MANAGING THE EO-FIRM PERFORMANCE RELATIONSHIP: THE ROLE OF HUMAN RESOURCE MANAGEMENT (SUMMARY)

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SUMMARY

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Principal Topic

This research suggests that human resource management (HRM) represents an important, overlooked moderating influence upon a firm’s ability to maximize the effectiveness of its EO. Two elements of HRM are investigated being the development of high performance work systems (HPWS) and a strong employee partnership philosophy. Addressing the recent call for research exploring questions at the intersection of entrepreneurship and HRM (Baron, 2004; Katz, Aldrich, Welbourne, & Williams, 2000), this research explores whether the preceding HRM elements enable new ventures to attain greater performance through their EO efforts.

Method

An online survey was sent to the executives of 2000 U.S. start-ups within the computer hardware, software, and services industries. Out of the 2000 firms surveyed, 215 responded, and 125 provided complete, usable data. All firms were less than 10 years old and had greater than 10 employees. EO was operationalized using Covin and Slevin’s (1989) scale. HPWS was operationalized using a scale adopted from Way (2002) and Sels et al. (2006). The works of Guest and Peccei (2001) and McCartan (2002) were used to identify nine items that measure partnership philosophy. Firm performance was assessed using survey based measures of sales growth. Control variables were included for firm age, size, industry, presence of venture capital financing, and ownership structure. The analysis was conducted using OLS Regression, as well as using SEM with no significant differences in findings.

Results and Implications

Although EO was not found to be directly related to new venture sales growth (p>.10), the interactions between EO and HPWS as well as EO and partnership philosophy were highly significant (p<.05). Concerning the lack of significance between EO and firm performance, it may be that the firms in the study are all relatively new enough and competing in such dynamic industries that an entrepreneurial orientation was a necessity, and thus an insufficient source of competitive differentiation. However, when coupled with the proper managerial philosophy and constellation of practices, EO was observed to constitute a significant source of competitive advantage in our sample of relatively young and technology-intensive organizations.

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