

**UNIVERSITY OF SOPRON
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**HR STRATEGIES ON LABOUR MARKET
CHALLENGES AT HUNGARIAN
AUTOMOTIVE INDUSTRY COMPANIES**

Theses of the PhD Dissertation

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1. Topic Justification

We are in the middle of the Industry 4.0 transformation, a series of change which has a fundamental impact on the automotive industry. The automotive industry plays a significant role in the Hungarian economy having provided jobs for nearly 175,800 people in 2019 at approximately 700 companies. It accounts for 18 percent of the total industrial production, 10 percent of GDP and one quarter of the Hungarian export. From a societal point of view, one's relation to transport, the importance of sustainable development, the automatization of manufacturing in terms of processes and self-driving as well as electric cars with respect to products fundamentally change the industry. A specific problem of eastern European countries is their position in the value chain, i.e. performing typically low value-added activity, therefore their productivity level lags behind the EU average. However, we are seeing a higher rate of investments and an increasing need for the knowledge of new technologies, which enhances the quality and quantity expectations towards manpower. Improving productivity can help in the long term but we are now in a temporary period. The level of automatization - as per the aforementioned value chain position – has not reached a point where it could help the actual labour shortage on the merits. So mapping the current interim situation is important exactly for future directions. On the one hand, the munition of the present can be utilized for switching to new trends, on the other hand, the analysis and status of the currently applied strategies, methods and tools can help understand the position of national economies, certain industries and companies compared to a further (developmental) level. Due to these questions it is especially important to examine the automotive industry, as what goes on in the automotive

industry will significantly impact the (future) situation of the Hungarian economy.

25 years of the author's automotive experience has enabled to get to know the correlations that characterize the industry and to examine the realization of theory in real practice.

2. Research Objective and Hypotheses

With respect to changes and challenges of the labour market, the dissertation examines the current status of the automotive industry in Hungary, one of its key branches. Several analyses have been made related to this topic, most commonly focusing on reasons for fluctuation, retention tools, employer branding, recruitment and selection aspects mainly by the review of activities and characteristics. Overstepping these frames, a novel approach and the exploration of deeper interdependencies have been important objectives compared to previous examinations. The thesis investigates what strategic choices work well in HR areas (workforce flow, training, development, performance management), and how these can contribute to economic performance (cost efficiency) that constitutes competitiveness and to outputs of result (company culture, competency set, organizational learning, change management). Factors of competitive advantage re-impact decisions on HR strategies. Due to this double role, the aspect of the research has been extended to company culture, change management and competency development. The goal of the thesis is to observe how and to what extent these factors impact the indicated human resource management areas in the current and the expected labour market situations. The author has phrased the following hypotheses:

H1: Automotive companies are well-prepared in their methods and tools to manage problems deriving from labour market challenges, considering the significant number of investments and capacity increases.

H2: The efficiency of HR strategies stands in strong correlation with the complexity of the activity structure of the company and the HR department.

H3: Company cultures described based on the Competing Values Framework react differently on various changes, so on labour market changes as well. Supportive and innovation-oriented company cultures are more open to changes, rather initiate new tools and methods, and are more successful and efficient in their execution.

H4: Leaders who work in a supportive or innovation-oriented organization will, based on the transmitted scale of values, consider the predominance of change management and its subtasks to be more important during the problem-solving process related to the labour market challenges.

H5: The opinion of leaders and their attitude on what their roles, responsibilities and tasks are in managing labour market challenges are defined by the company culture and leadership style.

H6: Companies who re-value the importance of non-cognitive competencies are more successful in HR strategies elaborated for labour market difficulties.

3. Methodology

During the processing of former results within the secondary research, the specialized literature and related researches, statistical analyses and results of consultant companies' surveys have been reviewed. The research work has been extended by the integration of conferences, formal and informal professional meetings, concept preparations and results of background researches. The *hypotheses* have been

defined by the processing of specialized literature. Indicator mapping has taken place by *questionnaire sampling*, which is the basis of primary research. *Analysis elements* of the primary research have been provided by companies connected to the automotive industry. The examination of company activities has been executed based on the information and standpoint of HR professionals and company leaders. The data analysis includes descriptive statistical indicators (measures of location, variance, relative variance, frequency, relative dispersion, distribution, measures of shape), cluster analysis, association correspondence (chi-square, Cramer-indicator) and mixed correspondence (one-variable variance analysis: variance distribution ratio, H^2 and deviation ratio, H-indicator) and correlation and regression analyses (correlation coefficient, linear regression) via applied Excel data analysis module (Analysis ToolPak). The processing and presentation of data are supported by diagrams and tables.

4. Results and Thesis Statements

The examination of hypotheses is based on the theoretical review and primary research. Based on the evaluation, the author has formulated the below statements:

1: It is confirmed that automotive companies are well-prepared in their methods and tools to manage problems deriving from labour market challenges, considering the significant number of investments and capacity increases.

Based on the data from the research it can be seen that all companies have had investments and new projects that have resulted in headcount needs. However, the majority of them are facing significant fluctuation as well as experiencing several changes regarding technology and expected

knowledge in connection with Industry 4.0. Their major problem is workforce retention, especially in case of blue-collar workers, maintainers, technicians, technical professionals and employees beyond core staff. As per the results, challenges are more significant at smaller companies (below 100 employees) and large enterprises. These difficulties are identified already in the phase of business planning, which is the first step of a conscious problem-solving process. The results of the research certify that companies are using several tools to reach the required manpower or worktime and based on the necessity caused by labour shortage, they are open to adjust their former practice and implement new tools. The evaluation of contracted workforce and foreign workforce employment has obviously changed, and it has become more common to apply atypical forms of employment. It points forward that the most commonly used tool is the improvement of productivity and investing in student education also indicates a long-term way of thinking. The multi-variable analyses have justified, if labour market challenges are dealt with regularly and thoroughly, the company will face less difficulty in this regard. Based on what has been described previously, the starting hypothesis has been justified.

Through the application of multi-variable analyses, however, potentials for development have also been identified. Companies are not utilizing obvious and available OD-related tools that lie within the organization: the involvement of leaders, and training, development, the well-operating performance management system, problem-solving and possibilities for new analyses. It could be a step forward to develop leadership consciousness and the quality of HR processes.

2: It is partially confirmed that the efficiency of HR strategies stands in strong correlation with the complexity of the activity structure of the company and the HR department.

Companies apply several tools for ensuring and managing manpower as well as organization development. This is primarily defined by the size of the company (number of employees), which does not necessarily mean a larger HR department or a more complex range of activities. It does not sequentially come from the quantity and complexity of the applied tools that the processes will be more efficient. According to the basic statistics, the numerosity and quantity of recruitment and selection tools do not influence fluctuation, the number of applications and recruitment lead time. Via correlation and variation analyses, it has been identified that the HR department's dealing with certain topics does not affect the successfulness of HR strategies.

In case the HR department raises its activity to a higher level and cooperates with leaders in concrete problem-solving activities, then manpower supply is more efficient. Statistical examinations via variance analysis and correlation coefficient have showed that well-operating, consciously applied processes (cross-functionality, leader selection, performance evaluation, regularly and comprehensively discussed and solved problems, data-based decision making) and certain organizational characteristics (innovative approach, appropriate leaders) that, in summary, result in the development of leadership and organizational competencies, can positively impact the effectiveness of HR strategies and the standpoint of leaders about company processes. The starting hypothesis has partially been justified. HR activities and the quantitative existence of processes are not sufficient by themselves, what is decisive is rather the preparedness of those operating them (including the leaders). It has been

justified that the efficiency of HR strategies on manpower supply and organization development are impacted by the conscious operation of HR processes but the author has dismissed the impact of the HR activities' complexity.

3: Company cultures described based on the Competing Values Framework react differently on various changes. It has been established that supportive and innovation-oriented company cultures are more open to changes, so to labour market changes as well, and rather initiate new tools and methods.

Company leaders participating in the research have characterized their own company culture. Company cultures described based on Competing Values Framework are managing given changes and steps of change management differently and react diversely on different changes, so on labour market challenges as well. Certain cultures are more initiative, therefore they are also more efficient. With respect to applying change management factors, the statistical analyses have identified a correlation primarily in favour of supportive and then the innovation-oriented cultures. So companies with these types of culture rather have strategies for labour market challenges which are even discussed with the leaders involved.

Innovation, research for new ways are important at these companies and they continuously apply new tools that are discussed in details before implementation. Their leadership is committed to find the required manpower and they consider it important to be well-informed about labour market trends. Comparing company typology with HR processes has showed that the existence of certain HR processes are also more typical in supportive organizations, such as well-working cross-functionality, well-functioning performance appraisal process, employing leaders with

sufficient leadership skills and effective leader selection. The results have reinforced that a supportive culture encourages the organization (individuals) to develop skills that more effectively activate the initiation and management of change. This, at the same time, also encourages that rather effective HR processes operate. As concluded in Point 2, the conscious operation of HR processes is the key for the successfulness of HR strategies.

As per the abovementioned, HR processes are supported by the supportive company culture and change management, and hence they contribute to the success of HR strategies. The hypothesis has been proven correct. A supportive and innovative company culture aids efficient change management as a collective company practice, which increases the efficiency of HR processes.

4: It has partially been confirmed that leaders who work in a supportive or innovation-oriented organization will, based on the transmitted scale of values, consider the predominancy of change management and its subtasks to be more important during the problem-solving process related to the labour market challenges.

Change management tasks have been evaluated at 3 levels. The general judgement of changes can be considered uniform, no differentiation can be sensed. Leaders, may they work in any culture, accept that changes do exist and are necessary, they consider it important to participate in them and make continuous improvement as a constant practice. Change management as a collective approach and practice has showed correlation with company culture, as it has been established in Point 3. Regarding exact responsibilities of leadership change management, however, no correlation could possibly be identified. The question arises whether, if a leader works in a supportive or innovation-oriented

company, he/she then better enforces the aspects of change management in his/her leadership role. In this regard, correlation in a statistical sense could not possibly be identified, most likely because leaders have evaluated themselves good or outstanding in applying change management aspects.

In summary, the hypothesis has partially proven true. As such, the general judgement and operation of change management depend on company culture but culture and leadership style do not influence the quality of leadership change management responsibilities, no connection could possibly be identified. Just because a leader works at a supportive or innovation-oriented company, it still cannot be indicated that he/she can better enforce change management aspects in his/her leadership role. The nature of company culture influences the collective change management practice.

5: Results have partially confirmed the thesis that the opinion of leaders and their attitude on what their roles, responsibilities, tasks are in managing labour market challenges are defined by the company culture and leadership style.

The hypothesis has examined how leaders' responsibility appears in labour market challenges and whether there are any further factors that determine it. The qualitative research has ended up with several outcomes. The operation of an organization is fundamentally defined by what kind of leaders it has, how they see and evaluate themselves and their responsibility. The respondents of the research consider it important that leaders possess the appropriate skillset, however, they find it less peculiar for their own organization despite the fact that they have rather overrated their own competencies. 35 percent of the leaders admit that managing

labour shortage is a common responsibility, so they also have to contribute to the solution. The majority still further believe that HR and/or senior management play a major role in this regard. As per the statistical investigations, this standpoint does not depend on leadership style. So the nature of leadership style has not shown any correlation with the judgement of responsibility. However, certain organizational (culture) characteristics influence and define the identification with leadership responsibilities.

By this way, knowledge about organization development tools, active participation, innovative company attitude, cross-functionality, well-operating performance evaluation system, well-selected and skilled leaders and their continuous development positively form the attitude of the leaders. They help the leader identify himself/herself with his/her own responsibility and find common solutions. Company culture and operation influence leadership attitude and interpretation of own responsibility about managing labour market challenges. It can also be seen from the socio-demographic features of the respondents that production leaders are more likely to think in common responsibility, and leaders who lead rather smaller groups (1-5 heads) possess longer periods of service time and leadership experience as well as have had fewer job rotations.

6: The thesis has proven true that Companies who re-value the importance of non-cognitive competencies are more successful in HR strategies elaborated for labour market difficulties

The research has verified that most of the companies do execute the identification of competencies, although only a smaller proportion does their later measurement – and so development – too. It has been proven that professional

experience and knowledge have lost some of their importance in the last 5 years but, at the same time, three non-cognitive competencies have become more essential: conformity (adaptation), cooperation and innovation (creativity, openness), and problem-solving skills. Coaching and language knowledge are the ones which mostly are to be improved.

Based on the statistical analyses it could be proven that in case of leaders having the right skills (both cognitive and non-cognitive competencies), companies are more successful in HR strategies and solving labour market difficulties. So leaders with the sufficient competencies (non-cognitive as well) are important but, based on the feedback, they are not common at the required level at the companies. Although, where it is available, i.e. leaders have the right skills, it has statistically been proven that companies are facing less labour market difficulty and are more successful in their HR strategies. Furthermore, at companies where creativity, innovations skills and problem solving competency have become more important, hiring strategies have also been more efficient, while it has not impacted employee retention. Such correlation has not been justified by the results for the adaptation and cooperation skills.

5. New and Lateral Scientific Results

Theses formulated based on research results are as follows:

Research Results

Hypothesis H1 has been confirmed.

T1: Automotive companies are well-prepared in their methods and tools to manage problems deriving from labour market challenges, considering the significant number of investments and capacity increases.

Hypothesis H2 has partially been confirmed.

T2: The successfulness of HR strategies regarding the ensurance of workforce and organization development is influenced by the conscious operation of HR processes. The effect of the complexity of the HR department's activities cannot be justified.

Hypothesis H3 has been confirmed.

T3: Company cultures react differently on various changes. The supportive and innovation-oriented company cultures are more open to changes and rather initiate new tools and methods. A supportive and innovative company culture aids efficient change management as a collective company practice, which increases the efficiency of HR processes.

Hypothesis H4 has partially been confirmed.

T4: Just because a leader works at a supportive and innovation-oriented company, it still cannot necessarily be established that he/she better enforces the aspects of change management in his/her scope of duties. The nature of company culture influences the practice of collective change management.

Hypothesis H5 has partially been confirmed.

T5: The opinion and approach of leaders about what their roles, tasks are in managing labour market challenges are determined by company culture but the effect of leadership style cannot be justified.

Hypothesis H6 has been confirmed.

T6: As long as leaders with appropriate (cognitive and non-cognitive) competencies are present, then such companies are more efficient in HR strategies and in solving labour market difficulties. Where creativity, innovative skills and problem-solving competence have become more important, the recruitment strategy of the company has been more successful. No similar correlation could be identified in case of adaptation and collaboration skills.

Further Observations

At several points has the research confirmed how great of a **role leaders** play in the successful operation of company processes. Efficient, well-prepared leaders who understand the problems can usefully contribute to the management of HR challenges. For the employees it is primarily the direct supervisor who embodies the organization and supports to generate the conditions of motivation. However, they seem either not to notice, perceive or not wanting to acknowledge the role of their position. These are all significant signs to the HR department and senior management.

The importance of leader development is obvious from the results of the research, too and still means a further potential in terms of organizational efficiency and competitiveness. Leaders evaluate themselves better – be talk about competencies or change management tasks – while towards others and towards the company, they create higher expectations and are more critical in their evaluation. This raises the problematics of self-identification with the company, calling the attention again to the fact that the HR department and management need to clarify and continuously strengthen what it means to be a leader, what the integrity of a leader and the company is.

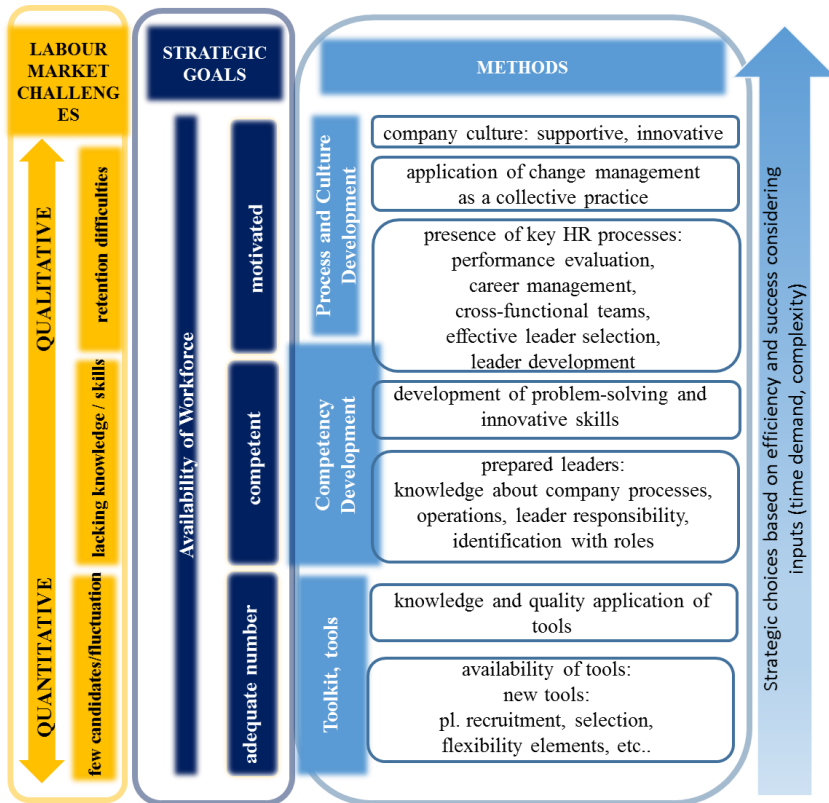
Leaders consider certain organizational features, conditions to be important from the aspects of operation and efficiency. While this is not typically common at the required level at the companies. There is a gap between the standpoint created about good organizational operation and the perceived status. Other employee groups most likely represent the same standpoint as well. The contradiction between the picture, expectations about the company and the reality influences employee satisfaction, which plays a significant role in the retention of employees. Closing this gap or at least reducing

it can be a possibility to increase motivation. The integration of the theses established based on the hypotheses has made it possible to draw a **model applicable in practice** to successfully manage labour market difficulties. On the one hand, the model is suitable for the self-evaluation of organizations/HR departments, on the other hand to define directions of major development. The model combines the dimensions of actions and strategies applied for labour market challenges based on the statements of specialized literature and the results of empiric research.

Depending on what kind of difficulties the company is facing, different actions needs to be taken and implemented. If there is speech about qualitative problems, then toolkit development (e.g. recruitment, flexibility elements) – as they are quicker to be implemented and adjusted – is rather worth focusing on, keeping in mind that the affected parties should have the sufficient knowledge, as they should be used in proper quality, and openness is needed towards implementing novel tools.

In case sufficient knowledge and skills are missing, then the main direction is competency development. According to the research, mostly well-prepared leaders are required who have proper knowledge about company processes and operations (not only about their function), and they have to identify with expectations related to leadership role. In general, improving problem-solving and innovation skills are beneficial.

If the issue is employee retention, then a motivational environment has to be ensured for the employees, which can be accomplished by well-operating processes and by shaping the company culture.



The solution model of labour market challenges

The research has identified the collective application of change management, performance evaluation, career management, cross-functional teamwork, effective leader selection and leader development as key processes as well as proposes to create a supportive and innovative company culture at the first hand. If a company faces more challenges, then the development of several areas by various actions in a built-upon way is recommended. The model, as a frame of reference, also expresses the difficulty level and the time

need of problem-solving and implementing separate actions. Building a culture or improving processes are rather more time-consuming and multi-dimensional tasks, which also holds true for managing retention. Expectations on company operation and efficiency also affect decisions regarding HR strategic actions.

6. Conclusion and Recommendation

The outcomes of the dissertation have shed light on the fact that in Hungary, although the labour supply is shrinking, labour demand is increasing and the biggest task for the companies is not to find but to retain the employees. The difficulty of finding and retaining the workforce differs by position/function. In jobs requiring special knowledge, skills or potential, the count of candidates is more limited, which needs to be managed mostly by education policy.

In order to manage labour shortage, companies are showing intention to implement **new tools and methods**. The most common tool is productivity improvement by automatization, which may seem a simple solution although during such projects one should, due to the Hungarian wage level, calculate with a longer period of investment. In case of atypical employment forms it can be established that, as a result of the fight for manpower, there is a shift tendency from the less popular forms – manpower leasing, temporary contracts – towards the forms being preferred by employees – company status, flexible models –, especially in intensive recruitment periods. In the application of organization development tools, the majority of companies are differentiating by position. The most widely used tool is performance evaluation but its quality execution has not been confirmed by the research.

Research respondents agree that **leaders with the right skillset** can do a lot for the efficiency of the organization. Their development has to be taken great care of, starting off with making them realize the essence and importance of the leadership role because, based on the results, this is not their strength. Their self-evaluation is not critical and they do not identify themselves with the problems of the company in a sense that they could realize their own role in these problems. They have to be armed with the knowledge of technologies, tools (training participation, coaching, managing generations, motivation, change management, problem-solving techniques, being familiar with trends) and involved in HR-related problem-solving, as they are impacting positively on employee retention, which is the basic method of fluctuation management. These competencies are also pivotal in forming company culture, as they are strengthening the supportive approach and, vice versa, a supportive culture positively affects organization development.

Based on the results it is recommended to execute **further investigations with a larger sample** size to ensure representativeness. The results can be even more toned via qualitative research. Beside the trends and the industrial analyses, further information can be gained by integrating own surveys of the given companies (satisfaction surveys, exit interview data) but, due to the confidentiality of data, this may face obstacles. Cooperation with professional lobby and interest groups could also offer further potential for data collection. Due to intensive changes of the labour market and technology, longitudinal examinations are (or can be) useful. It is a suggestion for companies to **analyse their situation** in a structured way, by this they have a bigger chance of identifying their problems and determining the most

effective and proper actions. Parallel to exit interviews, they may apply stay interviews, Big Data approach and measure the efficiency and success of the existing processes via benchmarking methods or business indicators (KPIs) precisely selected by satisfaction surveys.

Another proposal is to continue and improve dialogue and **cooperation with labour market stakeholders** (government, companies, educational institutions, employees) in order to solve the structural problems of manpower supply and demand (professions in short supply, regional differences, infrastructural distinctions) as well as to define and execute future directions (what kind of skills are required in the long run, demography, technology trends).

The availability of workforce in the right quality and quantity influences economic decisions. For this reason, it is an essential interest of labour market stakeholders to do the utmost to prevent long-term and deep imbalances. The dissertation has concentrated on what (automotive) companies can do to optimize the situation (that does not exempt the other stakeholders). In case companies and leaders do really realize and accept they can actively participate in the efficient and successful HR processes, the negative impact of labour market challenges can be also reduced.

7. Relevant Publications

Peer-reviewed Scientific Journals

Mesics, Olívia (2012): Változásmenedzsment vezetői szemmel. Virtuális Intézet Közép-Európa Kutatására Közleményei. IV. évfolyam 4. szám (No. 10.) A-sorozat 2. Gazdálkodás és szervezéstudományi tematikus szám. Szeged 2012. p. 215-225. ISSN 2062-1396

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Mesics Olívia-Soós Balázs (2012): Jól menedzselt változások – motivált munkavállalók. A gazdasági fejlődés fő hajtóerői (Munkahelyteremtés- hatékonyság – innováció). Nemzetközi Tudományos Konferencia tanulmánykötet, Sopron 2012. november 12., p. 949-960. ISBN:978-963-9883-99-4

Mesics Olívia (2015): A probléma-megoldási képességek fejlesztésének szükségessége a változások menedzseléséhez. In: Innovatív lehetőségek a valós és virtuális világokban. Nemzetközi Tudományos Konferencia tanulmánykötet, Sopron 2015. november 12., p. 263-269. ISBN: 978-963-334-265-7

Further Publication

Mesics Olívia (2015): Menedzsment és vállalatgazdaságtan jegyzet. Készült a TÁMOP 4.1.1.F-14/1/Konv-2015-0014 számú, „DUÁLGÉP – A szombathelyi duális gépészmérnöki képzés fejlesztése, együttműködve a kiemelt járműipari központ gazdasági hálózatával” c. projekt keretében. V. félév Gyakorlatot oktató vállalat: Opel Szentgotthárd Kft., Verzió: 1/2015., Szombathely, 2015.

