HUMAN RESOURCE MANAGEMENT IN SUCCESSFUL ENTREPRENEURIAL ENTERPRISES: CHALLENGES, PARADOXES, AND OPPORTUNITIES (SUMMARY)

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SUMMARY

HUMAN RESOURCE MANAGEMENT IN SUCCESSFUL ENTREPRENEURIAL ENTERPRISES: CHALLENGES, PARADOXES, AND OPPORTUNITIES

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Principal Topic

Human resource management is traditionally described as “the systematic process of acquiring, developing, rewarding and maintaining an organization’s people resources to maximize performance” (Butler and Schuller, 2005). As newly founded organizations grow and mature, their human resource requirements and needs change rapidly. Human capital is acknowledged to be an important source of sustained competitive advantage (Hayton, 2003, Barney, 1991), yet it is an especially difficult challenge for new firms to competently acquire and develop this valuable resource (Welbourne and Katz, 2002).

New ventures are often resource-constrained and so face a unique struggle between the demands of timeliness, quality and cost for their human resource practices. Firms that take the time to recruit and develop a high-performing workforce may miss windows of opportunity or prematurely run out of cash. Similarly, firms that rapidly add employees to meet growing demand may suffer from poor hiring decisions that have long-term financial consequences. A critical question then is how do successful new firms with little operating experience or financial resources find the appropriate balance that enables them to meet the demands of their particular business environment?

Method

We studied the demands of timeliness, quality and cost by interviewing 90 individuals at 45 successful Midwestern U.S. organizations that were finalists for the Ernst & Young Entrepreneur of the Year award. Interview results were content analyzed and human resource practices were categorized to the extent they focused on timeliness, quality, and cost-effectiveness. Propositions that were tested examine the extent that these organizational characteristics influence (1) The prevalence of non-financial incentive practices versus monetary rewards, (2) The preference of training versus highly skilled new hires and (3) Rewards for innovation and risk-taking versus reliability and process improvement.

Results and Implications

This study has several important contributions. First, this study examines what high-performance human resource practices are best suited for a variety of new ventures and expands a limited but growing body of literature. Second, while it can be expected that high-performing entrepreneurial firms have developed some degree of effective human resource practices, this study allows for a rich and in-depth look at the process by which these capabilities were developed.

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