

Does eWork indicate differences in development of business organisations in East-Central Europe?

The case of outsourcing generic business services

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Abstract

Based on the empirical data of the 18-country employer survey of the EMERGENCE project, the authors illustrate the diffusion of e-work in three East-Central European countries. Following the introductory section on some mainstream views of the transformation economies and the methodology of the project, the paper compares the practices of generic business services. The establishments surveyed in the post-socialist economies show both similarities and differences in their micro-institutional patterns if compared to those in the EU (15) countries. As regards similarities, with the exception of 'customer services', the traditional forms of outsourcing business functions are still dominant over 'e-outsourcing'. The ratio of concentration of business services in the establishments is higher in the NAS (3) than in the EU (15), which can be attributed to the more mature state of the SME sector in the EU (15). Finally, the authors call attention to the complex role of regulations in practising business services and also to the need of further research to reveal the functions that micro and small firms can play in the e-economy.

1. Models of transformation: combination of the 'system specific' and the 'generic changes' in the East-Central European Region

The mainstream view among the economists and political scientists – observing and advising the transition process from planned to market economy of the formerly state-socialist countries of East-Central Europe¹ – regarded the change as from one type of political-economic regime to another, ignoring any institutional continuity. The 'transition' was interpreted as an once-and-for-all shift from a political-economic regime based on the logic of central planning to another regime based on the logic of the market. This approach is often characterised by the '0 sum game' model of society, according to which the triumph of one social-economic system implies the complete failure of the other. The societal developments seem to follow the rationality of revolution: without the complete destruction of the old institutions it is almost impossible to create genuinely new institutions of the market economy. This view of transition is related to a variety of other concepts. First, the *legacy of the socialist past represents institutional deficiency* and limits the speed of diffusion of the market-economy institutions or slows down the transformation process. Secondly, it *overestimates the level of institutional coherence or homogeneity* of the

former socio-economic regimes and neglects the diversity of regulations governing both individual and collective actions (Makó – Simonyi, 1992: 36-41).

Another, more balanced view – but less popular both in the academic community and among the new political and economic actors – refutes the *'institutional vacuum' argument* of the transformation.² This approach recognises the role of *'path-dependence'* in the emerging new market institutions (e.g. privatisation, creating autonomous labour relations system, governance structures of the firms, implementing *'leading-edge'* management practices, etc.), the core importance of which is to better understand the variety of development trajectories in the post-socialist economies in the ECE region. As a representative of evolutionary development noted; *'Path-dependent emergence of a new, post-socialist form of capitalism calls for a complex evolutionary interpretation of this great transformation, as opposed to the big bang view, as the metaphor itself suggests, which forgot something historical was there before'* (Chavance, 1995: 288).

One of the most important lessons learnt from more than a decade long experiences of institutional changes in the post-socialist economies in the ECE region is the necessity to use the *evolutionary interpretation of the socio-economic changes as opposed to the 'big-bang' or 'instant-capitalism' views*. The other lesson is that the *development of the post-socialist firms and management has been uneven*. In this respect we have to note that it is not only privatisation itself that is important, but also the *'filters' through which it is experienced by the social actors* (owners, managers, state, workers and their interest representation organisations). On evaluating the impacts of transferring managerial skills and organisations, it is worth calling attention to the *risk of the mechanical and 'undersocialised' interpretation of the 'transfer'*. To understand the learning of new values and new patterns of behaviour of both local and foreign managers and employees, it is necessary to treat organisational learning not only as interactive but also as multi-dimensional. Distinction should be made between *'technical-professional' versus 'social-cultural' and 'formal-explicit' versus 'tacit or hidden'* forms. Finally, the *tempo* of the transformation process itself is also different in the three Central European countries surveyed. In addition to the undeniable dependence on past experiences (*'path dependency'*) the *new model-creator roles of such economic actors as foreign owned firms, especially the norm-setting role of green-field investments of multinational corporations (MNCs)* should also be mentioned (Makó, 1997:119). According to our experiences, green-field sites function as accelerators of the diffusion of *'leading-edge'* concepts and practices. To understand the impact of Foreign Direct Investments (FDI) – a key component of the multidimensional process of globalisation – it is worth noting the heavy presence of foreign affiliates both in manufacturing and in the service sectors.³

2. Roles of institutions in transferring organisational practices in the context of globalisation

Changes related to the transformation from state-planned to market economy are often called *'system specific'* in contrast to the *'generic'* changes like globalisation or the development of the e-economy, etc. On analysing and assessing the impacts of *'generic'* changes, we would like to stress the important *'filtering role'* of the *'system specific'* changes interpreted in an evolutionary perspective. To make the *'socialised'* or *'embedded'* character of the generic business functions analysed in this paper better understood, we have to make distinction between *'macro-' and 'micro-institutional'* patterns. The

mainstream literature emphasises a strong convergence of the institutional patterns in the process of globalisation, whether they are of business or cultural or cultural-ideological in character (Ritzer, 1993).⁴ There is a new trend in literature carrying various labels, like 'societal approach' or the 'French regulation school', whose representatives differentiate between micro- and macro-institutional patterns of society (such as e.g. the labour relations systems, education, legal and financial system) which transform or change in the long run or in a historical perspective only. In this context, the 'path-dependent' model of institutional development has strong relevance (Grabher – Stark, 1997; Zysman, 1994). Namely, the forces of globalisation are absorbed or mediated by these macro-patterns of institutions, and the various trajectories or paths of economic development are actually their outcomes. As Hage, one of one followers of the 'societal approach' put is: 'What makes these systems *macro* is that they apply to the entire society and typically have been institutionalised for long time periods. A very common element is that there are multiple organisations involved, in which a variety of complex social roles are enacted. In contrast, simple *micro-institutional patterns* ... represent relatively simple patterns or norms and /or laws, involving few actors with relatively simple and frequently repetitive social roles, and these patterns have been relatively recent ... Simple institutional patterns such as ... quality work circles may diffuse throughout the advanced industrialised countries but complex patterns will not (Hage, 2000: 213).⁵ Similar conclusions were drawn from an empirical study of the service (hotel) sector on the diffusion and dominance of the 'hardware' (organising principles) and in an indirect way even of the 'software' (HRM) of the American model of internationalisation, which were transferred and maintained relatively easily in hotels belonging to various national owners (Nickson – Warhurst, 2001:225).

In the next sections we are focusing on the analysis of outsourcing generic business services. Business services belong to the category of the micro-institutional patterns of society and economy, playing an important role in transferring knowledge and organisational patterns in the post-socialist ECE countries. According to our hypothesis, homogeneity or heterogeneity in the practices of outsourcing can function as an indicator of the development trajectories of business organisations in these countries.

3. Lessons from the EMERGENCE project: visible differences in outsourced business functions

3.1 Regional differences in practising various business services

The questionnaire used in the 18-country employer survey measured both the demand (the establishment practises the function) and the supply (the establishment offers the function) sides of the establishments investigated. In our analysis we are focusing exclusively the *demand side* for the following reason: it is obvious that the establishments surveyed may generate demand for business services almost independently from the type of their activity, while on the supply side only the business services limited to the activity of the establishment are present.

Also from a methodological point of view it is more challenging to concentrate on the demand side of the generic business services or functions, as for example, a software de-

velopment company is present in the market of all the seven generic business functions (i.e. it may generate demand for all these), while on the supply side it is only present at the 'software development, maintenance and support' market. As we are going to measure regional economic development in East-Central Europe (EMERGENCE NAS) through the relations between 'in house' versus 'outsourced' practices of general business services, it is clearly the *demand side* that is in the centre of our attention.⁶

Table 1 illustrates the practices of various business services in the EU (15) and the NAS (3).

Table 1. Practising generic business services: EU (15) versus NAS (3) (in %)

	Customer services	Sales	Data processing	Software development	Accounting	HRM/training	Creative/editing work
EU (15) average	76.4	24.4	57.6	70.8	95.9	88.8	54.9
Czech Republic	91.4	44.4	87.2	90.4	97.9	95.7	69.5
Hungary	60.5	33.4	48.2	69.2	97.3	86.0	61.5
Poland	90.1	42.6	78.0	69.5	95.1	84.8	69.5
Average	76.5	25.9	58.6	71.2	96.0	88.8	56.0

Source: EMERGENCE European Employer Survey, 2000 (IES/NOP); percentage of establishments with > 50 employees in EU (15) plus Czech Republic, Hungary and Poland. Weighted base: 7305 cases.

At a first glance, it is surprising that the ratio of practising various business services is higher in the NAS (3) than in the EU (15). While in the EU (15) countries, one establishment is practising 4.68 functions on average (from the maximum 7) in the group of the EU candidate countries the average is 5.09, which is a statistically significant difference. At first sight this astonishing difference can be attributed to the 'institutional heritage' of the way of organisation of economic activities. Namely, the organisational morphology of the former state-socialist system was characterised by the dominance of large state-owned firms, which – due to their large size – practised all generic business functions plus social functions (Hirschhausen, 1995: 54-76). Following the collapse of the state-socialist political and economic system, the former large state-owned firms were transformed – through various schemes of privatisation – into small and medium sized enterprises (SME). Interestingly, as a part of the organisational-cultural heritage, the new owners and managers in the SME sector continued to follow the organisational routines they were used to. If we want to understand the present practice of general business services in the ECE economies, we have to interpret it in a historical context, as this approach is essential in interpreting the employer survey data. At the same time, the SME sector in the EU (15) countries is functioning in a matured capitalist environment and establishments are practising only such functions or services which are consistent with their size. In other words, SME in the EU(15) members states have more developed links (networks) and they exchange

resources and information more intensively to develop more appropriate solutions to cope with challenges in the new economy, too.

These findings support the idea of using the so-called 'path-dependency' argument in interpreting the development of such 'micro-institutional patterns' as generic business services in the NAS (3). Integrating the dimension of 'time' into our analysis, we may suppose that these differences in organising work will gradually disappear and practices in the NAS will approach those in the EU.

A comparison of business functions within the group of NAS (3) shows that the ratio of business services of Hungarian establishments is rather similar to the EU (15) average than to the other two candidate countries'. Differences in micro-institutional patterns such as 'generic business services' are consistent with the macro-economic indicators in the ECE region.

As the comparison of aggregated data of 'generic business services' helps in understanding the relation between the 'micro' and 'macro' dimensions of economic processes, in the next section we are concentrating on the 'way of practising' generic business functions.

3.2 'Way of practising' various business services

Theoretically, in both private and public organisations, any kind of business services can be practised in three ways:

1. 'in-house';
2. 'outsourced';
3. in a combination of (1) and (2).

In the first case, the business function is carried out within the organisation by persons with an employment contract. In the second case, the establishment is buying service from another person (e.g. freelancer or e-lancer) or organisation (specialist business suppliers) (see in detail in Table 1). These two cases are rather clear and well known in more than 200 years history of outsourcing.⁷ The third option of outsourcing covers a multi-dimensional phenomenon which we may interpret in the following ways:

- 3/1 some elements of the business function is practised 'in-house', while some others are 'outsourced';
- 3/2 the function is outsourced in 'legal terms', but it is carried out within the organisation.

To illustrate these dimensions, we are giving the following examples. For 3/a: in connection with 'accounting' 'inventory taking' is carried out 'in-house' by the employees of the firm, while balance-sheet analysis, auditing and the preparation of VAT etc. are outsourced to a financial service supplier that is operating in a different location on its own premises. An example for 3/2: all activities related to the 'accounting service' are carried out by a financial service supplier, but all is done on the customer firm's premises.

In company practice, the organisation of the business service related activities is usually more complicated than in the above examples. For instance, all accounting tasks are outsourced and carried out by a financial service supplier, but some tasks are carried out on the customer firm's premises, while others on the premises of the financial service supplier. Or, in other case, all accounting related tasks are carried out by the customer

firm's own employees but in the rented office of a financial supplier firm, using its infrastructure and know-how.

These problems should be analysed in combination of two dimensions:

1. 'In-house' or 'outsourced' activities in legal terms ('employment contract' vs. 'working contract with supplier');
2. 'In-house' or 'outsourced' activities in term of organisational space⁸ ('customer's own organisation or premise' or 'organisation or premise of the service supplier').

The forms of 'outsourcing' are summarised in the form of a matrix in Table 2.

Table 2. Forms of 'insourcing' versus outsourcing by legal terms and organisational spaces

		Legal terms	
		'In-house' covered by employment contract'	'Outsourced and covered by working contract'
Organisational spaces	'In-organisation'	Traditional practice of business functions	Subcontractor under direct control of the customer firm
	'Outside the employer's organisation'	telemediated practice of business function (e.g. CC in charge of employer)	Traditional and e-forms of outsourcing (e.g. business service suppliers with or without ICT link)

In the next section we will give an analysis based on the 'legal dimension' of practising business functions in two different cases. In the first the sub-contractors are operating within the customer's organisation (i.e. on the customers' premises), while in the second, the sub-contractors are operating on their own premises. In the latter case, we may distinguish between the so-called 'traditional' outsourcing, when service suppliers do not use ICT (or 'virtual type service', where the organisation and the workplaces communicate with the customers via integrated computer and telephone and/or internet network), and 'e-outsourcing', when both the receipt and the delivery of service are based on the use of ICT.

3.3 Outsourcing business services: heterogeneous practices in the ECE countries

Which of the three key forms of practising business functions (i.e. 'in-house', 'outsourced' or their combination) an employer chooses depends on various factors (e.g. restructuring at company group level, scarcity of the appropriate skill and knowledge on the local labour market, cost-efficiency, etc.). As we intend to map regional differences among the countries in the project, first we have to answer the questions: Which forms of practice are favoured by which region? Are these differences significant or not? Are we able to interpret these differences as an approximate indicator of economic development or competitiveness of a region or country concerned?

The ways of practising business functions or services were evaluated along four major dimensions:

1. Four poles
 - North
 - West
 - South
 - East
2. Typology of the European welfare systems⁹
 - Region A (UK, Ireland)
 - Region B (Denmark, Finland, Sweden)
 - Region C (Austria, Germany)
 - Region D (Benelux, France)
 - Region E (Greece, Italy, Spain)
 - Region F (Czech Republic, Hungary, Poland)
3. EU membership
 - EU (15) member states
 - NAS (3) countries
4. Differences within NAS (3) countries in comparison to the EU (15)
 - EU (15) countries
 - Czech Republic
 - Hungary
 - Poland

On evaluating the practice of generic business functions according to the above-listed four dimensions, we can identify statistically significant patterns in all four groups. Table 3 summarises the results of the data analysis.

Table 3. Average number of business functions by regions, welfare systems and EU membership status

Dimensions	Major forms of practising business functions		
	'In-house' (a)	'Outsourced' (b)	(a) + (b)
1. Four poles			
North	3.53	0.23	1.07
West	3.86	0.20	0.47
South	3.64	0.40	0.81
East	3.64	0.60	0.84
2. EU welfare system			
(A) UK/Ireland	4.08	0.29	0.42
(B) Denmark/Finland/Sweden	3.58	0.23	1.07
(C) Austria/Germany	4.24	0.21	0.35
(D) Benelux countries/France	3.43	0.14	0.58
(E) Greece/Italy/Spain	3.64	0.40	0.81
(F) Czech Republic, Hungary, Poland	3.64	0.60	0.84
3. EU (15) versus NAS (3)			
EU (15) countries	3.75***	0.26	0.65
NAS (3) countries	3.64***	0.60	0.84
4. Differences within NAS (3) in comparison with EU (15) average			
EU (15) average	3.75	0.26	0.65
Czech Republic	4.14	0.64	0.96
Hungary	3.19	0.66	0.70
Poland	3.83	0.49	0.94
Average	3.74	0.30	0.67

sig<0.001 *** sig=0.051

Source: EMERGENCE European Employer Survey, 2000 (IES/NOP); percentage of establishments with >50 employees in EU (15) countries plus Czech Republic, Hungary and Poland.
Weighted base: 7 305

The data presented in Table 3 show us how many of the 7 generic business functions or services as an average: how many are on average practised 'in-house', 'outsourced' or 'combined' in the establishments surveyed, according to the four analytical categories? If we examine the later by the four background factors, we can find visible - significant - differences among the regions surveyed in the Project, which result is also supported by the variance analyses of the variables.¹⁰ (Based on the results of the dispersion analysis, we have to note that the regional differences are significant.)

Now, we are going to deal with the differences within the group of NAS (3) countries. On comparing a strong heterogeneity can be identified: Hungarian establishments have

the lowest ratio of business services ‘in-house’ (3.19), the highest ratio of ‘outsourcing’ (0.66) and the lowest ratio of outsourcing ‘within the organisation’ (0.70). These data are supporting our hypothesis on the relationship between the way of outsourcing and the level of economic development. Namely, the Hungarian service providing SME sector, in comparison to both the Czech and the Polish one seems looking stronger and more capable of organising various business services on own premises. Therefore, the outsourced business functions kept within the customer premises is the lowest in Hungary in the group of NAS (3) countries. (see Table 3)

If we also include the number of business functions practised into our analysis above presented-hypothesis is supported by the empirical data: the average of business functions practised by the EU (15) countries’ firms is 4.6, while in the Czech case is 5.7 in the Polish one 5.2 and in the Hungarian case 4.5, which is closest to the EU (15) country’s average.

E-outsourcing is different from the traditional form of outsourcing, since in this case the business service supplier’s work is enabled by ICT. The establishments may delocalise their activities in a variety of locations where they may organise the business functions in different ways. We consider an establishment belonging to the category of ‘e-outsourcer’ if it uses ICT at least one premises, while an employer who does not use any ICT links in its premise is qualified as ‘traditional outsourcer’. (In the the EMERGENCE employer survey, ‘e-outsourcing’ covered supplied business services with ICT support.) Table 4 illustrates the practices of ‘e-outsourcing’ in the of EU (15) and NAS (3) establishments.

Table 4. E-outsourcing: EU (15) versus NAS (3). (firms which outsourced at least one business function with the help of ICT) (in %)

	Customer services	Sales	Data processing	Software development	Accounting	HRM/training	Creative/editing work
EU (15) country average	62.3	17.1	7.2	4.6	7.0	6.8	5.9
NAS (3) average	71.6	17.4	5.7	6.3	5.8	9.0	6.4
Czech Republic	69.2	0.0	0.0	5.3	4.8	5.9	4.8
Hungary	71.4	14.3	0.0	2.4	7.4	4.8	2.5
Poland	72.5	33.3	20.0	12.4	0.0	15.4	15.5
Total	64.0	17.1	7.1	4.9	6.9	7.1	6.0

Source: EMERGENCE European Employer Survey, 2000 (IES/NOP); percentage of establishments with >50 employees in EU (15) countries plus Czech Republic, Hungary and Poland. Weighted base: 7305 cases.

On studying the outsourced business functions, we found that the application of ICT is the highest in the case of ‘customer services’ (64 %), whereas ‘sales’ activities the ratio of

'e-outsourcing' is much lower (17.1 %). The share of e-outsourcing in 'software development and support' is surprisingly low (4.9 %). The second lowest share of e-outsourcing was found in the case of 'creative works' (5.9 %); one possible explanation for that may be the high priority of these activities and therefore the management may prefer to exercise closer, traditional control over them. Unfortunately, the data base of the EMERGENCE project does not permit more detailed analysis of this problem, thus further research efforts will be needed necessary to deepen our knowledge in this respect.

With the exception of 'data processing' and 'accounting', the ratio of ICT-related outsourcing is higher in the NAS (3) than in the EU (15), this result is very much influenced by the Polish data. Within the NAS (3), Poland is a 'leader' in the field of 'e-outsourcing', the Czech and the Hungarian firms prefer 'traditional outsourcing' to the ICT aided version. The differences within the ECE region should partly be attributed to the differences in country size. For example, due to its significantly larger size, Poland is predestined to use 'e-outsourcing' more extensively, while the Czech and the Hungarian economies located on a much smaller areas may function well with the traditional forms of outsourcing. At the same time, we should be aware that the traditional form of outsourcing is still more popular than e-outsourcing in the case of all generic business services.

4. Conclusions

Based on the empirical data of the EMERGENCE 18-country survey, our paper has analysed the diffusion of e-work in the East-Central European countries. First, the authors presented some theoretical models (e.g. institutional vacuum, path-dependency) that help in understanding the nature of the political and economic system specific changes in the emerging market economies. Particular attention has been paid to the tools of transferring e-work in the newly associated states (NAS) participating in the project's employer survey. Macro and micro 'institutional patterns' have been distinguished and also their interaction has been examined.

Following the theoretical and methodological introduction, the paper compares the EU (15) and NAS (3) in the field of generic business services. The establishments surveyed in the post-socialist economies have still showed a *higher concentration of various business functions* than those in the EU (15) countries. This can be interpreted as an institutional-cultural heritage of the past, active in the organisation of economic activities at the company level. In addition to this general tendency, it has also been interesting to note *visible differences within the group of the NAS*: the share of business functions practised in Hungary has been closer to the EU (15) than to the Czech or the Polish cases.

Outsourcing in general is a more popular practice in the NAS (3) than in the EU (15) countries. If we separate outsourcing in 'legal terms', still carried out 'in-house', this type was the lowest in the Hungarian establishments within the NAS (3). These differences implicitly indicate an *unequal degree of institutional maturity of the SME sector in the ECE region*. Finally, 'traditional outsourcing' has been compared to 'e-outsourcing'. Interestingly enough, in the case of core functions such as 'software development', 'creative work', 'HRM', and 'accounting', less than 10% has been practised in the form of 'e-outsourcing'. ICT-link enabled outsourcing is only dominant in the case of 'customer services'. Within the group of NAS (3), Polish establishments are the leaders in compari-

son to the Czech and the Hungarian ones. However, in order to understand the complex role of the various social-organisational and cultural regulations in developing generic business services, further investigations would be needed, especially in the field of the networking capacity of the micro and small firms. But this would be another ambitious research initiative.

Annex

Annex 1: General regional data about the features of the companies in the sample

Table A1.1 Planned and real sample by countries

Country	Size of the planned sample (a)	Sizes of the real number (b)	Measure (b:a)
Austria	300	150	0.50
Belgium	300	172	0.57
Czech Republik	350	260	0.74
Denmark	300	31	0.10
Finland	400	92	0.23
France	800	1,074	1.34
Germany	800	1,801	2.25
Greece	300	174	0.58
Hungary	350	206	0.59
Ireland	300	36	0.12
Italy	800	558	0.70
Luxemburg	100	8	0.08
Netherlands	400	148	0.37
Poland	350	884	2.53
Portugal	300	157	0.52
Spain	700	633	0.90
Sweden	400	145	0.36
UK	800	776	0.97
Total	8,050	7,305	0.91

Source: EMERGENCE European Employer Survey, 2000 (IES/NOP); % of establishments with >50 employees in EU (15 countries) plus Hungary, Poland and Czech Republic. Weighted base: 7305 cases

Table A1.2 Business sectors by countries in the sample (in %)

	Primary sector/ manufacturing/ construction	Business and financial services	Other services	Public admini- stration
Austria	44,7	25,3	27,3	2,7
Belgium	41,3	25,0	27,9	5,8
Czech Republic	45,2	20,7	29,5	4,6
Denmark	62,5	21,9	15,6	-
Finland	54,3	13,0	29,3	3,3
France	44,4	20,1	29,0	6,5
Germany	52,3	17,1	24,9	5,7
Greece	51,4	13,3	30,1	5,2
Hungary	44,2	20,2	28,8	6,7
Ireland	68,6	-	28,6	2,9
Italy	57,2	7,0	29,0	6,8
Luxemburg	42,9	42,9	14,3	-
Netherlands	66,9	25,0	6,8	1,4
Poland	44,4	20,1	28,9	6,6
Portugal	64,6	7,6	23,4	4,4
Spain	37,1	18,6	25,9	18,3
Sweden	56,9	7,6	31,9	3,5
UK	27,6	16,9	49,1	6,4
Total	46,5	17,4	29,2	6,9

Source: EMERGENCE European Employer Survey, 2000 (IES/NOP); % of establishments with >50 employees in EU (15 countries) plus Hungary, Poland and Czech Republic. Weighted base: 7305 cases

Table A1.3 The size of the companies in the sample by countries (in %)

	Number of employees at respondents site	
	50-200	More than 200
Austria	50,4	49,6
Belgium	50,2	49,8
Czech Republic	63,1	36,9
Denmark	61,9	38,1
Finland	52,5	47,5
France	38,0	62,0
Germany	50,0	50,0
Greece	55,7	44,3
Hungary	64,2	35,8
Ireland	53,8	46,2
Italy	50,1	49,9
Luxemburg	56,3	43,7
Netherlands	50,0	50,0
Poland	51,6	48,4
Portugal	51,7	48,3
Spain	50,3	49,7
Sweden	55,9	44,1
UK	48,4	51,6
Total	50,8	49,2

Source: EMERGENCE European Employer Survey, 2000 (IES/NOP); % of establishments with >50 employees in EU (15 countries) plus Hungary, Poland and Czech Republic. Weighted base: 7305 cases

Table A1.4 Share of establishments by size in the regions of sample

Region	Share of establishment by size in the sample (%)	
	50-200 persons	>200
EU (15) average	29.4	70.6
EU NAS (Czech Republic, Hungary, Poland) average	37.2	62.8
Total	30.1	69.0

Source: EMERGENCE European Employer Survey, 2000 (IES/NOP); % of establishments with >50 employees in EU (15 countries) plus Hungary, Poland and Czech Republic. Weighted base: 7305 cases

Table A1.5 Firm's size structure in the NAS (Czech Republic, Hungary, Poland)
(1st December 2000)

Firm size categories	Czech Republic*		Hungary**		Poland***	
	Number of firms	Percent of firms	Number of firms	Percent of firms	Number of firms	Percent of firms
Micro firms (<10 persons)	311,121	83.77	788,664	96.4	4,674	8.0
Small firms (10–49 persons)	47,487	12.79	23,701	2.9	36,485	63
Medium sized firms (50–249 persons)	10,793	2.91	4,821	0.6	13,748	23.8
Large firms (>250 persons)	1,991	0.54	1,105	0.1	3,010	5.2
Total	371,392	100.0	818,291	100.0	57,917	100.0

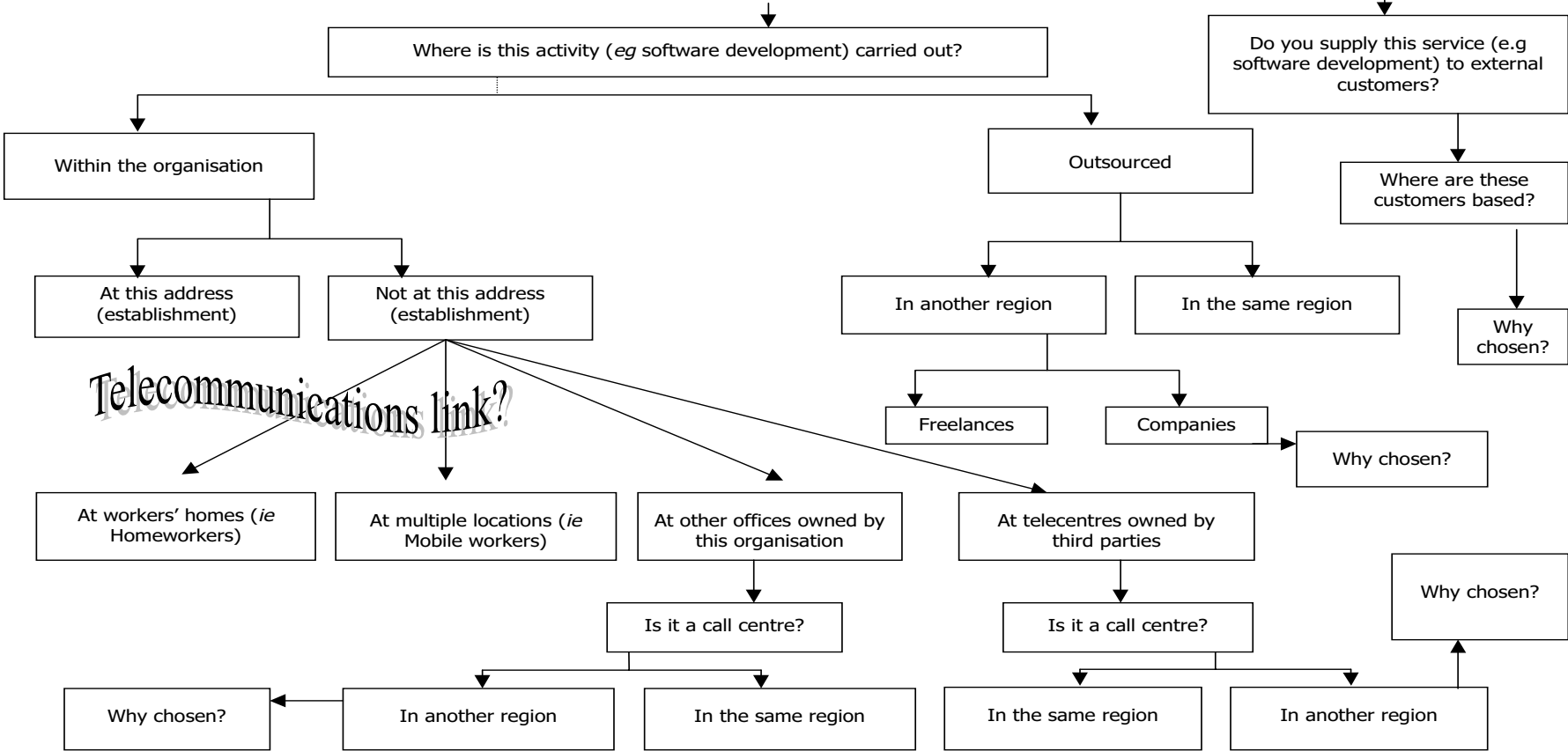
Sources:

* Register of Firms, Czech Statistical Office, (in Czech) Prague, June 2001. (Ales Krupa – Institute of Labour and Social Affairs, Prague).

** Laky Teréz (2001) Labour Market Report (in Hungarian), Budapest: State Employment Service and Employment Office, p. 14.

*** Size of Firms in Poland, (Podmioty gospodarcze wg rodzajow I miejsc prowadzenia dzialalnosci w 2000 g.(....)

Annex 2: Structure of the EMERGENCE Questionnaire



Source: IES Emergence Employer Survey

Annex 3: Average number of business functions by regional dimensions - Results of analysis of variance

ONEWAY

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Oneway

Descriptives

	N	Mean	Std. Deviation	Std. Error	5% Confidence Interval for Mean			Minimum	Maximum
					Lower Bound	Upper Bound	Mean		
number of business functions within the organisation	936	3,5310	1,3964	4,6E-02	3,4414	3,6206		7,00	
North									
West	3726	3,8607	1,4011	2,3E-02	3,8157	3,9057		7,00	
South	1897	3,6479	1,3631	3,1E-02	3,5865	3,7092		7,00	
East	709	3,6446	1,3963	5,2E-02	3,5416	3,7475		7,00	
Total	7268	3,7416	1,3957	1,6E-02	3,7095	3,7737		7,00	
number of business functions outsourced	936	,2350	,4854	1,6E-02	,2039	,2662		3,00	
North									
West	3726	,2083	,4906	8,0E-03	,1925	,2240		4,00	
South	1897	,4054	,6468	1,5E-02	,3763	,4345		4,00	
East	709	,6051	,6717	2,5E-02	,5556	,6546		3,00	
Total	7268	,3019	,5689	6,7E-03	,2888	,3150		4,00	
number of business functions within the organisation that are outsourced	936	1,0737	1,0993	3,6E-02	1,0032	1,1442		6,00	
North									
West	3726	,4750	,7822	1,3E-02	,4499	,5002		5,00	
South	1897	,8187	1,0104	2,3E-02	,7732	,8642		6,00	
East	709	,8477	1,0067	3,8E-02	,7734	,9219		5,00	
Total	7268	,6782	,9399	1,1E-02	,6566	,6998		6,00	

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
number functions within the organisation	117,723	3	39,241	20,304	,000
Between Groups	14039,0	7264	1,933		
Within Groups	14156,7	7267			
Total					
number of outsourced functions	122,332	3	40,777	132,866	,000
Between Groups	2229,36	7264	,307		
Within Groups	2351,69	7267			
Total					
number of outsourced functions that are within the organisation	357,999	3	119,333	142,989	,000
Between Groups	6062,26	7264	,835		
Within Groups	6420,26	7267			
Total					

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Oneway

Descriptives

	N	Mean	Std. Deviation	Std. Error	5% Confidence Interval for Mean			Minimum	Maximum
					Lower Bound	Upper Bound	Mean		
number functions with the organisation	1102	4,0898	1,3732	4,1E-02	4,0087	4,1710	,00	7,00	
Danemark+Finland+Sweden	936	3,5310	1,3964	4,6E-02	3,4414	3,6206	,00	7,00	
Austria+Germany	1070	4,2495	1,3604	4,2E-02	4,1679	4,3311	,00	7,00	
France+BENELUX	1554	3,4305	1,3309	3,4E-02	3,3643	3,4967	,00	7,00	
Greece+Italy+Spain	1897	3,6479	1,3631	3,1E-02	3,5865	3,7092	,00	7,00	
Hungary+Poland+Czech	709	3,6446	1,3963	5,2E-02	3,5416	3,7475	,00	7,00	
Total	7268	3,7416	1,3957	1,6E-02	3,7095	3,7737	,00	7,00	
number of outsourced functions	1102	,2913	,5762	1,7E-02	,2572	,3253	,00	3,00	
Danemark+Finland+Sweden	936	,2350	,4854	1,6E-02	,2039	,2662	,00	3,00	
Austria+Germany	1070	,2121	,5180	1,6E-02	,1811	,2432	,00	4,00	
France+BENELUX	1554	,1467	,3853	9,8E-03	,1275	,1659	,00	2,00	
Greece+Italy+Spain	1897	,4054	,6468	1,5E-02	,3763	,4345	,00	4,00	
Hungary+Poland+Czech	709	,6051	,6717	2,5E-02	,5556	,6546	,00	3,00	
Total	7268	,3019	,5689	6,7E-03	,2888	,3150	,00	4,00	
number of outsourced functions that are within the organisation	1102	,4292	,7766	2,3E-02	,3833	,4751	,00	4,00	
Danemark+Finland+Sweden	936	1,0737	1,0993	3,6E-02	1,0032	1,1442	,00	6,00	
Austria+Germany	1070	,3579	,6429	2,0E-02	,3194	,3965	,00	5,00	
France+BENELUX	1554	,5882	,8554	2,2E-02	,5456	,6307	,00	5,00	
Greece+Italy+Spain	1897	,8187	1,0104	2,3E-02	,7732	,8642	,00	6,00	
Hungary+Poland+Czech	709	,8477	1,0067	3,8E-02	,7734	,9219	,00	5,00	
Total	7268	,6782	,9399	1,1E-02	,6566	,6998	,00	6,00	

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
number funtions witl the organisation	624,956	5	124,991	67,078	,000
Between Groups	13531,8	7262	1,863		
Within Groups	14156,7	7267			
Total					
number of outsource functions	135,830	5	27,166	89,031	,000
Between Groups	2215,86	7262	,305		
Within Groups	2351,69	7267			
Total					
number of outsource functions that are within the organisa	394,869	5	78,974	95,182	,000
Between Groups	6025,39	7262	,830		
Within Groups	6420,26	7267			
Total					

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Descriptives

	N	Mean	Std. Deviation	Std. Error	5% Confidence Interval for Mean			Minimum	Maximum
					Lower Bound	Upper Bound			
number of functions within the organisation	6559	3,7521	1,3954	1,7E-02	3,7183	3,7859	,00	7,00	
EU member									
EU applicant	709	3,6446	1,3963	5,2E-02	3,5416	3,7475	,00	7,00	
Total	7268	3,7416	1,3957	1,6E-02	3,7095	3,7737	,00	7,00	
number of functions outsourced by the organisation	6559	,2691	,5467	6,8E-03	,2559	,2823	,00	4,00	
EU member									
EU applicant	709	,6051	,6717	2,5E-02	,5556	,6546	,00	3,00	
Total	7268	,3019	,5689	6,7E-03	,2888	,3150	,00	4,00	
number of functions outsourced by the organisation that are within the organisation	6559	,6599	,9307	1,1E-02	,6373	,6824	,00	6,00	
EU member									
EU applicant	709	,8477	1,0067	3,8E-02	,7734	,9219	,00	5,00	
Total	7268	,6782	,9399	1,1E-02	,6566	,6998	,00	6,00	

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
number functions within the organisation	7,398	1	7,398	3,799	,051
Between Groups	14149,3	7266	1,947		
Within Groups	14156,7	7267			
Total					
number of outsource functions	72,227	1	72,227	230,230	,000
Between Groups	2279,47	7266	,314		
Within Groups	2351,69	7267			
Total					
number of outsource functions that are within the organisation	22,570	1	22,570	25,633	,000
Between Groups	6397,69	7266	,880		
Within Groups	6420,26	7267			
Total					

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Descriptives

	N	Mean	Std. Deviation	Std. Error	5% Confidence Interval for Mean			Minimum	Maximum
					Lower Bound	Upper Bound	Mean		
number of functions within the organisation	6559	3,7521	1,3954	1,7E-02	3,7183	3,7859	,00	7,00	
Czech Republic	187	4,1444	1,4163	,1036	3,9401	4,3487	,00	7,00	
Hungary	299	3,1906	1,2981	7,5E-02	3,0429	3,3384	,00	7,00	
Poland	223	3,8341	1,3235	8,9E-02	3,6594	4,0087	1,00	7,00	
Total	7268	3,7416	1,3957	1,6E-02	3,7095	3,7737	,00	7,00	
number of functions of outsourcing within the organisation	6559	,2691	,5467	6,8E-03	,2559	,2823	,00	4,00	
Czech Republic	187	,6471	,7503	5,5E-02	,5388	,7553	,00	3,00	
Hungary	299	,6622	,6576	3,8E-02	,5874	,7371	,00	3,00	
Poland	223	,4933	,6068	4,1E-02	,4132	,5734	,00	3,00	
Total	7268	,3019	,5689	6,7E-03	,2888	,3150	,00	4,00	
number of functions of outsourcing within the organisation that are within the organisation	6559	,6599	,9307	1,1E-02	,6373	,6824	,00	6,00	
Czech Republic	187	,9679	1,0621	7,8E-02	,8147	1,1211	,00	4,00	
Hungary	299	,7023	,8984	5,2E-02	,6001	,8046	,00	4,00	
Poland	223	,9417	1,0744	7,2E-02	,7999	1,0835	,00	5,00	
Total	7268	,6782	,9399	1,1E-02	,6566	,6998	,00	6,00	

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
number funtions witl the organisation					
Between Groups	123,733	3	41,244	21,350	,000
Within Groups	14033,0	7264	1,932		
Total	14156,7	7267			
number of outsource functions					
Between Groups	76,320	3	25,440	81,216	,000
Within Groups	2275,37	7264	,313		
Total	2351,69	7267			
number of outsource functions that are within the organisa					
Between Groups	33,561	3	11,187	12,724	,000
Within Groups	6386,70	7264	,879		
Total	6420,26	7267			

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Notes

- 1 In the documents of both international organisations (e.g. EU, OECD, UNCTAD, World Bank, WTO etc.) and even in the majority of the academic papers, the notion of Central and Eastern Europe is applied to the Czech Republic, Hungary and Poland. In this paper, however, instead of Central and Eastern Europe we use the term East-Central Europe (ECE) for this group of countries, as recommended by Jenő Szücs, a well-known Hungarian historian, who called attention to the distinctive historical and social-cultural features of these countries.
- 2 By using the term ‘transition’ instead of ‘transformation’, we intend to refute the view of ‘turn-key’ capitalism in the post-socialist economies in the ECE region, as this view underestimates the importance of *time for the social learning process* in creating market economy institutions in these countries. The ideas of turn-key’ or ‘instant’ capitalism view the future of the post-socialist countries as ‘... shaped by images of Western Europe’s and North America’s present ... and this basically teleological development concept of changes anticipates future society which is not only desirable, but already known’ (Grabher, 1995:33).

- ³ According to the 2001 report of the OECD dealing with the knowledge economy, 'The share of turnover under foreign control in the manufacturing sector ranges from about 70% in Hungary and Ireland to under 2% in Japan. The share of foreign affiliates in manufacturing employment ranges from around 50% in Ireland, Luxemburg, and Hungary to 1% in Japan. ...The share of turnover under foreign control in the service sector is relatively high, at over 20%, for Hungary, Belgium, Ireland and Italy. In terms of employment, the share of foreign affiliates ranges from 19% in Belgium and around 14% in Hungary and Ireland to less than 1% in Japan ... In terms of employment, penetration of foreign affiliates seems evenly distributed between services and manufacturing in Belgium, Finland, Portugal and the Czech Republic. The largest imbalances are in Hungary and Luxemburg' [*OECD Science, Technology and Industry Scoreboard (Towards a Knowledge-Based Economy)*, Paris: OECD Publications, 2001, pp. 102, 104].
- ⁴ See the debates at the international annual Labour Process Conferences organised by both academics and practitioners on recent phenomena in both manufacturing and service work.
- ⁵ It is also worth stressing the following: macro or '... complex institutional patterns are strategic for two central problems current in social theory today. First, they systematically relate macro-institutional analysis to the meso-level of organisational analysis. Second, they explicate why there are path-dependencies in some aspects of society and not in others' (Hage, 2000: 313).
- ⁶ The combination of the analyses of both the demand and the supply sides would undoubtedly be very useful, but for lack of space, we are concentrating here only on the demand side.
- ⁷ Adam Smith wrote more than 200 years ago: "... 'the maxim of every prudent master is never to attempt to make at home what it will cost him more than to buy'. In the nineteenth century, before the advent of the big integrated firm, outsourcing was the norm. Firms were small or loosely co-ordinated, labour supply was plentiful, and product markets fragmented and relatively stable: circumstances which allowed outsourcing to flourish." (Reilly, P. - Tamkin, P. (1996) *Outsourcing: a Flexible Option for the Future?*, Brighton: Institute for Employment Studies, Report no. 320, p. 1.
- ⁸ The French "effet-societal" school of sociology is making distinction between various forms of 'spaces' within and beside the organisation, e.g. 'organisational space', 'industrial space', "qualificational space" etc. The "space" describes both the modes of existence of employees within the firm and the way in which that firm manages their mobility, resources and social relations. Thus it can be both structured and structuring, results or resource, and is able to take account of both stability and dynamic, reproduction and change." [Maurice, M. (2000) *The Paradoxes of Societal Analysis*, (in) Maurice, M. - Sorge, A. (eds.) *Embedding Organisations, (Societal Analysis of Actors, Organisations and Socio-Economic Context)*, Amsterdam - Philadelphia: John Benjamins Publishing Company, p. 19.]
- ⁹ The typology of the European welfare system was developed by G. Esping-Andersen and adopted into the analysis of company case studies by the Austrian consortium partners. The original A - E categories was completed with the category of the NAS countries. [Flecker, J. - Kirschenhofer, S. (2001) *EMERGENCE: Regional reports of the qualitative company case studies*, Deliverable 18 and 20, Vienna: FORBA.]
- ¹⁰ Annex 3 provides information on the details of the variance analysis.