Ref: 1348

Management strategies in the Czech Telecommunications sector: A comparative study of Český Telecom and T-Mobile

Peter Ross

ABSTRACT

This paper compares employment relations (ER) strategies at the incumbent fixed line Czech telecommunications company (TelCo), Český Telecom (ČT), and the T-Mobile subsidiary, T-Mobile Czech Republic (TMCZ). It considers the extent to which the firms were able to introduce western style HRM practices within the context of three changing dynamics. First, the collapse of communism in the former Czechoslovakia was followed by rapid economic liberalisation and privatisation in the Czech Republic. Second, telecommunications sectors worldwide were subject to deregulation and the rapid diffusion of new technologies. Third, fixed line and mobile TelCos were subject to differing challenges and opportunities. The paper uses path dependency, institutionalist and strategic human resource management (SHRM) related theories to assist in this analysis. It concludes that by 2005 the introduction of Western style HRM practices into the Czech telecommunications sector appeared less constrained by former institutional and historical constraints. TMCZ's ER policies were further influenced by its parent firm's transnational strategies that sought to better coordinate its subsidiaries and create a 'global' brand. Despite the differing circumstances of the fixed line and mobile sectors, by 2005 ER practices and strategies at the two firms were to an extent converging, as ČT continued to cut costs and TMCZ adjusted its strategies to better accommodate a saturated market. Given these changes the paper postulates that the Czech telecommunications sector has now shifted towards a mature transformation stage, as ER strategies increasingly reflect Western based SHRM practices and concepts.

Key words: Czech Republic, European transition economies (ETEs), telecommunications, employment relations, path dependency, strategic human resource management (SHRM)

INTRODUCTION

In the early to mid 1990s the Czech Republic was cited as being one of the most likely of the European transition economies (ETEs) to make a successful shift to a free market style economic system and that employment relations (ER) would play a key role in this successful transition (Koubek & Brewster 1995:223). Following the collapse of communism the former Czechoslovakian government — and successive Czech governments — embarked on a process of economic liberalisation that included the widespread privatisation of state owned enterprises (SOEs). Within this changing political and economic environment the former telecommunications monopoly, Český Telecom (ČT) had to change organisational structures, cultures and workplace practices that had evolved during the socialist era. In contrast, T-Mobile Czech Republic (TMCZ) was a greenfield operation and less burdened by this heritage. But TMCZ also faced difficulties, such as shortages of qualified managers and problems associated with training older workers who had limited knowledge of free markets and a work ethic that was influenced by the country's socialist past. These changes occurred within the global context of widespread telecommunications deregulation, which led to increased international competitive pressures and the formation of global TelCo alliances. New technologies further redefined the competitive advantages of TelCos, as firms re-examined 'core competencies' and restructured their workforces.

This paper begins by outlining the methodology behind this research. It then discusses issues in the telecommunications sector — including the dichotomy between fixed and mobile TelCos — and analyses literature on organisational change and HRM practices in the Czech Republic. It examines and compares management strategies at ČT and TMCZ and considers the extent to which western management practices have been implemented within the firms.

The paper further considers how ownership and industry sector issues may have influenced organisational and ER strategies at the firms.

METHODOLOGY

In their examination of ER practices in the Czech Republic Soulsby and Clark emphasise the importance of analysing patterns and performance at the enterprise/firm level (1996: 477). This research adopted a case study approach to consider the development of ER strategies within the Czech telecommunications sector and how these strategies were influenced by contextual factors associated with operating in a post-socialist emerging economy. The two firms were chosen for their ability to provide data that allowed for comparisons between management strategies in both fixed line and mobile TelCos. Previous research further suggested that substantially different HRM philosophies operated in locally owned as opposed to foreign owned Czech enterprises (Mills 1998:187). ČT is a former SOE in the fixed line sector, whose history dates back to the socialist era. TMCZ in contrast is a Western owned subsidiary that began operations as a greenfield site in the mobile sector.

While a case study of only two firms limits theory testing, it does allow for the collection of rich detailed data on the Czech telecommunications sector that can be used to build on previous research and theoretical perspectives on changing approaches to ER in the ETEs. It further provides evidence that compares and contrasts how Czech ER practices in foreign and locally owned firms have changed since the initial transformation stages of the 1990s. The research adopted an inductive approach, however previous research into telecommunications deregulation and privatisation (Ross 2003) assisted in the development of the initial investigative framework and interview questions. During 2004 and 2005, 15 semi-structured interviews were subsequently conducted with a broad range of stakeholders at ČT and TMCZ

— including TMCZ's parent firm, Deutche Telekom (DT). Company personnel at the two firms who were interviewed included, a company managing director; HR Department Directors; senior HR managers involved in training, industrial relations negotiations, legal issues and strategic HR issues; former and current line managers, former and current expatriate managers; and former and current technicians. The trade union representatives who were interviewed included senior officials from the Trade Union of Employees in Postal, Telecommunications and Newspaper Services of the Czech Republic (OSZPTNS[1]) and the peak Czech union body, the Czech Moravian Chamber of Trade Unions (CMKOS[2]). Telecommunications consultants also provided background material on the operations of the two firms. A further 11 interviews were conducted with HR managers and union officials on similar issues in TelCos in neighbouring ETEs, including other DT subsidiaries. During interviews, particular attention was focused on decisions made by management in relation to:

- SHRM issues — including work organisation, training/skill formation, recruitment, employee retention and remuneration;
- Collective bargaining versus individual contracts;
- Organisational and workforce restructuring — including downsizing, outsourcing and the implementation of new technologies.

Language issues were reduced through the widespread use of English by managers and consultants in the Czech telecommunications sector. Interpreters were only required on three occasions when union officials were interviewed who had little or no English language skills.

Researchers have commented on context specific issues and problems associated with fieldwork in post-socialist transforming economies, such as those of Central and Eastern

[1] OSZPTNS (Odborového svazu zamìstnancù poštovních, telekomunikacnich a novinových služeb) - The Trade Union of Employees in Postal, Telecommunications and Newspaper Services of the Czech Republic
[2] CMKOS (Českomoravská konfederace odborových svazů).

Europe (Michalis & Tackla 1997). In this regard, the author lived in the Czech Republic for 10 months, during which time the interviews took place. This allowed for some degree of language training, cultural immersion and heightened cultural sensitivity. It further provided many opportunities for informal discussions with Czech academics and practitioners on local ER issues, and deregulation and privatisation processes. During interviews older Czech interviewees tended to be more cautious in answering questions then younger interviewees, especially in the initial stages of the interview. While all interviewees agreed to be taped, some did make comments alluding to tape recordings and the secret police. In these situations it was more productive to turn the tape recorder off and conclude with written notes. Conducting interviews within this context required an increased focus on building trust between the interviewee and interviewer. This included assurances that interviewees could not be linked to the information they provided. Throughout the remainer of this paper therefore interviewee names, specific positions and/or specific interview dates are not stated to ensure their anonymity.

The interview data was supported, cross-checked and compared with data from a range of secondary sources including company annual reports; internal company reports supplied by ČT and TMCZ managers; Czech government reports; Supranational organisations — e.g. International Labour Organisation (ILO), European Industrial Relations Observatory (EIRO) and World Trade Organisation (WTO) reports; union documents; journal articles, theses, book chapters; newspaper and magazine articles; internet and other electronic data sources.

TELECOMMUNICATIONS SECTOR

Fixed-line TelCos

Until the 1980s, TelCos in most industrialised market economies (IMEs) were fixed line public-sector utilities enjoying 'monopolies' in their home market. However, many IMEs subsequently deregulated their telecommunications industries, exposing them to competition (Katz 1997; Ross 2003). This process gained further impetus in the late 1990s when most WTO member countries committed to an agreement — the fourth General Agreement on Trade in Services (GATS) protocol — that ensured competition within their telecommunications sectors (WTO 1998). Induced to compete in the market place, these former monopolies then had to change their corporate culture towards a commercial outlook. Many TelCos subsequently embarked on international acquisitions and/or entered into global alliances in order to better meet the challenges of this new environment — for example, to share costs associated with R&D and the introduction of new technologies. To reduce costs, incumbent fixed line TelCos engaged in downsizing strategies supported by new technologies and work practices, outsourcing agreements and strategic alliances (Ross 2003).

TelCo organisational restructuring strategies were further linked to rapid technological change, as the plethora of new products and services entering the market required TelCos to act quickly in order to stay ahead of — or at least match — their competitors. For example, researchers suggest that voice over the internet protocol (VoIP) may be the next 'killer application' of new generation telecommunication networks, as Internet Protocol (IP) based networks increasingly replace existing circuit switched networks (Louis 2004). This suggests that the ability of TelCos to rapidly change and/or modify their existing systems to suit IP based telecommunications markets may become more important than retaining workers with traditional firm specific-skills, such as those technicians who maintain the switched circuit network. Tremblay considers that changing technologies, products and services in the telecommunications sector are leading to new forms of work organisation and career patterns that better fit the demands of knowledge-based economies (2002). This includes the emergence of 'nomadic' workers, who may increasingly gain skills that allow them to build career 'capital', rather than career paths within the one firm (Tremblay 2002:7). Surveys of workers employed in Western European based TelCos further suggest that technological determinism may be creating a form of TelCo ER exceptionalism leading to 'a new generation of telecom employees who are mobile, flexible and proactive in constructing their own work identities and project-based activities' (Dif 2004:305; Leonardi & Jackson 2004). This paper therefore considers whether there is any evidence to support the concept of an emerging new generation telecom worker within the Czech Republic.

Mobile TelCos

Mobile telephone technologies created a substitution effect as voice traffic increasingly shifted from fixed to mobile service providers. This substitution effect was particularly pronounced in Eastern European countries, which had relatively low fixed line penetration rates under former socialist regimes; a spokesperson for a DT owned subsidiary in Eastern Europe stated that 'voice on fixed lines is dead' (Interview with EuroTel Bratislava: 2005). Between 2000 and 2006 the number of fixed telephone lines in the Czech Republic fell by 26 per cent, with increased mobile phone usage given as the main reason for this decline (Willoughby 2006). Such trends promoted rapid growth and high profits for mobile TelCos during the 1990s, which in turn enticed new entrants into the sector. A dichotomy then developed between fixed line TelCos that were downsizing and cutting costs, while mobile operators were expanding and increasing revenues (see Table 1). This led to differences in the psyche of workers in the two sectors. Fixed line workers were generally unionised but faced uncertain futures associated with decreased job security and changes to traditional ER practices. In contrast mobile TelCos employees tended to be younger, non-unionised, workers operating in greenfield sites in an expanding market.

INSERT TABLE 1 ABOUT HERE

By 2006, however, the market for mobile telephones had reached saturation point in many countries, including the Czech Republic. This was accompanied by increased global and local competition. New competitors included mobile virtual network operators (MVNOs) that operated with low overheads via wholesale agreements with established mobile operators to buy minutes of use (MOU) for sale to their own customers (Kozakova 2006). Firms that were not formerly identified with telecommunications, such as supermarkets and department stores, also began operating mobile telephony services that were in part designed to bolster customer loyalty to their stores. TelCo managers alleged that these companies could offer relatively cheap mobile telephone rates, as these services are primarily designed to attract customers to the firms other goods and services. The implication was that even if the telecommunications section of these firms made little or no profits, the firm still profited from an increased overall customer base (Interview with DT: 2005). TelCos were then forced to cut costs and streamline their operations to better respond to this new operating environment. This begs the question, is the high profit era for mobile TelCos over? Interview responses from mobile TelCo managers suggested that much depends on the success of the roll out of 3rd generation (UMTS) mobile networks that allow for greater services via the internet. But the provision of UMTS requires large-scale investments, including purchasing government licences and building new networks. Given that the difference in voice quality is marginal, customer take up of mobile data services is critical to its success. Table 1 outlines and compares some of the main issues facing fixed and mobile TelCos.

HRM AND THE CZECH CONTEXT

Researchers suggest that many Western HRM practices are essentially derived from US concepts and culture (Mills 1998:178; Greenwood 2003:268-69). Given this Western context, path dependency theories consider that historical and institutional factors within the ETEs may limit the ability to introduce Western style HR practices into countries such as the Czech Republic (Hausner et al 1995:136-38; Bandelj 2003). Lamberg and Parvinen link the concept of path dependency to strategic management theories by considering how historical decisions and contexts may impact on later strategies (2003:551-52). Hausner et al further state that the free market 'triumph of capitalism' approach to the fall of communism, whereby the collapse of the former regime led to an institutional vacuum that could then simply be filled with Western management concepts and practices, presents an overly simplistic view of events (1995:6). Rather, they suggest that historical institutional practices, that were built into the system over time, tend to re-assert themselves even if they lead to suboptimal performances at both the macro economic and micro/firm levels (Hausner 1995:5-6). This viewpoint is supported by Bandelj who states, 'institutions can persist even when the initial conditions that created them change substantially' (2003:137). Put simply, the old order tends to reassert itself.

Earlier research on HRM in the Czech Republic supports the premise that vestiges of former socialist institutions and practices influenced and/or limited the diffusion of Western style HRM practices (Clark & Soulsby 1995; Koubek & Brewster 1995; Soulsby & Clark 1996;

Tung & Havlovic 1996; Mills 1998). For example, despite the Czech Republic's historical legacy of relatively early industrialisation, more than 40 years of socialist rule created 'a highly skilled but de-motivated workforce lacking in flexibility and unwilling to take responsibility' (Mill 1998:191). Similar to other socialist states, Czech state owned enterprises (SOEs) were often overstaffed with attendant relatively low labour productivity (Koubek & Brewster 1995; Tung & Havlovic 1996). Managers then had to develop 'coping strategies' (Soulsby & Clark 1996:479) to allow them to function within the constraints of a command economy. For example, Hegewisch et al advise that while wages were set by the state, Czech managers often used their discretionary powers over the allocation of bonuses and overtime to motivate workers to meet production targets (1996:54-55). Soulsby and Clark discuss how Czech managers were required to develop social networks with government contacts and other SOE managers in order to bargain for lower production targets and/or gain access to raw materials (1996:479-80). But this former institutional setting meant that Czech managers tended to lack the knowledge and initiative required to successfully operate in a demand driven market orientated economy (Clark & Soulsby 1995; Hausner et al 1995:136-38; Mills 1998; Bandelj 2003;).

Personnel departments in Czech SOEs were also tarnished in the eyes of workers. Under the former socialist system these departments had kept extensive records on employees' work and personal lives, which could then be passed on to state agencies, such as the secret police (Tung and Havlovic 1996:6). This then de-legitimised the role of personnel departments in the post-transformation era and led to former Czech personnel managers being demoted and/or replaced, while some senior managers deliberately reduced their personnel department's scope and authority (Clark & Soulsby 1995:222; Soulsby & Clark 1996:475-76; 1998:86-87). Researchers further suggested that in contrast to the Western SHRM model, Czech HR departments were not generally connected to overall company strategies, but instead performed more limited administrative ‘personnel department’ type roles (Tung & Havlovic 1996:6; Zupan & Kaše 2005).

But by 2005 many younger workers had little recollection of the former political and economic system. The Czech Republic’s admittance to the European Union (EU) in 2004 also signalled that it had moved towards a more mature post-transition economic and political system. Intuitively this suggests a shift from path dependency toward path making, as firms increasingly break free of former socialist attitudes and institutions. But what sort of ER model is the Czech Republic heading towards? In the early 1990s Koubek and Brewster considered that Czech ER practices were more likely to develop along the Western European collectivist approach rather than the US unitarist path (1995:243). There was some support for this conclusion. First, the Czech Republic’s proximity to Germany and its historical and cultural links to Austria — as part of the former Austro-Hungarian empire — had led to similar corporate governance institutions such as supervisory boards that include elected employee representatives (Mills 1998:190). Second, during the initial economic and political transformation stage the Czech government created state sponsored tripartite bodies such as the Council of Economic and Social Agreement of the Czech Republic (RHSD) that included peak union and employer groups (Egorov 1996:94-5; Cox & Mason 2000). These social pacts had some similarities to Western European style corporatist strategies and aimed to provide greater macro stability during the early transition period. Third, many Czech unions were successful in making the transition from being ‘transmission belts’ for the communist party towards becoming independent bodies representing the rights and aspirations of their members (Egorov 1996:99). Fourth, the Czech government revised its Labour Code to comply with EU labour standards and regulations, including the re-introduction of workplace councils (Dvorakova 2003:432). But more recent evidence points towards moves away from the Western European style ER model. Interviews suggest that in the telecommunications sector at least, the supervisory board provides workers with little actual power, as the majority of the board members come from management (Interview with CMKOS[3]: 2005). Dvorakova further suggests that successive Czech governments have suppressed the emergence of any neo-corporatist ER system, as they did not believe that this ER framework was compatible with its liberal economic policies (Interview with CMKOS: 2005; Dvorakova 2003:425). She further suggests that Czech unions and employers remain unenthusiastic about workplace councils, preferring instead to deal directly with each other (Dvorakova 2003). By 2005 the initial success of Czech successor unions had also been muted by falling membership. During interviews Czech peak union representatives advised that there had been a hardening in employer attitudes and shifts towards more American style unitarist ER policies (Interviews OSZPTNS 2004, 2005; CMKOS: 2005).

Given these developments it is useful to divide the post socialist economic and political changes into three stages; the early transformations period from 1990 to 1995, the middle transformation period from 1995-2000; and the maturing transformation period from 2000 onwards. While much of the literature to date has focused on Czech ER practices in the early to mid transformation periods, this paper further considers how ER practices have developed in the mature transformation stage within the Czech telecommunication sector. This is not to suggest that the conditions found in the current maturing transformation period represent the ‘end game’ for Czech Telcos in terms of their ER strategies. The ETEs are dynamic economic environments, while the telecommunications sector is subject to rapid technological change. But an examination of contemporary practices provides evidence of

[3] CMKOS (Czech-Moravian Confederation of Trade Unions) – Largest Czech union confederation.

how ER practices and strategies have changed since the initial transformation stage, which in turn allows us to postulate on future possible directions for ER within this sector.

Figure 1 is based on Zupan and Kaše's conceptual model that considers the core constructs involved in the implementation of SHRM policies in firms based in ETEs (2005:894). The model has been further developed to include external constructs that better address TelCo issues (see Ross 2003) and therefore provides an appropriate tool to assist in the analysis of ER strategies at ČT and TMCZ. In line with much of the SHRM literature, the model links HR outcomes to company performance (see also Kogut 1991; Burack et al 1994; Martell & Carroll 1995). The model considers the external and internal context of the ETEs and how these influence the ability of firms to implement Western style SHRM practices. HR facilitators include external information, knowledge and resources that are available to help facilitate the implementation of SHRM practices (Zupan & Kaše 2005:895). Research suggests that the knowledge and dissemination of Western style HR practices through fora such as university courses and personnel practitioner forums was already occurring in the early to mid transformation stages in the Czech Republic (Koubek & Brewster 1995; Mills 1998).

INSERT FIGURE 1 ABOUT HERE

Management strategies at ČT and TMCZ were influenced by local and sector specific contexts. The former included specific issues related to operating in an ETE including factors linked to the former political and economic environment. The latter includes the dichotomy between the fixed and mobile TelCos and the differences in the psyche of workers employed in these two telecommunications sectors; as outlined above. ER strategies at the two firms were also influenced by differing ownership structures, the legal environment, relative union strength and new technologies. Incumbent TelCo SHRM strategies have further been linked to workforce restructuring, outsourcing and downsizing, with work shifted out of core firms to external subsidiaries, subcontractors and strategic alliance partners (Ross 2003).

Zupan and Kaše differentiate between strategy development and strategy execution. They conclude that HR strategy execution tends to be weak in ETE firms because HR departments are often not linked into overall company strategies (Zupan & Kaše 2005:895-96). This concurs with research on the role of HR Departments in the Czech Republic (Tung & Havlovic 1996:6). The model links this problem to HR power, which is defined as 'both the presence and quality of HR strategy development' (Zupan & Kaše 2005:896). Low HR power therefore reduces the effectiveness of SHRM policies in ETE firms, which implies that the execution of HR strategies may not gain the intended results. The paper considers issues such as these in relation to ČT and TMCZ.

ČESKÝ TELECOM (ČT) & TMCZ

Český Telecom (ČT)

ČT's strategies were influenced by its history as a SOE under the previous socialist government. The pre-1989 Czechoslovakian government followed the Soviet model for economic development, which neglected service industries, such as telecommunications, in favour of heavy industry (Michalis & Tackla 1997:89). Former managers advised that by the early 1990s the waiting list for fixed line telephones had grown to approximately 600,000 applications — some of them over 20 years old —with a penetration rate of around 15 per cent of the population (Michalis & Tackla 1997:89; McClune 1999; Interviews with former ČT managers: 2004, 2005). Governments in the post socialist era, therefore, targeted the sector for economic reform.

Following the creation of the Czech Republic in 1993, postal and telecommunications services were split, with a new SOE, SPT Telecom assuming responsibility for telecommunications. However, SPT Telecom's mobile telephone services were shifted to a joint venture firm, EuroTel. In 1994 the Czech government partially privatised SPT Telecom and then sought a strategic international investor to provide capital investment and introduce new technologies and managerial skills. The following year the government awarded this tender to a European TelCo consortium, TelSource, which purchased 27 per cent of the firm's shares (Michalis & Tackla 1997:93). Telsource was required to modernise the network and by the late 1990s the fixed line penetration rate had risen to 37 per cent of the population (McClune 1999). However, in 2003 TelSource sold its stake in ČT, as members of the consortium consolidated their operations elsewhere in Europe (Interview with former TelSource manager: 2004).

SPT Telecom faced the prospect of the full deregulation of the Czech telecommunications market in 2001. In response it engaged in a major marketing campaign, which included changing its name to 'Český Telecom' (McClune 1999). The Czech government was required to fully privatise ČT as part of the guidelines for its admittance to the EU and in 2005 it sold its remaining shares to the Spanish TelCo, Telefonica, for €2.7 billion (see Table 2); the offer was well above market expectations (Bouc 2005:A12).

Despite deregulation ČT remained dominant in the Czech fixed line sector. Its main competition included relatively small firms in niche areas and the loss of voice traffic to mobile phones. As outlined above, the relatively low fixed line penetration rate created a substitution effect as customers opted for a mobile telephone rather than waiting to get a fixed line connected. Mobile telephone tariffs in the Czech Republic were also relatively low and compared favourably to fixed line rates, which were often timed. By 2005 ČT was focusing on the sale of broadband data services, where it considered it had a competitive advantage over mobile services. In September 2006 Telefonica changed ČT's trading name to O_2 and integrated the subsidiary Eurotel into the core firm.

INSERT TABLE 2 ABOUT HERE

T-Mobile Czech Republic (TMCZ)

The mobile TelCo, Paegas, the forerunner of TMCZ, was founded in 1996 as a joint venture between a local former SOE, Ceske radiokomunikace, and T-Mobile International; the latter being a subsidiary of DT. T-Mobile International had operational responsibility for the subsidiary from its inception and in 2001 it became its majority shareholder (TMCZ annual reports). Thus TMCZ's operations were always under the direction of its German parent company, which in turn was controlled by DT. The name Paegas had been chosen because of its links to local Czech culture, but in 2002 the subsidiary's name was changed to T-Mobile (see Table 2). The renaming of the subsidiary was in line with DT's strategy to forge a global brand name (Interviews with TCMZ & DT: 2004, 2005).

TMCZ competed against two competitors in the Czech mobile telephone market, EuroTel and Oskar communications; in 2005 the latter firm was bought by Vodaphone. Until 2005, TMCZ was the only Czech mobile telephone firm that was owned by a large international TelCo. TMCZ managers advised that this had given TMCZ a competitive advantage over its rivals in terms of financial backing, technical and managerial expertise and linkages with partner subsidiaries in neighbouring countries.

TMCZ has been a profitable subsidiary and in 2005 it became the market leader in the Czech Republic in terms of customer numbers, with around 40 per cent of the mobile subscriber market (Bouc 2005a). But it faced a highly saturated market and new international competitors, Vodaphone and Telefonica. In 2005 it launched its third generation UMTS network, in a bid to gain an early mover advantage in this new technology. But as an emerging economy, customers in the Czech Republic remain price sensitive and management have concerns about the profitability of UMTS, at least in the short to medium term (Interview with TMCZ: 2004). Nevertheless it had little choice given that its rivals were planning to roll out their own third generation networks.

EMPLOYMENT RELATIONS (ER) STRATEGIES

Organisational Culture

In the early to mid-1990s the culture at ČT remained linked to its socialist SOE past. Interviews suggest that managers who were formerly linked to the Czechoslovakian communist party, still maintained their government connections and retained influence within the firm. Clark and Soulsby concur that during the economic transition period these extended personal networks remained an important component of Eastern European management (1999:159-84). Interviews also elicited a degree of frustration with political processes and a perceived lack of transparency in government decisions in relation to ČT. This included allegations that successive governments continued to appoint high level jobs within ČT on the basis of political connections rather than telecommunications experience and expertise. TMCZ was less affected by these issues. First, it was a greenfield site that did not begin operations until 1996, when changes to the economy and political system were becoming more established. Second, it was a fully privatised firm, which limited political interference.

Despite their historical differences, managers at both firms spoke at length about the problems that older workers had in changing from the former socialist era mindset towards a more market orientated approach. HR managers complained that older employees often lacked initiative and would not take responsibility for their actions. This accords with earlier research that describes how managers under the previous economic system 'were administrators of instructions' (Koubek & Brewster 1995:224-5). As outlined above, the skills that Czech managers required to survive in a command economy were less suited to a free market style economic system. Interviews infer that ČT increasingly targeted older workers for redundancy, as part of a strategy to change its corporate culture. Similarly, TMCZ tended to recruit younger workers who were less conditioned by the work ethos of the former system; in 2005 the average TMCZ employee age was 29 years (TMCZ internal company reports).

Strategic human resource management (SHRM)

In 2001 ČT hired a Czech national who had formerly worked as a HR executive based in the United States. ČT's goal was to hire somebody with experience in Western HR processes who could re-organise HR operations at ČT to better meet the demands of a soon to be privatised firm. The HR department subsequently re-engineered its work practises. This included changing many of its HR processes and training programs into electronic format and shifting more HR procedures to line management. The HR department was streamlined and between 2002 and 2005 the number of workers in the section was reduced from 420 to 105 employees (Interview with ČT: 2005).

ČT's HR department took on a more strategic role as its new goal became 'to add value to line management' (Interview with ČT: 2005). Under this model the HR department was a business partner for the rest of the firm that would assist other sections to achieve their goals. This new strategic role was in contrast to its previous personnel management type function. HR managers advised that the department attempted to align its strategies with the following four organisational strategies:

1) creation of a customer service culture — in 2003 the firm created its first separate marketing department;
2) increased cost cutting and profit orientation;
3) improved product development and associated increased speed to the market;
4) organisational restructuring in line with the above.

Despite these goals, ČT managers spoke at length about the problems inherent in trying to shift the firm towards a customer service culture and to impress cost cutting imperatives on to staff. Many of these problems were linked to the former Czech SOE culture, which implied that local contextual issues were still providing some challenges for ČT's SHRM policies.

As a greenfield site TMCZ was not required to engage in the same kinds of extensive HR re-engineering strategies. But it was required to align its workplace practices with its parent company's 'one company' and 'Spirit@t-mobile' policies that were designed to foster an international organisational culture and coordinate strategies — including ER practices — across the DT group (Interviews with TMCZ & DT: 2005; TMCZ internal company reports).

These polices were supported by a balanced score card approach that set out the aims of the multinational corporation (MNC). Kaplan and Norton define the balanced score card as providing 'measures of organisational performance over across four balanced perspectives: financial, customers, internal business processes, and learning and growth' (1996:2). Likewise DT's approach included metrics that allowed the subsidiaries to measure how well they were aligning their strategies with the groups overall performance goals. TMCZ managers advised that there were continuing problems in convincing their workers of the need to adapt to this transnational type strategy (see Bartlett & Ghoshal 2000), as the subsidiary remained quite profitable and workers questioned any need for change. Continuing pressures towards local isomorphism, therefore, conflicted with parent company strategies that aimed to achieve internal consistency (see Harzing & Ruysseveldt 2004:59-61).

Training

A distinguishing feature of ČT's training strategies was a relatively high emphasis on e-learning. In 2005 the firm provided around 100 e-learning courses for its staff, with about 60-70 courses created in-house and the rest purchased from other companies and/or from abroad. Advantages of this approach included cost effectiveness and the fact that most ČT workers had access to a computer; a situation that was less common in other Czech firms (Interview with ČT: 2005). Easy access to these courses also facilitated the demands for new skills and continuous learning often associated with the changing nature of work (see Coates 2002:2). ČT managers advised that the firm first developed e-learning courses for legal type issues, such as state and company regulations, before developing sales and marketing courses for new products and services; the latter being the main focus of the company. E-learning then became better aligned with overall company strategies.

Despite these innovations, interviews inferred that there were few formal or coordinated links between the completion of training programs and worker remuneration. Rather, training programs were developed in response to management requests. Thus links between training and career development still tended to be done in a fragmented ad hoc way, although managers advised that there were moves towards a more integrated approach. For example, the completion of certain e-learning programs was a requirement for some jobs (Interview with ČT: 2005).

In contrast to ČT, TMCZ's training priorities were influenced by its international ownership. For example, the business language of the T-Mobile International group was English, therefore, TMCZ devoted considerable resources to improve the English language skills of its workforce. TMCZ's HR department also planned and co-ordinated training programs in other areas such as competency skills, professional development and accreditation, technical skills and sales and the customer service. But while TMCZ maintained overall control over the training programs, the final design and delivery of the courses were generally outsourced to external consultants (Interview with TMCZ: 2005). An exception were training courses designed to promote the Spirit@t-mobile and one company concepts, which were all conducted in-house. TMCZ also sent managers to the parent company headquarters in Germany for training and international experience. This inpatriation strategy further supported the one company transnational concept.

TMCZ managers advised that while sales and marketing were a priority, the firm still devoted considerable resources to technical skills training (Interviews with TMCZ: 2004). ČT in contrast decided to outsource much of its technical work in 2006 (Interviews with ČT: 2004, 2005). TMCZ managers inferred that they did not believe that the Czech telecommunications sector had developed to the point where there was an adequate pool of qualified technicians for them to draw upon in the external market. ČT's outsourcing decisions in contrast appeared more driven by short term cost cutting priorities. The following section examines outsourcing issues in more detail.

Workforce restructuring, outsourcing and downsizing

During the period of economic transition Czech SOE managers were required to 'reduce employment levels, output, product-range and social-welfare functions in order to focus on core activities' (Clark and Soulsby 1999a:549). ČT subsequently engaged in extensive downsizing programs linked to new cost-cutting financial imperatives. ČT employed external independent consultants to assist in workforce restructuring strategies, as it was felt that many older managers could not be relied upon to give objective assessments on areas within the firm that could be downsized and/or outsourced. This again reflected the previous culture under the socialist system, when large numbers of workers were essentially artificially employed to soak up employment (Soulsby & Clark 1998:82-3). Between 1997 and 2005 workforce numbers at ČT were cut from 25,000 to 9,000 employees, while a further 2,000 mostly technical jobs were scheduled to be cut during 2006 (Cowhey & Klimenko 1999:23; Interviews with ČT: 2005).

Job cuts were achieved by centralising activities, increasing productivity through new technologies and work practices, and outsourcing. Downsizing was further linked to business process re-engineering (BPR) concepts, as the firm examined why they were performing various tasks and questioned whether they were still necessary and/or could be better performed outside of the firm? A 'transformation' division was created to design and facilitate these organisational changes. By 2002 the network was fully digitised and the firm switched its focus to marketing and sales, which was then considered to be core business (Interview with ČT: 2005). Work that was not linked to these functions was considered for outsourcing. These functions were divided into 'asset management', which included generic work such as security, catering and transport, and 'network maintenance', which included work performed by ČT technicians.

Long term workers found downsizing decisions difficult to accept. Under the former command economy SOEs had provided jobs for life, so many workers had difficulties with the concept of an independent career outside of the firm. HR managers advised that ČT offered courses for workers facing redundancy that would allow them to gain new qualifications that would better prepare them for a job either outside of the firm or in another area within the firm — for example shifting from a technical orientation to marketing or sales. But many workers refused to believe that a company where they had worked for 20 years would sack them. This 'retreat' strategy — where employees attempt to maintain the status quo (Dif 2004:314) — was understandable given the institutional context of the former socialist system. In the event many workers refused to enrol in retraining programs and were subsequently shocked when they lost their jobs (Interview with ČT: 2004).

In contrast to ČT, TMCZ did not inherit a bloated workforce and was not required to engage in major downsizing programs. In 2004 it employed 2,740 workers, the majority of whom were employed in customer service and sales and marketing (TMCZ internal company reports). As outlined above, TMCZ maintained its own in-house technicians and in contrast to ČT had no plans to outsource this work (Interviews with TMCZ: 2004). Rather, outsourcing at TMCZ was generally limited to generic work, such as security and facilities management, although IT operations were outsourced to a sister company within the DT group. By 2005 workforce numbers appeared to have stabilised as growth rates in the local mobile sector market slowed.

In 2004 the average length of service at TMCZ was almost four years (TMCZ internal company reports). Given that the subsidiary did not begin operations until 1996, this suggested a reasonably low staff turnover, despite the relative youth of the workforce and the rapid technological changes occurring within the sector. Relatively high pay levels within the Czech telecommunications sector provided one reason why workers opted to stay with TMCZ (Ceske Noviny 2005). TMCZ's HR strategies also included moves to increase internal promotions, thus fostering careers within the firm (TMCZ internal company reports). Such management strategies may be influenced by the local institutional setting, as a comparative lack of locally qualified managers reinforced the need for firms to provide adequate benefits and career prospects to retain trained staff. However, this employee advantage may diminish over time as more workers gain qualifications and experience in a free market environment.

Collective bargaining, individual bonuses & remuneration

Under the previous political system workers at SOEs were expected to join the union, which acted as the 'transmission belt' for the communist party. Thus successor unions, such as the Trade Union of Employees in Postal, Telecommunications and Newspaper Services of the Czech Republic (OSZPTNS[4]) at ČT, faced perception problems during the political transformation period, particularly amongst younger workers. Nevertheless in 2005 around half of ČT's workforce remained unionised and the firm continued to collectively bargain

[4] OSZPTNS (Odborového svazu zamìstnancù poštovních, telekomunikacnich a novinových služeb) - The Trade Union of Employees in Postal, Telecommunications and Newspaper Services of the Czech Republic

with the union (Interviews with ČT: 2005). But union officials reported that negotiations with management were becoming more difficult as management had taken a more hardline approach to collective bargaining. Anecdotal evidence further suggested that overt and covert pressures were sometimes placed on new ČT workers to not join the union. Despite this the union was successful in bargaining for increased redundancy payments for ČT workers. These payments ranged from between six and 10 months pay depending on length of service, which was well above the two month statutory minimum.

Most ČT workers were covered by a collective agreement, but the firm also paid variable bonuses based on individual and company performance. Although negotiated with the union, these payments did not form part of the collective agreement but rather formed part of company policy. ČT managers advised that their preferred long term strategy was to increase the variable remuneration component and reduce the flat fixed component, so as to better align worker pay to individual performance. ČT workers also received one weeks extra holiday, and meal vouchers and sickness benefits that were above the statutory minima. ČT maintained a 'cafeteria system', whereby, employees accrued points that they could spend on activities such as sport, the theatre or education.

ČT managers stated that it was their goal to form 'more individual relationships with their employees'; such phrases are often code for shifting away from the union towards an eventual policy of individual contracts (Ross 2003). While there is a provision under Czech law for workers to establish local company based workplace councils, neither firm had established these forums, with managers citing a lack of worker interest. Interviews further suggested that management at both firms discouraged moves in this direction. TMCZ however was required to send employee representatives to the T-Mobile International

European works council (EWC), following the Czech Republic's admission to the EU in 2004.

In contrast to ČT, TMCZ's workforce was union free. As a greenfield site it did not inherit unionised members and it did not foster union activity within the firm. All TMCZ workers were therefore on individual contracts. TMCZ used the 'Hay' system where employee positions were classified according to 'job size', with each classification containing a number of levels that workers could progress through over time (Stone 2002: 434). Progress through these levels was subject to performance evaluations and not guaranteed (Interview with TMCZ: 2004). In accordance with its 'one company' strategy, DT was trying to standardise these job classifications across all its subsidiaries. The goal was to obtain comparable grading systems for each and every country, which would foster HR development strategies, including succession planning and job rotation across the group.

Similar to ČT, TMCZ pays individual bonuses based on workers reaching set performance targets. TMCZ workers also enjoyed a comprehensive range of benefits including: pension insurance, additional vacation leave, two days personal leave, 20 days study leave, subsidised medical care, study support and credit cards (TMCZ internal company reports). TMCZ also operated a 'cafeteria system' where workers collected points that could be spent at their discretion, while a relatively high percentage of workers received company cars. ČT and TMCZ, therefore, exhibited many similarities in their variable compensation payments and indirect benefits.

DISCUSSION/CONCLUSION

This section uses the constructs identified in the conceptual model for TelCos in ETEs (see Figure 1) to assist in the analysis of ER strategies at ČT and TMCZ. These constructs included internal and external contextual factors linked to the former socialist system. The incumbent firm, ČT, carried more historical baggage in this regard having operated as a former SOE under the previous socialist system. But managers at both firms advised that it was still sometimes difficult to find qualified managers, while older workers had trouble adjusting to new workplace practices. By 2005 however these issues were less of a concern, as the two firms simply replaced older workers with new younger employees who were raised and educated in a capitalist system. This suggests that future cohorts of Czech workers will continue to reduce historical and institutional constraints associated with the early to mid transformation stages. However, despite the fact that these ER strategies appear to be assisting Czech firms to better compete in a free market system they have also helped to create a 'lost generation' of older workers. Although an analysis of Czech social conditions is beyond the scope of this paper, these trends point to potential social problems and issues associated with long term older unemployed workers. Interviews with former ČT managers confirmed that many remained unemployed for long periods and suffered associated low self esteem. In contrast, these strategies have created opportunities for younger workers, with the average age of TMCZ managers being lower than in DT's operations in Western Europe (Interview with TMCZ: 2004).

Despite previous research suggesting that Czech HR departments in the early to mid transformation stages played reactive and/or administrative roles, this paper found much evidence that this role was changing, with the HR departments at both TelCo developing SHRM policies that were designed to align HRM strategies with overall organisational goals. At ČT this was summed up by the HR department's goal of adding value to line management, where it saw its new role as being a business partner for the rest of the firm that would assist other sections to achieve their goals (Interview with ČT: 2005). It then sought to re-engineer its workforce structure and ER processes to better suit a deregulated environment. TMCZ's requirement to align its ER strategies with the T-Mobile International group's 'one company' policies provided evidence that strategic international human resource management (SIHRM) practices were being imported into the firm.

Czech HR managers at both firms were knowledgeable in Western HRM strategies including e-learning, the 'Hay' compensation system and the balanced score card approach. This supports the notion that HR facilitators such as HR information, knowledge and resources (Zupan & Kaše 2005) are available in the Czech Republic. This research also found no evidence of any latent worker hostility to ČT's personnel department, based on its former links to the secret police under the socialist system. But Zupan and Kaše suggest that HR strategy execution tends to be weak in ETE firms because of the HR department's traditional administrative role and its lack of HR power (2005). In this regard both ČT and TMCZ reported worker resistance to the introduction of new HR strategies, which tested the power of their HR departments and managers. While resistance to change is also a common phenomenon in Western based firms, historical and institutional attitudes and practices make it more pronounced in the Czech context. Thus despite the apparent increase in HR strategy development and HR power, local contextual issues still caused challenges for HR strategy execution, although this appears to be dissipating over time (Zupan & Kaše 2005:894). Ownership factors further impacted on management strategies at the firms. ČT operated as a majority government owned firm until 2005 and was subject to political interference in its activities, including the appointment of senior executives. In contrast to ČT, TMCZ's policies were subject to the strategies of its parent firm, DT.

ČT engaged in downsizing and outsourcing strategies that were similar to those introduced by Western incumbent TelCos that faced deregulation (see Ross 2003). This included refocusing its core activities around customer service, cost cutting and speed to the market; the latter being an acknowledgement of rapidly changing technologies and associated new products. Technology influenced management ER strategies in the Czech telecommunications in terms of former jobs becoming redundant and the creation of new jobs and skill requirements. These are telecommunication sector specific issues affecting TelCos around the world (Katz 1997). But in contrast to research on Western European based TelCo workers there was less evidence to support the view that technological determinism was leading to a semi-independent 'nomad' or 'cross-boundary' TelCo worker who was better suited to the knowledge-based economy (Tremblay 2002; Dif 2004; Leonardi & Jackson 2004). Rather, TMCZ employees had relatively long job tenures and its HR strategies included moves to increase internal promotions (TMCZ internal company reports). Both firms also paid extra leave entitlements on top of the statutory minimum, which supported the Czech tradition of taking extended summer holidays with their families. Other benefits, such as subsidised medical care and study leave, appeared more closely linked to traditional ideas of company 'welfare capitalism' rather than more recent 'knowledge worker' concepts (Lundy & Cowling 1996:52; Tremblay 2002). ČT and TMCZ's 'cafeteria' systems may also be linked to the role of HR Departments in SOEs under the former Czech socialist system, which included the provision of recreation and sporting facilities along with canteens and other employee benefits (Koubek & Brewster 1995:226).

But this does not preclude the possible emergence of new organisational forms in the Czech telecommunications sector that may more closely resemble the independent knowledge worker typology. For example, ČT's decision to outsource the maintenance of its network will lead to the creation of independent subcontractor networks. Furthermore, imminent changes to the way Czech telecommunications services are delivered, such as the building of 3rd generation networks and moves from switched circuit to IP networks, may shift Czech TelCo ER practices further towards this concept, as the roll out of these technologies is often suited to short-term project work. For example, ČT's new owner, the Spanish MNC, Telefonica, outsourced the building of its next generation networks (NGNs) for its South American subsidiaries to a large external multinational firm with expertise in this field (Siemens 2004). Thus certain classes of workers — including project managers, IT specialists, engineers and technicians — are more likely to shift towards an independent subcontractor type classification, rather than workers employed in the current core areas of sales and marketing.

Despite the differences outlined between the fixed and mobile TelCos markets, by 2005 the ER policies of the two firms exhibited many similarities. This in part reflected the large scale organisational and workplace changes that had occurred in ČT's as it made the transition from a SOE to a fully privatised firm. It also reflected a change in organisational culture hastened by the departure of many former ČT's managers. By 2005 the ER polices of both firms were closer to American style unitarist perspectives, rather than more union friendly Western European ER approaches. This mirrored the experience of telecommunications deregulation in Western countries (Katz 1997; Ross 2003). While the successor union at ČT, OSZPTNS, made a relatively successful transition to the new economic and political system in the early to mid transformation periods, the percentage of unionised members within ČT then began to drop substantially. This decline in union strength was hastened by the above downsizing strategies. It also reflected a decline in union recognition at the macro level.

During the early to mid transition stages Czech unions were seen as social partners with the Czech government, but this recognition declined during the mature transformation stage as the role of tripartite councils decreased. By 2005 ČT management were taking a more hardline approach to bargaining, although most workers remained on a collective agreement; albeit with an individual bonus component. TMCZ on the other hand remained completely union free, with all its workers on individual contracts. This in part related to it being a greenfield site, while the mobile TelCo market tends to suit younger often non-unionised workers. Union representatives further state that they have been unsuccessful in organising TMCZ employees. Interestingly DT's 'one company' policy does not extend to union activities. Therefore the types of co-determination rights that the German telecommunications union, Verdi, enjoys with DT, were not exported to its subsidiaries. Rather, union activity within the DT group appeared linked to the level of local institutional union support. The evidence suggests therefore that union coverage within the Czech telecommunications sector will continue to decline.

To conclude, the Czech telecommunications sector has undergone enormous changes in the relatively short time since the collapse of communism. By 2005 it was deregulated and dominated by overseas based MNCs. Following 15 years of cost cutting and restructuring, many of ČT's ER strategies resembled those being implemented at TMCZ. Some historical and institutional legacies from the socialist era — as described by researchers in the early to mid transition period — remained evident. But their influence and/or constraints on the implementation of Western ER strategies were generally diminishing. During the mature or post transformation stage, ČT and TMCZ implemented ER policies that were increasingly similar to those introduced by their Western TelCo counterparts; a process that is likely to accelerate following the purchase and renaming of ČT to O_2 by Telefonica. Within these changing dynamics, ER practices and strategies within the Czech telecommunications sector will continue to develop in line with local, international and sector specific trends.

ACKNOWLEDGEMENTS

Grateful acknowledgement is made to the Institute for Economic and Environmental Policy at the Prague University of Economics, Czech Republic, for their support during this research project.

REFERENCES

Bandelj, N. *Embedded economies: Foreign direct investment in Central and Eastern Europe*, Ph.D. dissertation submitted to the Faculty of Princeton University, 2003

Bartlett, C.A. & Ghoshal, S. *Transnational Management: Text Cases and Readings in Cross-Border Management* 3rd edn, Boston: McGraw Hill, 2000

Beck, U *The Brave New World of Work* Cambridge: University Press, 2000

Bouc, F. (2005) 'Sold off: Telfonica's high bid cinches deal for Český Telecom privatisation', *The Prague Post*, (13-19 April), p. A12

Bouc, F. (2005a) '10 Questions: with Roland Mahler', *The Prague Post*, (31/08/2005) http://www.praguepost.com/

Burack, E., Burack, M., Miller, D. & Morgan, K. (1994) 'New Paradigm Approaches in Strategic Human Resource Management', *Group and Organization Management*, Vol. 19, No. 2, June 1994, pp. 141-159

Ceske Noviny (2005) 'Telecoms companies pay highest wages', *Ceske Noviny*, www.ceskenoviny.cz (04.01.05)

Clark, E. & Soulsby, A. (1995) 'Transforming former state enterprises in the Czech Republic', *Organisation Studies*, Vol. 16, No. 2, pp. 215-42

Clark, E. & Soulsby, A. (1999) *Organizational Change in Post-Communist Europe: Management and transformation in the Czech Republic*, Routledge, London/New York

Clark, E. & Soulsby, A. (1999a) 'The adoption of the multi-divisional form in large Czech enterprises: The role of economic, institutional and strategic choice options', *Journal of Management Studies*, (July 1999),Vol. 36, No. 4, pp. 535-58

Clark, E., & Michailova, S. (2004) *Fieldwork in Transforming Societies, Understanding Methodology from Experience*, Palgrave MacMillan, Basingstoke

Coates, J.F. (2002) Four Perspectives on the Future of Work, *Employment Relations Today*, Vol. 29, Iss. 1, pp. 1-15

Cowhey, P. & Klimenko, M. (1999) 'The WTO Agreement and Telecommunication Policy Reforms', Draft World Bank Report, (7 March 1999), *World Bank*, http://econ.worldbank.org/files/1723_wps2601.pdf

Cox, T. & Mason, B. (2000) 'Trends and developments in east central European industrial relations', *Industrial Relations Journal*, Vol. 31, Iss. 2

Dif, M. (2004) 'Vocational identities in change in the telecommunications sector', Career Development International, Vol. 9,No. 3,pp. 305-321

Dvorakova, Z. (2003) 'Trade unions, works councils and staff involvement in modernising the Czech Republic', *The International Journal of Public Sector Management*, Vol. 16, No. 6, pp. 424-433

Egorov, V. (1996) 'Privatisation and labour relations in the countries of Eastern Europe', *Industrial Relations Journal*, Vol. 27, Iss. 1, pp. 89-100

Euroweek (2002) 'Český Telecom privatisation on hold, LBO plans delayed', *Euroweek*, (6 December 2002), Iss. 782, p. 52

Gannon, M., Flood, P. & Paauwe, J. (1999) 'Managing human resources in the third era: Economic perspectives', *Business Horizons*, Vol. 42, Iss. 3 (6/5/99), pp. 41-47

Greenwood, M.R. (2003) 'Ethical challenges for human resource management', in R. Wiesner & B. Millett eds *Human Resource Management: Challenges and Future Directions*, Wiley, Milton, Queensland

Harzing, A.W. & Ruysseveldt (2004) *International Human Resource Management* 2nd edn, Sage Publications

Hausner, J., Jessop, B. & Nielsen, K. (1995) *Strategic Choice and Path Dependency in Post-Socialism Institutional Dynamics in the Transformation Process*, Edward Elgar, Aldershot/Vermont

Kaplan & Norton (1996) *The Balanced Scorecard*: *Translating Strategy into Action*, Harvard Business School Press, Boston

Katz, H.C. ed. (1997) *Telecommunications: Restructuring Work and Employment Relations World-Wide*, ILR Press, Ithaca

Kogut, B. (1991), 'Country Capabilities and the Permeability of Borders', *Strategic Management Journal*, Vol. 12 (Summer), pp. 33-47

Koubek, J. & Brewster, C. (1995) 'Human resource management in turbulent times', *International Journal of Human Resource Management*, Vol. 6, Iss. 2 (May), pp. 223-47

Kozáková**,** P. (2006) 'On the Record: Telecoms newcomer has big plans', *Czech Business Weekly*, (09. 01. 2006), http://www.cbw.cz/phprs/2006010903.html

Lamberg, J. & Parvinen, P. (2003) 'The River Metaphor for Strategic Management', *European Management Journal*, Vol. 21, No. 5, pp. 549–557

Leonardi, P.M. & Jackson, M.H. (2004) 'Technological determinism and discursive closure in organisational mergers', Journal of Organisational Change, Vol. 17, No. 6, pp.615-31

Louis, P.J. (2004) 'Voice over Internet Protocol (VoIP): The "Killer" Application?', *Mind Commerce*, www.MindCommerce.com

Lundy, O., Cowling, A. (1996), *Strategic Human Resource Management*, Routledge, London/New York

McClune, E. (1999) 'Tough times ahead for SPT as Czech market counts down to competition', *Communications Week International*, (4 October 1999)

Martell, K. & Carroll, S.J. (1995) 'How strategic is HRM?', *Human Resource Management*, Summer, Vol. 34, No. 2, pp. 253-267

Michalis, M. & Tackla, L. (1997) 'Telecommunications in the Czech Republic', in D.J. Ryan (ed.) *Privatisation and Competition in Telecommunications: International Developments*, Praeger, Westport, CT.

Mills, A. (1998) 'Contextual influences on human resource management in the Czech Republic', *Personnel Review*, Vol. 27, No. 3, pp. 177-99

Red-stars.com (2000) 'Český Telecom', *Red-stars.com,* http://www.rsf.ru/rcd/czsptt.html (1/11/2000)

Ross, P.K. (2003) 'Organisational and Workforce Restructuring in a Deregulated Environment: A Comparative Study of the Telecom Corporation of New Zealand (TCNZ) and Telstra', PhD thesis submitted to the Graduate School of Management, Griffith University, Qld, Australia

Siemens (2004) 'Telefonica pioneers NGN in Latin America with Siemens as guide', *Siemens Carrier World* (22/11/2004), http://www.siemens.ie/carrier/world/webzine/oct04/telefonica.htm

Soulsby, A. & Clark, E. (1996) 'Economic Restructuring and Institutional Change: Post-Communist Management in the Czech Republic', *Journal of Socio-Economics*, Vol. 25, No. 4, pp. 473-96

Soulsby, A. & Clark, E. (1998) 'Controlling personnel: Management and motive in the transformation of the Czech enterprise', *The International Journal of Human Resource Management*, Vol. 9, Iss.1, pp. 79-98

Stone, R.J. (2002) *Human Resource Management* 4th edn, John Wiley & Sons, Milton

T-Mobile (2005) *T-Mobile Code of Conduct*, Deutsche Telekom, Bonn

Tremblay,D-G (2002) ‘Organizational Knowledge and Learning in the Context of the Knowledge-Based Economy: Networks as a Source of Learning and Contacts in the Multimedia Sector’, paper presented to *The Third European Conference on Organizational Knowledge, Learning and Capabilities*, Athens, Greece (5-6 April 2002)

Tung, R.L. & Havlovic, S.J. (1996) ‘Human resource management in transitional economies: The case of Poland and the Czech Republic’, *International Journal of Human Resource Management*, Vol. 7, No. 1 (February), pp. 1-19

Willoughby, I (2006) ‘Can new Telecom owner halt decline in number of fixed line telephones?’, *Radio Prague*, (13/09/2006) http://www.radio.cz/en/article/83137

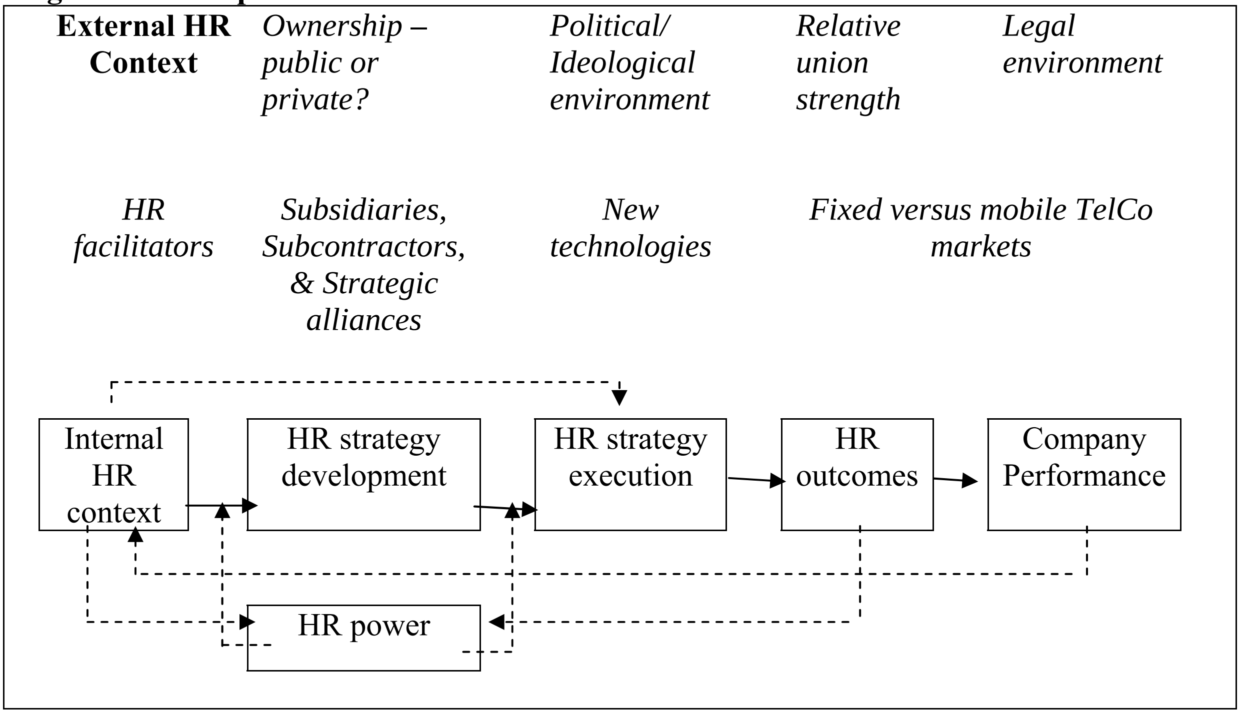
WTO (World Trade Organisation) (1998) ‘Telecommunications Services’, *WTO Council for Trade in Services*, Discussion paper (8/12/98)

Zupan, N. & Kaše, R. (2005) ‘Strategic human resource management in European transitional economies: Building a conceptual model on the case of Slovenia’, *International Journal of Human Resource Management,* Vol. 16, No. 6 (June), pp. 882-906

Table 1: Issues for Fixed line and Mobile TelCos

Fixed line TelCos	Mobile TelCos
Privatisation: Need to change corporate culture to reflect more commercial outlook	*From rapid growth to saturation point:* ▪ Need to adjust to a mature market
Reduction in traditional revenues: ▪ Voice traffic has shifted from fixed to mobile — substitution effect ▪ Voice over internet protocol (VoIP) has potential to replace current circuit switched network — competition for long distance & local calls from small low cost providers (e.g. Skype) ▪ Implications: need to cut costs	*Competitive pressures to reduce costs* ▪ Saturated markets ▪ Global & local competition ▪ Competition from mobile virtual network operators (MVNO) ▪ is the high profit era for mobile TelCos over?
Strategies ▪ Shift in focus away from voice towards provision of data services where fixed line currently have a competitive advantage e.g. broadband internet services	*Strategies* ▪ Roll out of UMTS: 3rd generation mobile phone networks: high expense/potentially high risk strategy ▪ Increased focus on data services

Figure 1: Conceptual SHRM Model for TelCos in ETEs



Source: Developed from Zupan and Kaše (2005:894) and Ross (2003)

Table 2: Chronology of ČT and TCMZ.

Date	ČT	TCMZ
- 1990	• SPT Praha (Správa pošt a telekomunikace Praha (SOE responsible for Czech region) • SPT Bratislava. (Správa pošt a telekomunikace Bratislava (SOE responsible for Slovak region)	
1990	EuroTel Praha — Joint venture signed between the Federal Ministry of Post and Telecommunications and US West International and Bell Atlantic Inc. for the provision of a cellular network	
1992	Limited competition introduced into some telecommunication services, such as the sale, installation and maintenance of terminal equipment.	
1993	• Former Czechoslovakia split into Czech & Slovak Republics; • SPT Praha split into 2 new SOEs: 1. Ceská pošta (responsible for postal services); 2. SPT Telecom (responsible for telecommunications services). 3. SPT Telecom inherits a majority (51%) ownership of EuroTel Praha	
1994	SPT Telecom vouchers distributed in 1994.	
1995	• SPT Telecom vouchers converted into shares; • SPT Telecom becomes a joint stock company listed on the Prague Stock exchange; • Government seeks an international 'strategic investor; • Swiss-Dutch Consortium, TelSource[1], wins government tender and buys a 27% stake for US$1.45 billion; • Government retains a majority 51% share ownership.	
1996		Paegas begins operations: joint venture between Ceske radiokomunikace & T-Mobile International
2000	SPT Telecom renamed as 'Český Telecom' on 1 January 2000	
2001		T-Mobile International becomes majority shareholder
2002	Government rejects offer for the sale of its remaining 51% stake	Paegas renamed as T-Mobile (TMCZ)
2003	TelSource consortium member sell their shares in Český Telecom in December 2003	
2005	Government accepts offer from Telefonica for its remaining 51% stake: Český Telecom becomes 100% privatised firm.	
2006	Český Telecom renamed as O_2; EuroTel absorbed into core firm on 1 September 2006	

Notes: 1. TelSource was a consortium of PTT Telecom Netherlands and KPN telecommunications; along with a minority partner Swiss Telecom and a non-equity partner, AT&T.

Sources: Michalis & Tackla (1997:89-102); McClune 1999; Red-stars.com (2000); Euroweek 2002; Bouc (2005); Telefonica Press Releases (2006); Interviews with ČT & TMCZ: 2004, 2005.