

Company's Orientation and Human Resource Management Evolution in Technological Startup Companies

Authors : Yael Livneh, Shay Tzafrir, Ilan Meshoulam

Abstract : Technological startup companies have been recognized as bearing tremendous potential for business and economic success. However, many entrepreneurs who produce promising innovative ideas fail to implement them as successful businesses. A key argument for such failure is the entrepreneurs' lack of competence in adaptation of the relevant level of formality of human resource management (HRM). The purpose of the present research was to examine multiple antecedents and consequences of HRM formality in growing startup companies. A review of the research literature identified two central components of HRM formality: HR control and professionalism. The effect of three contextual predictors was examined. The first was an intra-organizational factor: the development level of the organization. We based on a differentiation between knowledge exploration and knowledge exploitation. At a given time, the organization chooses to focus on a specific mix of these orientations, a choice which requires an appropriate level of HRM formality, in order to efficiently overcome the challenges. It was hypothesized that the mix of orientations of knowledge exploration and knowledge exploitation would predict HRM formality. The second predictor was the personal characteristics the organization's leader. According the idea of blueprint effect of CEO's on HRM, it was hypothesized that the CEO's cognitive style would predict HRM formality. The third contextual predictor was an external organizational factor: the level of investor involvement. By using the agency theory, and based on Transaction Cost Economy, it was hypothesized that the level of investor involvement in general management and HRM would be positively related to the HRM formality. The effect of formality on trust was examined directly and indirectly by the mediation role of procedural justice. The research method included a time-lagged field study. In the first study, data was obtained using three questionnaires, each directed to a different source: CEO, HR position-holder and employees. 43 companies participated in this study. The second study was conducted approximately a year later. Data was recollected using three questionnaires by reapplying the same sample. 41 companies participated in the second study. The organizations samples included technological startup companies. Both studies included 884 respondents. The results indicated consistency between the two studies. HRM formality was predicted by the intra-organizational factor as well as the personal characteristics of the CEO, but not at all by the external organizational context. Specifically, the organizational orientations was the greatest contributor to both components of HRM formality. The cognitive style predicted formality to a lesser extent. The investor's involvement was found not to have any predictive effect on the HRM formality. The results indicated a positive contribution to trust in HRM, mainly via the mediation of procedural justice. This study contributed a new concept for technological startup company development by a mixture of organizational orientation. Practical implications indicated that the level of HRM formality should be matched to that of the company's development. This match should be challenged and adjusted periodically by referring to the organization orientation, relevant HR practices, and HR function characteristics. A relevant matching could enhance further trust and business success.

Keywords : control, formality, human resource management, organizational development, professionalism, technological startup company

Conference Title : ICHRM 2017 : International Conference on Economics and Human Resource Management

Conference Location : Toronto, Canada

Conference Dates : June 15-16, 2017