management (1966–1972)	– <i>Skills development training</i>
– Human resources management (1973–1989)	– <i>Human resource development training</i>
– Human resource development (1990 – )	– <i>Career development and talent management</i>
	– <i>Organizational coaching</i>

The initial progressive changes associated with the legal regulation of the employment relationship building, personnel management methods and tools for differentiation. Getting a conceptual human resource management approaches to introduce the twentieth century. At the beginning of the seventies, and differentiated human resource management model development took place in the eighties.

Guest's proposed model of HRM (Guest, 1997), an essential statement (hypothesis) is that the human resource management practices are an applied art or consistent and smooth way of describing how to combine high normative goals of the organization, employee commitment, high quality, and task flexibility to get a higher individual performance. The structure of Guest Model (Guest, 1997) consists of the following six components (see Table 2):

- an HRM strategy;
- a set of HRM practices;
- a set of HRM outcomes;
- behavioral outcomes;
- a number of performance outcomes;
- financial outcomes.

Table 2. Guest HRM model (Guest, 1997)

<i>An HRM strategy</i>	<i>A set of HRM practices</i>	<i>A set of HRM outcomes</i>	<i>Behavioral outcomes</i>	<i>A number of performance outcomes</i>	<i>Financial outcomes</i>
Differentiation (innovation)	Selection Training	Commitment	Effort / motivation	<i>High:</i> Productivity	Profits
Focus (Quality)	Appraisal	Quality	Cooperation	Quality	
Cost (Cost-reduction)	Rewards Job design Involvement Status and Security	Flexibility	Involvement  Organizational citizenship	<i>Low:</i> Innovation Absence Labor turnover Conflict Customer complaints	ROI: Return on Invested Capital

Meanwhile, the generally low uptake of HR practices gives alert organizations an opportunity to steal a march on the competition and apply a comprehensive set of HR practices before everyone jumps on the bandwagon. In 2000 year The Future of Work Survey (Guest, Michie, Sheehan, Conway, & Metochi, 2000) covered 835 private sector

organizations. Interviews were carried out with 610 HR professionals and 462 chief executives. Survey has allowed conclusions that a greater use of HR practices is associated with higher levels of employee commitment and contribution and is in turn linked to higher levels of productivity and quality of services. Based on this study 18 practices of HRM have been identified, which are considered significant for organization performance:

- 1) Realistic job previews;
- 2) Use of psychometric tests for selection;
- 3) Well-developed induction training;
- 4) Provision of extensive training for experienced employees;
- 5) Regular appraisals;
- 6) Regular feedback on performance from many sources;
- 7) Individual performance-related pay;
- 8) Profit-related bonuses;
- 9) Flexible job descriptions;
- 10) Multi-skilling;
- 11) Presence of work-improvement teams;
- 12) Presence of problem-solving groups;
- 13) Information provided on firm's business plan;
- 14) Information provided on the firm's performance targets;
- 15) No compulsory redundancies;
- 16) Avoidance of voluntary redundancies;
- 17) Commitment to single status;
- 18) Harmonized holiday entitlement.

Results obtained by other researchers (Thompson, 2002; West, Borrill, Dawson, Scully, Carter, Anclay, Patterson, & Waring, 2002; Purcell, Kinnie, Hutchinson, Rayton, & Swart, 2003; and others) show, that there is a relationship between the development of HRM practices and organizational performance. For example, according to Thomson (2002) research outcomes, the number of HR practices and the proportion of the workforce covered appeared to be the key differentiating factor between more and less successful firms. By West and his colleague research outcomes, an association between certain HR practices and lower mortality rates was identified. Research was conducted in 61 UK hospitals obtaining information on HR strategy, policy and procedures from chief executives, HR directors and mortality rates. As noted by Professor West, 'If you have HR practices that focus on effort and skill; develop people's skills; encourage co-operation, collaboration, innovation and synergy in teams for most, if not all employees, the whole system functions and performs better.' A University of Bath longitudinal study of 12 companies to establish how people management impacts on organizational performance (Purcell, Kinnie, Hutchinson, Rayton, & Swart, 2003) shows, that policy and practice implementation (not the number of HR practices adopted) is the vital ingredient in linking people management to business performance and this is primarily the task of line managers.

According to Armstrong (Armstrong, 2010), research on the link between HRM and firm performance are helpful, because they confirm the benefits of HRM practices because they confirm the benefits of HRM practices in organizational performance. Armstrong (2010) provides his version model of the HR practices that impact on performance (see Table 3).

Table 3. The HR practices that impact on performance (Armstrong, 2010)

HR practice area	How it impacts
Attract, develop and retain high-quality people	Match people to the strategic and operational needs of the organization. Provide for the acquisition, development and retention of talented employees, who can deliver superior performance, productivity, flexibility, innovation, and high levels of personal customer service, and who 'fit' the culture and the strategic requirements of the organization.
Talent management	Ensure that the talented and well-motivated people required by the organization are available to meet present and future needs.

End of Table 3

HR practice area	How it impacts
Job and work design	Provide individuals with stimulating and interesting work, and give them the autonomy and flexibility to perform these jobs well. Enhance job satisfaction and flexibility to encourage high performance and productivity.
Learning and development	Enlarge the skill base and develops the levels of competence required in the workforce. Encourage discretionary learning, which happens when individuals actively seek to acquire the knowledge and skills that promote the organization's objectives. Develop a climate of learning – a growth medium in which self-managed learning as well as coaching, mentoring and training flourish.
Manage knowledge and intellectual capital	Focus on organizational as well as individual learning, and provide learning opportunities and opportunities to share knowledge in a systematic way. Ensure that vital stocks of knowledge are retained and improve the flow of knowledge, information and learning within the organization.
Increase engagement, commitment and motivation	Encourage productive discretionary effort by ensuring that people are positive and interested in their jobs, that they are proud to work for the organization and want to go on working there, and that they take action to achieve organizational and individual goals.
Psychological contract	Develop a positive and balanced psychological contract, which provides for a continuing, harmonious relationship between the employee and the organization.
High-performance management	Develop a performance culture, which encourages high performance in such areas as productivity, quality, levels of customer service, growth, profits, and ultimately the delivery of increased shareholder value. Empower employees to exhibit the discretionary behaviors most closely associated with higher business performance, such as risk taking, innovation, and knowledge sharing of knowledge and establishing trust between managers and their team members.
Reward management	Develop motivation and job engagement by valuing people in accordance with their contribution.
Employee relations	Develop involvement practices and an employee relations climate, which encourages commitment and cooperation.
Working environment – core values, leadership, work–life balance, managing diversity, secure employment	Develop 'the big idea' (Purcell <i>et al.</i> , 2003): that is, a clear vision and a set of integrated values. Make the organization 'a great place to work'.

Armstrong's presented opinion (Armstrong, 2010) confirms, that 18 HRM practice areas derived by Guest (Guest, 1997) can be significant. Therefore, the results of the following survey reveal the level of development of HRM practice areas in current circumstances in Lithuania and Latvia.

### 3. Lithuanian and Latvian experts opinion on spread of human resource management practices enhancing employee commitment or performance

#### 3.1. Data collection

The Lithuanian and Latvian expert groups were formed using the opportunity sampling method. The experts are selected by the criterion of competence in the field of human resource management, i. e. primarily by person's occupational area and the length of experience in the field mentioned above. All appropriate persons were contacted face-to-face or by e-mail and were asked to participate in the current research and complete the questionnaire given in paper or an electronic form. The response rate for Lithuanian experts group was 100% and for Latvian experts group was 74%.

The questionnaire's main part consists of the list of 18 human resource management practices marked out by David Guest (Guest *et al.*, 2000) as effective practices to enhance employee commitment and performance. The experts were offered to evaluate the level of spread of each practice separately for private and public sectors' organizations. The evaluation was based on five-point Likert scale, with "0" indicating "this practice is almost not conducted in organizations", and "4" indicating "this practice is conducted in organizations very extensively".

The first version of useable questionnaire was developed for Lithuanian experts. After survey of these experts the Latvian version of this questionnaire was made so that both versions would be similar to ease the further comparison of Lithuanian and Latvian experts' opinion. Constructing the Lithuanian version of questionnaire the back-translation of the Guest's list of human resource management practices, and approbation among two-three experts was applied. Latvian version of questionnaire was formed similarly, but in addition, there was necessary to attune the descriptions of practices to those that were formulated in the Lithuanian version.

### 3.2. Characteristics of the expert groups

Groups of Lithuanian and Latvian experts consist of equal number of participants. Each group includes 14 experts.

The expert groups hold participants engaged in management of an organization or a group, human resource management, scientific research work, teaching in institution of higher education, conducting of training courses or seminars, or business consulting. Mostly experts are engaged in more than one occupational area. Regarding to experts' experience in the human resource management field, in the Lithuanian group half of the experts has relevant experience of more than five years (see Table 4). The similar pattern characterizes the Latvian group of experts. All Lithuanian and Latvian experts have at least the Master's degree. Four Lithuanian and two Latvian experts have the Doctor's degree. Four Latvian experts are Doctoral students. Most of the experts have education in social sciences (14 – Lithuanian experts, 13 – Latvian experts).

Table 4. Distribution of the number of experts by years of experience in the HRM field

Years of experience in the HRM field	Lithuanian group (n = 14)	Latvian group (n = 14)
5 and less	5	6
6 – 10	4	3
11 – 15	4	3
16 – 20	0	2
21 and more	1	0

### 3.3. Results and discussion

For statistical analysis of obtained empirical data the initial scale of evaluation of the spread of human resource management practices was transformed into 1-5 scale, avoiding value "0". Thus, value "1" means answer "this practice is almost not conducted in organizations", and value "5" means "this practice is conducted in organizations very extensively". The average scores of the Lithuanian experts group are shown in Fig. 1. The evaluated human resource management practices are labeled "1.", "2." and so on, and these labels correspond with those, that are in the Guest's list of effective human resource management practices (see article's section 2.).

The statistically significant difference between Lithuanian experts' opinion sets concerning private and public sectors was checked using the non-parametric Wilcoxon criterion that is appropriate for small and dependent data sets. The Wilcoxon test reports that there is a significant difference in average scores of private and public sectors' evaluation (at  $P$  less than 0.05). The average score of the spread of effective human resource management practices in private sector is higher than average score given for public sector. As it is seen in Fig. 1, the evaluated spread of almost all effective human resource management practices in private sector is more or less higher than this one in public sector, excepting only practice "harmonized holiday entitlement". Experts nearly similar rated the spread of last listed practice in private and public sectors.

Considering the experts' opinion about spread of effective human resource management practices in organizations of private sector, the maximum score is 3.79 and it relates to practice "profit-related bonuses". Despite this practice, the practices "avoidance of voluntary redundancies" (3.71) and "realistic job previews" (3.57) are assessed as widely used. Two practices – "presence of work-improvement teams" and "presence of problem-solving groups" – have lowest scores (2.07) indicating experts' view that these practices are not popular in organizations of private sector. The spread of other practices is rated at the middle level. Overall, the survey results of Lithuanian experts' opinion are not so bad, but are not quite satisfying. According to experts' view, there are a lot of

possibilities to develop human resource management in organizations of private sector. Especially it refers to employee engagement into processes of problem solving and quality improvement, thus enhancing employee quality and flexibility.

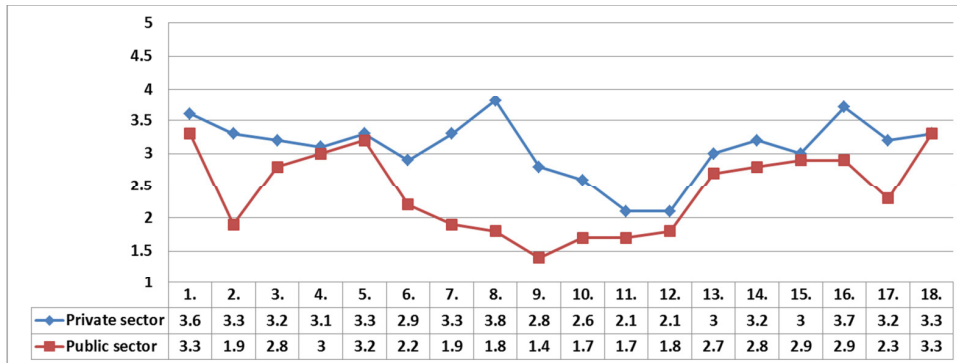


Fig. 1. The average scores of the spread of effective human resource management practices in Lithuanian organizations given by Lithuanian experts

Looking through the experts' opinion about spread of effective human resource management practices in organizations of public sector, a less optimistic pattern is observed. The maximum score is 3.33 that belongs to two practices – “realistic job previews” and “harmonized holiday entitlement”, but minimal score is 1.44 concerning practice “flexible job descriptions”. Almost half of practices under consideration is evaluated by about score 2, namely “commitment to single status”, “regular feedback on performance from many sources”, “use of psychometric tests for selection”, “individual performance-related pay”, “profit-related bonuses”, “presence of problem-solving groups”, “multi-skilling” and “presence of work-improvement teams”. It indicates that listed practices are not quite rife in organizations of public sector by experts' opinion, consequently, there is much to do for providing high quality, commitment and flexibility of employee. Excepting the practice “profit-related bonuses”, that has limited possibilities for applying in public sector, and practice “use of psychometric tests for selection”, recently introduced (from June 2013) as formalized system for state organizations, the other listed practices have a large potential to be realized more extensively.

The average scores of the Latvian experts group are shown in Fig. 2. The Wilcoxon test reports that there is not a significant difference in average scores of private and public sectors' evaluation (at  $P$  less than 0.05). The average scores of the spread of effective human resource management practices in private and public sector are similar.

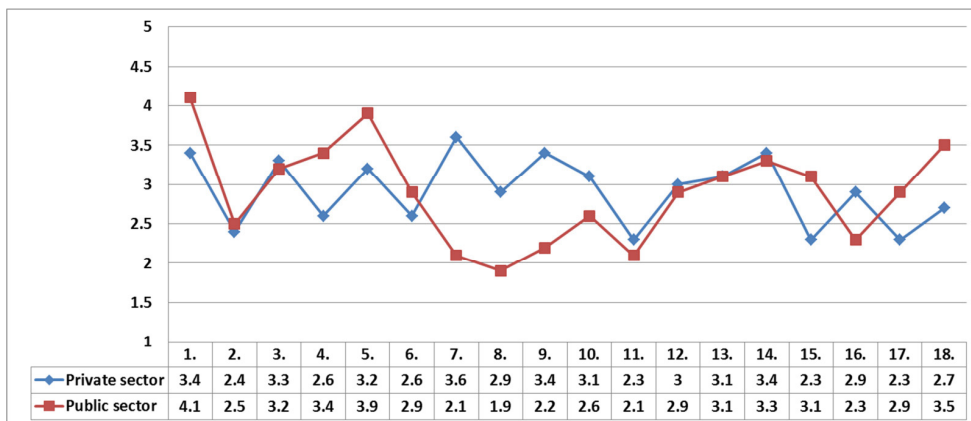


Fig. 2. The average scores of the spread of effective human resource management practices in Latvian organizations given by Latvian experts



The highest rated practice of private sector's organizations is "individual performance-related pay" (3.64) that is a single practice treated as quite popular in private sector. The three practices – "presence of work-improvement teams", "no compulsory redundancies", "commitment to single status" – have the lowest score (2.29). With practice "use of psychometric tests for selection" the mentioned above low rated practices are those, which Latvian experts find as less exploited in domestic private organizations. The spread of other practices is evaluated by approximately score 3, i.e. at the middle level. Such results are not so tragic, but imply many directions for improvements in the field of human resource management of private sector's organizations.

As for public sector, the maximum score is 4.07 given by experts to practice "realistic job previews". The practice "regular appraisals" (3.93) also has a high score. The lowest score (1.93) relates to practice "profit-related bonuses". Overall, more practices are treated as moderately realized, than as underutilized. Similarly to conclusions followed from Latvian experts' evaluation of the spread of effective human resource management practices in private sector's organizations, there are a lot of challenges in the public sector's organizations' human resource management.

The comparison of the results of Lithuanian and Latvian experts' evaluations is presented in Fig. 3. The statistically significant differences of these results were analyzed using the non-parametric Van der Waerden criterion that is appropriate for small and independent data sets. The Van der Waerden test showed significant difference of the evaluation of Lithuanian and Latvian experts' average scores of public sectors' organizations (at  $P$  less than 0.05). The spread of effective human resource management practices in Latvian organizations of public sector is rated by Latvian experts as higher than average score given by Lithuanian experts for Lithuanian organizations of the same sector. The largest differences of both experts groups' evaluations relate to practices "presence of problem-solving groups" and "multi-skilling", which Lithuanian experts consider as rarely conducted in domestic public sector, but Latvian experts consider as conducted at a moderate level. Latvian experts rate such practices as "flexible job descriptions", "realistic job previews", "regular appraisals", "regular feedback on performance from many sources" and "commitment to single status" relatively higher than Lithuanian experts. The only practice "avoidance of voluntary redundancies" for Latvian organizations of public sector evaluated less spread than for Lithuanian organizations.

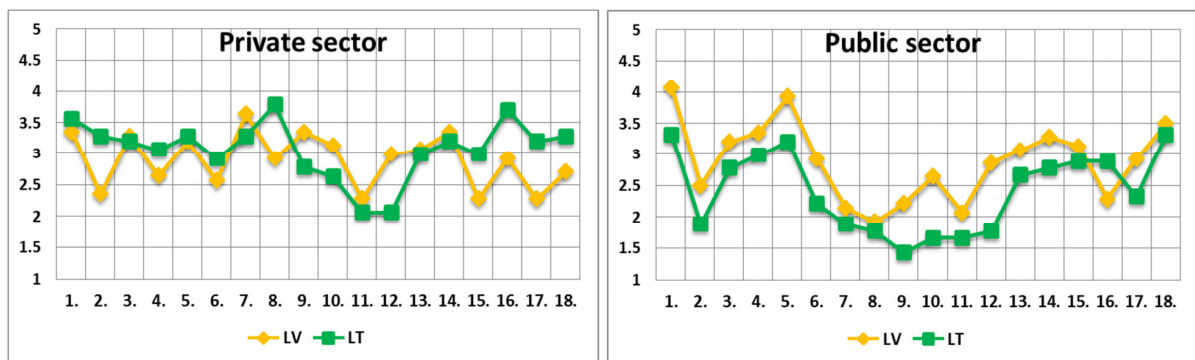


Fig. 3. The average scores of the spread of effective human resource management practices in Lithuanian and Latvian organizations given by Lithuanian and Latvian experts

Meanwhile, there is no significant difference between both expert groups' average scores of the spread of effective human resource management practices in private sector's organizations. Lithuanian and Latvian expert groups similarly evaluate the examined situation in domestic private sector. Lithuanian experts rate such practices as "use of psychometric tests for selection", "commitment to single status", "profit-related bonuses", "avoidance of voluntary redundancies" and "no compulsory redundancies" relatively higher than Latvian experts. The exception is practice "presence of problem-solving groups", which Lithuanian experts evaluated as less popular in home organizations of private sector than Latvian experts did.

The survey of Lithuanian and Latvian experts' opinion reports the relatively low level of development of effective human resource management practices in domestic organizations, especially in public sector. The experts'



poorer evaluation of HRM situation in public sector can be explained by monopolistic position of public organizations, but in case of the institutions of public services, it could be explained also by constraints of allotted budget. Thus, public organizations do not have serious threats for existence or experiencing the limited financial possibilities, do not take sufficient efforts for effective human resource management. In relation to both public and private organizations, less developed human resource management could be also associated with cultural attitudes and traditions in relationships of employment that mostly derived from the system of economy planned by socialists and characterized by the personnel administration approach to employee.

#### 4. Conclusion

The integration of the ideas of human resource management into traditional systems of personnel management may be considered to be a great achievement. Models of human resource management drew attention of both business management practitioners and public management strategists because it suggested that, in the long term, HRM practice and organization's efficiency are correlated.

This paper identifies the significant aspects of human resource management practices in context of the high performance human resource management. Theoretical and empirical analysis of the various functional areas of human resource management confirms that the 18 human resource management practices can be significant to provide effective human resource management.

This paper presents the results of experts' evaluation of human resource management in organizations of Latvia and Lithuania in terms of a set of performance enhancing human resource management practices. Experts' evaluation was based on 18 practices of HRM, which are considered significant for organization performance.

The insufficient spread of effective human resource management practices in Lithuanian and Latvian organizations, revealed in expert survey, signals that there is a necessity for further researches and improvements in the field of domestic human resource management related both the theory and practice.

The future researches should explore the spread of effective human resource management in Lithuanian and Latvian organizations on a more extensive sample basis. Moreover, it is necessary to investigate linkages between effective human resource management practices and performance outcomes, as well as to verify the differences of these linkages in various types of organizations.

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