

# The impact of the crisis and recovery on HR and knowledge management in focus – a Hungarian-Slovakian comparison 2009

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## Abstract

*The world slowly begins to recover from the economic crisis. According to the forecast of the most recent Davos World Economic Forum (2011), the entire world economy can anticipate a 6.5%, while the developed world - including the transition countries - an approximately 2.5-3% GDP growth. It was not easy to get to this point. Since October 2008, the actors of the world economy got many "slaps in the face" (ILO, 2009). Since October 2008, the global economy are very much "clout" for it lacks the good character and prudence (Palinkas, 2009). The crisis itself particularly affected to a large extent economies of Eastern Europe, chosen a neo-liberal way. (Csaba, 2009; Kiss, 2009 and Szelényi, 2009). Up to this day, we have a relatively small amount of specific data and few surveys (Bóday, 2009) on how the different companies and institutions survived the crisis from a HR and knowledge management point of view, what methods they used to mitigate the effects of the crisis. In the present study, we give a summary of our relevant observations gained from an empirical survey we conducted between October and December 2009 among Hungarian and Slovakian companies.*

## Keywords

*Crisis · recovery · human resource management · Hungary and Slovakia*

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## 1 Introduction

It is generally agreed by different experts that human resources (human capital) and well-managed knowledge have nowadays become priority success factors [1, 34]. Both theory and practice prove that several elements of the environment and their changes have direct or indirect influence on human resource management [18].

The global economic crisis that broke out in October 2008 questioned or further justified many management and HR paradigms that had been regarded as holy cows:

- As we indicated earlier, in the past decade it became generally accepted that access to technology and credit is very easy. Committed and efficient workforce was the real competitive advantage in this period. Due to the recent events, the era of cheap credit has come to an end. The price of unqualified labour force that is relatively easy to replace has decreased further; however, due to uncertainty, real knowledge that represents a competitive advantage and sharing this knowledge is becoming one of the most important organizational potentials in this fast-changing environment because it increases adaptability [5, 11].
- In the past decades, with the exception of the Asian, Eastern European and African countries, salary increases were *higher* in managerial positions – including also Hungary – than for employees even in the first half of the last decade. This heavenly state has been questioned as the result of the crisis. The general public became increasingly irritated by excessive managerial salaries especially if the company used state aid. Our empirical tests [30] showed that a substantial proportion of companies cut or decrease the compensation of their managers for a while.
- Before the crisis recent studies were made regarding the differences of HR regarding the nationality, regionality, size and sector of the organisations (see: [7, 8]) Companies can be classified into various groups based on what HR actions they planned in response to the crisis. Some companies saw the key to the future only in layoffs. Compared to these reactive companies, proactive companies escape forward, they spend

more on marketing, revise their organizational and functional – including HR – strategies, retain the labour force valuable to them. We agree with the approach that it is worth utilizing time released during the crisis for personnel development. Not all SMEs share the opinion that is publicly spread, namely that their only response to the crisis was to lay off staff [9].

- The role of China and other large developing countries (India, Brazil) has increased in the new situation created by the global economic and financial crisis. According to some opinions, China and the mentioned countries might give new impulses to the world economy through their consumption and specific ways of management (Gazdaság, 2009). The 6.5% global economic growth mentioned in the abstract of this article can be credited to these countries.

We consider for example the size, core process and information technology, origin, method of establishment, age, form of ownership and location of the organisation to be among the features that characterise the whole organisation. We know these originally as the factors influencing organisational structure and culture. Some of these impact HRM directly while others do so through the structure, culture of the organisation. Below – for the purposes of the article – we highlight the impact of ownership and organisational size:

- In several publications issued in Hungarian and in other languages we drew attention to the fact that in recent years international companies have been well ahead of Hungarian ones in introducing different HRM tools and methods [2, 31]. In these works we also indicated that this is not a special Hungarian phenomenon, in the international literature on HRM, this fact was pointed out already at the beginning of the 1990s, inter alia, by Hiltrop [12]. Based on our experience gained in other researches, international companies made contract employees redundant very quickly at the beginning of the crisis [29].
- The impact of size is twofold. First, according to a certain correlation, everything – including human resource management solutions – is more formalised, regulated in larger organisations than in smaller ones. Besides, it is more typical in larger organisations to employ specialists, experts and therefore they are more likely to apply more sophisticated HR solutions. The significant authors of Hungarian competitiveness researches also believe that “there is a correlation between company size and the application of formalised HR systems” [39].
- In international culture research, different authors attempt to classify different countries into groups by various methods. Several culture models are known from the literature. The following of these are important to mention with regard to our topic. One typically applied method is the so-called global clustering that is the classification of different countries based

on characteristic features [28]. The three most well-known methods of clustering are [32,33], the GLOBE [14] and Huntington’s classifications of civilisations [15]. Methods based on dimensions among which the most well-known models are that of [13] and Kluckhohn-Strodtbeck. We examine the above statements for Slovakia and Hungary to see to what extent they are correct based on our research conducted in 2009.

### Description of the research

During our questionnaire survey conducted between October and December 2009, a web-survey technique was used to fill out the survey in Hungary and paper copies were used in Slovakia. The process took about 15-20 minutes.

The research is based on a survey including 10 question groups. The questionnaire consisted of the following questions:

- name of the respondent and the address the report should be sent to,
- characteristics of the participating organisation,
- the expected effects of the spreading economic and financial events,
- planned measures to be taken to mitigate the effects of the crisis,
- planned salary increases for 2009 (in percentage) by fields of work,
- the effects of the spreading economic and financial events on the countries in the next 12-24 months,
- planned changes in HR,
- further recommendations and comments.

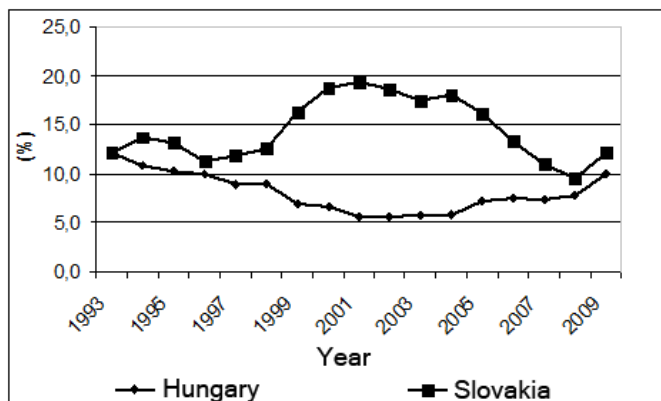
### Economic, social environment

The competitiveness of both the Hungarian and Slovakian economies is strongly influenced by the presence of foreign companies that generate foreign capital inflow to the country and provide access to new technologies. Other benefits are the increase in the number of jobs and the development of regional infrastructure due to the investments. The economies of both countries are heavily export-oriented. Earlier only the Slovakian, nowadays also the Hungarian industry is significantly dependent on the automotive industry (car manufacturing is the second biggest manufacturing industry in Hungary that generates nearly one-sixth of the output), therefore both economies were hit hard by the decrease in the demand for cars and electronics that are considered to be among the main export products of these countries

If we compare the performance of the Slovakian and Hungarian economies, we can conclude the following about the two countries:

- According to World Bank data, the GDP per capita was 16 176 USD in Slovakia and 12 868 USD in Hungary in 2009.

- In spite of the fact that Slovakia was considered as one of the most rapidly developing regions within the EU both in 2007 and 2008, the GDP per capita decreased by 6% in a year in both countries compared to 2008. The reason for this was Hungary's and Slovakia's excessive dependence on export.
- The unemployment rate increased in both countries in 2009. In Slovakia this index was 2.5 percentage points higher than in the previous year so the unemployment rate in 2009 was 12.1% while this value was somewhat better, 10% in the case of Hungary (it was 2.2 percentage points higher than in 2008).



Source: Primary research by the authors, based on World Bank data

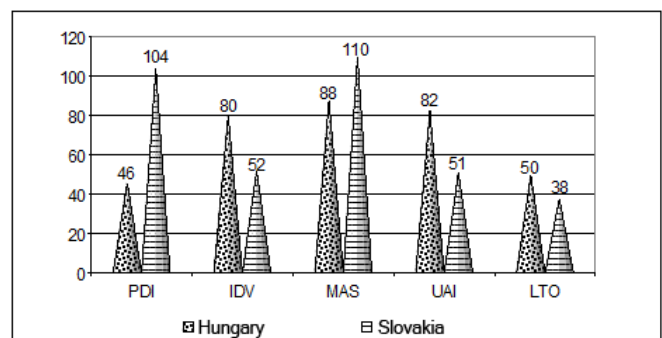
Fig. 1. Unemployment rate

- The figure shows well the unemployment rates in Slovakia and in Hungary from 1993 until up to 2009. We can see that the number of the unemployed was always higher in Slovakia than in Hungary during this period. Due to the decline in the market demand, the companies in these two countries had to reduce their production and consequently they lay off excess workforce.
- The inflation rate for 2009 is much lower in Slovakia (1.6%) than in Hungary (4.2%).
- Slovakia joined the Eurozone in 2009 and therefore euro became its official currency. One of the conditions of joining the Eurozone was to keep inflation rate low.

We can assess the national cultures of Slovakia and Hungary based on the cultural dimensions set up by Hofstede (1980) [13]. We point out the analysis of the mentioned features because different cultural characteristics are likely to have an influence on how companies and managers assess and handle the crisis.

As Fig. 2 shows, we can see that the two countries have different scores in the cultural dimensions. In respect of the PDI (Power Distance Index), Slovakia has a very high score and this indicates that it is important to follow rules and employees in Slovakia put large emphasis on respectful behaviour towards people in managerial positions. In the case of IDV (Individualism), we can say that Hungary is strongly individualistic, this means that individuals prefer individual tasks and individual goals and interests are predominant over collective interests.

We can also find the characteristics suggesting individualism in Slovakia but this is not so dominant, it is rather near the average value. As for the MAS (Masculinity) dimension, both countries have a high score so we can say that their societies are characterised by masculine features such as competitiveness, performance-orientation, determination, confidence and decisiveness. Among the countries examined so far only Slovakia has such a high score. Based on the UAI (Uncertainty Avoidance Index) we can say that Hungary is also strongly uncertainty-avoiding which means that they are afraid of the opportunity to change, are less flexible and rather prefer structured situations. This, of course, becomes an impediment to innovation and maybe even to organisational development as individuals adhere to their good old habits and so they are not able to give them up and create new ones and this, in turn, becomes an impediment to the possibility of learning. In the case of Slovakia, this value is near the average. With regard to the LTO (Long-Term Orientation), Slovakia can be characterised by short-term orientation that is to say that individuals plan short-term, achieving present results and goals becomes more important. This score is somewhat higher and equal to the average in the case of Hungary.



Source: Primary research by the authors, based on data by Hofstede<sup>1</sup>

Fig. 2. Cultural dimensions of Slovakia and Hungary

To sum up the characteristics of the economic and social environment of the two countries, we can say that they are different in every way. Moreover, the consequences of the crisis appeared more massively in 2009 in the case of both countries.

### Presentation of the sample – characteristics of the participating organisations

Below we present the analysis of the characteristics of the participants in the samples collected in the two countries.

#### Sectoral distribution of the respondents

As the result of our examination we can say that the majority of the companies surveyed operate in the industrial and in the services sector in both countries. In the case of Slovakia, the majority of the respondents operate in the industry (33.49%), then in the field of financial, legal and telecommunications services (30.73%) and then in trade (22.12%). In Hungary, 26.44%

<sup>1</sup> [http://www.geert-hofstede.com/hofstede\\_dimensions.php?culture1=40&culture2=40#compare](http://www.geert-hofstede.com/hofstede_dimensions.php?culture1=40&culture2=40#compare)

**Tab. 1.** Main economic and social indices of Slovakia and Hungary

Year	2009	
Country	Slovakia	Hungary
GDP per capita	16176 USD	12868 USD
Annual change in the GDP (%)	-6.2	-6.3
Inflation consumer price index (%)	1.6	4.2
Unemployment rate (%)	12.1	10
Population	5418156	10022302

Source: Based on data by the World Bank, the Slovakian and the Hungarian Central Statistical Offices

**Tab. 2.** The distribution of respondents by country (n=411)

Countries	Frequency	Distribution (%)
Hungary	225	54.7
Slovakia	186	45.3
Total	411	100.0

Source: Primary research by the authors

of the respondents operate in the field of financial, legal and telecommunications services, 21.84% in public services (education, health, public utilities) and 20.11% in the industry.

One of the most frequently asked questions in the economic sectors is to what extent and intensity the certain sectors of the country perceive the impact if the economic crisis. Slovakia and Hungary are no different. The recession impacts key industries in both countries, inter alia, the automotive industry (KSH (Hungarian Central Statistical Office), [21]-[25]). This key sector experienced one of the largest declines in demand and thus in revenue. In order to mitigate the negative effects, foreign owned car producers had to alter their strategies as the preferences and expectations of target consumers have changed while production costs remained the same.<sup>2</sup> We can analyse the impact of the crisis on the automotive industry from several aspects but it can be concluded that the recession affects not only car manufacturing companies but also their suppliers. According to Thomas E. Beyer, the Hungarian representative of the Bosch group in 2008, Slovakian suppliers could observe the decrease in the number of orders already by that time. However, he stated already by then that the following factors provide safety for companies: capital stability of the company group, having no credits or loans, efficient planning.<sup>3</sup>

### Ownership

It can be stated in the case of both countries that the majority of the responding organisations are domestic-owned private companies (Hungary: 54.26%, Slovakia: 37.63%). The second

<sup>2</sup> Ing. Marek Kučák: Vplyv hospodárskej krízy na automobilový priemysel Slovenska - [http://podnikyvkryze.sk/vplyv\\_krivy\\_autom.htm](http://podnikyvkryze.sk/vplyv_krivy_autom.htm)

<sup>3</sup> Jövőre érzi meg a kisémberek a válságot ("Commoners" will be affected by the crisis new year) - Index - <http://index.hu/gazdasag/magyar/rel081015/>

most frequently marked option is the foreign-owned private enterprise (Hungary: 25.56%, Slovakia: 29.03%). These are followed by state, local authorities organisations (Hungary: 13.9%, Slovakia: 26.34%).

Central and Eastern European countries experienced the importance of the presence of foreign capital first after the change of the system. These companies contribute largely to the development of national economies. These companies employ a significant proportion (e.g. nearly 20% in Hungary) of the labour force in both countries (KSH (Hungarian Central Statistical Office), [25]). The progress fell back as the result of the economic crisis and this could also be noted in the ranking of the best companies.<sup>4</sup> Economies are constantly recovering from the damages caused by the recession and this can also be observed in foreign investments. Foreign direct investments in Central and Eastern Europe dropped by 50% in 2009 compared to 2008. According to a survey conducted by PriceWaterhouseCoopers, Slovakia was the only Central European country that ended 2009 with a positive balance in this respect. This could mainly be credited to the TriGant company which invested 2.3 billion USD in the Slovakian real estate market.<sup>5</sup>

### Organisational size

We used the EU classification system for categorising the responding organisations also in the case of Slovakia and Hungary (1-9 people: micro-enterprise, 10-49 people: small company, 50-249 people: medium size company, over 250 people: large company).

Regarding the number of employees, nearly 71% of the companies surveyed belong to the SMEs and 29% are large companies in Hungary. Micro-enterprises account for 34%, small companies for 21% and medium size companies for 16%.

Nearly 72% of the responding organisations belong to the SMEs and 28% are large companies in Slovakia. Micro-enterprises account for 26%, small companies for 23% and medium size companies for 23%.

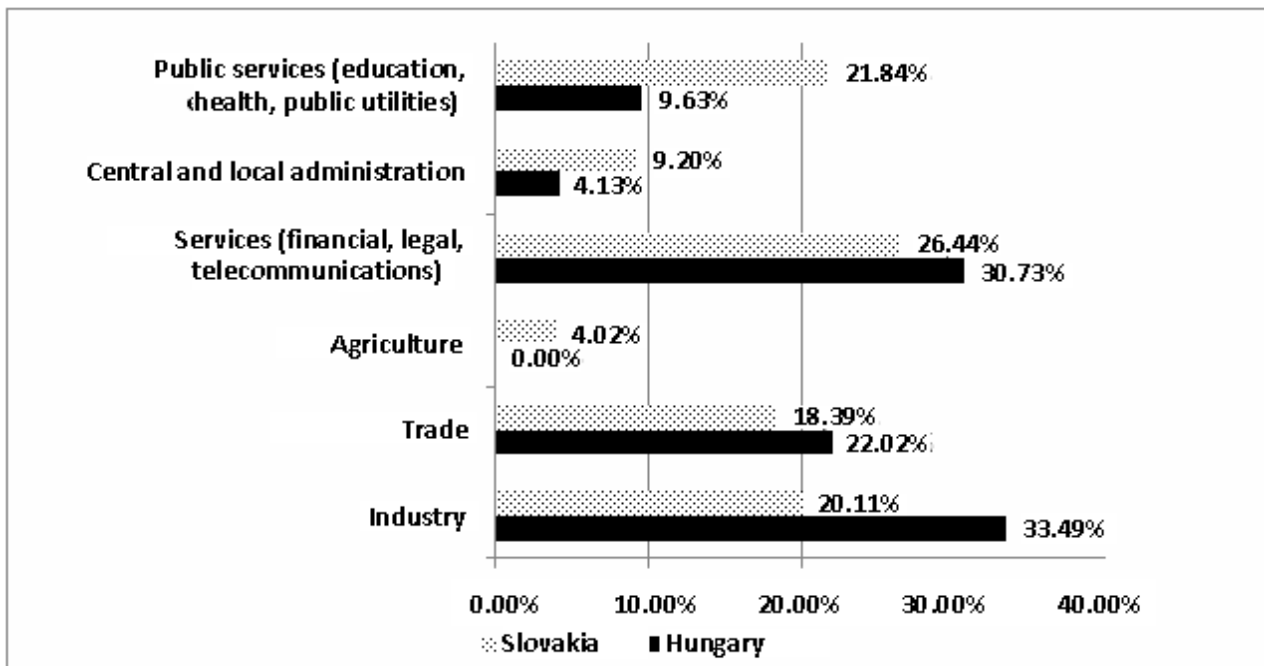
### Revenue

The distribution by revenue also shows the predominance of SMEs in the Slovakian and Hungarian samples. In categorising the organisations we considered the recommendation of the European Union relevant which defines the following groups:

- Micro-enterprise – an organisation with an annual net revenue of maximum 2 million euros (500 million HUF),
- Small enterprise – an organisation with an annual net revenue of maximum 10 million euros (2.5 billion HUF),

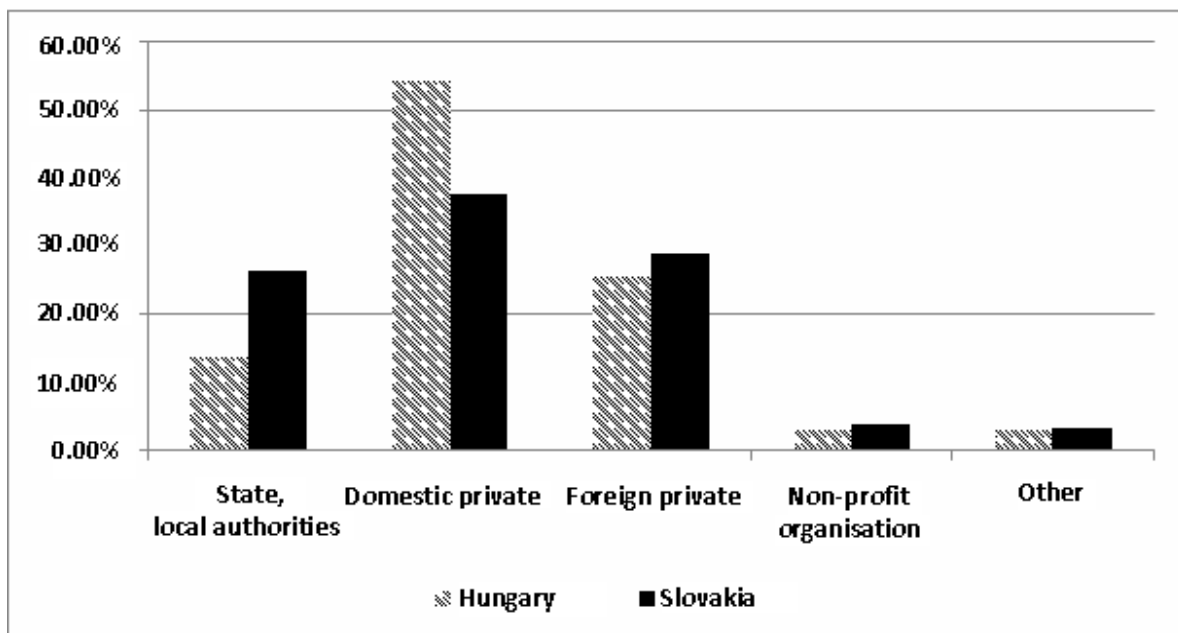
<sup>4</sup> Tomáš Jurík: Kríza vytlačí pänašich firiem z TOP 500 - <http://hnonline.sk/podniky/c1-38222530-kriza-vytlaci-pat-nasich-firiem-z-top-500>

<sup>5</sup> Priame zahraničné investície na Slovensku vzrástli – SME - <http://ekonomika.sme.sk/c/5301111/priame-zahranicne-investicie-na-slovensku-vzrastli.html>



Source: Primary research by the authors

Fig. 3. Sectorial distribution



Source: Primary research by the authors

Fig. 4. Distribution by ownership

- Medium size enterprise – an organisation with an annual net revenue of maximum 50 million euros (12.5 billion HUF),
- Large enterprise – an organisation with an annual net revenue of more than 50 million euros (12.5 billion HUF).

Based on net revenue, 78% of the companies surveyed belong to the SMEs and 22% are large companies in Hungary. Micro-enterprises account for 51%, small companies for 13% and medium size companies for 14%.

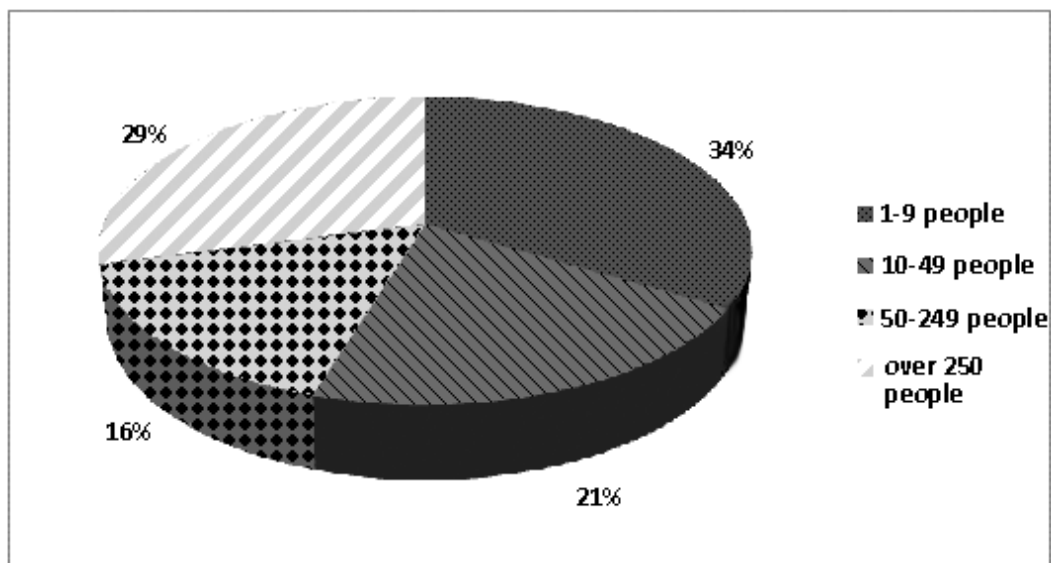
Based on net revenue, 86% of the organisations participating in the survey belong to the SMEs and 14% are large companies in Slovakia. Micro-enterprises account for 49%, small companies for 21% and medium size companies for 16%.

The revenue of a company depends on the efficiency of its production and sales. The revenue of companies decreased significantly as the result of the recession. This is mostly due to the fact that they receive fewer orders from customers and the payment habits of customers have also changed as they are not able to repay their debts on time. The change in the profitabil-

**Tab. 3.** Strategies applied to mitigate the effects of the crisis

	N	Mean	Median	Mode	Deviation
Increasing organisational effectiveness	371	3.65	4.00	4	1.149
Cost reduction	388	3.65	4.00	4	1.126
Entering new markets	362	3.38	4.00	4	1.362
Strategy revision	375	3.35	3.00	3	1.242
Postponing purchases, expenses	372	3.27	3.00	3	1.179
Launching new activities	362	3.03	3.00	4	1.427
Increasing the marketing budget	361	3.00	3.00	3	1.336
Freezing salaries	372	2.87	3.00	1	1.560
Introducing new technologies and processes	346	2.85	3.00	3	1.261
Reducing communication expenses	352	2.80	3.00	3	1.265
Decreasing education and training	349	2.59	3.00	1	1.371
Dismissals will be necessary	341	2.49	2.00	1	1.325
Strengthening the supply network	329	2.46	2.00	1	1.276
Paradigm change in business processes	347	2.36	2.00	1	1.235
Launching knowledge management programs	331	2.35	2.00	1	1.247
Increasing education and training	366	2.31	2.00	1	1.234
Outsourcing of business areas	347	1.97	1.00	1	1.190
No action needed	335	1.65	1.00	1	1.143

Source: Primary research by the authors



Source: Primary research by the authors

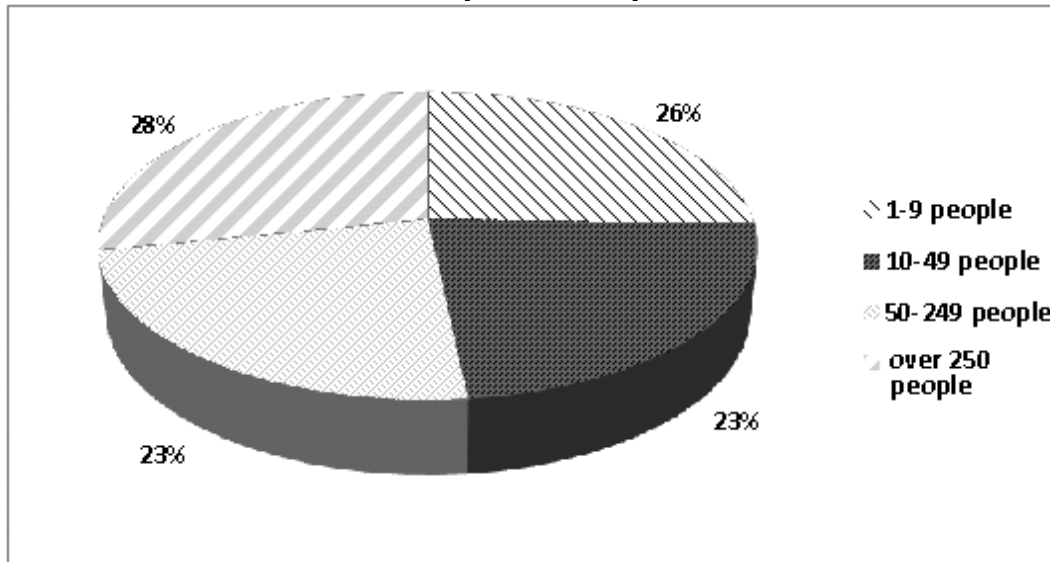
**Fig. 5.** Percentage distribution of the participants by number of employees – Hungary

ity and investments of companies is closely connected with the change in the revenue and this causes a downturn in economic development in national economies in the long run.

#### The impact of the crisis on the number of staff

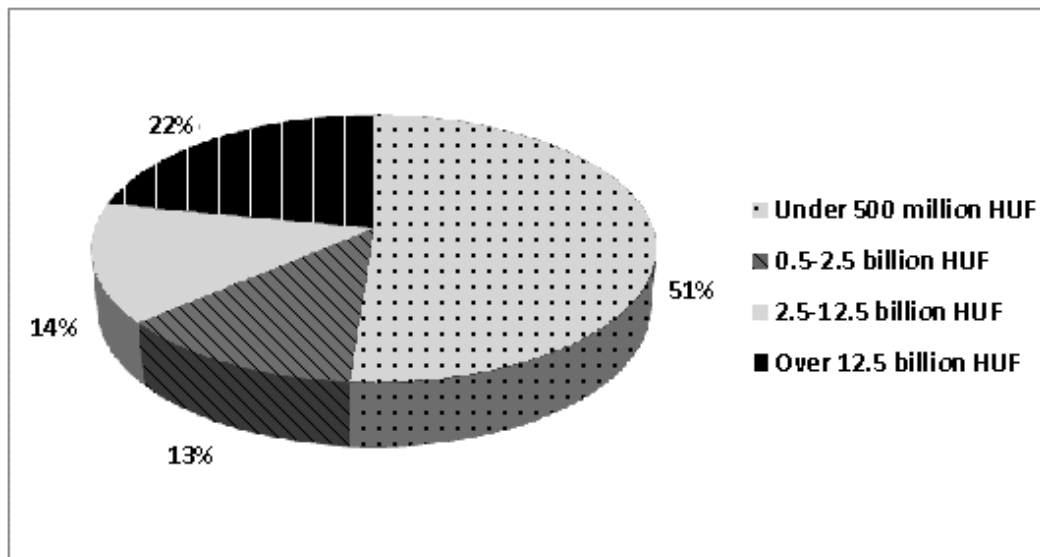
Based on several statistical statements, one of the most severely experienced effects of the economic crisis was the mass

layoff of employees. As Boda and Virág [3] founded in their research, most of the companies first use neither layoffs nor restructuring, but reduces worktime and salaries. However it cannot be a long term solution, the two alternatives soon become workforce reduction of restructuring in the organisation. Below we discuss the characteristics of the respondents in this respect. We present the data by sectors.



Source: Primary research by the authors

**Fig. 6.** Percentage distribution of the participants by number of employees – Slovakia



**Fig. 7.** Percentage distribution of the participants by annual revenue – Hungary

Based on the answers given by the organisations surveyed, companies operating in the industry experienced the largest decrease in the number of staff among the respondents in Hungary. Service providing (financial, legal, telecommunications) organisations experienced a small scale change. According to Hungarian Central Statistical Office (KSH) data, the change in the number of staff was largest in trade, manufacturing and agriculture. The findings of the research reflect the above mentioned data.

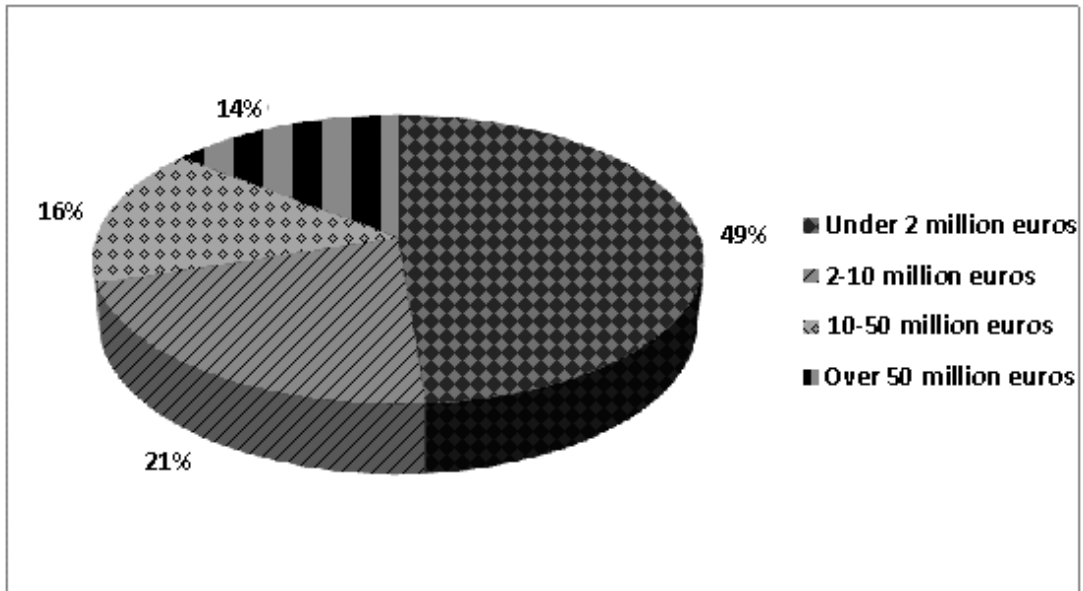
Companies operating in the industry and trade experienced the largest layoffs among the respondents. According to Slovakian Central Statistical Office (Štatistický úrad Slovenskej republiky) data, layoffs were most massive in trade, construction and agriculture. The responding companies experienced the smallest change in public administration. According to national statistical data, the change was smallest in the services sector.

Based on the combined data of the two countries, the decrease in the number of staff was largest in the industry and trade. The research also came to the same conclusion based on the answers in the sample.

Actors of the export-oriented industries have been less negatively impacted by the economic crisis. The majority of Hungarian respondents consider the decrease in the internal demand to be the main source of the problem. It is less typical that they blame the decrease in the interest rates or the credit supply to be the main transmitter of the crisis.

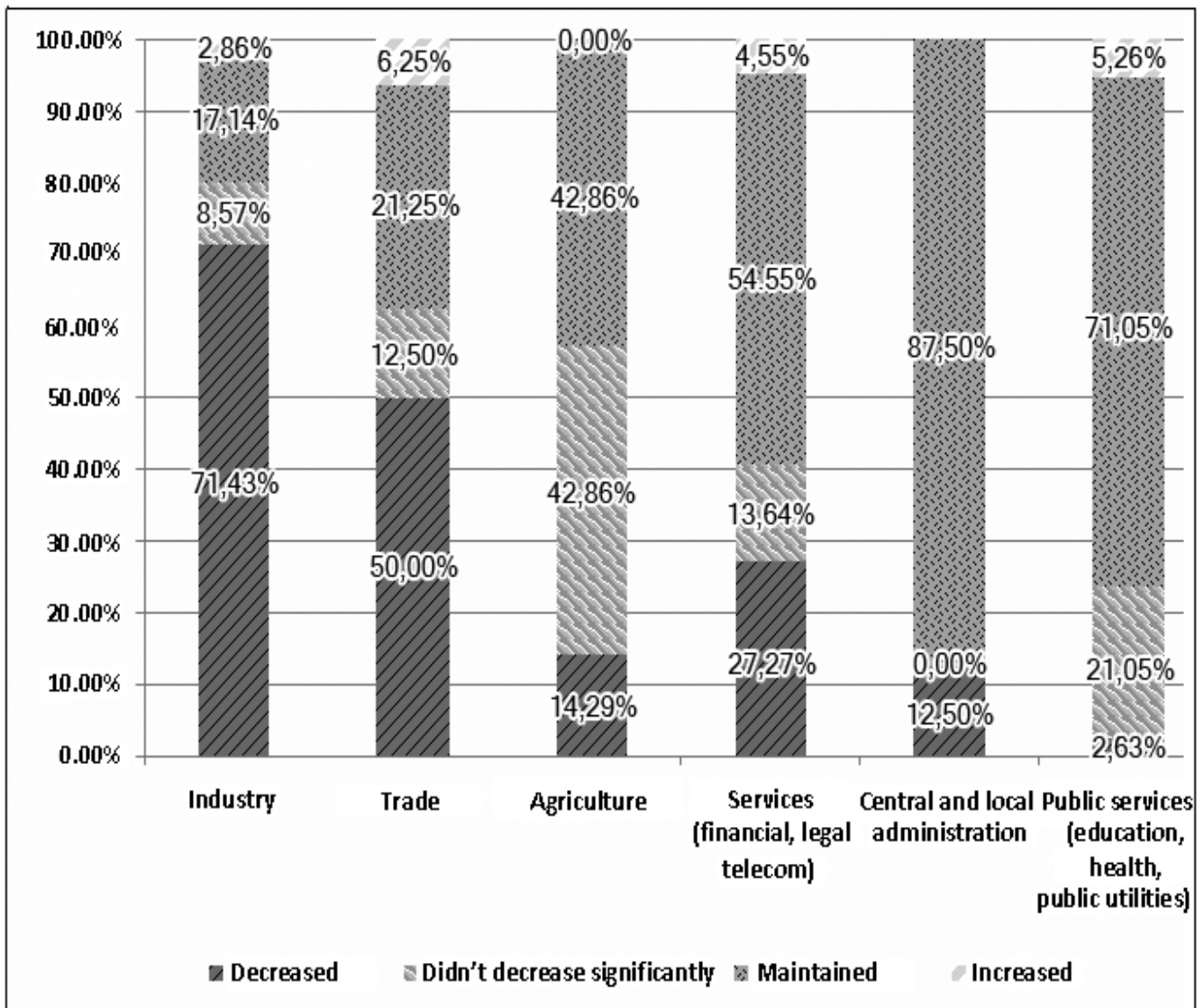
In Slovakia, nearly one-third of the companies marked the decrease in the annual government budget and the internal and external demand as the main transmitters of the crisis. However, it is interesting that the decrease in the internal and external demand had small or no impact at all on half of the companies.

The existence of the HR department gives the same picture in



Source: Primary research by the authors

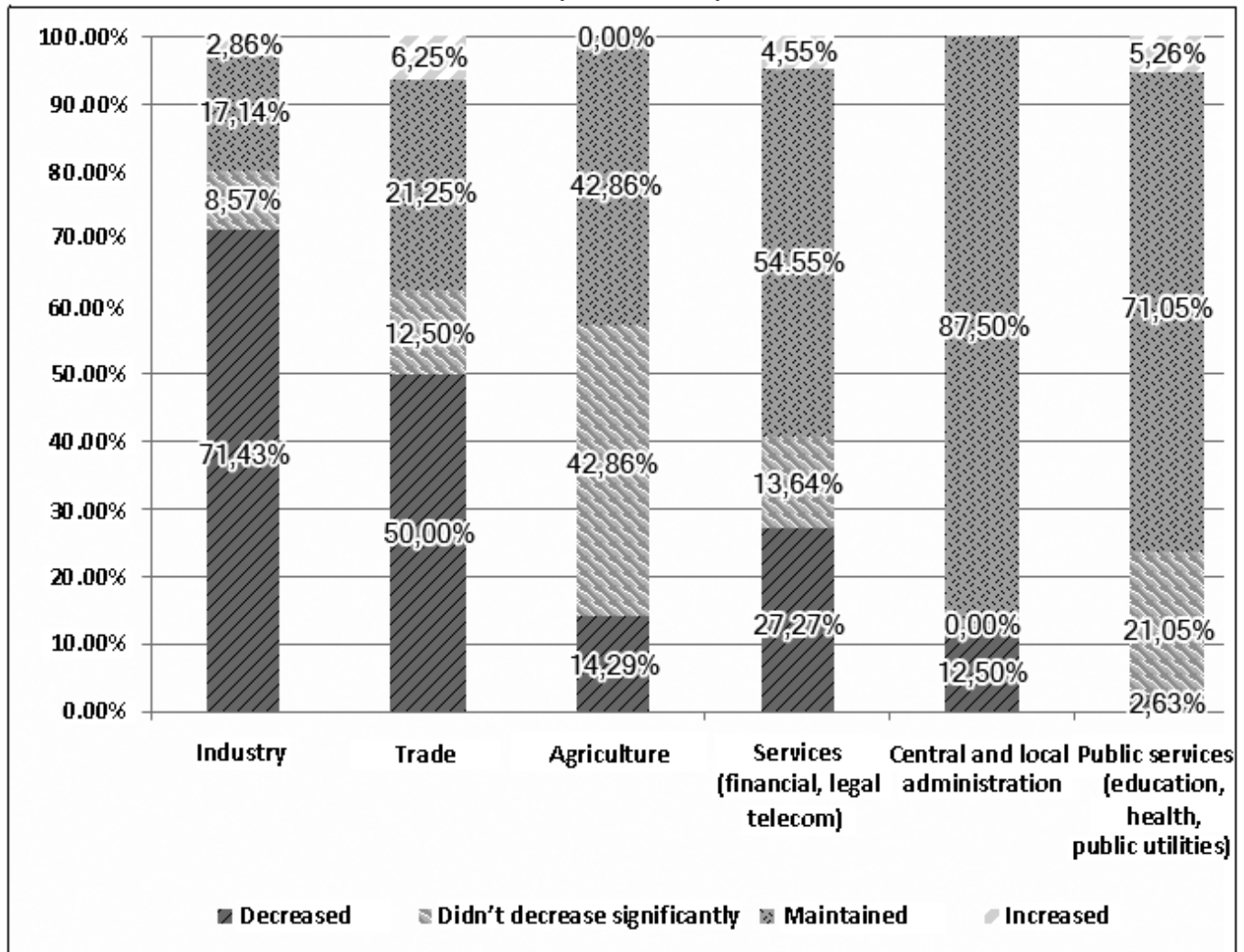
**Fig. 8.** Percentage distribution of the participants by annual revenue - Slovakia



Source: Primary research by the authors

**Fig. 9.** Change in the number of staff by sectors – Hungary





Source: Primary research by the authors

Fig. 10. Change in the number of staff by sectors – Slovakia

the companies of the two countries. Companies with and without a HR department are equally represented in the survey. Slovakia performs better in this comparison than Hungary as companies with a HR department are slightly predominant in Slovakia while the lack of a HR department predominates within Hungarian companies.

### Analysis of the effects of the crisis

After presenting the countries and discussing the characteristics of the questionnaire and the respondents, we seek to answer three questions, hypotheses:

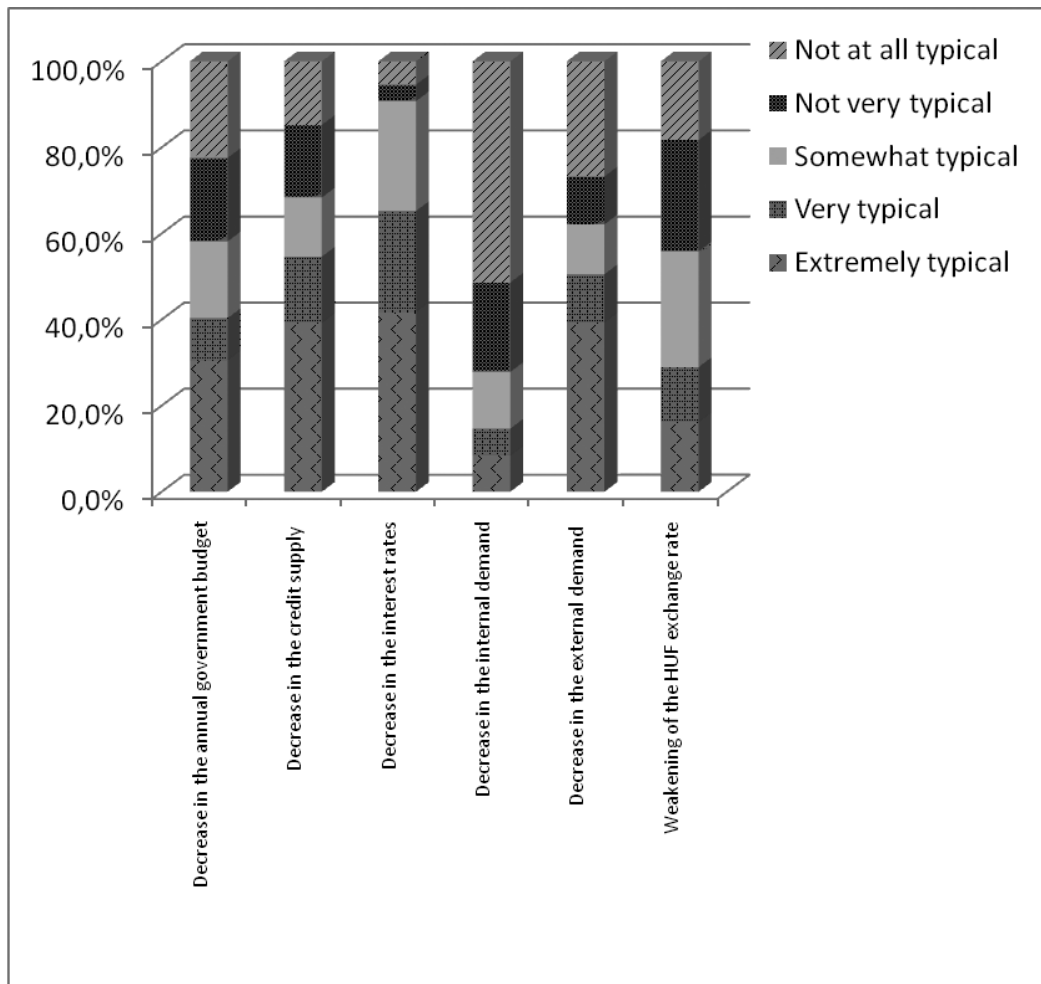
- H1: There are no country specific reactions to the crisis, the companies of the two countries react similarly to the challenges set by the crisis.
- H2: The companies of the two countries evaluate the crisis and its course differently.
- H3: The human resource management and knowledge management practice of foreign owned companies differs from the activity of the domestic-owned companies in several areas.

### Country specific reactions

In the first hypothesis we examine the differences between the reactions of the companies regarding their nationalities. The survey contained two types of questions in connection with the reactions: (a) planned measures to be taken to mitigate the effects of the crisis, (b) planned changes in the field of staffing. First we were searching for connections between the countries and their reactions with cross table analysis.

In the first analysed group we examine the answers of the companies given to the questions concerning their strategies. 19 categories were offered, with answers on a scale from one to five (one meant “not at all typical” and five meant “extremely typical”). The univariate statistics are shown in Table 3.

Based on the table we can say that increasing organisational effectiveness and cost reduction have absolute priority in the combined analysis of the organisations of the two countries. Another typical proactive step, the market expansion also has a high score. Proactive and reactive steps replace each other gradually in the list. *This suggests that companies search for the solution among both the belt-tightening options and long-term investments.* However, even two aspects of investing in human



Source: Primary research by the authors

Fig. 11. Transmitters of the impact of the crisis in Hungary, % distribution

resources are among the least popular measures. The surveyed organisations of the two countries – Hungary and Slovakia – are obviously not concerned about knowledge management and training in times of crisis. Neither do the respondents of the companies surveyed consider outsourcing business areas to be a good solution. However, it became very evident that the organisations surveyed are aware that being passive, idle cannot be a good alternative in response to the crisis.

During the analysis of *country specific differences* we found several weak but significant connections. However, not all these relationships were meaningful because the differences did not point in the same direction. Therefore we are unable to present the results in connection with dismissals, launching new activities, increasing education and training, launching knowledge management programs and strengthening the supply network.

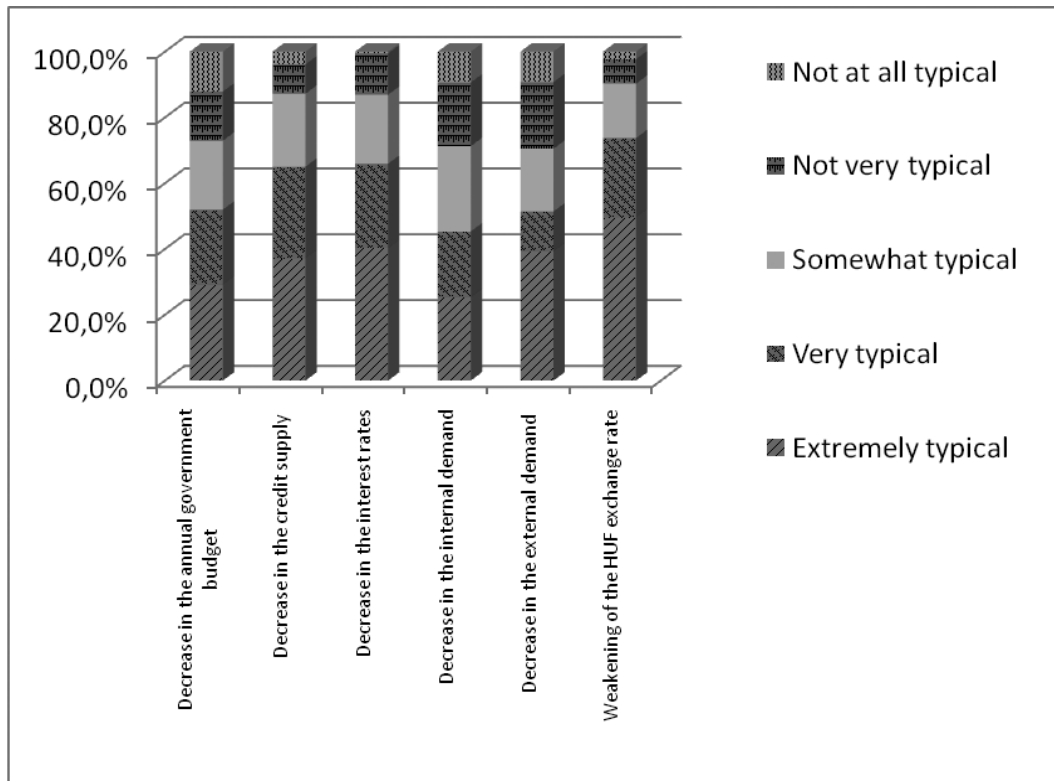
The meaningful differences pointed in the same direction in all cases. *Hungarian organisations were willing to apply the following strategic tools to a larger extent:*

- postponing investments,
- cost reduction,
- freezing salaries,

- reducing communication expenses,
- decreasing education and training,
- strategy revision,
- increasing organisational effectiveness,
- paradigm change in business processes,
- increasing the marketing budget and
- entering new markets.

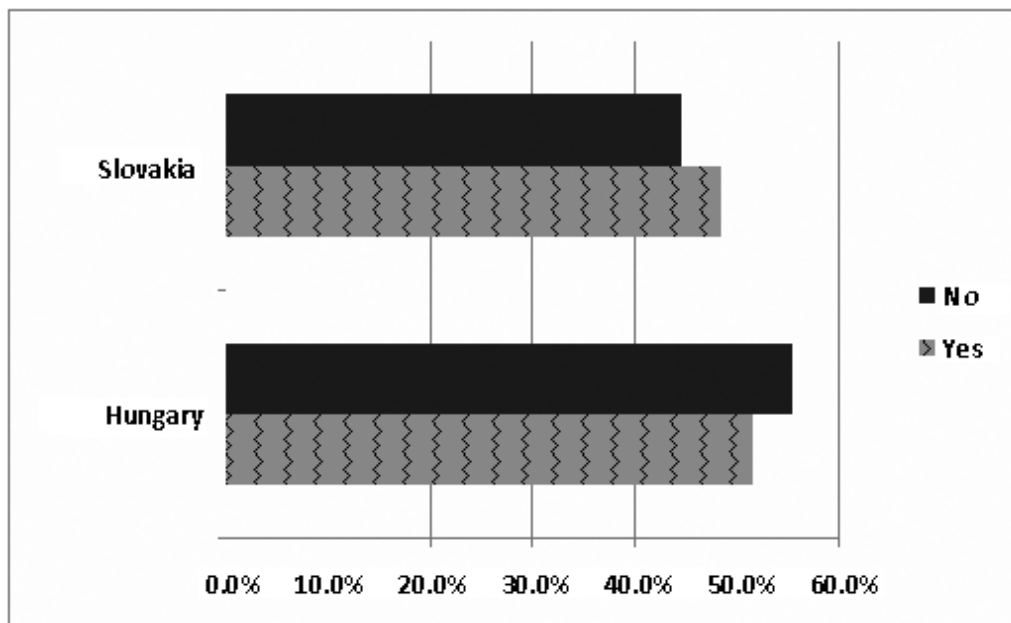
There was only one category where Slovakian companies showed stronger preference: outsourcing. Based on the cross-table analysis we can say that *weak correlations between the applied strategy and the country of the company's headquarters can be revealed only in the case of about half of the questions.*

The conducted ANOVA analysis made the picture even more subtle by comparing the mean of strategies of the two countries. This revealed that there is no substantial difference between the surveyed organisations in the two countries in respect of passive strategy, dismissals, communication activities, intensity of training, launching new activities, knowledge management strategy,



Source: Primary research by the authors

Fig. 12. Transmitters of the impact of the crisis in Slovakia, % distribution



Source: Primary research by the authors

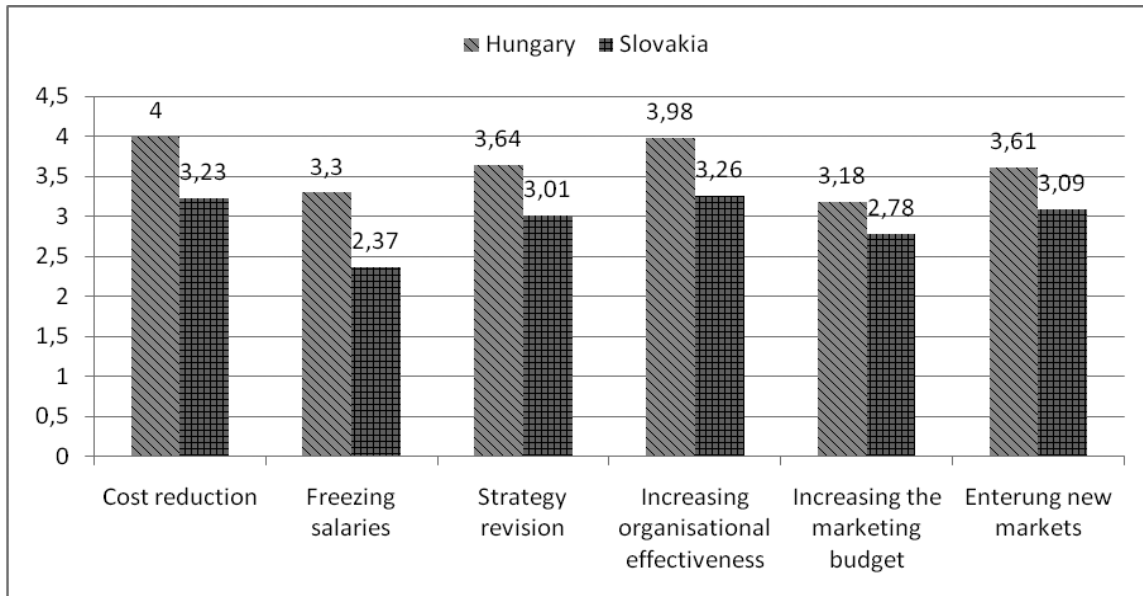
Fig. 13. Existence of the HR department

outsourcing business areas, strengthening the supply network and introducing new technologies.

However, with regard to cost reduction, freezing salaries, strategy revision, increasing organisational effectiveness, increasing the marketing budget and entering new markets, the ANOVA analysis confirmed the results obtained from the cross-table analysis. This illustrated that *Hungarian organisations are*

*more willing to apply these strategies.* We would like to point out that two categories (strategy revision and increasing organisational effectiveness) are mostly subjective, their contents may have even completely different meanings for different organisations.

In order to prove the first hypothesis, besides strategies, we also analysed the transformation of the human resource man-



Source: Primary research by the authors

**Fig. 14.** Mean of the answers on the application of business strategies in the two countries. (Only significant data is presented)

agement activity of the organisations. Unlike in the previous question, now respondents could choose between two answers: yes (value=1) and no (value=0). We used the previously applied two statistical methods again in this case. The result of the total sample are shown in Table 4. Hiring freeze, without question, got the highest score. The value of the mean, 0,55 shows that 55% of the respondents chose this option as an already implemented change. We can find dismissals in the middle of the list, it was implemented by approximately 26% of the respondents. Outsourcing was the least popular option.

During the analysis of the differences between the countries, cross-table analyses showed significant differences only in respect of not filling vacant positions. The previous tendency continued also in this case, more Hungarian companies applied this method. The ANOVA test confirmed the results of the cross-table analysis.

*On the whole, we can say that out of the 19 strategies and 6 human resource tools examined 10 showed differences according to countries. Although these differences were significant, the correlations were weak, even the differences are not large in most cases. Based on these we can conclude that the reactions to the crisis are partly country-specific, the organisations of the two countries gave partly similar responses to the challenges set by the crisis. We accept the first hypothesis only partly and we state that the location of the headquarters of the organisations can make a difference in some cases in relation to the responses to the crisis but this is surely not the only influencing factor.*

### Evaluation of the crisis

In the *second hypothesis* we examined how the organisations of the two countries evaluate the crisis:

H2: The companies of the two countries evaluate the crisis and its course differently.

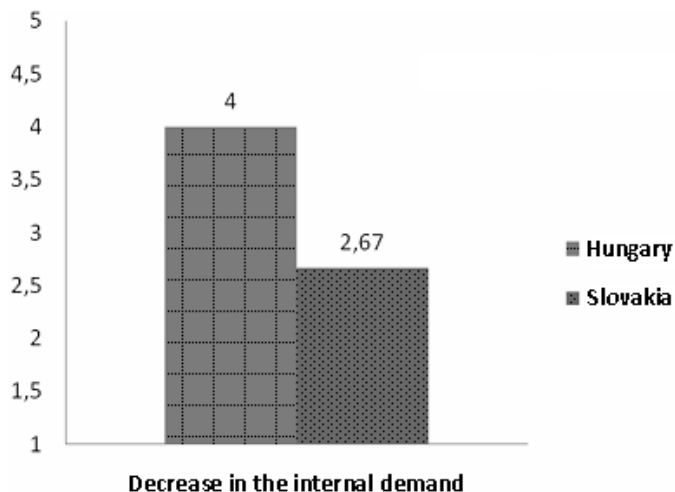
The questionnaire contained several questions that are suitable to analyse this problem. These questions asked about the expected duration of the recession, the rate of inflation in the second half of 2009, the expected changes in the annual budget /net revenue of the organisations, the increase in the unemployment rate in the certain country and the events transmitting the effects of the crisis. We applied several different statistical methods also in this case in order to reveal differences.

First we examined the question with cross-table analyses. The analysis *did not identify any significant difference* between the organisations of the two countries in respect of the *expected duration of the crisis, the unemployment rate and the expected tendencies in the number of staff of the organisations.*

Slovakian organisations predicted the expected inflation rate to be lower than the overall mean, the proportion of organisations predicting less than 5% and 5-7% was higher. Although the annual revenue expectations proved significant, they didn't show any meaningful trend, pattern. At the time of the survey Hungarian companies were more convinced that the reduction of the government budget will significantly increase the impact of the crisis and a higher proportion of them were concerned about the decrease in the credit supply, the downturn in the internal and external demand and the weakening of the Hungarian currency.

The ANOVA analysis *identified difference between the two countries only in respect of the evaluation of the internal demand.* In this case it confirmed the previous assumption that Hungarian companies evaluate the crisis much more pessimistically.

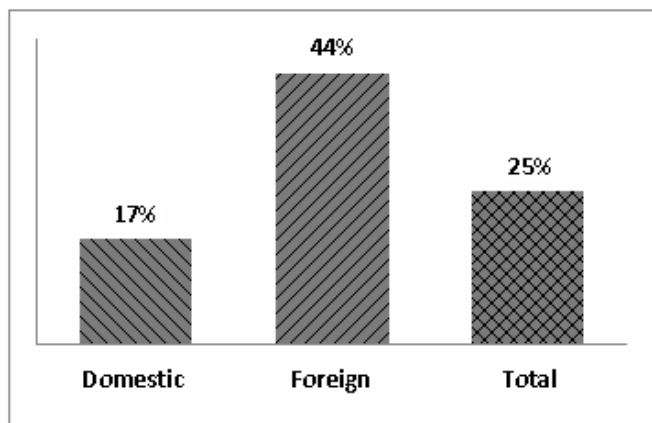
*Based on the analyses we can state that we could identify differences between the organisations of the two countries in the case of 6 variables out of eleven that is more than 50% of the*



Source: Primary research by the authors

**Fig. 15.** Forecasts on the decrease in the internal demand in 2009 according to the two countries.

variables. The analyses make it obvious that Hungarian respondents had more pessimistic opinions about the course and effects of the crisis. We managed to identify differences in the attitudes and opinion concerning the crisis between the organisations of the two countries and therefore we accept the second hypothesis.



Source: Primary research by the authors

**Fig. 16.** The proportion of domestic and foreign-owned organisations marking planned or already implemented dismissals.

### The impact of domestic and foreign ownership

The *third hypothesis* was aimed at finding differences in the practice of human resource management according to ownership structures;

H3: The human resource management and knowledge management practice of foreign owned companies differs from the activity of domestic-owned companies in several areas – we assumed.

We revealed the differences using the previously presented statistical analytical methods. We considered Hungarian private, state and non-profit organisations as domestic organisations and foreign private companies as foreign organisations. With cross-

table analysis, in five areas we found significant and weak correlations arising from the ownership structure of the company. The five areas are the following:

- Among the strategic actions:
  - no action needed,
  - dismissals will be necessary,
  - increasing organisational effectiveness.
- In the case of changes already implemented in HR:
  - dismissal and
  - voluntary resignation.

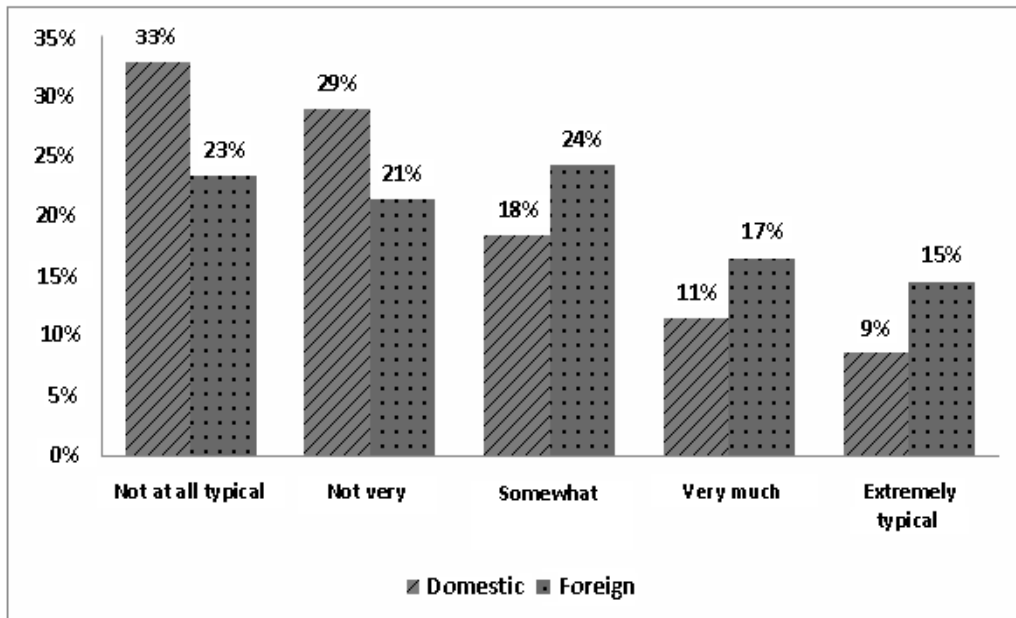
The number of domestic-owned companies that agreed with the statement that there is no need to take any action in order to mitigate the impact of the crisis was higher than the average. In parallel, more foreigners refused this option categorically. More foreign companies would use and, as it is obvious from the already implemented changes, have already used the option to dismiss employees (Figs. 16 and 17). Increasing organisational effectiveness is the strategic direction foreign-owned companies were willing to apply more intensively in connection with the crisis (Fig. 18). Foreign companies also show more willingness to apply voluntary resignations.

We continued to examine the third hypothesis with the ANOVA analysis. The result of this confirmed our previous statements only in the case of the strategic actions concerning dismissals. Here we managed to identify significant difference between the means of the answers of the two groups of owners (Fig. ??) which means that there is a significant difference in the extent foreign and domestic companies use the tool of dismissal.

*So, the analyses identified differences in the human resource and knowledge management activity between domestic and foreign-owned organisations in five cases. These correlations correspond to a very low proportion of the questions asked. We identified weak but significant relationships, which means that although there is a correlation between ownership and HR activities in the mentioned five cases, this is not the only influencing factor. However, we have to point out that we were able to confirm the difference in dismissals, namely that this crisis management method is more typical for foreign companies, with both statistical methods.*

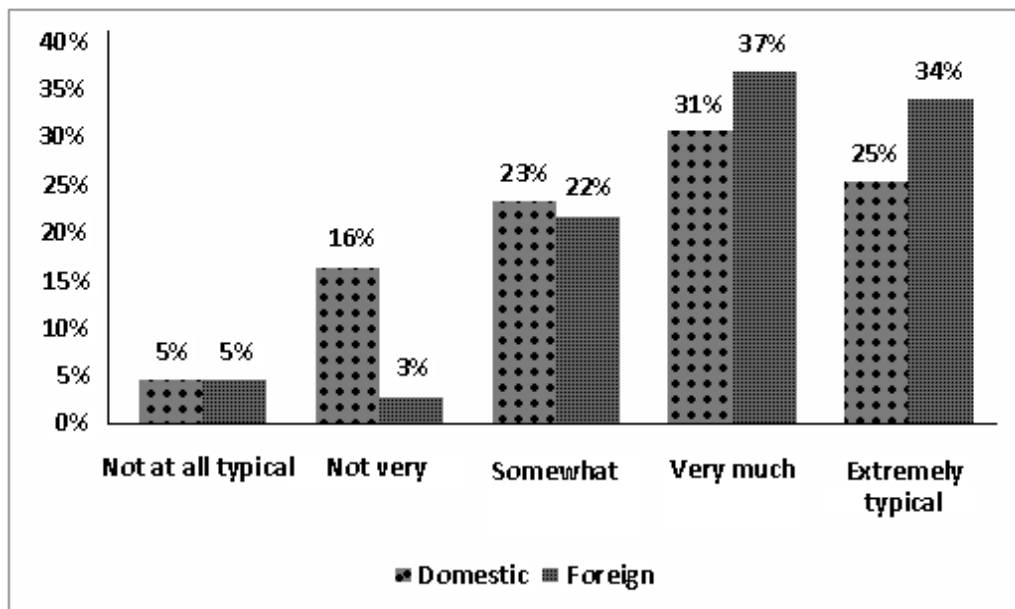
### Conclusions

Hungarian and international literature identifies different strategic approaches, human resource and knowledge management methods in the case of different forms of ownership and different organisational sizes. Culture researches present that different nations are characterised by different features and react to the same challenges in different ways. The crisis has brought several external environmental changes into the life of organisations to which they have given different reactions. In our article we examined empirically to what extent the statements of the



Source: Primary research by the authors

**Fig. 17.** Differences in the level of necessity of dismissals by forms of ownership. The proportion of respondents marking the different categories.



Source: Primary research by the authors

**Fig. 18.** Differences in the level of necessity of increasing organisational effectiveness for domestic and foreign organisations

literature are valid in the case of the 411 Slovakian and Hungarian companies chosen. Although the sample cannot be considered representative, the size of the sample, the organisational size characteristics, the composition of the form of ownership and the sectoral classifications allowed us to draw relevant conclusions. In respect of economic characteristics, the two countries show both similarities and differences, cultural attitudes are typically different.

During the analysis we found differences in the reactions given to the crisis by the companies that have their headquarters in different countries. In certain cases the “nationality” of the responding organisation also had an impact on the perception and

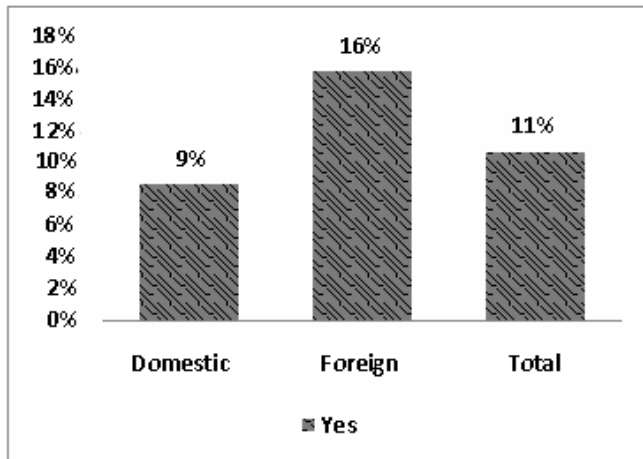
forecast of the crisis. In respect of the form of ownership we established that foreign companies use the option of dismissals to a larger extent.

Although we identified some differences, the statistical methods showed only weak correlations between the dependent and independent variables in every case and we were not able to confirm such differences in the case of several questions. This means that the perception of the crisis and the responses given to the crisis cannot be predicted, determined based merely on the geographical location or the ownership structure of an organisation. These factors also have an influence on the reactions to the crisis but it is necessary to take into account several other

**Tab. 4.** Steps taken in staffing due to the crisis among all the organisations surveyed

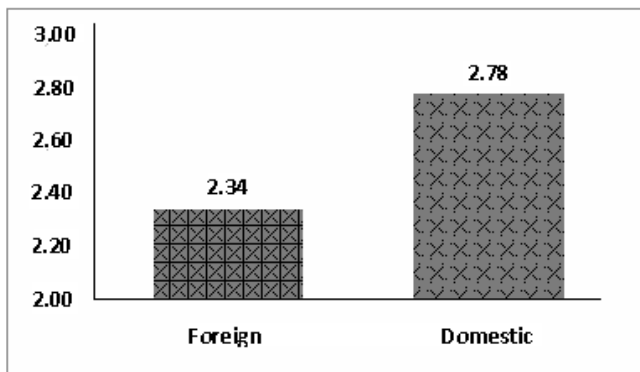
	N	Mean	Deviation
Hiring freeze	380	.55	.498
Not filling positions that become vacant	380	.29	.455
Dismissal	380	.26	.437
Early retirement	380	.13	.336
Voluntary resignation	380	.11	.307
Outsourcing	380	.07	.257

Source: Primary research by the authors



Source: Primary research by the authors

**Fig. 19.** Differences in applying voluntary resignations in domestic and foreign companies.



Source: Primary research by the authors

**Fig. 20.** Mean of the answers of domestic and foreign organisations in respect of dismissals (1 – not at all typical, 5 – extremely typical)

external and internal factors which define the characters of the companies and the employees working for them. These characteristics together determine the character of behaviour and perception.

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