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## **Innovative trends in human resource management: a case study of Lithuanian and Latvian organisations**

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**Abstract:** The article discusses innovative trends and significant aspects of human resource management practices in the context of high-performance human resource management regarding the challenges of sustainable development and the needs of innovations deployment to management practice. The authors carried out a theoretical analysis of various significant functional areas of human resource management practices and a comparative expert evaluation of the situation in Lithuanian and Latvian organisations under the conditions of European integration. A theoretical analysis shows that innovative trends in human resource management are related to the integration of sustainable development ideas and principles of social responsibility and flexicurity in human resource management practices. The results of expert evaluation of human resource management practical areas in the organisations of Latvia and Lithuania convey the trends of human resource management development in terms of a set of performance enhancing human resource management practices. The directions for future research of the innovative trend in effective human resource management practices are proposed.

**Keywords:** innovation; human resource management; HRM; case study; Lithuania; Latvia.

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**Biographical notes:** Liudmila Lobanova holds a Master's degree in Psychology from St. Petersburg University (Russia). For more than 15 years she has been lecturing at the Faculty of Business Management of Vilnius Gediminas Technical University. She has gained considerable experience in the area of counselling and developing of human resource management. Her main research interests are related to issues of innovation in human resource management, such as staff selection and competence assessment. She has conducted a few research and development projects on civil servants selection in Lithuania. Also, she is a co-author of several human resource management textbooks.

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## 1 Introduction

The future of the world as well as the future of all the countries of the European Union (EU) depends on the sustainable development and the creation of knowledge-based society and innovative economy. The sustainable development is a process of change, in which the exploitation of resources, the direction of investments, the orientation of innovative technological development and institutional changes are consistent with each other and strengthen the current and future potential to meet the human needs and aspirations.

Different approaches to sustainable development have been classified according to the scope of change they advocate (Hopwood et al., 2005). First, those that argue for minor adjustments or status quo; second, those that advocate a reform in how we relate to the environment; and finally, there are approaches that promote fundamental changes in the relationship between humans and the environment. The approaches typically correspond with the political and philosophical outlook of its proponents. The discourse of sustainable development entails certain unquestioned assumptions about the society, the nature, economies and their relationships.

More important changes in economy are related to innovation and its integration into society, people's lives which results in the increase of the comfort of living. Major changes in the increase of social life and social welfare are related to social innovation and its integration in the management of organisations.

According to the latest data from the annual survey *Innovation Union Scoreboard* the innovation performance of Latvia over the years 2010–2011 scored the 25th place and Lithuania – the 23rd place among the EU Member States (*Innovation Union Scoreboard 2013*). Such a low level of innovation performance of both the countries points to the extremely poor situation in innovation area. Nevertheless, the annual average growth rate of innovation performance of both the countries over a period of 2008–2012 is significantly higher than that of the EU. The EU's annual average growth rate of innovation performance reached 1.6%, but Lithuania and Latvia improved at average annual rates of 5.0% and 4.4% respectively. In compliance with the survey data, one of the relative strengths of both the countries is in the innovation's dimension 'human resources' (HRs), i.e., in the availability of high-skilled and educated workforce. So,

valuable HRs require proper management at macro and micro levels. This article focuses at the micro or organisational level of human resource management (HRM).

The aim of this paper is to identify the innovative trends and significant aspects of HRM practices in the context of high performance HRM with regard to the challenges of sustainable development and the needs of innovation deployment to management practice. To assess the status and priorities of the main practical areas of HRM, this paper presents the results of expert evaluation of HRM in the organisations of Latvia and Lithuania in terms of a set of performance enhancing HRM practices. A greater use of performance enhancing HRM practices is associated with higher levels of employee commitment and contribution and in turn is linked not only with higher levels of productivity and quality of services, but also with the social quality of society.

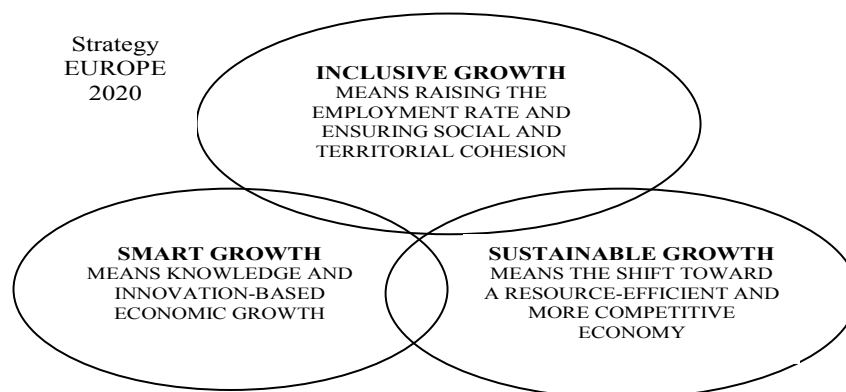
## 2 Challenges to the HRM regarding the sustainable development needs and innovative trends in economy and society

As presented in scientific papers, the interpretation of the concept of sustainable development and the implementation of management initiatives for sustainable development reflect a wide range of interest in this issue: from the ideas of planetary (World Commission on Environment and Development, 1987; *The Millennium Development Goals Report 2011*) and continental strategies (*Europe 2020: Europe's Growth Strategy*) to concepts of sustainable organisation (Bagdonienė et al., 2009) and the theory of 'sustainable management of human resources' (Ehnert, 2009; Zaugg et al., 2001).

The concept of sustainable development is currently focused on society (Baker, 2005) and is getting globally recognised as a paradigm of human development. However, in recent research papers – a few new interpretations of the concept of sustainable development are offered and the implementation of management initiatives for sustainable development, reflecting a wide range of interest in this subject, is suggested.

The European Social Fund, as the EU tool for promoting investments in HRs, should support three priority issues of the strategy Europe 2020, i.e., smart, inclusive and sustainable growth (Figure 1).

**Figure 1** Areas of Europe 2020 strategy



Sustainable growth means as follows: building a more competitive low-carbon economy that makes efficient, sustainable use of resources; protecting the environment, reducing emissions and preventing biodiversity loss; capitalising on Europe's leadership in developing new green technologies and production methods; introducing efficient smart electricity grids; harnessing EU-scale networks to give our businesses (especially small manufacturing firms) an additional competitive advantage; improving the business environment, in particular for SMEs; helping consumers make well-informed choices.

Smart growth means improving the EU's performance in the following areas: education (encouraging people to learn, to study and update their skills); research/innovation (creating new products/services that generate growth and jobs and help address social challenges); digital society (using information and communication technologies).

Inclusive growth means as follows: raising Europe's employment rate – more and better jobs, especially for women, young people and older workers; helping people of all ages anticipate and manage change through investment in skills and training; modernising labour markets and welfare systems; ensuring the benefits of growth reach all parts of the EU.

Regarding the priorities of 'smart growth' and 'inclusive growth', there are many practices or tools of HRM that could enhance knowledge and skills acquisition, development and realisation of innovation, as well as that could support the employment of different groups of workforce at organisational level. Most of these practices are known as practices related to such concept as learning organisation, talent management, employee engagement, flexibility etc.

The importance of the development of HRM practices is more often associated with special attention to such priorities as research and innovation (by creating new products/services that generate growth and jobs and help address social challenges), raising Europe's employment rate (by creating more and better jobs) and modernising labour markets and welfare systems.

At the present stage of the EU expansion, it is clear that the statement of the targets and formulation of slogans, as well as drastic consolidation of finances are not sufficient for solving the problem, which is much more complicated than it may seem to the 'development bureaucrats'. The targets set as well as the measures and financing suggested for particular EU development stages (the EU institutions revise their policy every seven years with the next stage of programme development beginning in 2014) can hardly be effective in the absence of fundamental research into the problem of sustainable development that is required for its successful solution.

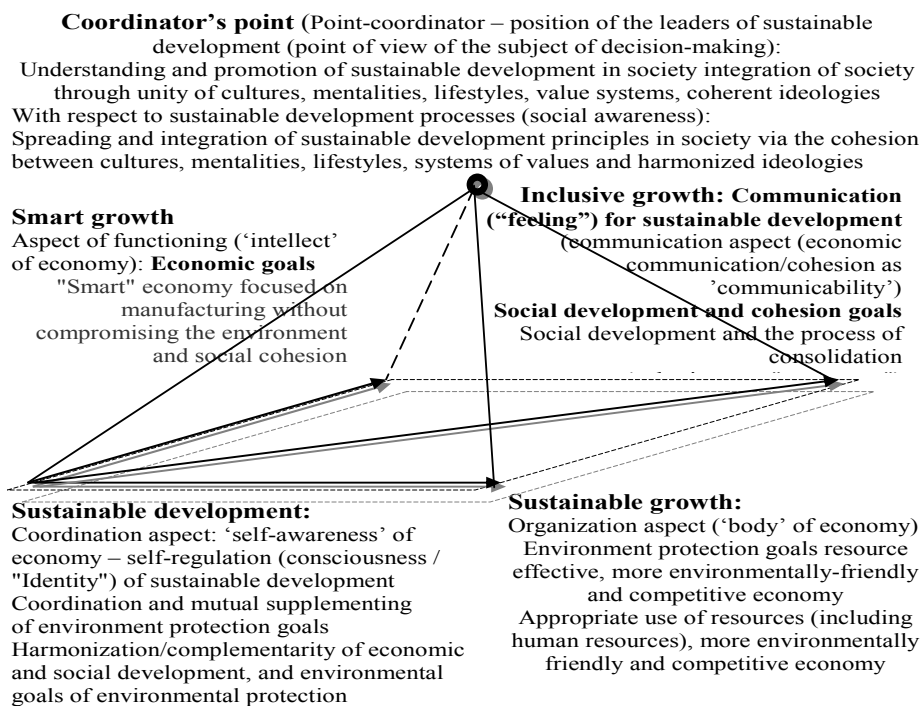
Though the ideas of intensifying the sustainable development and cohesion have become an inherent part of the EU integration policy, a lack of respective research, particularly, into the cohesion problems the decisions of which would be associated with HR practices development (Lobanova, 2012), as well as insufficient efforts of the dissemination of these ideas in the society (though it could be an effective measure of cohesion promotion), can be observed.

These disadvantages at the conceptual level, including uneven and insufficient spread of the ideas and a lack of empirical research will be 'compensated' in reality, when the implementation of the ideas turns into a social experiment with hardly predictable and removable outcomes (which has already become clear during the global economic crisis).

The open method of cooperation has not become an effective EU management method (Nakrošis et al., 2007; Zeitlin, 2005), but the coordination model (Figure 2) based on quality structures method introduced by I. Kalinauskas (cited from Lobanova, 2012) is more perspective and simple enough to be explicated in management theories (Lobanova and Melnikas, 2012; Lobanova, 2001, 2003, 2008; Grigas, 2001).

The concept of sustainable development includes the synergy effect under the condition that its growth is uniform in all directions. However, if the growth rate in one direction starts to exceed that in the others (e.g., in the case of the excessive growth of production or consumption), the system gets out of balance, i.e., the essence of the sustainable development idea is lost. The inclusive growth performs a dual function in this model, associated with the direction of sustainable development and economic communication, thereby harmonising the subject and direction of sustainable development in the cohesion processes. This can be clearly observed in considering the universal character and diversity of the cohesion concept.

**Figure 2** The coordination model of sustainable development



Source: based on the studies by Lobanova and Melnikas (2012), Lobanova (2001, 2003, 2008) and Grigas (2001)

It is clear that the implementation of the ideas of increasing sustainable development and cohesion in the whole EU is a very complicated problem. Therefore, the scope of further analysis will be narrowed to include the cohesion challenges only with respect to HRM at the organisation level (Lobanova, 2012).

### **3 Progressive changes in the HRM practices**

Though the HR concept was first used in the sixth decade of the 20th century, two decades after the appearance of HRM models in the literature (the Michigan model: Devanna et al., 1984; Harvard model: Beer et al., 1984) and their spread (in the 90s, the teaching of various aspects of HRM was started at universities and business schools), the problem of HRM is still being discussed and new approaches to its analysis are being suggested. Thus, in the first decade of the 21st century, the efforts were made to consider workforce as a strategic business partner, rather than the system of an organisation, 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, 2009; Hanada, 2000; Sinha, 2011).

The integration of the ideas of HRM into traditional systems of personnel management may be considered to be a great achievement. The models of HRM, 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 organisation's efficiency. Moreover, the Harvard model provided a possibility to approach HRs as valuable resources of the organisation.

The European HRM model gave rise to heated discussions and interpretations (Brewster et al., 2004) in comparing HRM methods used in Europe and in the USA. The attention was drawn to the fact that the context of the situation in HRM in European organisations (background, meaning, relationships) differs from that found in the USA, the country where the first models of HRM originated. The European (the so-called 'contextual') HRM model emphasises that the management of the state, market and work relations is a specific management combination, becoming highly efficient in the EU. The main advantage of the European HRM model is that the external factors are given the greatest attention, allowing the organisations to freely decide how much attention to pay to every particular factor. The authors also emphasised that the above approach would allow the organisations, working under similar conditions, to choose other HRM strategies than those 'recommended' by some popular models and still to achieve good results. The relationship between the level of HRM and the welfare of a particular state was sought by considering the problems associated with issuing labour market laws and trade union involvement.

Taking into account the changes that have occurred in the HRM paradigm since the middle of the last century (Table 1) we assume that significant changes in attitudes can be interpreted in accordance with sustainable development trends.

The initial progressive changes are associated with the legal regulation of building the employment relationship, personnel management methods and tools for differentiation. Conceptual HRM approaches were introduced at the beginning of the seventies of the 20th century and diverse models of HRM development appeared in the eighties.

An essential statement (hypothesis) of HRM model proposed by Guest (1997) and Guest and Conway (2004) claims that the HRM practices are an applied art or consistent and smooth way of describing how to combine high normative goals of the organisation, employee commitment, high quality, and task flexibility to obtain a higher individual performance. According to Guest and Conway (2004) there has been some progress in conceptualising the focus of the HR system, reflected in the growing consensus that a

‘high performance’ HR system should be designed to ensure that workers possess high skills and competence, a high level of motivation and the opportunity to contribute discretionary effort. The combined effect should be superior performance (Appelbaum et al., 2000; Becker et al., 1997; Delery and Doty, 1996; Guest, 1997; MacDuffie, 1995). Since each of these elements is essential, the HR system should consist of an appropriate combination of practices designed to elicit them.

**Table 1** Retrospective of HRM paradigms

| <i>HRM</i>   | <i>Human resource development</i>  |
|--|--|
| <i>HRM paradigm’s evolutionary retrospective</i>   | <i>HRM paradigm’s development perspective</i>  |
| <ul style="list-style-type: none"> <li>• Labour relations development (1950–1965)</li> <li>• Personnel management (1966–1972)</li> <li>• Human resources management (1973–1989)</li> <li>• Human resource development (1990–)</li> </ul> | <ul style="list-style-type: none"> <li>• Structured training</li> <li>• Skills development training</li> <li>• Human resource development training</li> <li>• Career development and talent management</li> <li>• Organisational coaching</li> </ul> |

*Source:* Hanada (2000)

The structure of Guest model (Guest, 1997) model consists of the following six components (Table 2): an HRM strategy; a set of HRM practices; a set of HRM outcomes; behavioural outcomes; a number of performance outcomes; financial outcomes.

**Table 2** HRM model proposed by Guest

| <i>An HRM strategy</i>       | <i>A set of HRM practices</i>                    | <i>A set of HRM outcomes</i> | <i>Behavioural outcomes</i>                   | <i>A number of performance outcomes</i>                                      | <i>Financial outcomes</i>          |
|------------------------------|--|------------------------------|---|--|------------------------------------|
| Differentiation (innovation) | Selection<br>Training                            | Commitment                   | Effort/motivation                             | <i>High:</i><br>Productivity   | Profits                            |
| Focus (Quality)              | Appraisal<br>Rewards                             | Quality                      | Cooperation                                   | Quality<br>Innovation  | ROI:<br>return on invested capital |
| Cost (cost-reduction)        | Job design<br>Involvement<br>Status and security | Flexibility                  | Involvement<br><br>Organisational citizenship | <i>Low:</i><br>Absence<br>Labour turnover<br>Conflict<br>Customer complaints |                                    |

*Source:* Guest (1997)

Meanwhile, the generally low uptake of HR practices gives alert organisations 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 et al., 2000) covered 835 private sector organisations. 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 organisation 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 harmonised holiday entitlement.

The results obtained by other researchers (Purcell et al., 2003; Thompson, 2002; West et al., 2002; and others) show, that there is a relationship between the development of HRM practices and organisational 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. The research outcomes presented by West et al. (2002), identified an association between certain HR practices and lower mortality rates. The 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 cooperation, collaboration, innovation and synergy in teams for most, if not all employees, the whole system functions and performs better.' A longitudinal study of 12 companies carried out by University of Bath seeking to establish how people management affects organisational performance (Purcell et al., 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, which is primarily the task of line managers.

In his further studies Guest et al. (2004) discovered that there are some combinations of HRM practices that are more effective for innovation. So, the combination of performance appraisal applied to more than 75% of employees with the extensive use of employee involvement practices, e.g., a job designed to be more interesting significantly associated with the employees' innovative behaviour. Besides, the Guest et al.'s (2004) research revealed the consequent interaction between employees' innovative behaviour and practices related to employees training and development. It should be noticed that 'innovative behaviour' was measured with two items: 'there is a great deal of innovation coming from employees here' and 'the organisation is satisfied with the amount of innovation and new ideas coming from employees'.

According to Armstrong (2010), the research on the link between HRM and firm performance is helpful, because it confirms the benefits of HRM practices in organisational performance. Armstrong provides his version model of the HR practices that influence the performance (Table 3).

**Table 3** The HR practices that influence the performance

| <i>HR practice area</i>                         | <i>Manifestation of the influence</i>  |
|---|--|
| Attract, develop and retain high-quality people | Match people to the strategic and operational needs of the organisation. 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 organisation.                            |
| Talent management                               | Ensure that the talented and well-motivated people required by the organisation are available to meet present and future needs.  |
| 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 develop 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 organisation'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 organisational 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 organisation.   |
| 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 organisation and want to go on working there, and that they take action to achieve organisational and individual goals.   |
| Psychological contract                          | Develop a positive and balanced psychological contract, which provides for a continuing, harmonious relationship between the employee and the organisation.  |

*Source:* Armstrong (2010)

**Table 3** The HR practices that influence the performance (continued)

| <i>HR practice area</i>   | <i>Manifestation of the influence</i>  |
|---|--|
| 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 behaviours 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 et al., 2003): that is, a clear vision and a set of integrated values. Make the organisation ‘a great place to work’.  |

*Source:* Armstrong (2010)

The opinion presented by Armstrong (2010) confirms that 18 HRM practice areas derived by Guest (1997) and Guest et al. (2000) 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.

## **4 Lithuanian and Latvian expert opinion on the spread of HRM practices**

### *4.1 Data collection*

The Lithuanian and Latvian expert groups were formed using the opportunity sampling method. The experts were selected by the criterion of competence in the field of HRM, 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 consisted of the list of 18 HRM practices marked out by Guest (1997) and 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 sector organisations. The evaluation was based on a five-point Likert scale, with ‘0’ indicating ‘this practice is almost not conducted in organisations’, and ‘4’ indicating ‘this practice is conducted in organisations very extensively’.

The first version of the relevant questionnaire was developed for Lithuanian experts. After the survey of these experts the Latvian version of this questionnaire was designed

so that both versions would be similar to ease the further comparison of the opinion of Lithuanian and Latvian experts. Constructing the Lithuanian version of the questionnaire the back-translation of the Guest’s list of HRM practices and the approval of two to three experts were applied. The Latvian version of the questionnaire was designed similarly, apart from the fact that it was necessary to attune the descriptions of practices to those that were formulated in the Lithuanian version.

*4.2 Characteristics of expert groups*

The 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 organisation or a group, HRM, 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. As for the expert experience in the HRM field, half of the experts in the Lithuanian group have relevant experience of more than five years (Table 4).

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

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

The similar pattern characterises the Latvian group of experts. All Lithuanian and Latvian experts have obtained at least master’s degree. Four Lithuanian and two Latvian experts have doctor’s degree. Four Latvian experts are doctoral students. Most of the experts have education in social sciences (14 – Lithuanian experts, 13 – Latvian experts).

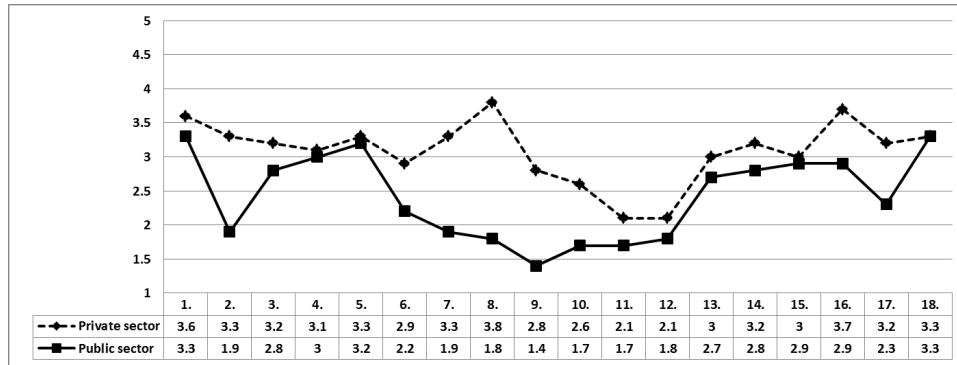
*4.3 Findings and discussions*

For the statistical analysis of the obtained empirical data the initial scale of evaluation of the spread of HRM practices was transformed into 1–5 scale, avoiding value ‘0’. Thus, value ‘1’ means answer ‘this practice is almost not conducted in organisations’, and value ‘5’ means ‘this practice is conducted in organisations very extensively’. The average scores of the Lithuanian experts group are shown in Figure 3. The evaluated HRM practices are labelled ‘1’, ‘2’ and so on, and these labels correspond with those, that are observed in the Guest’s list of effective HRM practices (see Section 3 of the article).

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 datasets. The Wilcoxon test reports that there is a significant difference between average scores of private and public sectors’ evaluation (at *P* less than 0.05). The average score of the spread of effective HRM practices in private sector is higher than the average score given for public sector. As

seen in Figure 2, the evaluated spread of almost all effective HRM practices in the private sector is more or less higher than the one in the public sector, except for the only practice ‘harmonised holiday entitlement’. Experts almost similarly rated the spread of the practice listed last in private and public sectors.

**Figure 3** The average scores of the spread of effective HRM practices in Lithuanian organisations given by Lithuanian experts



Considering the experts’ opinion about the spread of effective HRM practices in organisations of the private sector, the maximum score is 3.79 and it is associated 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) which indicate the experts’ view that these practices are not popular in organisations of the private sector. The spread of other practices is rated at the middle level.

Overall, the survey results of the Lithuanian experts’ opinion are rather good, yet not quite satisfying. According to the experts’ view, there are a lot of possibilities to develop HRM in organisations of the private sector. Especially it refers to the employee engagement into the processes of problem solving and quality improvement, thus enhancing the employee quality and flexibility.

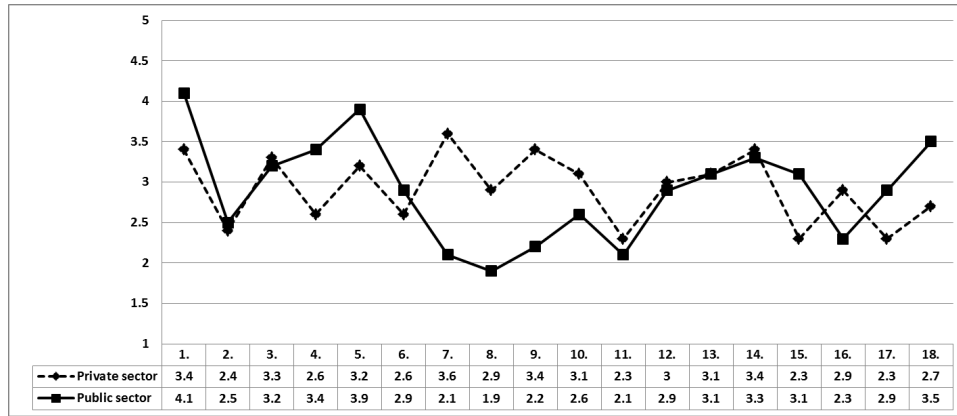
Looking through the experts’ opinion about the spread of effective HRM practices in public sector organisations, a less optimistic pattern is observed. The maximum score is 3.33 that belongs to two practices – ‘realistic job previews’ and ‘harmonised holiday entitlement’, but minimal score is 1.44 concerning 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 according to the views of experts, the listed practices are not quite prevalent in public sector organisations. Consequently, there is much to do for providing high quality, commitment and flexibility of the employee.

Some positive changes in HRM of public sector in state organisations in Lithuania started from January 2013, when Civil Service Department became an independent institution (until this period its status was Civil Service Department under the Ministry of

the Interior of the Republic of Lithuania), whereas since June 2013 a new formalised system was launched for civil servant recruitment and selection. This system is based on competency models, which will be applied to the assessment of public servants and for civil servants training strategy development. It is likely that these innovations in the future will increase the scores of such practice as ‘use of psychometric tests for selection’, ‘multi-skilling’, ‘individual performance-related pay’ and others important areas of HRM activities.

The average scores of the Latvian expert group are shown in Figure 4. The Wilcoxon test reports that there is not any significant difference observed in average scores of the evaluation of private and public sectors (at *P-value* less than 0.05). The average scores of the spread of effective HRM practices in private and public sectors are similar.

**Figure 4** The average scores of the spread of effective HRM practices in Latvian organisations given by Latvian experts



The highest rated practice of private sector’s organisations 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 organisations. 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 HRM of private sector organisations.

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 realised, rather than underutilised. The Latvian expert evaluation revealed a similar situation in terms of the spread of effective HRM practices in both the private and public sector organisations.

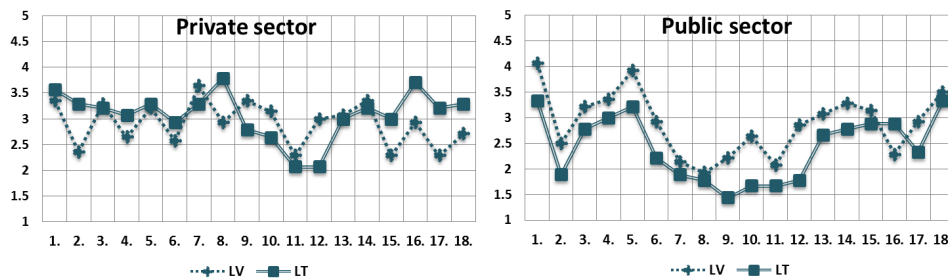
So far there is not any available representative data that describe the HRM features, trends or problems in Latvian private sector organisations. The existing accessible, more or less representative data from relevant studies reflect the situation in HRM at

organisational level as a whole ignoring the differences between the private and public sectors.

Some positive changes in HRM of public sector organisations have resulted from important innovation undertaken since 2005. The initiated reforms were focused to improve public administration by creating the unified and strategic HRM. In the frame of these reforms, the competence approach is integrated into system of job classification that serves for determination of salary level of most jobs existing in public sector. In 2012, the competence approach was introduced into performance appraisal of civil servants. Gradually, the competence approach was planned to be integrated in other processes of HRM such as the personnel planning and selection, the development of job description, the personnel development and career planning. In 2013 the flexible working time arrangements were planned to be implemented for employees of Direct Administration Institutions.

The comparison of the results of Lithuanian and Latvian experts' evaluations is presented in Figure 5.

**Figure 5** The average scores of the spread of effective HRM practices in Lithuanian and Latvian organisations given by Lithuanian and Latvian experts (see online version for colours)



The statistically significant differences of these results were analysed 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 in the evaluation of Lithuanian and Latvian experts' average scores of public sectors' organisations (at  $P$  less than 0.05). The spread of effective HRM practices in Latvian organisations of public sector is rated by Latvian experts as higher than average score given by Lithuanian experts for Lithuanian organisations of the same sector. The largest differences of both experts groups' evaluations relate to practices 'presence of problem-solving groups' and 'multi-skilling', which are considered as rarely conducted in the domestic public sector by Lithuanian experts, whereas Latvian experts consider them to be 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 public sector organisations is evaluated as less spread than that for Lithuanian organisations.

Meanwhile, there is no significant difference between both expert groups' average scores of the spread of effective HRM practices in private sector organisations.

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 organisations of private sector than Latvian experts did.

The survey of Lithuanian and Latvian experts' opinion reports the relatively low level of development of effective HRM practices in domestic organisations, especially in public sector. The experts' poorer evaluation of HRM situation in public sector can be explained by monopolistic position of public organisations, but in case of the institutions of public services, it could also be explained by constraints of allotted budget. Thus, public organisations do not have serious threats for their existence or experiencing the limited financial possibilities, they do not take sufficient efforts for effective HRM. In relation to both public and private organisations, less developed HRM could be also associated with cultural attitudes and traditions in relationships of employment that is mostly derived from the system of economy planned by socialists and characterised by the personnel administration approach to employees.

## **5 Innovative trends of contemporary HRM practices**

The innovation process is defined as the development and selection of ideas for innovation and the transformation of these ideas into innovation (Jacobs and Snijders, 2008). The innovation process has become more complex, more interdisciplinary, more integrated and more connected with its internal and external environment (Lauzikas and Miliute, 2011). According to Prahalad and Ramaswamy (2004), the prerequisites for integration of innovation, marketing and HR functions should be developed in order to convert 'the market into a forum where dialogue among the consumer, the firm, consumer communities, and networks of firms can take place'. The value added from each competence and innovative idea is more of sustainable and continuous character, where 'important thing is not one specific piece of knowledge, but an entire package that includes knowledge about clients, competitors, local institutions, suppliers etc.' (Bjerre and Sharma, 2003). Lauzikas and Miliute (2011) draw attention to the fact, that this statement supports the importance of integrating research and development (R&D), marketing and HR functions within the innovation process. In support of Schmookler (1966) and Utterback (1974), the same authors (Lauzikas and Miliute, 2011) claim that, based on the demand pull theory, innovation is the result of a demand and not the result of pure scientific research looking for an application. Utterback (1974) argues that from 60% to 80% of important innovations in many fields have occurred in response to market demands and needs.

All major changes in HRM theories and practices have emerged in response to social development challenges. Taking into account the new demands and challenges of European integration and the EU expansion, the solutions helping to implement common European standards, to meet the needs for consistent implementation of the sustainable development and cohesion principles as well as to address multiculturalism challenges, should be sought (Lobanova, 2012) by improving the potential of HRM practices and

integrating innovative solutions to HR practices. The latest innovative decisions introduced in HRM practices are related to the principles of flexicurity and social responsibility.

The current transformations observed in HRM theories can be considered as a response to the changes in HRM practice, for example, challenges of sustainable development and cohesion processes as well as reaction to the demand for integrating the principles of flexurity and social responsibility into HR practices. The organisation sustainability research study (Grunda et al., 2011) has shown that most of the indicators represent various impacts on the environment and the society. According to these authors, in order to evaluate organisations, one needs certain data that could be evaluated afterwards. Therefore, measuring and evaluating the sustainability of an organisation requires the calculation of indicators, and then the evaluation of good or bad, satisfactory or unsatisfactory nature of the values of indicators.

This article presents a number of the most relevant changes taking place in management of organisations, as well as innovative trends visible in HRM practice, the value of which is of great significance to the public welfare. These changes have already made a crucial impact on the improvement of HRM theories and are likely to increasingly alter them respectively.

Innovative trends in HRM theories emerge as a response to the ongoing changes in HR practices, as follows:

### *5.1 Response to the changing conditions of competition by more efficient use of HRs.*

This was also associated with a possibility of creating the welfare in a particular enterprise, region or country in the '80s, when the discussion mainly focused on two problems: the efficiency of the US worker (particularly, compared to the efficiency of a Japanese worker) and the decreasing growth of innovations in the US industry (Devanna et al., 1984; Kotler and Lee, 2005). Now these problems are topical in countries which have integrated into the EU for the last ten years (Lebas and Lauzikas, 2009; Sedziuviene and Vveinhardt, 2010; Melnikas et al., 2011; Мельникас et al., 2013).

Then, the need emerged for the development of conflict-free work relations (Lin, 2002), when the employers and employees are working towards the same aims, seeking the success of an organisation. The concepts based on the employees' loyalty and responsibility pointed out another trend in discussing management practice and HRM competence. It should be noted that the 'soft' HRM version (Storey, 1992) pays the greatest attention to HR issue, emphasising the guaranteed employment, continuous development, effective communication, staff involvement and quality of the working life. Though the first HRM concepts originated in the USA, they agree with the European cohesion policy statement. At the same time, the 'hard' HRM version emphasises the profit obtained from the investment in HRs, relating it with the company's interests (Lengnick-Hall and Lengnick-Hall, 1990), as well as compromising, good will, responsibility and communication at all functional and hierarchical levels.

### *5.2 Response to challenges of social responsibility*

At the end of the 20th century, the growing globalisation of economy stimulated the interest in social responsibility of enterprises. A theoretical analysis of social



responsibility of enterprises has a long history. The researchers were finding its principles in various social science concepts, the discussions about social responsibility of enterprises were organised in the '70s and '80s of the 20th century, when the new area and discipline of management science – business ethics was being developed in the USA (Atkinson and Da Voudi, 2000; Vasiljeviene and Vasiljevas, 2008). Social responsibility is defined as an improvement of life quality (Guest and Conway, 2004) in the way suitable not only for business, but for society as well (Jonker and Marberg, 2007; Mankelov and Quazi, 2007). Enterprise responsibilities for society and the sustainable development are strongly emphasised. All definitions of social responsibility include three main areas: attitudes to society, environment protection and employees. It is also emphasised that social responsibility is closely related to sustainable development (Grybaitė and Tvaronavičienė, 2008). The main issues relating to social responsibility development are as follows: competitive enterprises under the conditions of ever changing global economy, safe and clean environment, strong social cohesion, transparent and ethical business.

### *5.3 Response to diversity management challenges (ensuring equal rights), including the problem of gender equality.*

For a long time, managers were thinking that the employment diversity consisted in giving work to as many as possible people of different genders, nationalities and religions, i.e., employing the workforce from the social 'insufficiently represented' groups. However, the diversity experts started to doubt about the 'positive character' of this action. They noticed that people representing the diversity usually stayed in the Department of Human Resources. The Costs and Benefits of Diversity (Keil et al., 2007) noted the trend of employees to moving beyond the Department of Human Resources. Based on this study, five main advantages of enterprises pursuing an active diversity policy were identified:

- a keeping the cultural values within a company
- b enhancing the staff prestige
- c helping to attract and retain clever people
- d encouraging staff motivation and productivity
- e encouraging the innovatory spirit and creativity of employees.

The main benefit gained by such enterprises from diversity is that the latter is useful not only for a particular department, but for the whole company as well. The integration of diversity management into everyday company's management is a very important factor. Based on the above considerations, we may define diversity management as follows: diversity management is an active and deliberate future development, oriented to value-based enterprise strategy; it is a management process, based on the use of particular differences and similarities as enterprise potential; it is a process aimed at creating enterprise values. Finally, diversity management can only be realised in the climate of high morale and legality. It is important that both enterprise ethics and policy should

reflect its attitude to anti-discrimination. The observance of human rights should be one of the enterprise traditions.

#### *5.4 Response to the growing need for intensifying the cohesion processes under the conditions of the EU development and expansion.*

The first steps were made toward the evaluation of HRs (workforce) as a business partner (early in the 21st century), but the global economic crisis interfered with this process. It raised new economic challenges to HRM and slowed down the process of social cohesion.

The second decade of the 21st century introduced new challenges for the improvement of HRM in response to the EU integration trends the guidelines of which are specified in Europe 2020 and Europe 2030 strategies which provide Europe with a sustainable development perspective.

## **6 Conclusions**

The development of HRM paradigm over the last period drew attention of both business management practitioners and public management strategists because it suggested that, in time perspective, the HRM practice and the organisation's efficiency are likely to be correlated. This paper identifies the significant aspects of HRM practices in the context of high performance HRM due to the challenges of sustainable development and the needs of innovations deployment to management practice. A theoretical analysis of various significant functional areas of HRM practices and a comparative expert evaluation of the situation in Lithuanian and Latvian organisations under the conditions of European integration reveal the main HRM problems associated with a lack of innovation development in Latvia and Lithuania.

This paper presents the results of expert evaluation of HRM in the organisations of Latvia and Lithuania in terms of a set of performance enhancing HRM practices. Expert evaluation was based on 18 practices of HRM, which are considered significant for the organisation performance. This expert evaluation shows no significant differences observed in the area of HR practices in Latvian and Lithuanian organisations.

The insufficient spread of effective HRM practices in Lithuanian and Latvian organisations, revealed in expert survey, signals that there is a necessity for further researches and improvements in the field of domestic HRM related to both the theory and practice. It is necessary to investigate the association between effective HRM practices and performance outcomes, as well as to verify the difference of this association in various types of organisations. The results of expert evaluation of HRM practical areas in organisations of Latvia and Lithuania convey the trends of HRM development in terms of a set of performance enhancing HRM practices.

This paper reveals that innovative trends in HRM theories are responding to the ongoing changes in HR practices, as follows: changing conditions of competition by more efficient use of HRs, challenges of social responsibility concepts, the diversity

management challenges that ensure equal rights and include the problem of gender equality, the growing need for intensifying the cohesion processes under the conditions of the EU development and expansion.

The changes predicted for the second decade of the 21st century are associated with innovative trends in HRM practices, transformation of public management principles and HRM practices in state organisations towards cohesion and partnership between public and private sectors by involving social market models, a mix of flexicurity and social responsibility principles that is integrated into organisation management practices the entirety of which could promote the transformation of HRM doctrine.

The future research should explore the spread of effective HRM in Lithuanian and Latvian organisations to seek for HRM decisions that may promote the spread of innovation development.

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