

**HR Web SURVEY
On SMALL and GROWING
BUSINESSES**

**Georgia Institute of Technology
Japan Institute of Labor
Society for Human Resource Management**

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About This Report

Small and growing businesses are the driving force of the current long-ongoing prosperity of the U.S. economy. They are creating massive employment, while at the same time are responsible for a variety of technological innovations. Nevertheless, to date there have been no serious studies conducted on the human resource management of small and growing businesses. One reason for this is that human resource management is not yet a specialized function in companies with only a few employees or companies that have only recently been established. In addition, many changes take place in such companies because systems, etc., have not taken firm root within them. Therefore, it had been believed that it would be difficult to investigate the human resource management of small and growing businesses through surveys. However, small and growing businesses are increasing tremendously in number, and human resource management is certain to play an important role in their efficient operation or corporate growth. Moreover, there are many businesses that are outstanding or growing rapidly in spite of being small in scale. Therefore, one can say that these small and growing businesses will be new opportunities for the activities of human resource management professionals hereafter.

It is for this reason that this survey decided to ascertain what kinds of human resource management small and growing businesses are carrying out by examining the situations concerning their implementation of recruitment and incentive practices, employment practices and systems, etc. In addition, the survey looks at human resource management as it relates to corporate growth and investigates what kind of relationship is evident there.

The survey form was placed on a server connected to the Internet, and respondents replied over the Internet.

The Georgia Institute of Technology and the Japan Institute of Labor conducted the survey with the cooperation of the Society for Human Resource Management. The Japan Institute of Labor is a research arm of Japan's Ministry of Labor. Shinsaku Matsumoto, senior researcher at the Japan Institute of Labor, prepared this report. Please direct inquiries, etc., concerning this report to Shinsaku Matsumoto (e-mail:

smat@jil.go.jp fax: +81-3-3594-1113).

Executive Summary

As a result of this survey, it has been possible to ascertain a general outline of the human resource management of small and growing businesses. Please refer to the section "Survey Results" for detailed survey results. However, if one were to select the distinctive, important and very interesting points seen in the results, they would be as follows.

The HR programs, etc., implemented by businesses with high growth rates included profit-sharing, on-site physical exercise room for employees, family day, a flat organization/de-layering, incentive reward systems, such as stock options, etc. On the other hand, the HR programs, etc., implemented by businesses with low growth rates included support programs for employees trying to independently start their own business, employee representative associations, labor unions, etc.

Of the HR programs businesses were currently planning to introduce, the two that were notably seen were work undertaken by project teams and task forces and self-managing work teams.

When respondents compared their small firm and large corporations, they considered the latter superior in areas such as security after retirement and salary level. However, they considered their companies superior in sense of contribution to the company's achievement and growth and the large degree of job autonomy. In addition, they considered their companies to have a better working environment, which refers not only to the physical environment, but also to be comfortable to work at a company, and not to have bad effects of work on personal life, etc. It is conceivable that small businesses operate their systems, etc., flexibly and ensure ease of work for their employees in spite of the various restrictive conditions they are subject to as small businesses, in order to secure capable human resources.

The survey verified, as had been said heretofore, that the primary factors that attract and motivate engineers, R&D staff, specialists and professional staff are the job itself and the contents of the job, and the primary factors that attract and motivate sales and marketing staff, etc, are expectations of high reward in the future.

Probably due to the fact that the U.S. economy is vigorous, at present, the positions with the greatest number of vacancies were for direct workers: production, sales, clerical, etc., followed by engineers, R&D staff, specialists and professional staff. Many responded that managerial and executive staff positions were fully staffed.

Survey Results

Table 1 indicates the responses to the question of what were the No. 1 and No. 2 most effective recruitment sources for the four types of occupational categories. Although they differ depending on the occupational category, overall, referrals by employees and referrals by an executive or owner, newspaper or magazine advertisements and private employment service agencies received the most replies. These were followed by advertisements on the Internet. Although conventional recruitment sources are strong, the Internet, which has been in existence for only a few years, has taken firm root as one source of recruitment. However, it is not the most effective recruitment source for engineers, R&D staff, specialists and professional staff. Even in this case, referrals by employees and referrals by an executive or owner and conventional recruitment sources are more effective.

Table 2 indicates the responses to the question of what are the No.1 and No. 2 most emphasized points for attracting people to recruit capable human resources for each occupational category. For engineers, R&D staff, specialists and professional staff companies emphasized the contents of the job and the job itself; for sales and marketing staff they emphasized future income opportunities based on company growth; and for managerial and executive staff they emphasized the company's philosophy and principles and business strategies.

Figure 1 indicates the responses to the question of staffing levels. The greatest number of companies replied that they were shorthanded in the category of direct workers, followed by engineers, R&D staff, specialists and professional staff. Meanwhile, the greatest number of companies replied that they were fully staffed in the category of managerial and executive staff.

Figure 2 indicates the responses to the question of turnover rate. The highest turnover rate is in the category of direct workers, while the category of engineers, R&D staff, specialists and professional staff does not have that high a turnover rate. Although many engineers, R&D staff, specialists and professional staff in some fields leave or change their jobs often, there are also a considerable number of fields where turnover is low. It is believed that this accounts for the survey results.

Figure 3 indicates the responses to the question of the overall quality of employees. The greatest number of companies replied that the quality of their engineers, R&D staff, specialists and professional staff and managerial and executive staff was high.

Figure 4 indicates the responses to the question of what kind of human resources are the company's core personnel and staff and what kind of human resources the company wishes to recruit. The top three responses, starting with the most frequent response, were personnel with high levels of knowledge and technical expertise in a professional area, followed by team players with a sense of group harmony and personnel with honesty and reliability.

Table 4 indicates the responses to the question of what are the No. 1 and No. 2 effective motivators for each occupational category. For engineers, R&D staff, specialists and professional staff they were the job and the job itself and opportunity for improving skills and abilities; for managerial and executive staff they were expectation of high reward in the future.

Figure 5 indicates the responses when respondents were asked to compare whether their companies or large companies were better for employees in the areas listed. Figure 5 lists the areas the company is ahead in order of the number of responses received. Because they are small businesses, the No. 1 response for the area in which their company was ahead was sense of contribution to the company's achievement and growth and the No. 3 response was large degree of job autonomy. The No. 2 response was working environment, and the No. 4 response was effects of work on personal life. On the other hand, large companies were head in areas such as security after retirement and salary level.

Figure 6 indicates the responses when respondents were asked about corporate and organizational climate. Many companies responded that they had good teamwork among their employees (the three responses in the upper half of Figure 6). In addition, many responded that many employees enthusiastically tackle their work and that there is good information exchange in the work group (the last item).

Figure 7 indicates the responses when respondents were asked about the state of implementation of HR programs, etc. It lists the programs beginning with the program with the highest rate of implementation. The blackened portion of each

bar indicates the percentage of respondents currently planning to introduce the program. There are notably large percentages of respondents who currently plan to introduce work undertaken by project teams and task forces and self-managing work teams.

Lastly, the survey examined the HR measures of growing businesses. Since corporate growth rate should differ depending on factors such as the industry, the number of years from its foundation and company size, this was confirmed first of all (refer to Tables 4, 5 and 6). A large percentage (30.0%) of businesses with 50 employees or less had growth rates of 150% or higher over the past three years. However, a large percentage of businesses with 50 employees or less also had negative growth. Regarding the year founded, it can be pointed out that the trend is for the growth rate of newly founded businesses to be high. Growth rates differ depending on the industry. However, they cannot be explained fully based on factors such as industry, company's size or number of years from company's foundation.

It is for this reason that we examined the relationship between growing businesses and human resource management. Table 7 analyzes the responses when growing businesses were asked which HR programs, etc., they had implemented. The first column gives the number of businesses implementing the program. Columns A, B and C indicate the percentages accounted for by businesses in the respective growth rate categories (A: under 100%; B: 101-150%; C: 151% or higher). The last column indicates the result of subtracting percentage A from percentage C. The larger this figure is, the greater the number of businesses with high growth rates that implement the program there are and the smaller the number of businesses with negative growth rates that do not. Conversely, the smaller this figure is, the smaller the number of businesses with high growth rates that do not implement the program and the greater the number of businesses with negative growth rates that do. Column D of the table lists the HR programs, etc., beginning with the program with the largest difference figure. Therefore, the programs listed in the upper part of the table are the measures that high-growth businesses implement, and the programs listed in the lower part of the table are the measures that minus-growth businesses implement. High-growth businesses are more likely to be providing profit-sharing, on-site physical exercise room for employees, family day, a flat organization/de-layering, incentive reward systems, such as stock options, etc. On

the other hand, low-growth businesses implement HR programs, etc., such as support programs for employees trying to independently start their own business, employee representative associations, labor unions and so on.

Table 1 Recruitment sources

	Engineers, R&D staff, specialists, professional staff		Sales and marketing staff		Managerial and executive staff		Direct worker (production, sales, clerical, etc)	
	No.1	No.2	No.1	No.2	No.1	No.2	No.1	No.2
Referrals by employees	23.7	24.2	27.4	21.0	12.9	17.7	30.1	31.7
Referrals by executive or owner	10.8	5.9	12.9	7.5	36.0	15.6	1.1	2.2
Private employment service agencies	14.5	12.4	9.1	10.8	23.1	16.7	7.5	9.1
Public employment service office		2.7		2.7		2.7	4.3	5.4
Newspaper or magazine advertisements	31.7	25.8	33.3	26.9	17.7	27.4	46.8	29.0
Advertisements on the Internet	12.4	14.5	9.7	16.7	7.5	13.4	4.8	11.8
Receipt of unsolicited resumes		1.1	1.1	3.8		1.1	2.2	3.2
Recruiting at schools, internships	1.6	6.5	0.5	1.6	0.5	2.2	1.6	3.8
University professors referral		1.1						
Job fairs		1.1		1.1			1.1	2.2
n.a.	5.4	4.8	5.9	8.1	2.2	3.2	0.5	1.6
total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 2 Emphasized point for attracting people

	Engineers, R&D staff, specialists, professional staff		Sales and marketing staff		Managerial and executive staff		Direct worker (production, sales, clerical, etc)	
	No.1	No.2	No.1	No.2	No.1	No.2	No.1	No.2
Contents of Job, Job itself	34.9	11.8	20.4	10.8	18.3	11.3	21.5	7.5
High salary	4.3	7.0	14.5	5.9	9.1	10.2	7.5	4.3
Future income opportunities based on company growth	16.1	15.1	29.6	19.9	24.7	14.0	11.3	11.3
Higher level position than currently held	0.5	2.2	0.5		1.1	3.8	7.5	2.7
Expectation of rapid promotion / advancement to better jobs	2.7	5.4		2.2	2.2	3.2	9.7	11.3
Company's philosophy & principles/ Business strategies	19.9	15.6	18.3	24.2	30.1	19.9	9.7	9.1
Character, charisma, and vision of the companies top management	6.5	5.4	5.4	8.1	8.6	10.8	1.6	2.2
Good human relations within the company (company culture)	5.9	17.2	3.8	12.4	2.2	11.8	15.6	17.7
Employment security	2.2	3.2	0.5	1.1	0.5	2.2	4.3	5.4
Comfortable work environment	1.6	7.0	1.1	4.3	1.1	3.8	7.5	19.4
Benefit of the companies geographical location	0.5	1.6		2.7		1.6	0.5	1.1
Consideration given to the employee's individual and family life	1.1	3.2	0.5	1.6		3.8	2.2	4.8
n.a.	3.8	5.4	5.4	7.0	2.2	3.8	1.1	3.2
total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Figure 1 Staffing levels

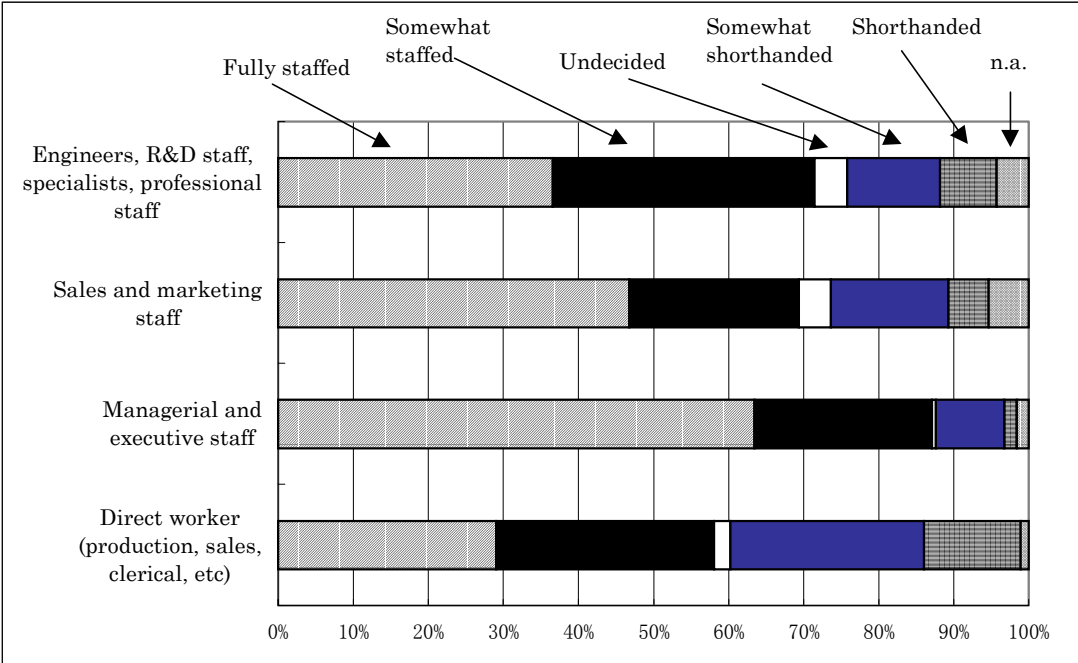


Figure 2 Turnover rate

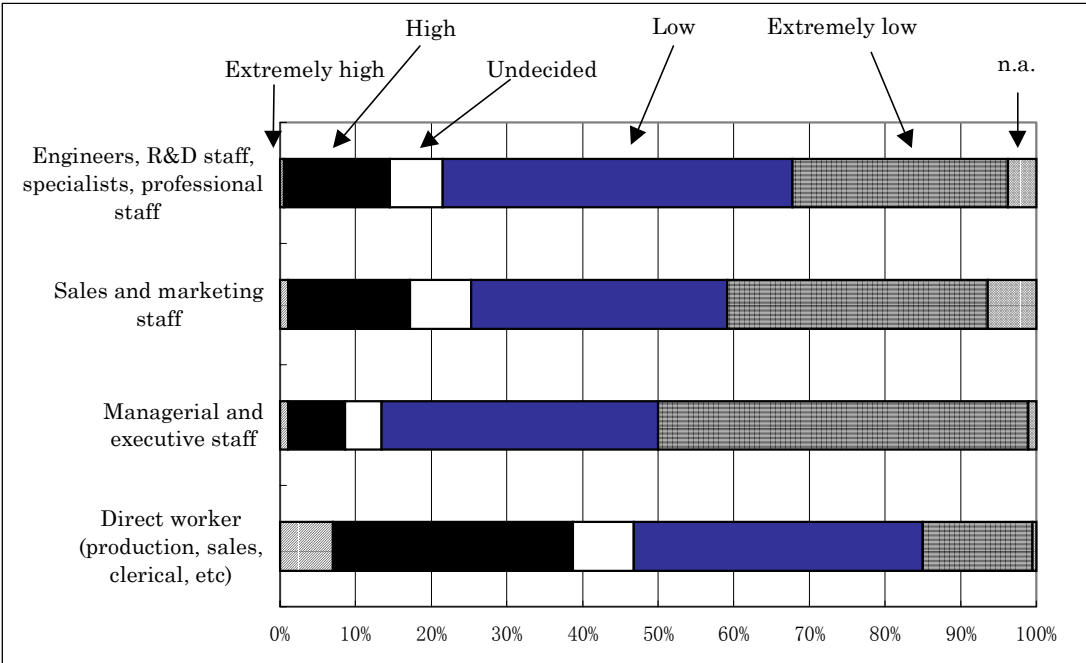


Figure 3 Overall quality of employees

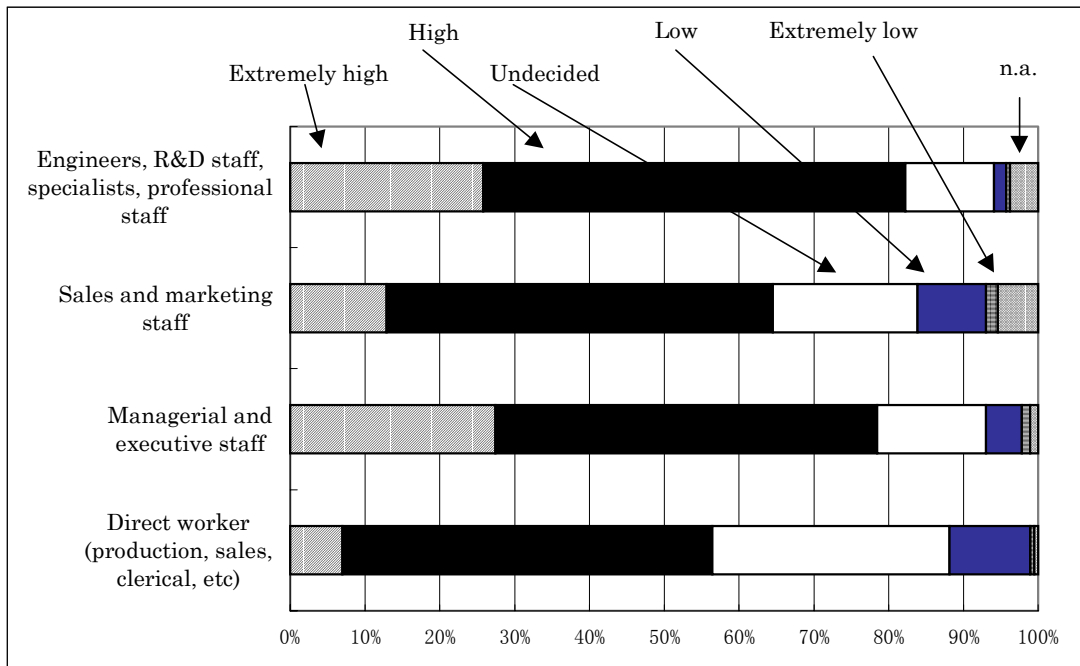


Figure 4 Core personnel / Core staff

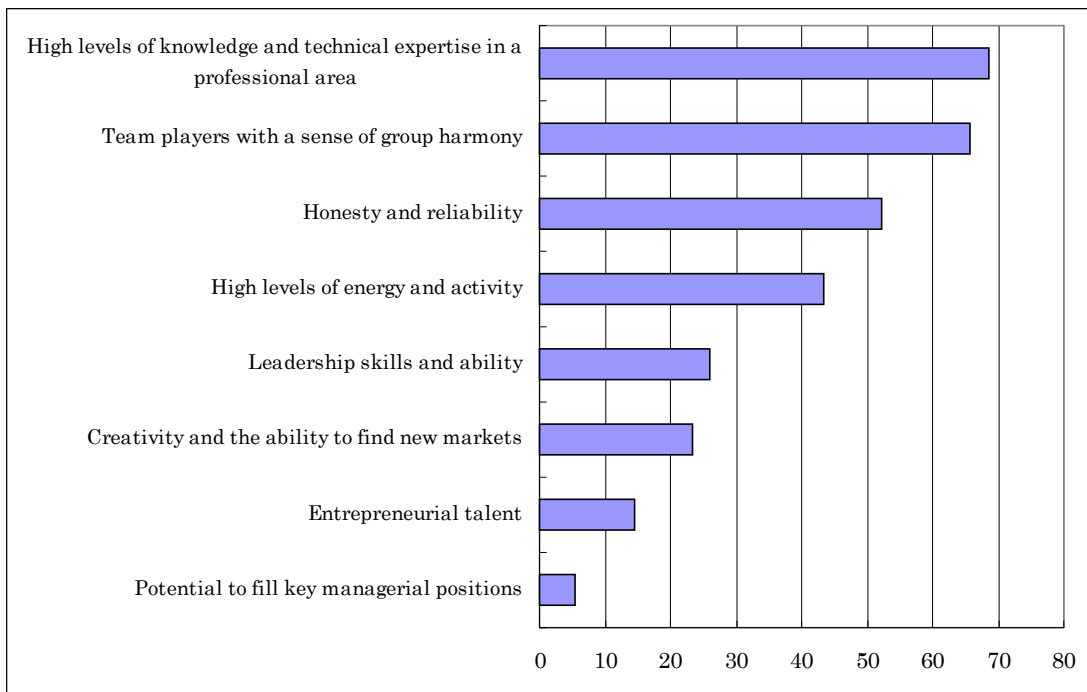


Table 3 Effective motivators

	Engineers, R&D staff, specialists, professional staff		Sales and marketing staff		Managerial and executive staff		Direct worker (production, sales, clerical, etc)	
	No.1	No.2	No.1	No.2	No.1	No.2	No.1	No.2
High salary in the present position	13.4	9.7	23.1	4.3	19.9	10.2	12.9	4.3
Expectation of high reward in the future	16.1	11.3	33.3	18.3	26.9	18.8	16.7	11.3
Contents of Job / Job itself	25.8	14.0	12.4	12.9	15.6	18.8	10.8	10.2
High level of job autonomy	14.0	16.1	12.4	19.9	17.2	14.5	5.4	6.5
Opportunity for improving skills and abilities	13.4	18.8	2.2	10.8	3.8	11.3	15.6	20.4
Promotion and advancement to better position	2.7	4.8	1.6	4.8	2.7	2.7	16.1	17.2
Direct communication with executive management	4.3	7.5	3.8	9.7	9.7	8.6	1.6	1.6
Comfortable work environment	4.3	11.8	3.8	8.6	2.2	10.8	15.6	22.6
Benefit of the companies geographical location	1.1	0.5	1.1	3.8	0.5	2.2	3.8	4.3
n.a.	4.8	5.4	6.5	7.0	1.6	2.2	1.6	1.6
total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Figure 5 Comparison with large companies

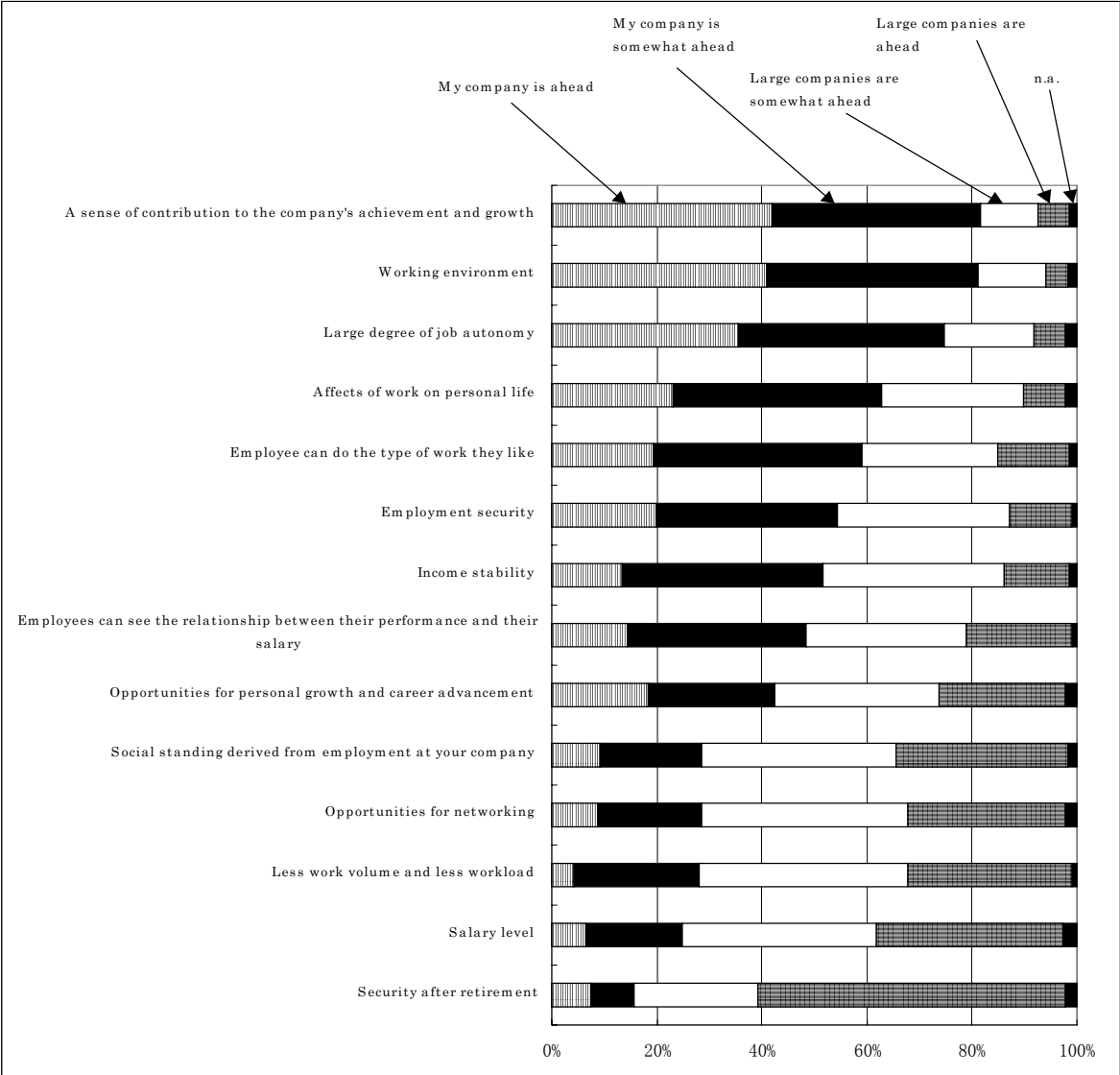


Figure 6 Organization climate

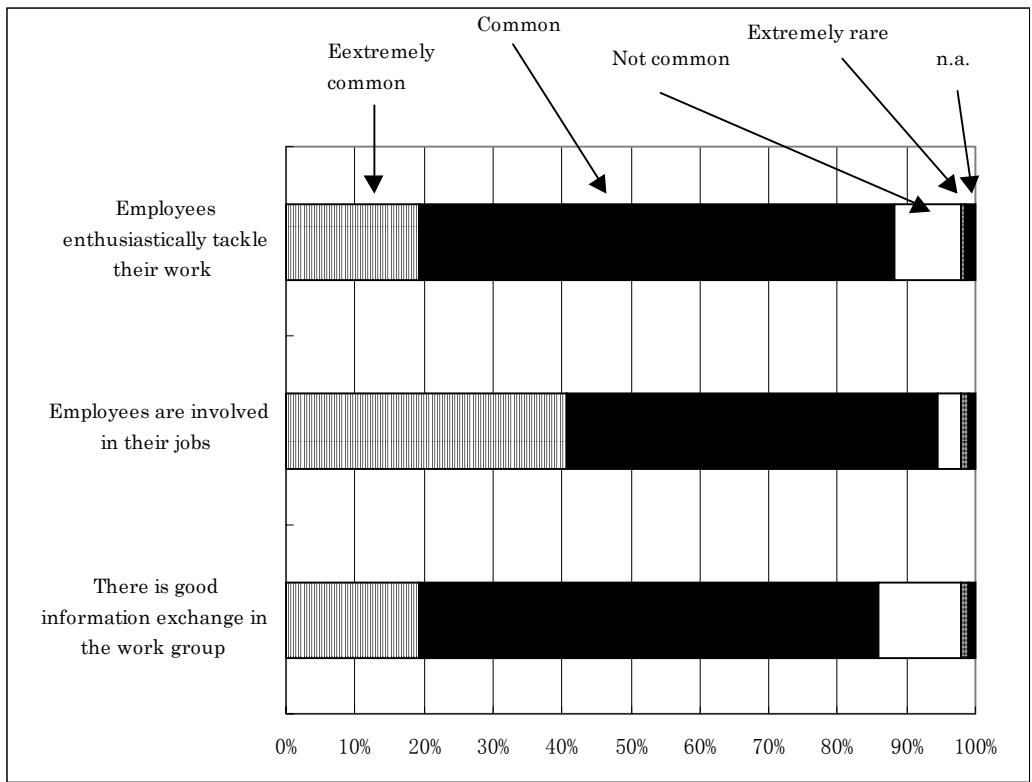
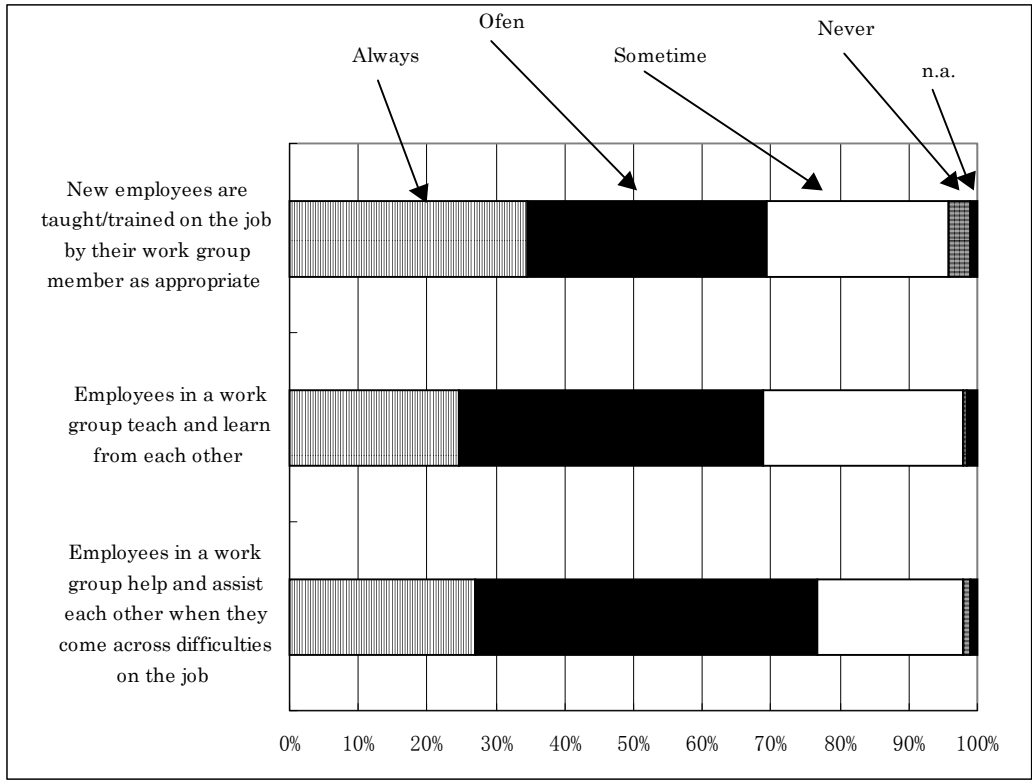


Figure 7 HR programs etc.

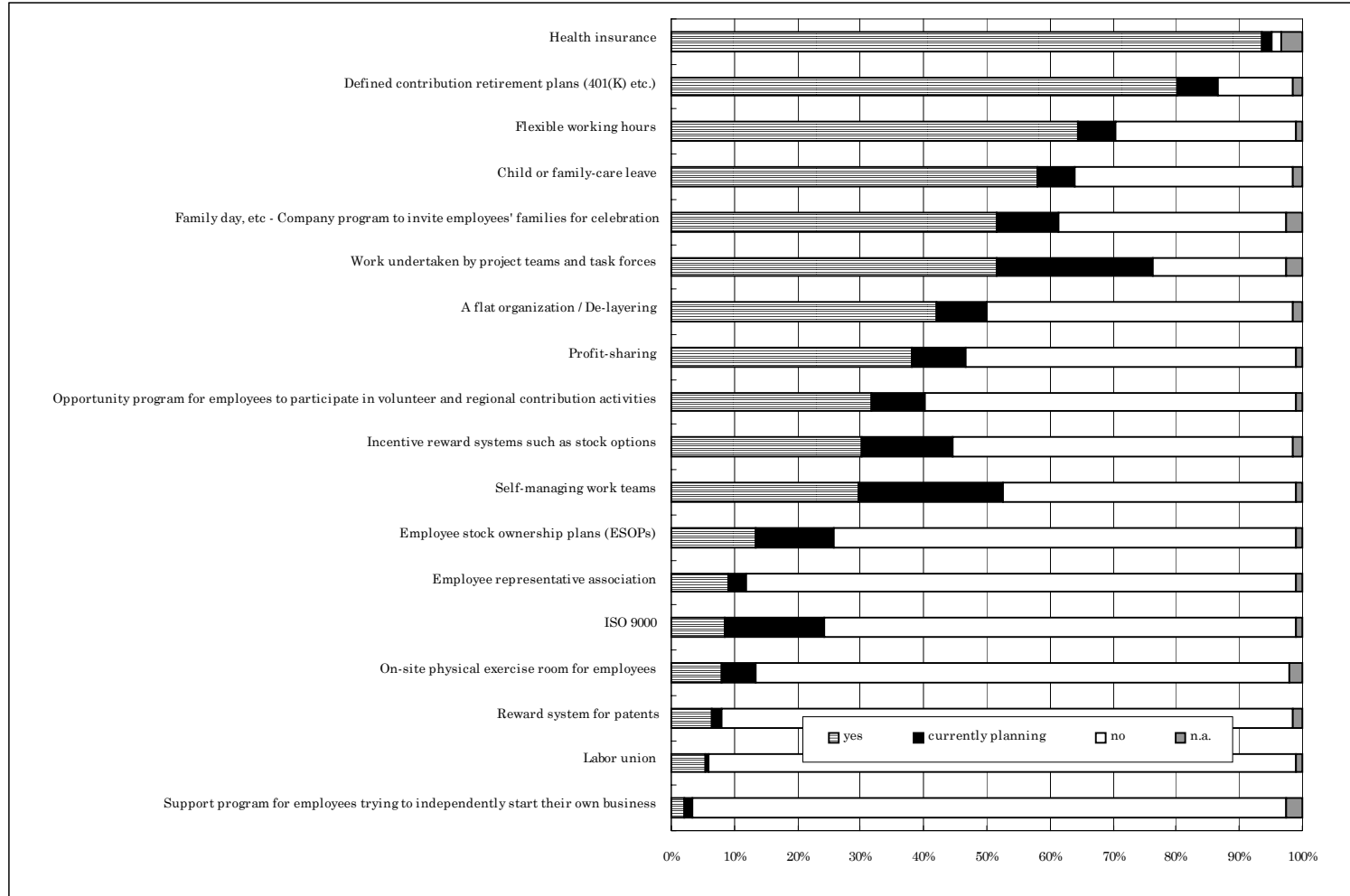


Table 4 Company size and growth rate (percentage)

Company size	Company growth				total	n
	-100%	101-150%	151%-	n.a.		
-50	45.0	18.3	30.0	6.7	100.0	60
51-150	43.8	14.1	29.7	12.5	100.0	64
151-	32.2	37.3	22.0	8.5	100.0	59
n.a.				100.0	100.0	3
n	74	42	50	20		186

Table 5 Founded year and growth rate (percentage)

Founded year	Company growth				total	n
	-100%	101-150%	151%-	n.a.		
-1980	47.8	25.4	16.4	10.4	100.0	67
1981-1990	35.7	28.6	28.6	7.1	100.0	56
1991-	34.5	10.9	41.8	12.7	100.0	55
n.a.	37.5	37.5		25.0	100.0	8
n	74	42	50	20		186

Table 6 Industries and growth rate (percentage)

Industry	Company growth				total	n
	-100%	101-150%	151%-	n.a.		
agriculture	50.0	50.0			100.0	2
mining	100.0				100.0	1
construction	50.0	50.0			100.0	6
manufacturing: high-tech/computers	37.5	20.8	25.0	16.7	100.0	24
manufacturing: other	39.1	34.8	17.4	8.7	100.0	23
transportation, communication, and other	33.3	22.2	44.4		100.0	9
wholesale and retail trade	50.0	16.7	33.3		100.0	12
finance, insurance, real estate	21.4	7.1	42.9	28.6	100.0	14
service: business and repair service	50.0	20.0	30.0		100.0	10
service: personal services	46.2	23.1	23.1	7.7	100.0	13
service: entertainment	18.2	18.2	54.5	9.1	100.0	11
service: professional	47.3	23.6	23.6	5.5	100.0	55
public administration			50.0	50.0	100.0	2
n.a.				100.0	100.0	4
n	74	42	50	20		186

Table 7 HR programs and growth rate (percentage)

HR programs etc.	n of Yes company	Company growth			Difference
		A	B	C	D
		-100%	101-150%	151%-	C%-A%
Profit-sharing	62	30.6%	33.9%	35.5%	4.8%
On-site physical exercise room for employees	14	50.0%	7.1%	42.9%	-7.1%
Family day, etc	88	42.0%	25.0%	33.0%	-9.1%
A flat organization / De-layering	70	41.4%	27.1%	31.4%	-10.0%
Incentive reward systems such as stock options	49	44.9%	20.4%	34.7%	-10.2%
401(K) etc.	133	42.1%	26.3%	31.6%	-10.5%
Project teams and task forces	86	47.7%	17.4%	34.9%	-12.8%
Child or family-care leave	100	44.0%	25.0%	31.0%	-13.0%
Volunteer and regional contribution	53	47.2%	18.9%	34.0%	-13.2%
Flexible working hours	109	46.8%	21.1%	32.1%	-14.7%
Health insurance	156	44.9%	25.6%	29.5%	-15.4%
Reward system for patents	12	50.0%	16.7%	33.3%	-16.7%
Self-managing work teams	52	50.0%	17.3%	32.7%	-17.3%
Employee stock ownership plans (ESOPs)	25	60.0%	8.0%	32.0%	-28.0%
ISO 9000	13	69.2%	7.7%	23.1%	-46.2%
Support program to start their own business	4	75.0%	0.0%	25.0%	-50.0%
Employee representative association	17	70.6%	11.8%	17.6%	-52.9%
Labor union	9	66.7%	22.2%	11.1%	-55.6%

Survey procedure and demographics

The survey form was placed on a server connected to the Internet, and the survey was conducted at this web site. There is a place on the HP of SHRM that informs people of the surveys currently being conducted. This survey was listed there with a link provided to the server with the survey form. In addition, articles concerning this survey were included every two weeks in the SHRM E-bulletin, which is e-mailed news from SHRM. The survey was conducted from October 1999 to January 2000. However, notices through the SHRM E-bulletin ended in December 1999. When a survey notice was included in an SHRM E-bulletin, responses would be concentrated on the day of notice, with 20 to 40 responses received. Therefore, it is believed that the majority of the survey respondents learned of the survey through the SHRM E-bulletin and sent in their responses accordingly.

Although there were approximately 240 responses received during the survey period, there were a considerable number of survey forms that were sent in almost blank. It is believed that people who unintentionally accessed the survey form through an error in operation and so on, pressed the answer termination button in order to get out of the survey, thereby sending in blank answer forms. It is for this reason that forms that were almost blank were excluded from the data compilation. In addition, although we asked companies with 500 or less regular employees to respond, some of the companies that responded had several thousand or several tens of thousand employees. Since this survey was an investigation of the HR of small businesses and the questions were posed in that way, replies from companies with 1,000 or more employees were excluded from the data compilation. Although there were concerns that answers regarding the same company would be input more than once, sorting and checking the data against mail e-addresses, IP addresses, year founded, number of employees and so on, found only one case of exactly the same answers being input more than once. Since the company concerned employed several thousand employees, its answers were excluded from the sample because of the aforementioned decision to exclude answers from companies with 1,000 or more employees. As a result of the disposition described heretofore, the final number of valid responses received was 186.

Table 8 divides the sample of 186 valid respondents by company size and industry.

There were somewhat large numbers of companies in the manufacturing and service industries, but companies were rather evenly divided by company size.

Table 8 Samples Industries and company size (number)

Industry	Company size						n.a.	total
	-30	31-50	51-100	101-150	151-200	201-		
Agriculture		1			1			2
Mining					1			1
Construction		1	1	1		3		6
Manufacturing: high-tech/computers	3	2	6	4	3	6		24
Manufacturing: other		3	5	1	7	7		23
Transportation, communication, and other		2	1	2	2	2		9
Wholesale and retail trade	1	3	2	3	3			12
Finance, insurance, real estate	2	3	2	3	3	1		14
Service: business and repair service	5		2		1	2		10
Service: personal services	4	2	1		1	5		13
Service: entertainment	3	1	4	2		1		11
Service: professional	9	13	15	5	7	5	1	55
Public administration				2				2
n.a.		2					2	4
total	27	33	39	25	27	32	3	186