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Changes in Corporate Employment and HR Practice: An Analysis of 2007 Survey Data Based on the Life Cycle Model

Life cycle (or stage) models were developed to study organizational growth. The primary objective of applying such models is to determine the relevant outcomes (e.g. management, HR, etc.) for the different stages of organizational growth on the basis of contributing factor. Our research, conducted in 2007, sought to discover how companies (subsidiaries of multinational companies, as well as indigenous Hungarian large, small, and medium-sized enterprises) had adapted to the accelerating changes in the economy over recent years, and what kinds of change might be expected in the employment and personnel management practices of these organizations at specific stages of life cycle models. This paper presents the theoretical background and empirical findings of this research.

Theoretical Background: Life Cycle Model – Employment and HR

In the 1960s and 1970s a number of authors studied the growth of organizations to describe and understand their operations and successes. A common feature of the models that they developed is use of a biological analogy describing the organizations as if they were living beings that are born, grow, mature, decline, and then die, as well as that, in case of appropriate changes, can be reborn in a new form. The professional literature of the 1980s explored the possibility of combining such models and their applicability to business life. What is offered at this point is a non-exhaustive summary of the most important aspects of these publications:

- Greiner's model [1972] specifies five factors influencing the length of growth stages—the age and the size of the organization, the stages of evolution and revolution, and the level of development of the specific industry. The logical demonstration of these factors clearly shows that each stage is a product of its predecessor and the cause of the subsequent stage.

■ *The Organizational Life Cycle: Issues in the Creation, Transformation and Decline of Organizations*, a volume of organizational theory studies edited and partly authored by Kimberly and Miles in 1980, is a basic reference work in literature on the life cycles of business as well as other organizations. Relying on the biological metaphor, it distinguishes and analyzes three stages (initial, mature, decline) of the organizational life cycle.

■ Miller and Friesen published a paper in 1982 on the methodology of longitudinal analyses. The authors reviewed earlier literature and classified it according to the degree to which mathematical and statistical methods were applied. They identified five groups and presented the strengths and weaknesses of each.

■ In 1983 Quinn and Cameron developed an integrated model after reviewing nine organizational life cycle models that had been developed over the previous fifteen years. Their model consists of four stages: entrepreneurial, collectivist, formalization and control, and the structure elaboration and adaptation stages. These were further subdivided into sub-stages in some of the original models.

■ Scott and Bruce's [1987] "Five Stages Of Growth in Small Business" was one of the first papers written with special focus on the life cycle of the small enterprises. The authors' objective was to identify the key factors in each stage and the crises most typically occurring at the time of transition from one to the other. An awareness of problems arising in the five stages (inception, survival, growth, expansion, and maturity) can help managers make the change process smoother. According to this model, company progress is linear and companies have to overcome certain difficulties before entering a subsequent stage.

For a long time, the majority of the researchers focused on issues related to general management and finance as well as to sales and marketing in the different development stages of companies. Among them, consideration of human resource issues gradually gained more and more attention.

■ In 1978 Lavoie and Guilbert [in Baird and Meshoulam, 1988] argued that the human factor and employee behavior change in line with stages of the organizational life cycle.

■ Hess [1987] pointed out [in Baird and Meshoulam, 1988] that general management and HR issues were of the utmost importance in each stage of organizational growth.

■ Baird and Meshoulam (1988) concluded that studying changes taking place over the course of organizational growth facilitates an understanding of how human resource management should change, as the efficiency of HRM is dependent on the extent to which it fits a given growth stage. Should one HRM stage be omitted, HRM activity will lose its efficiency and the organization will have to return to the previous stage to regain it. The authors also claimed that each new HRM development stage required new leaders.

■ Adizes [1988] found that human resource practice typically required in the first and second stages included the owner's emotional support, strict control, attention, backing, and protection. Selecting the right people for the organization, making realistic assessments of growth prospects, and analyses of the environment are tasks associated with the first two stages. In the third stage, organizations primarily have to focus on integrating with their environment, realizing what not to do, and determining their ideal growth rates. The fourth stage can bring about teamwork and decision-making. The balance between flexibility and systematization should be maintained. The fifth stage means making serious decisions. It is essential that throughout this stage employees are kept motivated so that conflicts arising from transfers can be resolved more easily. In the sixth stage, the most important task is to enhance awareness, to recognize the need for change, as well as threats and opportunities. The long-term tasks have to be identified as a group process. In terms of HR, the eighth stage sees lay-offs come to the fore. It is vital that the organization should dispense with employees who either affect it negatively or who are not very competent. What should be checked in the ninth stage is whether the above-mentioned interventions are integrated, what threats and opportunities they give rise to, and what other actions are worth trying.

■ Hungarian publications in this field include Szerb and Ulbert [2002 and 2006] as well as Göblös and Gömöri [2004]. They mainly deal with financial and general management issues.

■ Our 2004 interview survey of forty-two foreign-owned subsidiaries in Hungary [Poór, 2005]—conducted on the basis of the life cycle model—found that as subsidiaries entered the stage of maturity the number of foreign expatriates decreased and the role of industrial relations (trade unions) significantly weakened. At the same time, an increase in HQ efforts towards HR centralization could also be seen as a result of global standardization and cost-saving drives carried out in the stage of decline, where cooperation and business partnership were the relevant HR manager competencies in all four stages.

■ The 2005 survey of domestic SMEs [Kiss and Poór, 2006] revealed that the entrepreneurial zest of 1992 Hungary decreased significantly as a result of changes in the economy and the market. It proved to be difficult for businesses established with low start-up capital to develop their organizations, to retain their competitiveness, and to expand their markets.

This paper interprets human resource management as a group of integrated functions that facilitate the efficient use of human resources while simultaneously taking individual and organizational objectives into consideration [Elbert, et al., 2001]. Based on the literature outlined above, the use of life cycle models in the analyses of human resource management practices offers a valuable tool to enhance the long-term effective-

ness of organizations. Building on these theoretical and empirical findings, life cycle considerations were implemented during the analysis of the previous ten years (1996–2006) among the business organizations that had participated in it in our 2007 survey.

The Survey

Based on the life cycle model, the survey presents the personnel/human resource (HR) policies and practices of 112 Hungarian state-owned and private companies. What follows is a summary of the most important findings.

Research Methodology

The research is based on a descriptive survey and invariably reveals objective data. Closed questions were included in the questionnaire to facilitate statistical analysis. Respondents were requested to make their choice from sets of pre-formulated answers largely covering the specific areas to be studied. There was also given the opportunity to elaborate on answers other than the ones offered in the questionnaire.

The questionnaire contained twenty-three questions and was divided into three parts.

- The first contained respondents' data.
- The second contained questions on corporate features.
- The third surveyed company personnel practices, with a focus on employment.

Conclusions were made on the basis of common statistical methods (average, frequency, and distribution). The data emerging from the answers given to some salient questions were also presented in graphs and charts. Most graphs present percentage point deviations from the average value of responses, but graphs displaying the normal distribution of responses were also included in some cases. Data were also processed using criteria such as the type of ownership, the size of company, etc. The statistical analysis was complemented by six interviews.

Life Cycle Stages

The period between 1996 and 2006 was divided into three stages:

- *First Stage (1996)*: In this period, the mid-1990s, foreign capital achieved a significant position in every fundamental sector of the economy. This year is considered one of the most intensive in the growth of SMEs. A basic document on the modernization of the Hungarian civil service was introduced in 1992.
- *Second Stage (2001)*: The period following 2000 coincides with the end of the “honeymoon” and the completion of the transformation period of foreign companies. What is seen are more realistic expectations from both the local subsidiary and the global cor-

porate perspective. Interest shifted toward economic rationalization and the divestiture of unprofitable units and functions. Due to intensifying competition, a steep decline in the SME sector appeared soon afterwards.

■ *Third Stage (2006)*: This started a mere two years after Hungary's accession to the European Union. Relative global economic stability and further European unification combined to provide a breathing-space for large multinational corporations as they reassess the potential role of their Hungarian subsidiaries, given the changes characterizing the last seventeen years. The new socialist-liberal coalition government introduced a drastic reform of the public sector in June 2006. This reform program had several items influencing the framework and management of government HR functions at central and local level and in the short- or medium-term.

The questionnaire-based survey and the face-to-face interviews covered all three stages, whilst a cross-sectional study was made separately.

Research Objectives

The objective of our research was to gain a better understanding of driving forces and contributing factors on the basis of which enterprises in various stages of their life cycles develop their short-, medium-, and long-term employment and HR policies.

The objective was to explore how:

- Hungarian subsidiaries of large multinational companies,
- Internationalizing Hungarian companies,
- Large domestic companies, and
- Hungarian, as well as foreign-owned, small and medium-sized companies (SMEs)

Had adapted to the accelerating changes in the economy, what changes might be expected in these companies in the different stages of the life cycle models, and how these changes would influence their employment and personnel management practices.

Hypotheses were formulated as follows:

- H1: The number of employees needs to be changed in every corporate category together with change of life cycle in the organization.
- H2: Companies with different forms of ownership, but in the same life cycle stage, have different demands for employment policy and staff support.
- H3: Requirements for knowledge, skills, and competence vary by life cycle stage in all corporate categories, including requirements for HR specialists.
- H4: HRM practices (e.g. flexible forms of employment, employee relations, forms of qualification and training, etc.) change as life cycle stages change in the organizations surveyed in each category.

■ H5: The demand for employees at smaller-sized enterprises increases at a relatively more rapid pace in more mature organizational cycles than in larger companies, whether they are domestic or international.

Selection of Participating Companies

Nearly 9,000 companies were selected on the basis of size, regional distribution, and ownership from corporate databases and mailing lists drawn up during a similar survey conducted earlier [Poór and Kiss, 2006]. Selected companies were contacted by e-mail.

Experience supported by nearly twenty years in conducting questionnaire-based surveys shows that the smaller the company selected for the survey the less willing it is to participate. In fact, the willingness of large companies to respond is 10%, whilst that of SMEs is around 1%.

To resolve the issues related to this low willingness to respond and to errors made by respondents while completing a questionnaire it was decided to conduct face-to-face interviews with top managers.

Findings

Respondents' Characteristics

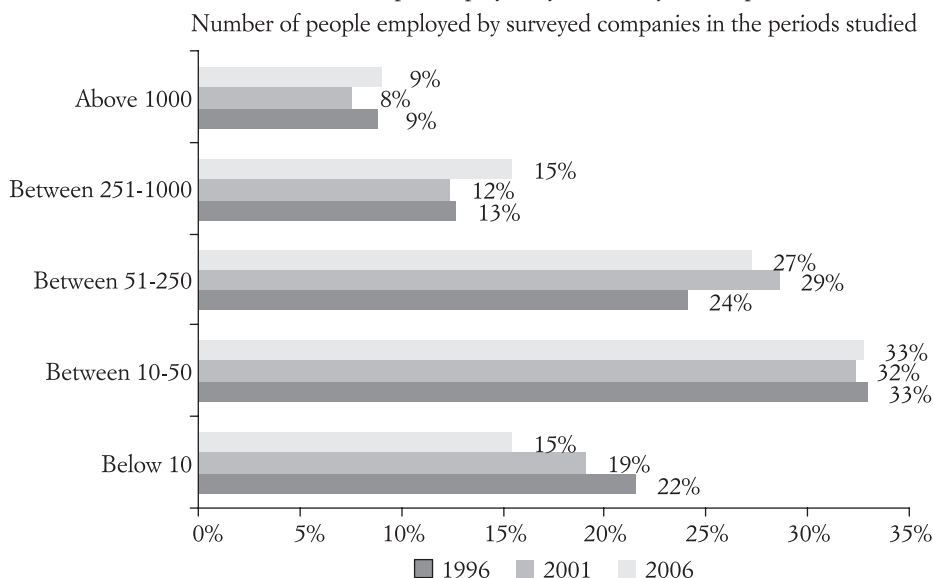
Ultimately, 110 Hungarian-registered companies participated in the questionnaire-survey. The majority of the surveyed companies were privately owned and indigenous in the periods studied. An increase in the proportion of foreign-owned companies appeared starting with 1996. By 2006 they accounted for nearly one-third of the companies. State-owned companies and joint ventures with foreign participation decreased steadily from 1996. By 2006 the proportion of state-owned companies had decreased from 3% to 2%, whilst the proportion of joint ventures with foreign participation had dropped from 15% to 7%.

Of the companies surveyed, 20% were established before and 80% after the political and economic transition.

With respect to the gross annual sales revenue of the surveyed companies, the proportion of those generating below HUF 50 million and from HUF 50 million to 500 million fell, whilst that of those posting HUF 10–100 billion in annual gross sales revenue rose in the periods studied. There was a decline in the number of companies with over HUF 100 billion turnover by 2001, but in 2006 this stood once more at 4%.

The majority of the companies participating in the survey employed 10–50, or 51–250 people in the surveyed periods. According to the responses given in 2006, 12–15%

Exhibit 1: Number of People Employed by the Surveyed Companies



of the companies employ fewer than 100, whilst 9% employ over 1,000 people. The majority of the companies belong to the small- and medium-sized enterprise category in line with EU criteria of employment size and annual turnover.

The Founding of Companies: The Organizational Life Cycle

Of the companies surveyed, 20% were founded before and 80% after the political and economic transition. A large proportion was established immediately following or within five years of the transition.

Exhibit 2: Distribution According to Organizational Life Cycle Stage

Categories	1996	2001	2006	Average
Privatization	7%	2%	1%	3%
Founding of new enterprise	7%	11%	4%	7%
Transition, “learning and development”	37%	13%	2%	17%
Organizational growth	36%	43%	31%	36%
Consolidation	12%	23%	41%	25%
Decline	3%	9%	22%	11%
Does not know, not known	0%	0%	0%	0%
Total:	100%	100%	100%	100%

Research findings show that the majority of respondents were in the life cycle stages of organizational growth (36%) and consolidation during the studied periods. Only 11% suggested that they were in the stage of decline.

It is evident from the data concerning the stage of growth of the participating organizations that decline is more characteristic of domestic enterprises (both large companies and SMEs) than of local subsidiaries of foreign companies. Foreign companies can take greater advantage of the benefits of organizational growth than domestic ones.

Employee Categories

Respondents saw a decrease in manual workers from 49% to 48% during the periods studied, whilst there was a slight increase in the category of clerical staff from 16% to 17%. The proportions of professional staff and management did not change over the studied periods.

Exhibit 3: Distribution of Employees According to Categories of Workforce (%)

Categories	1996	2001	2006
Manual	49%	48%	48%
Clerical	16%	17%	17%
Professional	25%	25%	25%
Management	10%	10%	10%
Total:	100%	100%	100%

Looking at the figures in relation to company types, one can see that there was a significant increase in the manual labor force of foreign-owned companies. The number of clerical staff increased at a lower rate. In line with international trends, there was a slight drop in the number of managers at the local subsidiaries of international companies. Sadly, there was a much more significant fall in the number of professional staff than in management. In contrast with the practice of international companies as mentioned above, large domestic companies reduced their workforce to a greater extent with respect to manual and clerical workers, whilst management and professional staff grew somewhat.

There was little change in terms of the age distribution of the workforce over the studied periods. The proportions of staff below thirty and above fifty years of age increased, while those between thirty and forty and between forty and fifty decreased. The majority of the workforce belonged to the under-forty-one age group.

Employees between thirty and forty years of age accounted for the majority in every type of company. By 2006, international companies had seen an increase in the numbers

of employees below thirty and between thirty and forty, but there was the opposite trend in terms of the same employee categories in domestic companies. Age group composition remained roughly the same in spite of the relatively long, ten-year period, since there was low staff turnover. The interviewed respondents tended to hire young people to replace those who left the company.

In all types of companies, the majority of businesses saw staff turnover rates decline, although one could also see trends in all three groups of companies which ran counter to this. During the interviews, a similar tendency in employee commitment was revealed. However, the majority of SMEs did not assess this since they attributed it to low staff turnover, conscientious work, and a family-like atmosphere.

The interviews conducted at the surveyed companies revealed that progress through life cycle stages did not necessarily bring about an increase in demand for employees who were better educated and who had more competencies. Although most companies were aware of the importance and benefits of employing high quality staff, the training and development of staff members was not regarded as a crucial factor even by continuously growing companies (construction companies, management consultancies, adult education institutions in Szeged, and trading companies in Central Hungary). Employees with core competencies required in high standard service provision are still easy to find.

The wage and salary costs of participating companies accounted for one-third of their operating costs in these periods, and they increased by 3% on average from 1996 to 2006.

It is noteworthy that during the global recession at the beginning of the millennium, the wage and salary costs incurred by foreign-owned subsidiaries and large domestic companies decreased somewhat in relation to operating costs. As mentioned above, wage costs have recently increased in all three groups of companies (foreign, large domestic, and SMEs).

The interviews suggest that growth in the number of employees has not always matched that of production, and so one can conclude that productivity has improved in the past few years.

Companies adapt their wage policies according to their environment and market opportunities, and, unlike most SMEs, local subsidiaries of foreign companies and large domestic companies use official comparative income data, both regional and national, when fixing wages and salaries.

HR and Employment Practices

Both HRM in general and specific personnel policies were explored by looking at the three most important fields—employment–staffing, working hours and working arrangements, and HR competencies.

Employment and Staffing

Companies most often used internal transfers and the elimination of positions (20%) as well as voluntary redundancies to reduce the numbers of the workforce. Only 9% of the respondents used outsourcing for this purpose. Local subsidiaries of foreign companies used internal transfers and the elimination of positions most often in the middle of the 1990s. Today, these companies tend to favor voluntary redundancies and the practice of not renewing fixed term contracts.

A great majority of companies (66%) did not have an action plan in the periods studied. In most cases, there was an action plan covering workers with reduced working ability (8%) and elderly employees. International companies tended to have more action plans for ethnic minority workers than other businesses. Large domestic companies usually had such programs for employees with reduced working ability.

Working Hours and Working Arrangements

Twenty–two percent of the companies used shift work, 17% used weekend work, and 15% adopted flexi–time for more than half of their full–time employees. Ninety–two percent of the companies did not use compressed working weeks, 88% had no weekend work, and 84% had no teleworking arrangements.

HR Competencies

The main HR competencies in 29% of the companies during the studied periods were cost consciousness and foreign language skills. Only 13% of the organizations regarded the knowledge of HR systems and methods, change management, and business process support important. In all three groups of companies (foreign, large domestic, and SMEs) cost–consciousness was regarded as important. In 2006, foreign language skills were deemed the second most important in local subsidiaries of foreign companies and in large domestic companies. International companies also listed cooperation whilst domestic companies placed business processes as the third most important competence. SMEs ranked teamwork third.

Exhibit 4: Working Hours and Working Arrangements at the Surveyed Companies (%)

Categories	Not used	0–5%	6–10%	11–20%	21–50%	above 50%
Weekend working (Working Saturday and/or Sunday)	33%	18%	10%	14%	7%	17%
Shift work (Working one of a set of consecutive periods into which the 24-hour working day is divided)	53%	5%	5%	3%	14%	22%
Overtime (Extra paid time beyond employees' normal time, added to a day or shift)	21%	22%	14%	15%	16%	13%
Annual hours contract (Agreement to work a specific number of hours annually)	78%	3%	2%	1%	4%	13%
Part-time work (Hours of work defined as part-time by employer or legislation)	29%	55%	8%	4%	2%	2%
Job-sharing (Dividing one job among two or more employees)	72%	10%	8%	4%	6%	0%
Flexi-time (Some working hours may be determined by employees, around a fixed "core" time)	45%	9%	10%	6%	14%	15%
Temporary/casual (Workers employed on a temporary basis for a number of hours, weeks, or months)	55%	31%	5%	5%	4%	1%
Fixed-term contracts (Workers employed for a fixed number of months or years)	44%	31%	13%	7%	3%	3%
Home-based work (Workers whose normal workplace is the home, but who do not have permanent electronic links to a fixed workplace)	88%	8%	3%	1%	0%	0%
Teleworking (technology-based) (Workers linked electronically to a fixed workplace)	84%	13%	2%	0%	0%	1%
Compressed working week (Workers whose working week consists of a standard number of hours compressed into a reduced number of shifts)	92%	5%	1%	1%	1%	1%

Critical HR Issues

Twenty percent of the companies indicated manpower planning, 18% recruitment and selection, and a further 18% pay and benefits as their main HR management issues. A mere 6% of the organizations found career management important, whilst workforce reduction, industrial relations, and collective bargaining were issues of significance for 7%.

In addition to recruitment and selection, the most critical issue for domestic large- as well as small- and medium-sized companies in the field of human resources became pay and benefits. It is worth noting that today SMEs feel workforce planning to be important, whilst respondents from international companies marked workforce planning, pay and benefits, and recruitment and selection as important.

The interviews conducted in the surveyed companies revealed that demand for HR competencies was both moderate and somewhat mixed as far as its component elements were concerned. Few micro-businesses made plans for developing HR competencies. Some of them lacked the necessary resources, whilst others simply gave no priority to this issue. In other cases, especially in rural areas, HR development plans were hampered by a lack of HR specialists.

Future Plans

Organizations found workforce planning (72%), improving company operations (51%), and human resources development (45%) to be factors of the utmost immediate importance since these could affect internal employment over the upcoming twelve to twenty-four months. They placed less value on international expansion (46%), improving distribution (logistics), and adapting to globalization (41%).

The three most important HR management issues to be tackled in all three groups of companies over the successive twelve to twenty-four months were international expansion, adapting to globalization, and improving distribution (logistics).

Analyses of Hypotheses

H1: The number of employees needs to be changed in every corporate category together with change of life cycle in the organization.

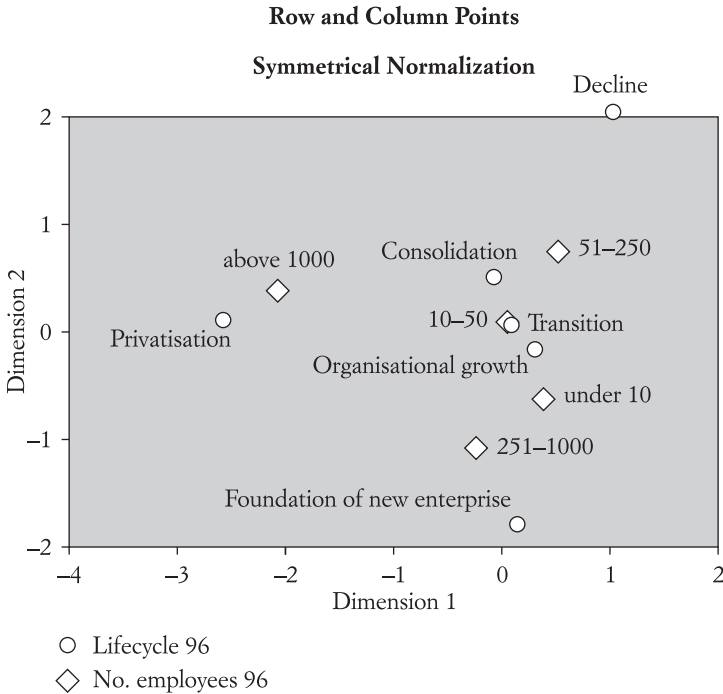
Hypothesis testing with respect to different points on the time-scale was carried out by means of correspondence analysis. The correspondence table and the depiction of the row and column points are shown below.

Exhibit 6 demonstrates which pairs of variables cause association—i.e. are close to each other. Within the specific period of time participating, companies with fewer

Exhibit 5: Correspondence Table

Life Cycle 96	Nr. of employees 96					
	under 10	10-50	51-250	251-1000	above 1000	Total
Privatization	0	1	0	1	3	5
Founding of new enterprise	2	1	0	2	0	5
Transition, "learning and development"	8	9	7	3	1	28
Organizational growth	5	10	7	3	2	27
Consolidation	1	5	2	0	1	9
Decline	0	0	2	0	0	2
Total	16	26	18	9	7	76

Exhibit 6: Row and Column Points (1996)

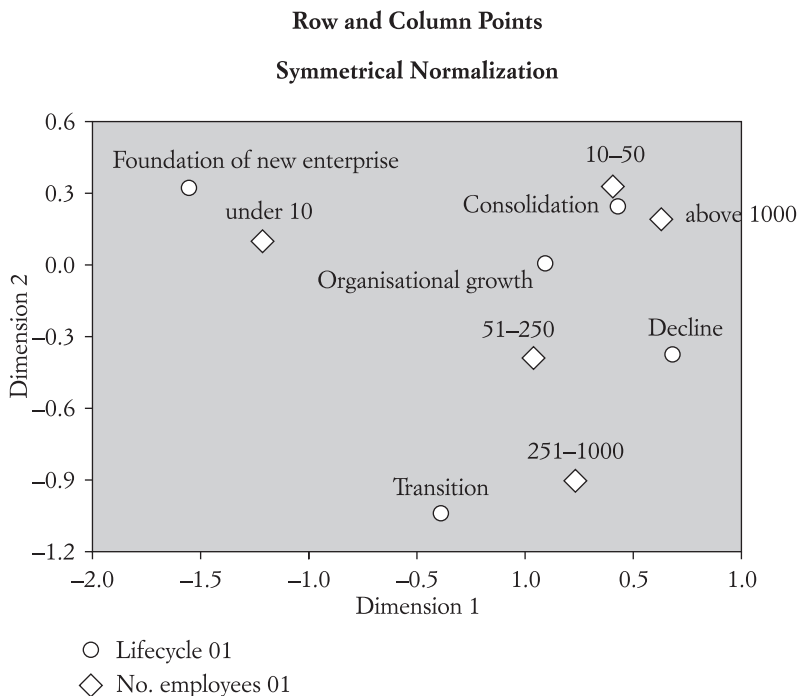


than ten employees were clearly in a stage of transition, learning and development, or organizational growth. Similar assertions can be made for companies with ten to fifty employees (see Illustration 1), as the point representing them is in an almost identical position with the point for organizational growth (with the supplementary point that even consolidation had appeared in this category). Further, companies employing from

fifty–one to 250, were close to the life cycles mentioned earlier, but separated by “backsliding,” since both companies ranking themselves as a “backslider” can be found in this particular size–category. Companies with 251 to 1,000 employees were also in a stage of organizational growth and a period of transition. Interestingly, they were close to the category of founding a new company. For companies with employee numbers exceeding 1,000, the most typical category was privatization.

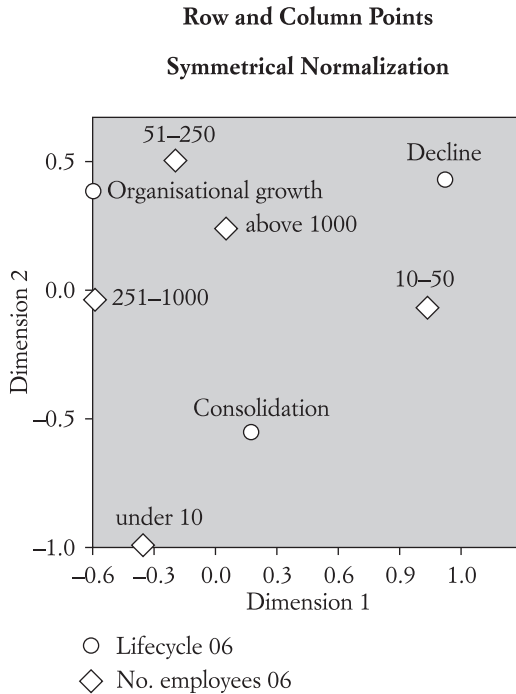
No correspondence tables are presented for the next few years since the graphical depiction is shown alone. The privatization category was not analyzed for the small number of companies indicating that they belonged to this bracket, although analysis was conducted for the other five categories in line with data for the year 2000. The founding of a new company was typical of small enterprises with fewer than ten employees in the early years of the new millennium. For their part, companies with ten to fifty workers (or more than 1,000) were typically in the stage of consolidation or organizational growth. Companies with fifty–one to 1,000 employees were typically close to the decline or transition stages.

Exhibit 7: Row and Column Points (2001)



By 2006, the vast majority of companies felt themselves to be in the category of organizational growth, consolidation, or backsliding. In line with this, only these points are shown in the figure. Based on what one can read from the depiction, it is hard to decide to which category the surveyed firms belonged. The only conclusion that can be drawn is that micro-sized enterprises were farther removed from both backsliding and organizational growth.

Exhibit 8: Row and Column Points (2006)



As can be seen, different pairs of variables attracted each other in different periods of time and companies of a given size were related to different life cycle stages. What is certain, however, is that the existence of associational relationships has been verified. The results obtained, can be seen in the summarizing table.

H2: Companies with different forms of ownership, but in the same life cycle stage, have different demands for employment policy and staff support.

This hypothesis was tested on two groups—domestic and the foreign—by analyzing the proportion of the number of manual employees and leaders. Initially, using basic statistical methods, these proportions were compared with respect to domestic and foreign companies. The effect of the type of ownership on employment policy showed

a heterogeneous picture for the different points in time. However, it was always foreign companies that hired a larger proportion of manual workers in the organizational growth stage, for example. A contradictory result was obtained in relation to people in leading position in that the ratio was higher in domestic companies.

An analysis as to whether there is any significant difference between the two forms of ownership was also conducted. This analysis produced a negative answer due to the large standard deviations observed within life cycle stages. The large differences according to type of ownership and relating to the proportion of leaders, for example, do not mean that significant relationships could have been observed using this methodology. Nevertheless, there may be specific factors that influence the structure and quality of employees such as the industry in which the company operates.

H3: Requirements for knowledge, skills, and competence vary by life cycle stage in all corporate categories, including requirements for HR specialists.

The knowledge, skills and competence variables as based on surveyed HR fields were developed in order to be able to provide an answer to this hypothesis. What was of interest was whether there is a significant difference regarding the self-reported importance of any requirement by life cycle stage. Answers showed large variations within each group. Thus, it was only possible to detect a difference in terms of skills across life cycle stages at a significance of 10%. No significant relationships were found for knowledge and competence.

H4: HRM practices (e.g. flexible forms of employment, employee relations, forms of qualification and training, etc.) change as life cycle stages change in the organizations surveyed in each category.

The life cycle stages were paired prior to testing this hypothesis (where reasonable, they were sometimes consolidated). Because the sample was small for some years and for some life cycle stages, only the most interesting results are presented, as is the case in the following analyses of performance evaluation for the years 1996 and 2006.

In 1996, twenty-five firms reported themselves as being in a transition stage, whilst thirty-six believed themselves to have reached the stages of organizational growth or consolidation. Consequently, these two groups were compared from the perspective of the importance of performance evaluation. What was found was a significant difference between the ratings given. For example, during organizational growth and consolidation, performance evaluation was given much greater emphasis than in transitional periods. In 2006, organizational growth and consolidation could be separated, although, in this respect, significant differences were to be seen. However, it can be affirmed that en-

terprises in the organizational growth stage rated this field as more important than did companies in the consolidation stage.

The importance of career management showed a different picture. No significant difference was seen in 1996, whilst in 2006 a significantly greater level than the usual applied five percentage points was observable. This means that it can be asserted that there is a notable difference in this field between the organizational growth and consolidation stages, where companies regard this question as being more crucial in the organizational growth stage.

With respect to communication with employees, there was a serious difference between the two groups in 1996 ($p=0,056$). It vanished by 2006.

H5: The demand for employees at smaller-sized enterprises increases at a relatively more rapid pace in more mature organizational cycles than in larger companies, whether they are domestic or international.

The contingency table depicted above was developed in order to test this hypothesis. Companies (seventy-nine in number) that existed in 1996 are shown in that table. Their development tracks are depicted. Firms in the diagonal remained in their initial category in terms of size (measured in terms of employee numbers). Enterprises exiting the diagonal in the vertical-upward direction were able to develop dynamically. In some cases, a move in the down-left direction was noted. This demonstrated that these companies decreased their number of employees over the ten-year period. Very noticeable is the fact that half of the small-sized enterprises moved into a higher category (in terms of employee numbers). Some of the firms employing ten to fifty employees in 1996 also succeeded. Only one of the firms with fifty-one to 250 employees in 1996 fell back to the ten-to-fifty category. There was one exception, however, a company that rose dramatically to the 1,000+ bracket. Only one company with more than 1,000 employees was unable to hold its position. The table above seems to provide a good outline of the changes in the number of employees required, but it fails to give a precise picture. One reason is that there is a dearth of accurate information on exact numbers—i.e. company responses were recorded by size category only.

Exhibit 10, below, summarizes observations regarding hypotheses H1–H5.

Exhibit 9: Frequency Table on the Number of Employees, 2006

No. of employees 96		No. of employees 2006					Total
		under 10	10–50	51–250	251–1000	Over 1000	
	under 10	8	9	0	0	0	17
	10–50	0	18	8	0	0	26
	51–250	0	1	14	3	1	19
	251–1000	0	0	2	6	2	10
	Over 1000	0	0	0	1	6	7
	Total	8	28	24	10	9	79

Exhibit 10: Summary of Hypotheses and Their Verification

	1996	2001	2006
H1	✓✓	✓	X
H2			
Leaders	X	X	X
Manual employees	X	X	X
H3			
Knowledge		X	
Skills		✓	
Competence		X	
H4			
Performance evaluation	✓✓	–	X
Career management	X	–	✓
H5		✓	

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