Human Resource Management and the Small Entrepreneurial Start-Up: A New Reading

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SUMMARY

This thesis is broadly concerned with the factors that influence and shape the character of human resource management (HRM) within the entrepreneurial start-up enterprise. Specifically, it investigates the way in which such companies implement and action HRM activities, and evaluates the extent to which it is possible to characterise the activities as entrepreneurial and strategic.

Human resource management is understood in this thesis in its broadest sense — that is, as signifying people management within employment relationship.

Little is known, however, about the development and implementation of human resource management in small and medium size enterprises.

The majority of published research to date focuses on HRM in large, formal organisations, and is inter-organisational, rather than intra-organisational. Welsh and White comment that ‘Small business is not a little big business’ (1981: 18), however, and it cannot be presumed that the two have the same managerial practices. Research into small business does, however, indicate that size, informality of structures and processes, and the personal preferences, values and attitudes of the owner/manager impact significantly on the way in which HR practices are adopted.

Although there is little extant research that focuses on the relationship between HR practice and strategy in small business, it has been suggested by some that they have limited ability to manage strategically due to the informality of their structures and processes. Others however speak of HRM in the small organisation as strategic where there is a discernible link with the strategic goals and objectives to improve business performance and develop organisational cultures that foster innovation and flexibility.
The ‘entrepreneurial start-up enterprise’ is understood in this thesis as a particular type of business; that is, a simple, small, informal enterprise with a founder/owner/manager who is opportunistic, innovative, responsive to the excitement of risk taking, and is interested in fast growth.

In the past, studies of the effectiveness of HRM and HR practices in small companies have benefited from being qualitative in nature. However, methodologies employed in the study of entrepreneurship tend to lack diversity and neglect alternative approaches (Aldrich, 1992). There has also been insufficient effort focused on researching organisation formation activities (Gartner and Starr, 1993).

This thesis employs a qualitative approach that is interpretive, naturalistic, and narrative in style, in an effort to go some way towards redressing the limitations of existing work in the twin fields of HRM and entrepreneurship research. This is a longitudinal case study of two self-styled entrepreneurial start-up enterprises: Consultco and Pilotco. Consultco is an interactive business consultancy with a recruitment practice as part of its service. Pilotco is a publishing and Internet company that was to produce a series of CD-ROM guides to key Internet sites.

A case study methodology was chosen as a sound way to explain, describe, evaluate and explore close-up HRM activities in the natural world of the entrepreneurial start-up. Narrative was chosen as a way of making the respondents stories about the organisational experiences more accessible to both the researcher and the reader, and in this way captures the unfolding story of the founding of a business as it occurs.

The thesis is presented in four parts. The first part explores entrepreneurship, the influence of the entrepreneur on their organisation’s culture, and the concept of entrepreneurial strategy within the growth process of the
enterprise. It also covers different views of human resource management and the practice of HR in the context of small business, specifically the entrepreneurial start-ups.

The second part of the thesis is concerned with the theoretical methodologies that underpin the research, and the design of the study.

Part 3 presents the stories of the respondents in their own voice, to create organisational narratives for Consultco and Pilotco. A cross-case analysis follows, which tries to throw light on the process of HRM as it is practiced in the entrepreneurial start-up context. This part concludes with the researcher’s own story within the research process, and how this experience in turn influenced on the process of meaning making.

The final part of the thesis revisits the factors that influence and shape the character of HRM in the entrepreneurial context, and posits an alternative way in which to interpret the meaning of HRM, and its relationship to the opportunistic enterprise.
This thesis represents my process of becoming. It is appropriate to thank those who have been part of my journey.

To my supervisor, whose turn of phrase brought elegance to my fractured thoughts.

To my family, without whom I would be lost, and whose love and unwavering support brought me comfort and warmth, and a place to call home.

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To the interviewees, without whom there would be no stories to tell.

To my canine — without our morning walk on the beach, which grounded my spirit, the working day could not begin.

Thank you all.
DECLARATION

This thesis contains no material which has been accepted for the award to the candidate of any other degree or diploma, except where due reference is made in the text of the thesis.

To the best of my knowledge the thesis contains no material previously published or written by another person, except where due reference is made in the text of the thesis.

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Leah Kaye
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INTRODUCTION

The primary purpose of this research inquiry is to provide a more comprehensive understanding of human resource management in an entrepreneurial start-up context. It brings together two fields: HRM and entrepreneurship.

This thesis is broadly concerned with the factors that influence and shape the character of HRM within the entrepreneurial start-up enterprise, and the role played by the entrepreneurial founder/manager. Specifically, it investigates the way in which such companies implement and action HRM activities. The researcher is well placed to determine the extent to which it is possible to characterise the activities as strategic and entrepreneurial.

Gartner and Starr (1993) contend that insufficient effort was focused on studying organisation formation activities. The present research responds to this need by working within the social reality of two small entrepreneurial start-up organisations in real time, while the organisations are being created, moving from an idea, to action, to organising the social system around the entrepreneur, that is, the entrepreneurial start-up company. It is to this social system that the research turns its attention. By accepting Weick’s (1969) view that organisations are an ongoing process of interactions, this research explores and identifies the patterns of action and behaviours in these two organisations. It observes how events play out over time and become part of the enacted phenomenon (Weick, 1969) of organisational formation. It also looks at why a particular type of socially constructed reality is formed (Berger and Luckman, 1966).

The theoretical paradigm that directs the current research inquiry is that research is interpretive. By using a ‘constructivist paradigm’ (Denzin and
Lincoln, 1994: 27) the researcher assumes that, in the course of the investigation, there are multiple realities where the researcher and the respondent create understandings. The current research probes, through narrative interviews, the intentions and activities of the entrepreneurs and others in the emerging organisations — the process known as entrepreneurship — and the role of HRM in the process of creating a new entrepreneurial business.

This is a longitudinal qualitative inquiry, involving two small entrepreneurial start-up companies, Consultco and Pilotco, which uses a narrative epistemology within a case study framework as the means to explore process — specifically, the process of starting a new venture. This contrasts with other methodologies that view entrepreneurship and HRM as fixed entities. This thesis claims that useful outcomes are gained by using a process approach. Both organisational and individual narrative (that is, story) is also useful, and adds a rich new dimension to research the fields of entrepreneurship and HRM.

Narrative is both a body of theory and a methodology for interpreting lived experiences as told in stories. Its use in this thesis is the researcher’s attempt to create a new sense of meaning and significance, with respect to the research topic. The researcher as a narrative inquirer does not prescribe general applications, but rather creates a text that offers the reader a place to imagine their own uses and applications.

This research emphasises the generation of meaning, and uses a sense-making approach that moves away from outcomes, and towards process, framing the study in a narrative mode. Specifically, HRM is explored, to highlight how it is used in the entrepreneurial start-up. Qualitative interpretations are therefore constructed, and are presented here as one version of reality.
PART 1: BACKGROUND, THEORY AND PRACTICE

This thesis brings together two fields: entrepreneurship and human resource management, in order to demonstrate how HRM, which is concerned with the management of people within the employer–employee relationship, is integrated into an inception entrepreneurial company, which moves from idea, to action, to the social system that is the start-up company. The formation or creation of a new start-up is known as ‘organisational emergence’ (Gartner and Starr, 1993), and provides the context for this thesis.

The two organisations studied (Consultco and Pilotco) considered themselves ‘entrepreneurial’, in that they were established by self-styled entrepreneurs for the purposes of developing and exploiting high growth opportunities, with the central aim of creating wealth. Consultco and Pilotco were considered ‘start-ups’, because they were ‘starting business from scratch’, fitting Chell’s classification as ‘inception entrepreneurial companies, at a formative stage in their product development’ (2001: 56).

Part 1 includes Chapter 1: The Small Entrepreneurial Business Start-Up Enterprise, and Chapter 2: Human Resource Management and the Small Entrepreneurial Start-Up. These chapters provide the background theory and practice in the two fields of entrepreneurship and HRM. The thesis shows that the entrepreneurial organisation is characterised in the literature as simple, fast growing, and typically managed by the entrepreneur. ‘Simple’ in its organisational form, because it has not had time to develop an elaborate administrative structure, in addition to too much dependence on the entrepreneur as strategic head of the organisation. The thesis also considers various organisational growth and life cycle models that correlate the business stages of development with HRM practices. The HRM literature makes two
underlying assumptions: that HRM matters, and that there is a relationship between HRM and organisational effectiveness. This thesis shows that HRM is considered strategic when it is proactive and has a set of integrated practices over the longer term, and closely examines the integration of HRM with business strategy.

Chapter 1 explores entrepreneurship, the influence of the entrepreneur on their organisation’s culture, and the concept of entrepreneurial strategy within the growth process of the enterprise. Chapter 2 identifies and elaborates on the different views of human resource management, and explores the practice of HR in the small business context.
CHAPTER 1: THE SMALL ENTREPRENEURIAL START-UP ENTERPRISE

New small business, defined as having less than 20 employees (ABS 1321.0, 1999), is considered especially vulnerable in the ‘infancy period’ following start-up (Watson, Hogarth-Scott and Wilson, 1998), with an estimated 80 per cent failure rate of new ventures in their first five years (Dalglish and Evans, 2000). According to the 1997 Productivity Commission Report Portraits of Australian Business, a major reason for this high exit rate is the impact of a turbulent environment. One-quarter of firms with 10 employees or less planned to close or sell within three years according to the Report, making it difficult for the small to medium enterprise (SME) to plan for growth.

A recent ABS review found almost universal agreement with the long-held qualitative definition of small business, that is:

A business has traditionally been regarded as small if it has the following management or organisational characteristics — it is independently owned and operated; it is closely controlled by owner/managers who also contribute most if not all of the operating capital; and the principal decision making functions rest with the owner/manager (1999: 1).

The entrepreneurial start-up enterprise is recognised, in this thesis, as a particular type of SME; that is, as a simple, small, informal enterprise with a founder/owner/manager who is opportunistic, innovative, and actively responsive to the excitement of risk taking, who actively plans for fast growth and wealth creation.

This thesis is broadly concerned with the factors that influence and shape the character of human resource management within the entrepreneurial start-up
enterprise, and the role played by the entrepreneurial founder/owner/manager. Specifically, it investigates the way in which such companies implement and action HRM activities, and not on the elements of the broader external environment — nor the external factors leading to business failure.

The term ‘entrepreneurial’ is usually applied to persons who thrive on imagination and improvisation (Krass, 1999), with entrepreneurial thinking aligned to concepts of innovative thinking and creative solutions. ‘Innovative thinking’ is generally understood to be open-minded, flexible and responsive to new ideas (Stevenson and Gumpert, 1985), but is also known to be opportunistic, turbulent, nonlinear, and individually motivated (Quinn, 1985). The entrepreneur is generally understood as the taker of risks, as well as the creator of new ideas, solutions and products. But they are also characterised as an undisciplined business person who avoids set policies and procedures (Krass, 1999) and ‘has an aversion for anything resembling order and method’ (Etzion and Niv, 1999).

Walker (1992) characterises entrepreneurial organisations as simple, fast growing, ever-changing organisations, typically managed directly by the entrepreneur, but informally. This is a style of management that involves experimentation, and demands action on immediate needs and tasks. Walker (1992) asserts that entrepreneurial enterprises typically attract talent through the excitement of entrepreneurship — not principally through job security, benefits, or long career paths.

Mintzberg (1983) argues that all organisations evolve from the simple form, because no matter what the environment or technology is, they have not had time to elaborate an administrative structure. In Mintzberg’s view, the entrepreneurial enterprise also stays small and simple in order to remain organic and enable the entrepreneur to retain tight control (Mintzberg, 1983). Further, the business strategy in these small operations is the sole
responsibility of the entrepreneur. Based on a process that tends to be highly intuitive and non-analytical, often thriving on uncertainty and oriented towards an aggressive search for opportunities, the business strategy is seldom made explicit (Mintzberg, 1983).

Mintzberg characterises the basic simple structure as typically having:

…little or no technostructure, few support staffers, a loose division of labor, minimal differentiation among its units, and a small managerial hierarchy. Little of its behavior is formalized, and it makes minimal use of planning, training, and the liaison devices. It is above all organic (1983: 157–8).

Coordination in the simple structure is effected largely by direct supervision. Specifically power over all-important decisions tends to be centralised in the hands of the chief executive officer (CEO). Thus the strategic apex emerges as the key part of the structure; indeed, the structure often consists of little more than a one-person apex and an organic operating core.

The entrepreneurial start-up is often an extension of the entrepreneur’s personality. However, as Chell (2001) points out, too much dependence on the entrepreneur as the strategic head of the organisation leads to too little formality and a lack of role definition that can inhibit growth and development. In the two cases at the heart of this research, this appears to be the case. However, the researcher is not concerned here with whether growth is in fact achieved. Rather, this research instead focuses on the entrepreneur who plans for growth, and whether, in doing so, they consider HRM issues such as the recruitment and selection of employees for the long term, training and development, performance management and reward systems, and so on, in their strategic decision making process.
The Process of Organisational Growth

In the present research, entrepreneurship is defined as the creation of new ventures, and the entrepreneur as the creator of the new venture (Gartner, 1989). This definition is extended to cover all those persons involved in the process of creating new venture. Chrisman, Bauerschmidt and Hofer (1998) explain a new venture as the result of the process of creating and organising a new business. In their view, a new venture develops, produces, and markets products or services to satisfy unmet needs for the purposes of profit and growth. A selection of growth, or so-called organisational life cycle models informs this research, including those of Bolton (1997); Kazanjian (1988); Hanks, Watson, Jansen and Chandler (1993); and Beverland (2000). Some authors present their models in terms of life cycle stages; others use the phases of growth stages, or developmental stages. For the purposes of this research, these terms are used interchangeably. All these models offer insight into the organisational lifestyle paradigm that is well established in the literature (Hanks et al, 1993). This paradigm is especially relevant to this research because, as this thesis shows, the entrepreneurs whose stories form the organisational narratives told in Part 3, themselves refer to their act of ‘giving birth’.

The idea that organisations move through a series of phases is central to this paradigm (Van de Ven and Poole, 1995). These phases may be the result of a search for new opportunities, or because of internal crises, or in response to changes in the industry structure over the life cycle of a product, or in response to the changing nature of problems confronting the organisation (Beverland, 2000). The idea is not especially new. Chandler (1962) identified a four-stage model of organisational evolution, starting with expansion of volume, moving to geographical dispersion and vertical integration, and ending with product diversification, where each new strategy created new
administrative needs. Greiner (1972) suggested a five-stage model, starting with creativity and progressing through direction, delegation, coordination and collaboration. More recently, Miller and Friesen (1983) outlined a corporate life cycle of birth, growth, maturity and revival or decline, during any of which, organisations could experience success or failure. They found that success depended on how well the organisation balanced innovation and conservatism, something which Consultco and Pilotco did not do well. Meanwhile, organisations experiencing failure tended to fluctuate between high levels of innovation and excessive stagnation, which was evident in the organisations at the focus of this thesis.

In 1987, Scott and Bruce espoused a five-stage model of small business growth: inception, survival, growth, expansion and maturity. A year earlier, Flamholtz (1986) identified a four-stage model: new venture, expansion, professionalisation and consolidation. Hanks et al (1993) favoured a sequence that moved from start-up to expansion, maturity, diversification, and decline, linked to a structural form that moved from simple, to functional, and finally to divisional. Corresponding to the development of a more formal and specialised structure, decision making throughout the organisation becomes less centralised.

Chandler and McEvoy (2000) comment that as firms increase in size and complexity, they typically develop more formalised and systematised procedures and policies to deal with complexity. They found that in emerging companies, HR practices and strategic initiatives appear to unfold simultaneously. Churchill and Lewis (1983) identified an out-stage that they called ‘success-disengagement’ that fits between Stage 2 ‘survival’ and Stage 4 ‘take-off’, in their five-stage model. Originally, this stage was referred to as Stage 3 ‘success’. However, the authors subsequently re-named Stage 3 ‘profitability/stabilisation and profitability/growth’. In this out-stage, rather
than using the organisation as a platform for further growth, the owner chooses to disengage, fully or partially, from the company, maintaining the business as a status quo, and using the derived resources to pursue other activities (Hanks et al, 1993). This, essentially, is what occurs when an entrepreneur harvests their business.

The ‘natural world’ is also the model that underpins Bolton’s theories (1997). The generation and testing of a business idea to demonstrate viability is labelled the ‘pre-start-up’ stage. This is followed by the ‘embryonic’ stage, where a team develops the idea into a working prototype. The prototype is then nurtured, while being further developed and tested, and finally it is fledged, that is, it is presented to the customer. The fourth stage is the ‘maturing’ stage, and represents the established (though still vulnerable) business, and requires a mature management style to progress the business to gain market position.

Even more recently, Oser, Hogarth-Scott and Riding (2000) classified the espoused model into three categories: the first is the biological category that describes growth as a staged process akin to biological evolution. A generic sequence encompasses conception and development, commercialisation, growth and stability (Kazanjian, 1988). The second category links growth and decision making models, and looks at the relationship between managerial decision making, planning and performance. This category suggests that performance correlates with high levels of management skills, such as managerial competencies, management involvement, leadership style and employee commitment (Shrader, Mulford and Blackburn, 1989).

The third category concerns the social psychology of the business owners, in which entrepreneurial initiative is assumed to stem from psychological and socialisation factors. Oser et al (2000) suggest there is strong evidence to substantiate the argument that motivational differences, and economic factors
and psychological attributes of the owner/managers of start-ups, impact significantly on decisions taken in the start-up phase. This is a point to which this thesis will return.

The context for this research is the small entrepreneurial start-up, and the life cycle phases most relevant are those related to the founding of a new business, that is, the conception, birth and start-up phases. Hanks et al (1993) comment that sustained, firm growth is a critical outcome of the entrepreneurial process and, although it was not uncommon, especially in a high technology context, for firms to move rapidly from start-up to maturity, new venture founders, as Galbraith (1982) notes, often find themselves unprepared to manage growth related transitions effectively.

**Entrepreneurship**

Innovation is the key in understanding the entrepreneur (McDaniel, 2000). The concepts of entrepreneurship and innovation can be traced to Schumpeter (1934), who defined innovation as the setting up of a new production function. This included the introduction of a new good; the introduction of a new method of production; the opening of a new market; the conquest of a new source of supply of new materials; and the development of a new organisation in any industry. Sexton and Bowman’s (1991) definition of entrepreneurship builds on this notion of innovation. They define entrepreneurship as the perception or recognition of an opportunity, and the desire to exploit that opportunity for personal gain. In their view, the successful entrepreneur combines opportunity and desire, with the ability to manage growth and change.

However, McDaniel (2000) points out that not all managers or owners of business are entrepreneurs, because one can run a business without trying new
ways of ‘doing’ business. Therefore, it is the trying of new ideas or new production methods that marks out entrepreneurs as a group. Individuals who own companies might take risks, but do not necessarily innovate. It is innovation (Timmons, 1990), plus the exploitation of opportunity, which is the tool of entrepreneurship.

Bygrave (1989) considers entrepreneurship more as a process of becoming, rather than a state of being. The process begins with a person’s awareness of their entrepreneurial intention, such as identifying themselves as an entrepreneur, and finishes with entrepreneurial action, for example, starting up a new venture. Bird (1988) defines entrepreneurial intention as a conscious state of mind toward the goal of founding a business. However, as previously mentioned, not all business owners are ‘entrepreneurs’, and not all entrepreneurs own their own business. The current study focuses on two new ventures that have an entrepreneurial business owner/founder.

The present research also found that new venture performance is primarily a function of the critical decisions and behaviours of the entrepreneurs (Chrisman et al, 1998). The determination to start a new venture — the recognition of environmental opportunities, assembling the resources to pursue opportunity, developing a strategy to align resources to exploit opportunity, and designing an organisation capable of putting that strategy into action — all emanates from the behaviours and decisions of the entrepreneur (Chrisman et al, 1998). Several theorists (Scherer, Adams and Wiebe, 1989; Herron 1990 cited in Chrisman et al, 1998; Van de Ven, Hudson and Schroeder, 1984) suggest that the entrepreneur’s behaviour and decisions are a function of their skills, experience and values.

The thesis now explores personality characteristics and values of an entrepreneur, in order to better understand, at least theoretically, their behaviour and decisions.
The Significance of the Individual Entrepreneur

Considerable research has emerged in an effort to understand the personal characteristics and values of entrepreneurs and the factors that motivate them, in order to better understand the determinants of their business success and failure (Blackman, Hurd and Timo, 2000). The premise being that values guide manager’s strategic choices, and underpin managerial attitudes and behaviours (Rokeach, 1973). The goals of a business could be related more closely to the personal characteristics of the manager, rather than to the broad characteristics of the business (Blackman et al, 2000). The entrepreneur’s definition of success, their motivation for starting a business, and the particular personal and business values that guide their actions in their business are pertinent to this examination. Determining what guides entrepreneurs in creating their business is critical to gain an insight into how and why events play out over time. It is also a determining factor in how and if and in what way HRM is integrated into their business thinking.

Dalglish’s (2000) review of the personal characteristics of the entrepreneur identifies the significance of risk bearing; innovations and use of initiative; desire for responsibility; need for power; internal locus of control; personal value orientation; need for achievement; and need for independence. Blackman et al (2000) similarly compiled a profile of the entrepreneur’s personal characteristics, which include commitment, determination and perseverance; tolerance for ambiguity; tolerance for failure; high energy level; vision; self-confidence and optimism; and persistent problem solving. Others have identified high need for achievement (McClelland, 1961), and innovativeness and creativity (Schumpeter, 1934; Hornaday and Aboud, 1971) as values associated with entrepreneurs. However, there is no agreed profile of the entrepreneur. According to Chell (1999), there is no conclusive
evidence to support any one of the above lists as being the more likely characteristic that might typify the entrepreneur.

Some researchers suggest that male and female entrepreneurs differ in their values in regard to entrepreneurship, and that this shapes their business decisions (Cliff, 1998). Solomon and Fernald’s (1988) investigation of values of US entrepreneurs also identifies differing values between male and female entrepreneurs. They found that some of the main values for male entrepreneurs included pleasure, true friendship, a sense of accomplishment and ambition, and that men regarded self-control as the least important value. Solomon and Fernald identified the typical male entrepreneur as one who sought new forms and a high profile; and being growth oriented, wanting expert-based outcomes. They found female entrepreneurs’ most important value was honesty, followed by responsibility, independence, ambitiousness and capability (Solomon and Fernald, 1988). The present thesis acknowledges the research into gender differences in the behaviour of entrepreneurs (Buttnner and Moore, 1995; Fagenson, 1993; Olson and Currie, 1992), but does not focus on gender differences. Instead, what is of relevance, as stated above, is the entrepreneur’s definition of success, and the motivations and values that guide their actions.

If we accept that opportunistic and innovative behaviour stand out as a central prerequisite for entrepreneurship, then Chell’s (2001: 87) definition of the entrepreneur as ‘the opportunist’ is useful. In this role, the entrepreneur can recognise and proactively pursue opportunities for business development and growth, and is confident that resourcing the opportunity can be achieved. Ownership is not a prerequisite of entrepreneurship. However, the founding of a business is an entrepreneurial act (Bygrave, 1989) if one has the ‘entrepreneurial intention’. The business owner who innovates, is alert to opportunities, and can make judgments as to which opportunities to pursue, is
one who can be regarded as an entrepreneur. A predictable sequence of behaviours identified by Chell (2000) involves the pursuit of opportunity, the marshalling of resources in that pursuit, and the differentiation of the business in the marketplace. This definition informs the present research. In addition, the context of this thesis is the small entrepreneurial start-up venture, and presupposes the founding of a business as an explicit intention of the entrepreneur.

According to Westhead (2001), many studies fail to appreciate the diversity of entrepreneurs and organisations. A few studies have focused upon which ‘type of organisation’ and which ‘type of entrepreneur’ may influence firm performance (Birley and Westhead, 1990; Westhead, 1995). This thesis does not research this aspect of the relationship between the type of entrepreneur and the performance of the organisation. Instead, it acknowledges that such a relationship appears to exist and does have an influence on an entrepreneur’s behaviour, and on their decisions. Further, entrepreneurship may not be a single action event and some individuals have a career in entrepreneurship (Westhead, 2001). This is relevant to the present research, especially in relation to the two founding entrepreneurs of the two start-up enterprises under investigation.

Westhead and Wright (1998; 1999) made a distinction between ‘novice’, ‘habitual’, ‘serial’ and ‘portfolio’ entrepreneurs. Similarly, Rosa and Scott (1999, cited in Chell, 2001) make the distinction between portfolio, serial, and single business entrepreneurs, which suggests that different types of entrepreneurs exist. The two relevant types that inform the current thesis are the novice and serial entrepreneur (Westhead, 2001). The novice is the individual entrepreneur with no prior business experience as a business founder, an inheritor, or a purchaser of a business. Gartner (2001) uses an alternative term to novice: the ‘nascent’ entrepreneur. This suggests an
entrepreneur who is coming into being, beginning to form, start, grow or
develop the characteristics of an entrepreneur, which characterises the lead
entrepreneur of Pilotco. The serial entrepreneur, however, is an individual
who has sold or closed their original business but later inherited, established
and/or purchased another business, which characterises the entrepreneur of
Consultco.

A further consideration is the nature and extent of control, rather than
ownership, of the business, which some also consider to be a critical factor in
entrepreneurship (Hendry, Arthur and Jones, 1995). Entrepreneurial
behaviour, or ‘opportunity-taking’ behaviour, focuses on the individual, and
this may detract from the entrepreneurial process. Timmons (1990: 15–17)
argues that a team grows a business, while a solo entrepreneur makes a living.
A more team-centred view of entrepreneurship takes in the relations between
a ‘lead entrepreneur’ and other collaborators (Hendry et al, 1995). This
suggests a view of entrepreneurship as potentially a co-operative process.

The current research subscribes to Hendry et al’s (1995: 13) distinction
between a lead and founding entrepreneur. The lead entrepreneur (usually the
CEO) refers to the person who most symbolises and identifies with the firm’s
entrepreneurial activities. When hierarchy or ownership is evident, then the
term ‘founding entrepreneur’ is used. In the case of Pilotco, this enables a
distinction to be made between the person who heads the organisation, in this
case Beller, the founding entrepreneur, and the activity of entrepreneurship,
which may be shared by others, such as with Dion, the lead entrepreneur and
managing director of Pilotco.
Organisational Culture and the Entrepreneur

The influence of the entrepreneur on the culture of the start-up venture is significant. As founder, the entrepreneur establishes, sanctions and reinforces the implicit rules that govern the day-to-day behaviour in their venture. The start-up stage of an organisation is a time when the foundation is being laid; it is a time when strategy, structure, management values and culture come together (Gersick, Davis, McCollom and Landsberg, 1997).

The concept of organisational culture is much discussed, but exactly what it is, is a matter of debate. The differences in approach derive from differences in basic assumptions that are made, not only about ‘culture’, but about ‘organisations’ per se. ‘Culture’ is variously understood as an instrument serving human needs (Smircich 1983). This is often a management instrument that mobilises combinations of values, language, rituals and myths. It can be seen as a key to unlocking commitment and enthusiasm in employees (Thompson and McHugh, 1995); an adaptive regulatory mechanism uniting people within social structures; a system of shared cognitions; a system of shared meanings and symbols, and a projection of the unconscious (Smircich, 1983). ‘Organisation’ may be thought of as a social instrument designed to accomplish tasks; an adaptive organism in the process of exchange with the environment; a system of knowledge; patterns of symbolic discourse; or forms and practices that express unconscious processes (Smircich, 1983).

Arguably, when we talk about culture we are referring to ‘the pattern of development reflected in a society’s system of knowledge, values, laws, and day-to-day ritual’ (Morgan 1986: 112). At an organisational level, culture can be viewed as either an organisational variable, or something an organisation has. Alternatively, it can be seen as something an organisation is (Smircich, 1983; Morgan, 1986; Hatch, 1997).
When viewed as an organisational variable, culture is seen as one of many malleable components, such as the organisational structure, rewards system, training and development program, or technological system, for example. It can be molded by management to suit current purposes. It is seen as a ‘set of important understandings (often unstated) that members of a community share in common’ (Sathe, 1983: 6). These understandings have worked ‘well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to [external adaptation and internal integration] problems (Schein, 1984: 3). Culture is seen as one tool among many to be ‘cultivated by management for the purpose of control and legitimisation of activity’ (Smircich, 1983: 346). In the start-ups under investigation, it is clear that such understandings have yet to be formed. These enterprises have not existed long enough for this process to take place. Nonetheless, those who have come to work in these organisations bring with them the unconscious understandings of what an organisation is (or should be), formed during their previous employment in large, traditional companies. This, as described later, brings them into direct conflict with their entrepreneur, who is trying to control the organisation from a different set of basic assumptions about the constitution of organisation.

When viewed as something an organisation is, however, culture is not held to have an objective existence apart from human beings, but is instead

…a socially constructed reality [made up of] artefacts, symbols, norms, values, beliefs… assumptions… and physical, behavioural, and linguistic symbols… interrelated in a web of inter-woven meanings… accessible to all members of the culture (Hatch, 1997: 236)

All these are dependent, however, on the context in which artefacts, symbols, behaviours and so on are to be found (Hatch, 1997). It is not static, but organic (Burnes, 1996). Deal and Kennedy (1983) even suggest that
organisations are social fictions that create their own paradigm during a process of organic development. Whether or not one views culture as a variable, or as something an organisation is, it is widely held that ‘organisation climate’, ‘corporate ideology’, ‘informal behaviour patterns’, ‘norm systems’ and ‘shared meanings and symbols’ are all attributes of organisational behaviour that extends the meaning of culture (Alvesson, 1995). Culture is commonly considered as the way we do things in an organisation (Deal and Kennedy, 1983), and is concerned with the basic assumptions, values and norms shared by organisational members (Dessler, Griffiths, Lloyd-Walker and Williams, 1999). These cultural elements are generally taken for granted, and guide members’ perceptions, thoughts and actions (Dessler et al, 1999: 417). This thesis subscribes to the view that culture does not exist separately from ideology, the way the organisation operates and the climate within an enterprise. Although the terms ‘culture’ and ‘climate’ may be sometimes considered interchangeable, they are used more specifically in this thesis. For example, with respect to climate, the researcher generally asks, ‘Is this a good place to work?’, whereas culture is a broader narrative, encompassing values, norms and shared meanings.

Although some writers suggest that it may be easier to establish a culture to support a business strategy in the new venture (Dessler et al, 1999), this may not always be the case, because individuals bring to the new organisation their perceptions, values and previous work experiences. In the entrepreneurial start-up, the entrepreneur is recognised as the central influence in shaping their venture’s culture, through the impact of their leadership qualities and personality traits.
Strategy and the Entrepreneur

Strategic decisions, as noted above, provide the overall direction of an enterprise. They shape the goals and delineate the broad limits within which the enterprise operates (Chell 2001). In the case of small start-up organisations such as Consultco and Pilotco, the individual actions of the owner/manager are exceedingly important, due to their high degree of influence on their organisations. As Hendry et al (1995) note, the strategic process is intimately linked to the activities of people who influence, and implement, a firm’s unfolding strategy. An entrepreneur develops an organisation to serve as the lever for their vision, much the same as other, ‘non-entrepreneurs’ use the business plan as the lever for their strategic behaviour.

Researchers have approached the issue of strategic behaviour in different ways. Mintzberg (1987), for example, views strategy as a plan of action wherein choices have to be made. Strategy is viewed as a way to solve problems by determining appropriate actions, as well as being a sequence of means to achieve a particular goal or end. The resultant plan, typically labelled ‘the business plan’, is generally used in the early developmental stages of a business, and is an explicit statement of goals, intentions, tactics, resources, aspirations and expected outcomes (Chell, 2001). Frese, van Gelderen and Ombach (2000) theorise that an analysis of individual level planning and action strategies can be used to distinguish the different strategic approaches used by small business owner/managers. Of particular relevance is their reference to opportunistic strategy. They suggest that the person using such a strategy starts out with some form of rudimentary planning, but deviates easily when opportunities arise (Hayes-Roth, cited in Frese et al, 2000). This suggests a more proactive, compared to a reactive, approach,
where strategy is driven by the situation, reacting to immediate situational demands without attempting to influence them.

In the same vein as Hayes-Roth and Hayes-Roth, Kotey and Meredith (1997) conclude that the more entrepreneurial types choose proactive strategies and achieve above average performance, while more conservative types are strategically more reactive, and experience below-average business performance. They found the personal values of owner/managers and the strategies they adopted did impact on performance outcomes. However, the opportunistic strategy, although proactive, risks losing sight of overall or long-term goals (Frese et al, 2000).

Mintzberg and Waters’ (1985) ‘entrepreneurial strategy’ similarly describes a range of behaviours, from deliberate, to mostly emergent, where the

...intentions exist as the personal, unarticulated vision of a single leader, and so are adaptable to new opportunities; the organisation is under the personal control of the leader (Mintzberg and Waters, 1985: 270).

Chell (2001), however, views entrepreneurial strategy as largely emergent, where the entrepreneur has the ability to envision opportunities. In this way, the strategy is both entrepreneurial and personal, and decision making is centralised, with the entrepreneur retaining control. The entrepreneur ‘must be flexible in every way to capitalise on all opportunities’ (Krass, 1999: 45).

A key management issue, however, is how to manage growth once a business goes beyond a ‘simple small’ organisation. As the entrepreneurial organisation evolves, there is a transition towards management, rather than strict entrepreneurial-style behaviour (Kao, 1991), where a systems, professional, management approach is required that incorporates formalised policies and procedures. This simultaneously allows the entrepreneur to still feel they are the ‘guardians of the organisational vision’ — the creator of their
own style of doing business. Structure also becomes more significant as the organisation evolves. There is greater need for coordination, integration, and leadership (Kao, 1991). As their organisations grow, as evidenced in the cases under examination, the entrepreneur is likely to lose interest in them, and becomes willing to ‘harvest’ the business (in other words, sell the business as a commercially viable enterprise) or close it down, preferring to operate in the fluid and adaptable environment afforded by the simple organisational structure. A structure, one might posit, allows the entrepreneur the maximum degree of control.

In Closing

Individual values and actions of entrepreneurial owner/managers are exceedingly important within their organisations, and add great value to their enterprises — particularly in its start-up phase. However, once the organisation starts to grow in size and complexity, a need for more formalised structures, policies and procedures emerges.

After establishing specific understandings of the basic terms used throughout this thesis, this research reviews the HRM literature, and discusses the role of HRM through different stages of organisational growth, and its relationship to the concept of strategy.
CHAPTER 2: HUMAN RESOURCE MANAGEMENT AND THE SMALL ENTREPRENEURIAL START-UP

This thesis is broadly concerned with the factors that influence and shape the character of human resource management within the entrepreneurial start-up enterprise. It gives specific attention to HRM activities that such enterprises action. It is therefore necessary to come to some understanding of what the term HRM means, before it can be discussed in relation to such enterprises.

The HRM literature offers myriad views to explain HRM. At its broadest, HRM concerns the management of people within the employee–employer relationship, in order to meet the legal requirements of the workplace, while contributing to an organisation’s strategy (Stone, 1998). As organisations grow and change, different integration processes become necessary (Greiner, 1972).

A number of factors influence and shape the character of HRM within the entrepreneurial start-up, for example: organisational size, the stage of growth, the personality of the entrepreneur, whether HRM is seen in ‘hard’ or ‘soft’ terms, or in ‘unitarist’ or ‘pluralist’ terms.

This chapter begins with a discussion on organisational growth and HRM, using Greiner’s (1972) life cycle model, in combination with Baird and Meshoulam’s (1988) framework, in order to correlate business stages of development with HRM practices. Buller and Napier’s (1993) empirical study confirms that an informal, loosely connected HR system is evidenced in entrepreneurial fast-growth firms.

The discussion then proposes that HRM is about choices, which are shaped by the hard and soft perspectives of HRM, as well as the unitarist and pluralist
frames of reference. This research also considers the integration of a strategic orientation to HRM.

The internalisation of the notion of ‘survival’, and the need for ‘transformational change’ in order to survive, has pushed strategic human resources management discourse into the limelight. The term ‘strategy’ is increasingly being co-opted into the HRM lexicon, which may account for the business strategies reinforcing the management aspects over and above the human aspects of the discipline. This leads to the consideration of whether HRM is about securing compliance, or is concerned with the deployment of human capital in accord with the achievement of company goals. With regard to the latter, some writers contend that HRM’s strategic orientation is about adaptation; that is, HRM’s ability to adapt to the strategic positioning of the firm. Another view holds that HRM is strategic when it is proactive, and has a set of integrated practices over the long term. In the literature, the phrase ‘strategic HRM’ (S-HRM) is often used. But such phraseology does more to confuse, instead of clarifying what S-HRM might actually mean. In order to avoid confusion, strategic HRM is better understood to refer to HRM and human resource (HR) practices as being a strategic behaviour — or not, as the case may be.

**Organisational Growth and HRM**

As organisations grow and change, different integration processes become necessary. Greiner’s (1972) classic framework for examining organisational growth identifies five phases: creativity, direction, delegation, coordination and collaboration. Each stage contains a potential crisis, which prompts the organisation to move forward. For example, Phase 1 sees the small young organisation grow through creativity until it reaches a crisis of leadership, which then propels it into Phase 2, ‘growth through direction’. This direction
stage encourages the development of a hierarchical departmental structure, with its accompanying systems, standards and incentives.

Baird and Meshoulam (1988) propose a conceptual framework for integrating business and HRM practices, where integration is dependent upon the organisation’s stage of development. HRM is seen as having five developmental stages: initiation, functional growth, controlled growth, functional integration and strategic integration; and six strategic components: management awareness, management of the function, portfolio of programs, personnel skills, information technology and awareness of the environment. These are combined to form an HRM strategic matrix, which is a prescriptive model for developing and implementing an external fit between HRM and the developmental stage of the organisation, and an internal fit between the components of HRM, so that they complement and support each other.

Using Baird and Meshoulam’s growth phases of the HR function, together with the Greiner model, we see that as organisations grow and change, they benefit from using approaches appropriate for that level. Increasing complexity moves HRM through Baird and Meshoulam’s (1988) five stages, which correspond closely to Greiner’s five phases of organisational growth. Baird and Meshoulam argue that HRM’s effectiveness

…depends on its fit with the organisation’s stage of development. As the organisation grows and develops, human resource management programs, practices and procedures must change and develop to meet its needs (1988: 117).

Consistent with growth and development models, it can be suggested that human resource management develops through a series of stages as the organisation becomes more complex.

As stated in Chapter 1, the pre-start-up, embryo, and inception stages of organisational emergence inform this thesis and provide the context for the
present research into HRM practices in the entrepreneurial start-up. This corresponds to Baird and Meshoulam’s (1988) Stage 1, ‘initiation’, and the accordant HRM stage of ‘development’ of an organisation. During the initiation of a business venture, the start-up is characterised by:

…entrepreneurship, management by the founder, informality, and limited products and markets. Management’s attention is focused on a limited range of basic human resource management concerns, such as salary administration, hiring, and terminations (Baird and Meshoulam, 1988: 118).

It also involves the owner/founder making many of the decisions. The management of human resources mainly involves an administrative function, limited to basic salary and benefits administration role and basic record keeping, where the management of HRM is either loose, informal or may not even exist. Baird and Meshoulam (1988) characterise as appropriate HRM’s response to the start-up stage of development as administrative, routine and housekeeping, focusing on establishing basic recruiting and compensation programs. Their model implies that any higher level of integration may be detrimental to firms in their early stage of development where survival is a critical business need.

With growth, the small entrepreneurial organisation, with its informal, style will move into what Greiner calls ‘direction’ and ‘delegation’ stages. These phases of growth give way to more formal, functional structures where, according to Baird and Meshoulam, the HR response is on the control system. Tyson (1995) comments that in response to organisational growth the strong entrepreneurial founder often regrets the passing of their personal involvement. One reaction to giving greater responsibility to managers (in the direction/delegation phase) is for the founding entrepreneur to ‘keep control over financial decision making, sometimes to an absurd level of detail’ (Tyson, 1995: 140).
Buller and Napier’s (1993) study confirms that the business stages of development correlate with HRM practices. From their empirical study of mid-sized US companies, Buller and Napier constructed a general strategy: HR integration scale. Their results show differences between fast growth firms and a random sample of other firms, and that the overall level of strategic integration is not as high in fast growing firms: ‘Entrepreneurial, fast growth firms tended to have more informal loosely connected HR systems’ (1993: 85). They also posit that the primary role of the HR function in the high-growth stage of business development is

…to attract and hire the right kinds and numbers of people, and to manage the paperwork associated with employment, compensation and benefits (1993: 78).

Other HR practices, such as training, labour relations, affirmative action and evaluation are not viewed, according to the authors, as critical to the business needs at this early stage of business development. This thesis confirms that the organisational life cycle is a determinant of HR practices. Buller and Napier’s (1993) findings indicate a clear difference between fast growth and other firms in the strategic importance of various HR activities. They also note that strategic integration of HR is typically a product of organisational maturity and complexity. Entrepreneurial fast-growth firms tend to emphasise employee selection as their primary HR need

…because firms in earlier stages of development often need technical talent to commercialise successfully the ideas of the founder… recruitment and selection of employees was by far viewed by fast-growth firms as the most important HR activity for their success (Buller and Napier, 1993: 85).

Buller and Napier’s (1993) findings support the well-known view of HRM: getting the right number of people and skills, at the right time, in the right place (Torrington and Hall, 1987). This would suggest that the management of human resources is much the same as any other aspect of management,
with its emphasis on planning, organising, monitoring and controlling human resources, to enable management to achieve organisational objectives through its workforce. At its broadest level, HRM is concerned with the management of people within the employee–employer relationship, where a central purpose of HRM is to improve the productive contribution of people (Stone, 1998).

This broad level of understanding of HRM appears to apply to this thesis: investigating the entrepreneurial start-up business venture, and the corresponding ‘initiation stage’ of HRM’s development. HRM is about managing people within the employment relationship (attracting, retaining, maintaining and separating), in order to meet the legal requirements of the workplace, while contributing to an organisation’s business strategy (Kramar, McGraw and Schuler, 1997). HRM might focus on employee commitment as a means of greater productivity, or it might concentrate on the efficient use of human resources (Gardner and Palmer, 1992). As a discipline, HRM is about broad choices and the effective utilisation of employees in order to achieve organisational objectives.

This thesis will further discuss how different perspectives — hard and soft views of HRM, unitarist and pluralist frames of reference — shape these choices. An underlying assumption in the HRM literature is that the management of human resources matters to an organisation, and that there is a relationship between HRM and organisational effectiveness. As a discipline HRM, appears to give economic efficiency equal recognition with the basic tenets of humanist psychology (Limerick and Cunnington, 1993).

There appears to be some ambiguity in the literature concerning the scope of HRM and its relationships with general management functions (Nankervis, et al, 1999). HRM is derived from a broad range of academic disciplines and, according to Lees (1997), is influenced by a diversity of perspectives. for
example classical economics, social anthropology, behavioural psychology, industrial relations and strategic management. HRM is essentially a derivative academic discipline. In addition, diverse national and industrial relations environments influence HRM practices. This may account for the reason why the theories of HRM are constantly evolving, and why Lees (1997) believes there is an absence of any consistent definition of HRM. Although this thesis recognises the importance of working from first principles, it is equally important to work with dominant frames of reference (which is examined in more detail below), and to identify the strengths and weaknesses of these perspectives in relation to the two cases under investigation.

Notwithstanding the different views about the way in which people are managed, this thesis accepts that HRM is essentially managerialist (Nankervis et al, 1999), emphasising the management of employees in a way that ensures organisational goals are achieved. It is ‘manageralist’, due to its accountability to strategic and economic imperatives. Storey (1992) comments that by locating HRM within the theoretical framework of corporate strategy and business policy, the management of human resources becomes integrated with all aspects of managerial action, which then fosters the strategic and calculative approach to HRM. Such a business-oriented and business-integrated approach to HRM emphasises the concept of ‘resource’, where the resultant HRM policies imply that human resources are passive; that is, that they are provided and deployed as required, driving the strategic objectives of the organisation. This has particular resonance for the start-up, which, given Buller and Napier’s findings, appears to emphasise the quantitative, calculative aspects of managing personnel numbers in as ‘rational’ a way as for any other economic factors (Storey, 1989).

In a recent national survey, senior Australian human resource professionals, particularly those from the private sector, raised a similar issue: that human
resources should add value to the organisation and contribute to the bottom line (Fisher and Dowling, 1999). Such a perception may reflect senior Australian HR professionals’ willingness to embrace a business focus. Alternatively, it could indicate that they have internalised the rhetoric of competitive business strategy and other key themes which emerged to occupy business language and thinking in the 1990s (Kaye, 1999). McEachern (1995) contends that rhetoric such as ‘globalisation’, ‘flexibility’, ‘productivity’, ‘international competitiveness’, and ‘world’s best practice’ is used to produce effect, persuade or assist in the internalisation of new modes of calculation and habits of thought.

**Strategy and its Relationship to HRM**

It is increasingly proposed in the literature that HR policy should be strategy focused, and that HRM operates at the strategic level when it offers a system-wide intervention linking HRM to the strategic orientation of the enterprise. Although the term strategic HRM (S-HRM) appears in the theoretical and empirical research literatures as something separate from HRM as a body of knowledge, such usage more often confuses, rather than clarifies. The term S-HRM is better understood to refer to HRM/HR practice as being a strategic behaviour — or not, as the case may be. To avoid compounding the confusion that already exists in the broad HRM literature (where the term HRM itself is not clearly defined or understood), no such categorisation is made in this thesis.

Before examining the integration of HRM with business strategy, the concept of ‘strategy’ needs consideration. Strategy helps an organisation find a way of dealing with the present and the future. The strategic process answers basic questions: ‘Where do we, as an organisation, stand today?’ ‘Where do we want to be in the future?’ ‘How do we get there?’ A strategic lens provides an
organisation with a planned, outward-looking focus that allows it to select a course of action or optimum strategy to gain competitive advantage (Pettigrew, 1985).

Strategy is a unified, comprehensive and integrated plan… designed to ensure basic objectives of the enterprise are achieved (Glueck, 1980: 9).

HRM is strategic when it also exhibits a unified, integrated plan, with respect to the management of human resources, in order to achieve organisational objectives. Strategy integrates an organisation’s major goals, policies and action sequences into a cohesive whole (Quinn, 1980). A well-formulated strategy helps to marshall and allocate an organisation’s resources — in this case, human resources — into a unique and viable position, based on its relative internal competencies and shortcomings, anticipated changes in the environment, and competitor behaviour (Mintzberg and Quinn, 1998).

Despite the predictive nature of strategy, no one can fully prepare for an organisation’s future requirements. This means that an adaptive strategy is also required to keep pace with change, which requires an organisation to have the capacity for self-appraisal and learning through a process of re-evaluation (Rumelt, 1998). The essence of strategy is to build a stance strong enough and potentially flexible enough to deal with the unpredictable — as well as the unknowable — given a business environment too complex and chaotic for managers to try to control (Quinn, 1980). Managers may need to see patterns and opportunities as they emerge, a skill which entrepreneurs are noted for.

HRM operates at three distinct levels: operational, functional and strategic (Nankervis et al, 1999). At the operational level, action plans are developed to meet labour needs. At the functional level, the broad activities of acquisition, development, motivation and maintenance are carried out to ensure the right
number of people, with the right skills, are in the right place, at the right time, for the right cost (Nankervis et al, 1999). At the strategic level, HRM is less clearly defined. Kramar et al (1997) attributes this lack of clarity to the fact that the strategic view of HRM is a recent development.

Three useful indicators can be used to reveal the extent to which the HRM function is operating strategically, which are drawn from Brewster’s research (1994, cited in Johnson, 2000: 73). First, the involvement of HR in developing corporate strategy; second, evidence of a formal, written HR strategy, providing a link between corporate strategy and HR issues; and third, the translation of HR strategy into actual programs and policies. However, research using these indicators found that the inclination toward a strategic level of HRM in organisations is at best moderate, and more likely to be exhibited by larger organisations (Brewster, 1994; Johnson, 2000). Furthermore, these indicators may not be as prevalent in the small entrepreneurial start-up, which Baird and Meshoulam (1988) propose exhibits a simple operation — a loose, informally organised HR system.

Notwithstanding the lack of clarity of the strategic view of HRM, it is increasingly being proposed that HR policy areas such as recruitment, selection, training, development and performance appraisal should be consistent, integrated and strategically focused, if they are to subsequently contribute to the organisation’s bottom line. This suggests HRM operates at the strategic level when it offers a system-wide intervention that links HRM to the strategic orientation of an organisation. Guest (1987) views the strategic level of HRM from a time and planning perspective; that is, HRM is strategic when it is a long-term, proactive, and integrated set of practices. Nankervis et al (1999) argue that HRM is becoming more business oriented and strategically focused by moving to translate business strategy into action.
HRM aligns itself to strategy as a plan, representing a consciously intended course of HR action, made in advance of business action, to establish direction (Mintzberg, 1987). It is the business strategy that defines a company’s plan for its future growth, development and profitability, while the human resource strategy helps focus, mobilise and direct human resources activities on issues that will affect the business (Walker, 1992).

Different models (Beer, Spector, Lawrence, Mills and Walton, 1985; Collins, 1994; Dunphy and Stace, 1992; 1994; Fombrun, Tichy and Devana, 1984; Schuler, 1992; Walker, 1992) describe and emphasise aspects of policies and practices in relation to HRM. For example, an organisation’s strategic goal is broken down into a set of action steps, which are then further formalised for implementation. This approach appears to be consistent with the achievement of what Lengnick-Hall and Lengnick-Hall (1988) call an ‘aligned reciprocal relationship’ between an organisation’s competitive strategy and human resource strategy. Essentially, an organisation’s competitive strategy identifies its demand for skills and employees, while the human resource strategy creates the organisation readiness to pursue the strategy. This view appears to see the integration HR strategy as a subset of corporate strategy. For the entrepreneurial start-up, it translates into establishing basic recruitment and compensation programs.

Fombrun, Tichy and Devana (1982; 1984), Tichy (1981), Beer et al (1985) and Guest (1987) argue that HRM is only fully present when the levers of selection, reward, appraisal and development are pulled in an integrated way, and that this ‘system’ is fully attuned and integrated with a wider strategy. According to Beer et al (1985), HRM should be a proactive, system-wide intervention, linking HRM with strategic planning and cultural change. Their proposal is that organisations that can tailor work practices to their particular
strategies and environmental contingencies should be able to realise performance gains.

Huselid’s (1995) research shows how high performance work practices did in fact decrease turnover, and improve sales, market value and profits. This means that HRM practices, especially when aligned to business strategy, can create a source of competitive advantage (Dyer and Reeves, 1995; Pfeffer, 1994; Wright and McMahan, 1992). Such a worldview fits with the resource-based perspective of organisations (discussed below), which shows how rare and non-imitable resources create sustainable competitive advantage (Barney, 1991; 1995). By aligning HRM subsystems with a strategy, an organisation is positioned to produce behaviours and outcomes consistent with the strategy. From this perspective, human resources systems and strategies may be especially important sources of competitive advantage (Lado and Wilson, 1994; Pfeffer, 1994).

This thesis accepts that HRM policies and practices can be used to improve business outcomes, but argues that this is not always done with strategic intent. The strategic approach to HRM appears to place an emphasis on integration, where HRM matches the organisation’s strategic orientation, and implies that people are managed strategically, rather than operationally or opportunistically. However, Purcell (1994: 86) emphasises that ‘what ought to be happening is a long way from being realised’. For the entrepreneurial start-up, material conditions for long-term strategic decisions that place HRM as a critical function in strategy might not exist. If we apply Baird and Meshoulam’s (1988) prescriptive model for developing and implementing HRM strategies, in the case of the entrepreneurial start-up, HRM is in the initiation stage of development and is limited in its range of concerns to basic operational and administrative practices. At times, HRM business decisions are made opportunistically. Only when formal functional structures are found
in an organisation is a higher level of integration between strategy and HRM evidenced, possibly leading to the positive outcomes suggested above. For the start-up characterised by a loose, informal HRM system, any higher level of integration may be detrimental to the business survival, and beyond immediate business needs.

On a cautionary note, many of the HRM models, maps and theories being presented in the literature are essentially two-dimensional (Kramar et al, 1997) and do not provide a real sense of the experience that lies ahead. Legge (1995: 96) points out that the normative models represent ‘what strategy should be rather than a description of the behaviours that are enacted under the label of strategy’. This thesis addresses this limitation by using case study and narrative theory to inquire into how strategies are actually made, rather than how they are supposed to be made. It accepts Mintzberg’s (1987) hypothesis that entrepreneurial strategy may be both ‘deliberate’ and ‘emergent’: deliberate, as the vision of the entrepreneur, but also as something that emerges in the formation of a new organisation.

As a qualitative inquiry, this research is well placed to discuss the deliberate and emergent nature of entrepreneurial strategy, and the process of ongoing interaction with HRM. Whether it is consciously set forth, or whether strategy is the understanding resulting from a stream of decisions, the pattern that resulted in the cases studied here is discussed in Part 3. The narratives describe ‘the behaviours that are enacted under the label of strategy’.

**HRM: The Hard and Soft Dichotomy**

A conceptual ‘hard–soft’ dichotomy appears in the HRM literature. The hard perspective, as seen above, has a strategic and managerial focus, emphasising the utilisation of human ‘resource’; whereas the soft perspective presumes
employee involvement. The tough-minded strategic orientation is countered by a tender-minded approach (Stace and Dunphy, 1994). Hendry and Pettigrew (1990) similarly present a dichotomy in their description of the ‘situational-contingency’ and the ‘developmental humanist’ frameworks, that is, productivity and profit, in contrast to human fulfilment.

The hard task-focused view of HRM reflects Storey’s ‘utilitarian instrumentalism’, where human resources appear to be an ‘expense of doing business’ (Tyson and Fell, 1986: 135). According to Legge (1995), the hard model of HRM ultimately focuses on (human) resource management. The soft model of HRM emphasises communication, motivation and leadership. With this soft approach to HRM, employees are seen to be proactive, capable of development, and worthy of trust and collaboration. The focus is on ‘resourceful humans’ (Legge, 1995: 67). The organisation that sees its workforce as a source of strategic advantage aims to achieve competitive success through people. According to Pfeffer (1994), this will involve fundamentally altering how we think about employees and the employment relationship. He refers to culture, how people are managed, and the effects of this on their behaviour and skills, which are sometimes seen as the ‘soft’ side of business.

Two authors, Walton (1985) and Guest (1987), stand out in the literature as espousing the integration of the hard and soft perspectives of HRM. This integration enables the incorporation of both the outward-looking lens of strategic planning, as well as one that has an inward focus, which acknowledges the human endeavour that creates organisational reality. Walton’s (1985) HRM model endorses mutuality of interest. Walton sees the promotion of policies of mutuality (mutuality of goals, influence, rewards, respect, responsibility) in order to elicit commitment, which, he argues, yields better performance and greater human development. Guest (1987) similarly
acknowledges the link between HRM and strategy, and sees the need for integration — a ‘fit’ between HR policies and business objectives. However, he also discerns that it is important to treat employees as valuable, and a source of competitive advantage through their commitment, adaptability and high quality.

Guest (1987) argues that conceptually, HRM involves a shift away from regarding employees as a cost to be managed, and a move towards them being perceived as an asset to be nurtured and developed. This suggests managing the culture of the organisation in line with the espoused values of ‘developmental humanism’, where employee commitment, and thus performance, comes via consistency in communication, motivation and leadership (Kramar et al, 1997).

According to Kramar et al (1997), whether an organisation leans more towards the hard or soft HRM perspective, or even if it does not consider HRM to be relevant to its operation, depends on the values of the organisation. As noted in Chapter 1, the current research focuses on two entrepreneurial start-up organisations where the entrepreneur, as founder and manager, has a pervasive influence in shaping the culture of the new start-up venture, in as much as the values of the individual entrepreneur shape their business decisions, which in turn shape the values of the emerging organisation. For example, the start-up in the initiation stage of HRM development is influenced by the entrepreneur’s primary concern for economic survival, and may lean more towards hard HRM. Alternatively, the influence of the entrepreneur is such that they retain tight control, suggesting a leaning towards managerial prerogative, as discussed below.

Morgan (1997) notes that when designing any kind of social system (in this case, the emerging entrepreneurial organisation), the interdependence of technical ‘business systems’ (here, the HR system) and human needs must be
kept firmly in mind. Otherwise, all kinds of political, social and cultural resistance may undermine the effectiveness of the emerging organisation. Regarding the entrepreneurial start-ups under review, we see entrepreneurs who struggle to understand human needs — not only their own, but also those of others working alongside them in the venture creation, or that these needs are different from their own.

**Unitarist and Pluralist Frames of Reference**

The pluralist perspective of the employment relationship recognises multiple stakeholder interests. However, in the main, HRM literature presents a unitary frame of reference, to suggest the organisation is a unified entity. Lado (2000) raises a critical limitation to the field HRM and the unitary frame, and cautions researchers and practitioners to be sensitive to the field’s ideological underpinnings (for example, Guest 1987; Legge 1995).

The unitarist view is associated with a particular understanding of the organisation and how it works. According to Morgan (1997), concepts such as authority, leadership, and control within the unitary frame of reference tend to be the preferred means of describing the managerial prerogative that guides the organisation toward the achievement of common interest. For example, under the unitary frame of reference, it is ‘the right of the manager to manage and the duty of the employee to obey’ (Morgan, 1997: 201). Such a stance may reflect an entrepreneurs’ paternalistic style of leadership. This is where ultimate authority and control is in the hands of the entrepreneur, because it is their idea, their business and their risk in the first instance, and it is their expectation that it is the duty of others to follow their wishes and instructions accordingly. The unitarist frame of reference sees the organisation composed of individuals who, in general, have shared interests and goals, primarily
aimed at making the organisation efficient and profitable (Deery, Plowman and Walsh, 1997).

Much of the literature on HRM reflects the unitarist nature of HRM, where fit and integration are emphasised. This is discussed in more detail below. The unitary frame confirms a desire for the policies and practices to lead to a sense of congruence between employees and managers (Gilbert and Jones, 2000). The unitarist approach also contributes to the view of a ‘one best way’ approach to HRM (also discussed in more detail below). However, some argue that this is not a realistic view of organisation (Morgan, 1997). This is not to say that employees do not have an interest in organisation success; they can, and do share common goals and interests. However, the pluralist view of organisation emphasises the diversity of individuals’ and groups’ interests. Morgan (1997) sees organisations as being comprised of many stakeholders with different interests and goals, where power is the medium through which conflicts of interest are resolved.

Nankervis et al (1999) see the pluralist concept of HRM as its strength, as well as its potential weakness. They note Purcell’s caution:

…the danger [in HRM] is that the firm… sees itself… as an isolated island, disconnected from the rest of society… an implicit assumption that management can do what they wish — they have strategic choices — bounded only by the need to survive and compete in a turbulent product market (1993: 521).

This has particular resonance for the two entrepreneurial start-ups in this research, where the entrepreneurs believed they could do what they wished. They were managerialist in their approach to HRM, holding strongly to a unitarist frame of reference. The interests and goals of the other stakeholders were considered only in relation to the entrepreneur’s own personal success. In the end, the entrepreneurs examined in this research did not look to their own behaviour as influencing their choices in managing human resources.
Instead, they blamed the turbulent market and their need to survive for their actions. In this respect, the two entrepreneurial start-ups conform to Legge’s belief that:

HRM is seen largely as a third order strategy deriving from second order strategies [internal operating procedures], which in turn derive from first order strategy [long-term direction of the firm] (1995: 113).

**Human Resource Management: Critical Concepts**

Given that the HR system is itself in an initiation stage of development in the entrepreneurial start-up, many decisions regarding human resources in the two cases examined appeared to be made opportunistically. Yet an overarching view in the field of HRM, as noted above, is the idea that the management of people in organisation as ‘strategic assets’ critically drives the formulation and implementation of value-enhancing strategies and the achievement of sustained competitive advantage (Lado, 2000).

Several critical perspectives, which shape this understanding of HRM, need to be presented and discussed in relation to the entrepreneurial start-up. However, finding evidence of these concepts of HRM within the entrepreneurial case studies is outside the scope of this research. Nevertheless, the consolidation of the start-up experience is enhanced by the knowledge gained through an exposure to these critical concepts.

**Behavioural Paradigm**

The research linking HRM practices and competitive advantage is drawn extensively from the behavioural paradigm, which argues that HRM practices elicit and reinforce a set of role behaviours that result in lowering costs, enhancing product differentiation or both (Schuler and Jackson, 1987). Lado
and Wilson (1994) suggest that this perspective has contributed enormously to theory, research and practice in the field of HRM in important ways, because it provides a clear explanation for why HR practices would and should be linked to strategy; it posits a testable mediating construct (Snell, 1992: 292).

This also ties HR theories, for instance, role behaviour, to the strategic posture of firms. For example, a performance reinforcement system that involves the use of positive rewards to increase the occurrence of the desired performance is a strategy for improving performance. It focuses on behaviour that leads to desired results, and is based, according to Kramar et al (1997) on two fundamental principles. First, people perform in ways that they find most rewarding to them. Second, by providing proper rewards, it is possible to improve performance. As noted earlier, the entrepreneurial start-up needs technical talent to successfully commercialise the ideas of the entrepreneur. For some employees in Consultco and Pilotco, the reward is found in the challenging nature of the work itself, in the creation of a new product, and being involved in the process of starting up the business from the beginning.

**Resource-Based Perspective**

The premise that HRM practices do develop employee behaviours that enhance organisational competencies draws on the resource-based view of the firm (Barney, 1991; 1995). The resource-based perspective argues that few of the traditional sources of sustainable competitive advantage (for example, finance, technology) create value that is rare and non-substitutable. Instead, competitive advantage can arise more from a firm’s internal resource endowments and resource deployments, which are imperfectly imitable, from a firm’s product position (Barney, 1991). Human resource value creation is
nearly impossible for competitors to imitate. Such reasoning has led to a field of inquiry that draws attention to the competitive advantages to be derived from strategically managing human resources in an organisation.

This thesis places the resource-based view within the ‘hard’, task-focused view of HRM (discussed above), which is a quantitative and calculative approach to managing human resources. The resource-based view holds that when a resource (in this case, an employee’s competencies) is rare and non-substitutable, it is a source of competitive advantage for the organisation, and is therefore more highly valued for its unique contribution. This view is evidenced in Pilotco, where a consultant is engaged because their skills, knowledge and abilities add considerable value to the development of the start-up.

However, human resources systems can be competency enhancing or competency inhibiting. Lado and Wilson (1994) first defined a human resource system as a set of distinct but interrelated activities, functions, and processes that are directed at attracting and maintaining (or disposing of) a firm’s human resources. They then argued that such an HR system can also contribute to organisational vulnerability and competitive disadvantage. They also considered managers’ behaviours and managerial competencies in their research on sustained competitive advantage, and posit that managers are as responsible for their organisations’ success as they are for their failures (Lado and Wilson, 1994). As noted in Consultco and Pilotco, the lead entrepreneurs readily acknowledged their lack of managerial competencies, as well as limited experience in starting up the entrepreneurial venture. Entrepreneurs are good at attracting people to their vision, but as the business grows, they need to develop a process of maintaining human resources. In retrospect, in the Consultco and Pilotco cases, the HR system had not developed sufficiently to be competency enhancing. Instead, the entrepreneurs as
managers contributed to organisational vulnerability and competitive disadvantage.

**Best Practice**

When HRM is studied from a best practice perspective, it has a universalistic ring (Twomey and Harris, 2000) and, what might be referred to as the ‘one best way’ approach (Bolman and Deal, 1997). The best practice approach to HRM looks for particular policies and practices that are more effective, which in turn result in gains for all firms. However, the best practice perspective does not explain or predict; rather, it is a series of practices that can be approached more or less effectively. The better approach will be the effective use of these practices. Proposing a definitive preference for certain best practices is outside the scope of this research, but this thesis acknowledges its relevance, and recognises that advantages can be achieved by adopting HR practices in an organisational context, particularly in business strategy (Becker and Gerhart, 1996).

Becker and Gerhart (1996) describe best practice and high performance work practices as HR methods and systems that have universal, additive (that is, they add value) and positive effects on organisational performance. Some HR practices appear to suit all situations. Huselid (1995), for example, focused on a set of ‘high performance work practices’ that result in high levels of organisational outcomes, but not necessarily outcomes resulting from any particular strategy. Firms using comprehensive employee recruitment and selection procedures, extensive employee involvement and training, and formal performance appraisal linked to incentive compensation are likely to have a lower employee turnover, higher productivity and enhanced financial performance (Huselid 1995). Other studies support this claim (Delery and
Doty, 1996; Delaney and Huselid, 1996). These studies cover a wide range of work practices, and are presented as best practice descriptors.

It appears that corporate strategy is not as important as developing a variety of high-involvement strategies for improving HRM. An apparent weakness in the best practice perspective is that it neglects to show how the practices are implemented. Furthermore, no single strategy is likely to be effective by itself. Another weakness implicit in the best practice research is that success requires a comprehensive strategy, together with a long-term HRM philosophy (Bolman and Deal, 1997), which assumes a certain degree of maturity within an organisation’s HR system to deal with the complexity of high-performance work practices. The applicability to the start-up may be debatable, even when the relevant research claims that HR practices suit all situations.

This ‘universalistic’ approach assumes that there is a certain set of HRM best practices. Pfeffer (1994) concurs with this assumption by recommending the use of 16 management practices to achieve higher productivity and profits. Some of what is meant by HR best practice includes: job enrichment, and broadly defined jobs; use of employment tests and structured interviews; internal career opportunities and promotion rules; employee training, multi-skilling and development feedback; formal performance appraisal and 360-degree feedback; incentive and contingent pay; self-directed work teams and group appraisal and incentives; and quality circles and participation (Johnson, 2000; Becker and Gerhart, 1996; Huselid, 1995; Pfeffer, 1994). However, there is not a definitive description of which HRM practices should be included in a best practice system (Ferris, Hochwater, Buckley, Harrell-Cook and Frink, 1999). This raises a concern that the notion of best practice is intellectually barren and is nothing more than simply a list.
The entrepreneurial start-up, which is in the organisational emergence stage of development, is not in a position to address a longer-term HRM philosophy, nor introduce a wide range of HR practices. The immediate business needs mean that high involvement strategies are not a priority for an entrepreneur who is trying to get the start-up off the ground, as well as to survive into the next stage of growth. The HRM practices evidenced in this initiation stage of development are administrative, routine and housekeeping, they focus on establishing basic recruitment and compensation programs, and generally lack sophistication.

Nonetheless, the two concepts (human resources strategy and best practice) complement each other and work at two different levels (Johnson, 2000). HR strategy operates at the level of policies and planning; best practice focuses on the implementation of policy. Becker and Gerhart (1996) view best practice as guiding principles — at the level of systems architecture, policy or practice. The guiding principles may exist at the ‘upper’ level, where employees are treated as valued members of the organisation, however this still allows different policies and practices to be implemented while supporting the overarching strategy. Johnson (2000) suggests that HR strategy that recognises the value of employee input is best practice, and best practice can be implemented as part of HR strategy. According to this view, best practice is effective when the ‘guiding principle’ of employee performance is valued and rewarded (Becker and Gerhart, 1996). In this way, ‘valued employees’, as best practice, can build on the soft model of HRM.

The debate about whether or not there is a single set of HR policies and practices that represent a universally superior approach to managing people remains unresolved (Chandler and McEvoy, 2000). There is little consensus among researchers regarding which HRM practices should be included in the best practice approach. This would support the earlier claim that there may
not be ‘one best way’, and is a weakness in the best practice perspective of HRM. For example, incentive pay is considered a best practice in some studies (Pfeffer, 1998), but not in others (Arthur, 1994). This lack of consensus raises questions about whether there is an ideal type of HRM system that is universally effective, and if it depends on the strategy. (Ferris et al, 1999) Both may be true, but why this should be the case is not a focus for the current inquiry.

It is not the intention of this study to propose a definitive preference. Rather, this thesis acknowledges the relevance of best practice, and that advantages can be achieved by adopting HR practices to organisational context, particularly to business strategy (Becker and Doty, 1996). Perhaps no one practice is universal. Rather, for the entrepreneurial start-up, the effective use of practices might be important in managing human resources. The same could be said for the combination of HR practices appropriate for the stage of development. For example, Welbourne and Andrews (1996) found that organisation-wide compensation programs, such profit sharing, gain sharing and stock options, are positively associated with company survival. This type of reward could have greater relevance to the start-up, for which survival is a major concern.

**Fit**

Baird and Meshoulam (1988) (noted earlier in this chapter) postulate that HRM strategies incorporate an external fit (that is, HRM fits the developmental stage of the organisation) and internal fit (the components of HRM complement and support each other). Organisations are more efficient and effective when they achieve fit — relative to a lack of fit (Lengnick-Hall and Lengnick-Hall, 1988). ‘Fit’ is defined using Nadler and Tushman’s definition as being:
the degree to which the needs, demands, goals, objectives and/or structure of one component are consistent with the needs, demands, goals and/or structure of another component (1980, cited in Wright and Snell, 1998: 756–57).

The fit that aligns HR practices with the specific organisational context is also known as ‘vertical fit’. ‘Horizontal fit’ refers to the alignment of HR practices to a coherent system of practices that support one another (Delery, 1998: 291), and was earlier referred to in Guest’s (1987) model as an integrated set of HR practices. Horizontal fit occurs between the various HRM practices and this pattern of HRM practices, together with organisational strategy, and contributes to the attainment of organisational goals. This is viewed as instrumental for efficiently allocating human resources (Wright and Snell, 1998). Delery (1998) describes this as a ‘synergistic’ approach, where policies implemented together result in an effect substantially different from the sum of their individual effects. Therefore, an internal consistency and complementarity between the HRM practices, as well as congruence with organisational goals, are vital factors in strategically managing human resources. There is likely to be a variety of practices that work depending on the context, particularly when the strategy of an organisation is considered to be a primary contextual factor (Arthur, 1994).

The vertical fit of the contingency models refers to an alignment between HRM and organisation strategy, rather than an alignment to an organisation’s stage of development, although this may be a significant factor in the choice of corporate strategy. Contingency models (Schuler and Jackson, 1987; Lengnick-Hall and Lengnick-Hall, 1988) hold that different firm strategies require different role behaviours from employees, and the firm chooses HRM practices based on their ability to elicit the behaviours required to implement a chosen strategy. HRM practices will support a given corporate strategy through shaping behaviours and outcomes. The contingency approach links
HRM systems and complementary HR practices to specific organisational strategies (Ferris et al, 1999). In the cases under review in this thesis, the specific organisational strategy under consideration ‘entrepreneurial; fast growth’ for entrepreneurs who recognise, pursue and develop strategies to exploit opportunities.

As suggested in Chapter 1, entrepreneurs exhibit opportunistic and innovative behaviour, and proactively pursue opportunities for business development and growth. Using Miles and Snow’s (1978; 1984) characterisation, the strategic organisational type that is most likely to be present in this research is the ‘prospector’. Miles and Snow (1978, 1984) identified ‘defender’, ‘prospector’, ‘analyser’ and ‘reactor’ organisations. They posited that different HRM practices could be observed between the different strategic types. This suggests a congruence, alignment or ‘fit’ of HRM practices and the strategic management process of the organisation directing human resources toward organisational goals. An organisation adopts differing strategic orientation to reflect their different environments and organisational goals. The ‘prospector’ focuses on product/service innovation and the creation of new markets (as in Consultco and Pilotco); the ‘analyser’ maintains stable lines while searching for related opportunities in emerging markets; the ‘defender’ seeks to defend a relatively narrow product/market position through stability and efficiency; and the ‘reactor’ struggles to survive in a reactive manner rather than trying to anticipate change (Kramar et al, 1997).

Organisations with a ‘prospector’ strategy continually search for different product and market opportunities. Prospectors regularly experiment with potential responses to new and emerging environmental trends. These organisations often creators of change. The prospector type creates changes in an industry by product development or introduction of new technologies, and tends to have low formalisation and decentralised control (Borch, Huse and
Senneseth, 1999). There is an emphasis on skill identification and acquisition of human resources outside of the organisation, as opposed to skill building and identifying staffing needs. The emphasis is more result oriented, rather than process oriented. This is confirmed in the organisational narratives of the two cases studied in Part 3.

Organisations with the ‘analyser’ strategy operate in two types of product market domains. One domain is stable while the other is changing. In their more innovative areas, managers watch their competitors closely and rapidly adapt to ideas that appear promising. ‘Analysers’ tend to emphasise both skill building and skill acquisition, and employ training programs. They attempt to identify both training needs and staffing needs. The performance appraisal system most conducive to an analyser is one that is more behavioural and process oriented. The analyser organisation is interested in developing business ideas and locating and exploiting new product and market opportunities. Their innovation source is often imitation (Borch et al, 1999).

The ‘defender’ and ‘reactor strategic type organisations are of less relevance to this thesis. The ‘mature’ organisation is described as a defender, using cost-competitive strategies to guide their HRM practices. ‘Defenders’ have a narrow and relatively stable product-market domain. These types of organisations seldom need to make major adjustments in their technology, structure or methods of operation. They devote primary attention to improving the efficiency of their existing operations. Because of the emphasis on skill building within the organisation, successful defenders use the HR practice of performance appraisal to identify training needs. The performance appraisal is usually more behavioural oriented, as opposed to results oriented, and the emphasis is on the process. Mature–defender firms need repetitive, predictable and carefully specified behaviour. They tend to recruit human resources primarily at the entry level, and promote from within. They
emphasise doing things ‘the right way’, and focus on quantifiable, short-term results. Compensation is based on hierarchical wage structures determined by job evaluation. Length of service, loyalty and other traits are rewarded, rather than performance. Financial incentives may be present, but tend to be available only to a few, select employee groups.

HRM presents a simplistic view that strategy is considered a given, and the rest of the HR system is assumed to fit and respond to implement the strategy, which constitutes a limitation to the study of ‘fit’. Not only does this view inadequately acknowledge a changing environment, but the ‘fit’ model also assumes HR managers have knowledge of which skills and behaviours are necessary to implement strategy; that they know which HR practices to apply, and have the ability to apply the desired practices.

In Part 3, this thesis details the HR practices evident in the two small entrepreneurial start-ups, and explores the degree to which HR practices and policies either conform to and reflect the business strategy, or inform the development of business strategy. This research examines what two entrepreneurial start-ups actually do, and looks at fit over a year. It will be in a position to determine what adaptation, if any, takes place. It is well placed to examine if HR practices complement specific organisational strategies. The two entrepreneurial start-ups in this research can be characterised as simple organisations (Walker, 1992), which intend to use a growth strategy, thus aligning closely to Miles and Snow’s ‘prospector’ type organisation.

Typically, to implement a ‘prospector’ strategy, human resources with appropriate competencies (skills, knowledge and attitudes) are recruited in order to obtain sufficient employees at all skill levels to meet growth needs. Entrepreneurial firms tend to appraise people based on results, and usually do not pursue innovative efforts that fail (Fisher, 1999). Performance incentives serve as the basis for compensation, where bonuses, profit sharing and stock
options are common, and where base salaries are kept modest in the first stages of growth.

Another limitation to the achievement of ‘fit’ is the implied assumption that presupposes that the achievement of dynamic fit between strategy and HR practices occurs in an environment free of obstacles — and that it happens quickly, efficiently and effectively. Galpin (1998) identifies a serious lack of leadership when implementing and changing HR procedures. He reports that the mistakes most often made during strategy deployment are related to a lack of focus, little co-ordination and a belief that a well-designed strategy will implement itself (Galpin, 1998: 38–9). This seems to imply that the task of adopting HR practices consistent with an organisation’s needs requires leadership. Galpin (1998) recognises a common step toward unsuccessful implementation is when communication regarding the new strategic plan is passed down to employees from the chief executive officer (CEO). It would appear that the role of the CEO in the implementation of strategy, that is, the actioning of strategy and the adoption of practices, is important for the effective alignment of HRM. This is consistent with Lado and Wilson’s (1994) comments regarding managerial competencies, which include managers’ capabilities to articulate a strategic vision, communicating that vision throughout the organisation, and empowering employees to realise that vision. The entrepreneurs examined in this research might have acknowledged strengths — ‘vision’ — but their lack of managerial competencies in actioning that vision, and their lack of leadership skills made the adoption and implementation of HR practices less than effective.

These observations are compatible with earlier concerns regarding the underlying assumptions of the simplistic view of strategy. Wright and Snell (1998) point out that researchers have consistently demonstrated that individuals have less than perfect knowledge regarding the necessary links
posed by strategic HRM models. For example, Huselid, Jackson and Schuler (1997) found that HR executives were weak in their ability to take their firm’s strategic and operational goals and translate them into HR activities and goals. Andrewatha (1998: 5) is even more critical of HRM, suggesting that it has yet to define itself as qualified with ‘people stuff’. He goes on to say that HRM has never defined how it can manage people in a way that captures real commitment to competitive advantage. Galpin (1998), along with Lado and Wilson (1994) draw similar conclusions. If this is true for HR executives, then what does this imply for the entrepreneurs who are determining their organisation’s strategy in the start-up? In the cases under consideration here, the entrepreneurs even find goal setting in the first place difficult and uninteresting, as it interferes with their sense of flexibility, creativity and freedom.

Sisson and Storey (2000) comment that developing a strategic approach to managing human resources is not easy, and it may merely be a symbolic label in many organisations (Johnson, 2000), followed, in a piecemeal fashion, by only a minority of organisations — usually the largest ones. Although the strategic approach to HRM suggests that managers should match preferred HRM practices to strategy, there is no compelling evidence to suggest that they will — or can (Snell, 1992).

Ulrich writes about ‘HR champions’, in an attempt to address the realities of today’s corporation, by considering the practical question of how to create an organisation that will accomplish business objectives (Ulrich, 1997). He describes how HR can help make strategy happen. As a strategic partner, HRM can add value through strategy execution, administrative efficiency, employee commitment and cultural change. This belief is strongly held by Consultco’s and Pilotco’s HR advisers.
Storey (1992: 24) points to a distinction between the idealised version of HRM and the ‘messy reality’, what he calls ‘the lived in version’. This thesis explores, through narrative, the ‘lived in version’ of organisational emergence for Consultco and Pilotco, and the corresponding initial stage of HRM development.

**Flexibility**

When an organisation responds to the various demands of its competitive environment, it needs to reconfigure and transform to accommodate change. This flexibility allows organisations to modify current practices in response to changes in the environment, and from within the firm itself. Wright and Snell (1998) define ‘flexibility’ as a firm’s ability to quickly reconfigure resources and activities in response to environmental demands, and propose that fit (as discussed above) and flexibility can exist at the same time. In effect, flexibility will ensure HRM remains dynamic and adaptable. Where fit and flexibility are viewed from a complementary perspective, both concepts are essential for organisational effectiveness.

Wright and Snell (1998) argue that HRM at the strategic level should simultaneously promote both fit and flexibility, in order to promote a dynamic fit with the demands of the competitive environment. They observed that as change becomes discontinuous and unpredictable, achieving fit over time could depend on the degree of flexibility built into the HR system. They suggest using flexibility of employee behaviour as one indicator of a firm’s overall flexibility.

Although the previous discussion on fit and contingency theory assumes a degree of flexibility, the flexibility perspective presented here refers to the ability to reconfigure within the strategies, that is, a dynamic fit, to
accommodate changes. This approach corresponds to Minzberg’s (1987) strategy as ‘craft’. Strategy is not only planned, but is also adaptive. As evidenced in the Consultco and Pilotco case studies, the entrepreneur’s own change in focus and abandonment of innovative efforts add an additional dimension to the term flexibility. As a consequence of the entrepreneur’s changeability, there is a strong need for HR practices to adapt and reconfigure to accommodate the personal preferences of the entrepreneur.

Flexibility suggests adaptability, that is, to reconfigure practices within a strategy to accommodate changing circumstances. Given the changing, dynamic nature of the entrepreneurial start-up environment, the current research is well placed to explore the degree of flexibility in the two small entrepreneurial start-ups over the period of investigation. It will look at what the two start-up firms actually do, and explore the adaptation processes. This research explores how a firm’s human resources are managed in changing circumstances, and explores how HRM is integrated, if at all, into the business strategy. However, it is a modest attempt to ‘see what’s going on’, rather than to develop an HRM master plan.

This research also identified a significant limitation in the HRM literature: the atomistic, linear, unitary attempt at ‘theory’ to date has not managed to capture the multi-variate complexity of the organisation. This points to another problem for HRM: the extent to which much of the literature (regardless of the perspective) is normative/prescriptive, rather than reflective of the results of qualitative and quantitative research. Instead, HRM may be appealing to intuition, rather than based on what actually happens in an organisation. The present research attempts to address this gap, by undertaking an intensive naturalistic inquiry, in real time, into the lived experience of two small entrepreneurial start-ups.
Certain practices, or groups of practices, might be more effective in the attainment of organisational outcomes in varying contexts. The notion of ‘tight fit’ for any given HRM system and organisational goal should also be considered. Generic typologies of strategies are helpful in operationalising HRM systems, but they depict the competitive environment as static and not dynamic.

Dunphy and Stace (1992, 1994) building on the work of Miles and Snow (1984), found that organisations adopt different strategic orientations, which in turn reflect their different environments and organisational goals. These authors contend that different HR strategies should correspond to different corporate strategies. However, if we accept the premise that an organisation’s environment is dynamic, and HRM needs to exhibit flexibility and adaptability, then it may be appropriate to reconceptualise HRM and use it in a new way.

Ferris et al (1999) see the above generic typologies as having little in common with the realities of modern competitive environments that organisations confront. Generic categorisations assume organisations pursue a certain organisational goal, while ignoring other strategic concerns. Furthermore, the competitive environment is dynamic, and this means that the generic approaches do not capture the dynamic and flexible needs of HRM.

Wright and Snell (1998) present a theoretical framework for understanding the dual roles of both fitting the HR system to the strategic needs of the organisation, and building an HR system, to enable flexible response to a variety of strategic requirements over time. They suggest a more active role for HRM in strategy formulation, that is, an informing role, rather than a conforming one, a role where HR advisers inform and advise entrepreneurs about their strategy formulation.
Learning

There is extensive literature concerning the value of learning in delivering competitive advantage (Senge 1990; Cyert and March, 1963; Weick, 1969; 1995; Quinn, 1980; Prahalad and Hamel, 1990). Mintzberg and Lampel offer a learning model of strategy making, where

strategies are emergent, strategists can be found throughout the organisation, and so-called formulation and implementation intertwine (1999: 25).

Sofo (1999) comments that organisations are entering a new era in the evolution of organisational life and structure, which will require the development of organisational learning capabilities in order to adapt, survive and succeed.

Andrewartha (1998) argues that a real competitive edge can be gained when organisations practice better people management skills with a learning focus. This requires a combined strategy that blends management and employee needs, in order to build a learning culture. His view is focused on creating a learning environment which aims to integrate the differing views of HRM, that is, both the strategic and procedural, linking it to the business, as well as linking it to the people, being proactive as well as reactive (Andrewartha, 1998). This view uses interpersonal skills, understanding and competencies to create interdependencies. In some respects, the learning perspective builds on the soft and pluralist views of HRM discussed earlier in this chapter. A cautionary note was offered earlier that also applies here, with respect to the entrepreneurs in Consultco and Pilotco: they struggled with their management skills, and their ability to understand human needs — their own as well as the personal needs of others. This suggests that creating a learning environment in the small entrepreneurial start-up may be fraught with difficulties.
The learning perspective proposes that if organisations are to survive in today’s business environment, they need to be in a permanent state of learning (Price, 1997). According to Garvin (1993), the organisation has to be capable of creating, acquiring and transferring knowledge in order to accommodate new insights and knowledge. There needs to be systematic learning, problem solving and experimentation. The ‘learning company’ facilitates the learning of all its members, and continuously transforms itself (Pedler, Burgoyne and Boydell, 1991).

Sofo (1999: 324–25) argues that to adequately comprehend the full richness of the learning organisation, five distinct sub-systems need to be incorporated: learning, organisation, people, knowledge, and technology. Essentially, the sub-systems of this learning organisation model include: learning levels, types and skills; organisation vision, culture, strategy and structure; people empowerment and enactment throughout the business chain of the organisation; knowledge acquisition, creation, storage, and transfer; and technology application and utilisation. Learning is the core. As noted earlier, the entrepreneurs under consideration find themselves in a permanent state of innovation — but this should not be confused with learning, as little reflective thinking takes place, and the founding entrepreneurs of Consultco and Pilotco seem to repeat the same mistakes time and again.

The disciplines necessary to maximise organisational learning presented by Senge (1990) are: systems thinking, mental model, personal mastery, team learning, shared vision, and dialogue. It appears possible that the entrepreneurial start-up can build the foundations to create a learning organisation, but this requires an entrepreneur with the necessary vision. De Geus (1997) uses the term ‘the living company’, which has particular relevance to the biological metaphoric thematic field, which is discussed in Part 4. In his view, the living company is a learning company, and creates the
space for innovation and learning, thereby building an organisation that can survive many generations.

De Geus (1997) compares the company whose purpose is to produce wealth for a few people to a puddle of rainwater, whereas the company whose purpose is survival is more like a river. For the river-like living company, the optimisation of capital is as necessary as the optimisation of people. The discussion in Part 3 shows that the entrepreneurs in the two case studies are more concerned with personal wealth and immediate success — so much so that Consultco and Pilotco may confidently be said to be examples of puddles, not examples of living companies.

**HRM and the Small Entrepreneurial Start-Up**

A further limitation of the literature is that the majority of published work focuses on HRM in large organisations (Wiesner and McDonald, 2001). Research into HRM practices, such as Huselid’s (1995) and Welbourne’s (1997) is *across* organisations, rather than *within* organisations, and may not be congruent with the actual HR issues challenging small and medium enterprises (SMEs). According to Heneman, Tansky and Camp (2000) the lack of information about human resources in SMEs is problematic for theory, research and practice because little is known about the extent to which theory extends to smaller entrepreneurial organisations. Part 2: Theoretical Foundations discusses current human resource theory is often developed and tested in large organisations. For example, according to the literature, the adoption of high-performance HR practices makes a significant contribution to organisational performance (Huselid, 1995), yet it can not be presumed that the organisational characteristics and managerial practices in the small business reflect those in large organisations.
Heneman et al (2000), found that the CEOs/founders of fast-growth entrepreneurial SMEs did not describe effective HR practice from the perspective of the traditional HR functions (for example, staffing, compensation). Instead, they viewed it as a flow of interrelated activities. They found that it starts with the right person–organisation fit, followed by the ability to attract them, then the capacity to reward those persons for motivation and retention purposes. Weisner and McDonald (2001) found that, of the companies they surveyed, a high percentage said they had a strategic plan or business plan or specific goals and objectives. However, their study observed that SME managers do not tend to take a strategic approach to HRM. An absence of a formal plan could mean that they were not strategic in their approach to HR, or alternatively, a strategy might presuppose a strategic approach to HRM. The current study recognises this limitation, and uses case study and narrative to observe how HRM is actually used, and present an account of what is going on.

In their study of HRM practices in large and small manufacturing firms, Desphande and Golhar (1994) observe differences in HR practice effectiveness between employers of varying size. Heneman et al (2000) note that the delineation of organisational size and structure serves as boundary conditions to HRM theory. Weisner and McDonald’s (2001) recent national survey on HRM and the management of HR issues in Australian SMEs, likewise reveals that size does have a significant impact on the adoption of HR practices. Small business are more informal, compared to their medium-sized counterparts, and few have a designated HR manager. This could explain why small businesses tend to be quite informal in their approach to HRM.

Welsh and White’s (1981: 18) argument that ‘small business is not a little big business’, indicates that we may need to understand HRM in a new way for
small business — especially since small businesses face management processes different from those of big business (Weisner and McDonald, 2001). For example, informality of organisational structures and processes may lead to reporting relationships and processes that differ from larger organisations. The management process in the entrepreneurial start-up could be more influenced by the personal preferences and attitudes of the owner/manager. This view is consistent with the earlier discussion in this chapter on whether an organisation leans more towards the hard or soft perspective of HRM, depending, according to Kramar et al (1997), on the values of the organisation. This, in turn, is influenced by the way that the entrepreneur, as founder and manager, has a pervasive influence in shaping the culture, and the management processes of the new start-up venture.

These two findings — informality, and the limited ability to strategically manage HR — are pertinent to the present study into new entrepreneurial start-up organisations, because much of the literature on HRM assumes strategy is logical, rational, and well thought out. However, from the above, it would appear that for many SMEs (and it would therefore follow in the cases studied in this thesis) it may be more akin to Linblom’s (1954) ‘muddling through’. The entrepreneurial start-up might be creating its own strategic paradigm during a process of organic development, something which the literature on HRM does not capture, but this thesis addresses.

Small businesses, which is the domain of the present research inquiry, have limited access to capital, and their role in the marketplace is less secure when compared to larger organisations (Joyce, Woods, McNulty and Corrigan, 1990). The changeability in the market or the industry within which they operate makes it difficult for the small firm to plan for growth, even though it was noted that entrepreneurial start-ups do aim for fast growth. The 1997 Productivity Commission Report *Portrait of Australian Business* reveals a
high exit rate for SMEs, due to the impact of a turbulent environment. One-quarter of firms with 10 employees or fewer planned to close or sell within three years. This rate decreased as size increased. In view of these characteristics, it is understandable why some research into SMEs identifies HRM as a third-order priority.

Notwithstanding Weisner and McDonalds (2000) finding of a lack of strategic approach to HRM, Chandler’s and McEvoy’s (2000) research into strategy and HR practices in SMEs is consistent with the contingency model of HRM, but inconsistent with the universalistic approach of a single set of best HR practices. They found that strategy was a key variable in the determinant of HR practices, which would suggest that ‘fit’ is conforming, such that, SMEs set business strategy first, and then develop a set of supporting HR practices. Their findings appear to support what Purcell and Ahlstrand (1994) and Legge (1995) term the ‘third order priority’, where functional areas operate at what Legge (1995) calls, ‘downstream’ from decisions on the long-term direction of the firm. For example, the finance and supply of capital, and internal operating procedures come before the human resource function (Clark, 1998). Alternatively, if HRM is a first-order strategic priority, it will have an informing role in strategic development (Brewster et al, 1994).

Chandler and McEvoy (2000) comment that there is a shortage of research identifying and validating HR practices in small firms, and even research that focuses on the relationship between strategy and HR practices and small firm performance. Wellbourne and Andrews’ (1996) research contributes to the body of research related to strategic HRM in the smaller organisation. Their findings support the claim that the smaller organisation requires different management skills and specialised competencies (Weisner and McDonald, 2001). We cannot presume that managerial practices in the small business reflect those in large organisations. Management processes in the small firm
could be more influenced by the personal preferences and attitudes of the owner/manager, the turbulence in the external environment, and the availability of financial resources.

A noticeable gap exists in the HRM literature on entrepreneurial start-ups as a subset of SMEs. A predominant degree of informality is evidenced in HR practices in small business (Duberley and Walley, 1995; Gilbert and Jones, 2000). What little is known of the small entrepreneurial start-up, and the first stage of the life cycle and HR practices, is that it is characterised by informality, a lack of systems, and a ‘free spirited nature’. Yet entrepreneurs need people to bring to fruition their vision, and commercialise their ideas, and this will require, at the broadest level, the management of people.

In Closing

There are myriad views in the literature on human resource management, including many models and theories that try to explain HRM. Wright (2000) acknowledges that, although there is now twenty years’ worth of extensive writing, there is little consensus or coherence regarding the models and issues faced by the field. Theories and models need to be recognised and used as guides. Walton explains

…a model is a general concept of the future organisation and evolves from an understanding of the limitations of traditional organisations and experimentation with alternatives (1987: 15).

While it may have no precise definition in theory or in practice, the strategic focus of HRM helps link employee resource management issues and the achievement of business objectives. Chell (2001) raises the question: ‘How central is HRM to the concerns of the business? Storey’s view suggests that HRM is integral on two counts: operationally, it shifts from ‘securing
compliance’ to ‘winning commitment’; and at a strategic level, it concerns the deployment of human capital in accordance with the achievement of company goals (1989: 6).

The notion that strategic orientation is an important factor related to business performance is widely acknowledged in the literature. Overarching frameworks for integrating the large and varied body of research relating to the links between strategy and HRM already exist (Wright and Snell 1998; Bamberger and Meshoulam, 2000). The efficacy of such models is not the focus of this research. From the literature, we can conclude that HRM, at its strategic level, is essentially about adaptation; that is, an ability for HRM to adapt to the strategic positioning of the firm as it alters.

Much of the research into HRM focuses on larger organisations, where formalisation of HR systems prevails. This thesis attempts to forge links between HRM and the small entrepreneurial start-up. The strategy process in this type of organisation is highly contingent; it is not formally designed, and is intimately linked to the activities of the entrepreneur who influences and implements the firm’s unfolding strategy (Hendry et al, 1995).

Entrepreneurship is a process, and it follows that starting up a business is similarly a process, and not an event. This study demonstrates how HRM thinking is integrated, if at all, into a small entrepreneurial organisation in its first stage of a business life cycle, the start-up phase. Literature on HRM often assumes that HRM matters to organisational success, especially so when an organisation is poised to move into growth. Given that the entrepreneurial start-up is planning for fast growth, then HRM should matter even more. However, this research shows that it does not actually feature.

This research explores the link between entrepreneurship and HRM, in the context of the small entrepreneurial start-up, in order to determine how they
are combined. By looking at the strategic process as it unfolds, and the respective contributions of the entrepreneurial individuals, management teams, and human resources as a shaper of the strategic options, this thesis builds a picture of HRM — its shape and character. This research moves beyond the idealised version of HRM, and enters ‘the messy reality, the lived in version’ (Storey 1992: 24) of the small entrepreneurial start-up.
PART 2: THE RESEARCH APPROACH

Storey (1992) contends that the phenomenon of human resource management could conceivably be examined and ‘explained’ using an array of methodologies, which offer varying degrees of insight. For example, the rational cause-and-effect explanations; functionalist explanation; interpretive and phenomenological accounts; and the micro-political explanations. He further comments that ‘HRM is an evocative rhetoric, where the potentialities of the symbolic seems to cry out for particular attention’ (Storey, 1992: 3). This, he suggests, can best be captured by a qualitatively-based interpretive research methodology.

Similarly, the field of entrepreneurship can benefit from qualitatively oriented inquiry. For example, Hisrich (1988) is doubtful whether a scientific theory of entrepreneurship (that is, predictive cause-and-effect relationships) can capture the creative process of entrepreneurship. More recently, Hisrich comments that

...for entrepreneurship to emerge as a coherent discipline it is necessary that a paradigm be established that develops all aspects of the actor-system, where an entrepreneur creates and grows a new entity (Hisrich, 2000: 93).

Gartner and Starr (1993) also believe that studies utilising a variety of data collection methods to describe what entrepreneurs do can produce significant insight into the phenomenon.

This suggests that research in the fields of entrepreneurship and HRM can benefit from an alternative paradigm that attempts to understand and describe phenomenon. This thesis argues just such an alternative, by analysing the interplay between people in an entrepreneurial start-up — in particular, emphasising the dynamic between the entrepreneur and HRM — to explore
whether HRM is relevant and plays a role in the process of creating a new business. It is a longitudinal qualitative inquiry, involving two small entrepreneurial start-ups, using a narrative epistemology within case study, and is offered as the means to explore process, specifically, the factors that influence and shape the character of HRM within the entrepreneurial start-up, and the role of the entrepreneur. In addition, grounded theory technique is used to analyse data as it emerges and evolves.

Part 2 explores the research approach that underpins this inquiry. First, Chapter 3 offers an examination of the theoretical paradigm used in this thesis to study organisation. The thesis uses a multi-method qualitative interpretive framework, with a view to gather ‘fresh data’. Chapter 4 explores the place of case study and grounded theory technique in the qualitative research process, and Chapter 5 details the narrative epistemology used within case study. ‘Narrative inquiry’ as a working concept is used to understand the experiences of respondents as they work together with the researcher, in order to describe and explain this period of time in their working lives. Part 2 also provides the details of the research design used.
CHAPTER 3: THEORETICAL FOUNDATIONS

One of the primary objectives of this chapter is to position the research in a paradigm. This involves a choice — a judgmental activity by the researcher — which is based on the aims of the research study.

Because the current research is anchored in the world of lived experience, it draws from the qualitative research paradigm, which is interpretive and naturalistic in its approach to the subject matter (Denzin and Lincoln, 1998a). This approach better researches the interface between human resource management and the small entrepreneurial start-up, and can take into account the unique features and characteristics of the small entrepreneurial firm.

This chapter begins with a discussion on a suitable paradigm in the study of organisation, in particular, postmodernism. This is followed by an outline of qualitative research as social research, which draws on the human experience. Essentially, the current research is a humanistic inquiry, and seeks to study the social world of the entrepreneurial start-up company from the perspective of the interacting individuals.

Theoretical Paradigm

A ‘paradigm’ is the foundation upon which research grounds knowledge, in so far as paradigms picture the world in different ways. A paradigm as an interpretive framework is a researcher’s epistemological, ontological and methodological premises (Guba and Lincoln, 1998: 201). Gummesson (1991) defines paradigm as a worldview that represents people’s value judgments, norms, standards, frames of reference, perspectives, ideologies, myths, theories and so on (Gummesson, cited in Hill and McGowan, 1999).
Paradigm, as an interpretive framework, is a basic set of beliefs that guide action (Guba 1990: 17).

Selecting a suitable paradigm helps understand the phenomenon under consideration, especially when data can be interpreted differently by those working in different paradigms. According to Denzin and Lincoln (1998a), all research is interpretative, guided by a set of beliefs and feelings about the world and how it should be understood and studied. Guba and Lincoln (1998: 201) suggest that the selection of a paradigm as an interpretive framework will answer questions such as: ‘How does the researcher know the world being studied?’ ‘What is the relationship between the inquirer and the respondent?’ ‘What is the nature of reality?’ and ‘How does the researcher gain knowledge about the world?’

Schwandt (1998: 236) comments that interpretivism was conceived in reaction to the effort to develop a natural science of the social, that is, the world of experience as it is lived, felt and undergone by the social actors under study. The interpretivist/constructivist researcher believes that to understand the world of meaning, one must interpret it (Schwandt, 1998). This requires a process of meaning construction. The researcher as inquirer clarifies meanings as they are embodied in the language and actions of the social actors who are the subject of the inquiry. The interpretation is then offered as a reconstruction of these constructions. The process by which the constructivist/interpretivist researcher arrives at an interpretation, will be through their understanding perspective. This is further elaborated Chapter 5, Narrative Inquiry.

Guba and Lincoln (1998) offer four major interpretive paradigms that structure qualitative research: postivism, postpositivism, critical theory and related ideological positions, and constructivism. The interpretive paradigm that informs and guides this dissertation is constructivism.
The constructionist paradigm assumes a relativist ontology whereby there are multiple realities, a subjective epistomology (where the researcher and subject create understandings) and a naturalistic (in a natural world) set of methodological procedures (Denzin and Lincoln, 1998a: 27).

According to Guba and Lincoln (1998: 211), constructivism aims to understand and reconstruct the constructions that people (including the researcher) initially hold, aiming to generate new interpretations. The goal is to understand the complex world of lived experience from the point of view of those who live it (Guba and Lincoln, 1998). However, constructivism is not value free. It sees the inquirer actively engaging in the facilitating of the multi-voice reconstruction, in the inquiry process where the inquirer’s voice is that of passionate participant (Guba and Lincoln, 1998). Eisner (1998), when defining constructivism, underlines the importance of recognising the individuality, personality and attributes of the individual involved in the research process. He argues strongly for the recognition of the value and role of people to research, (Eisner, 1998).

Constructivism accepts an ontology of relativism, and the notion of multiple realities. It holds that each individual constructs their reality as they interpret and perceive their world (Hill and McGowan, 1999). Hill and McGowan (1999) argue that research is based on a belief in phenomena as co-created through the research process. What is taken to be objective knowledge and truth is the result of perspective. Knowledge and truth are created, not discovered (Schwandt, 1998). The researcher in this study is similarly engaged in an interpretive cycle, and operates in a world of experience as it is lived, felt and undergone by social actors.

Constructivism, as an interpretive style, aims to produce a reconstructed understanding in which lies trustworthiness and authenticity (Denzin, 1998), as distinct from the ‘reliability’ and ‘validity’ commonly found in a
functionalist/positivist interpretive paradigm. Findings under constructivism are usually presented in terms of the criteria of grounded theory: credibility, transferability, dependability and confirmability (Lincoln and Guba, 1985: 300). Schwandt (1998) similarly contends that interpretations can be judged using criteria such as thoroughness, coherence and comprehensiveness, concepts discussed more fully later.

The context in which the present research study sits is relevant to this discussion. Two small start-up entrepreneurial organisations are under investigation. Part 1 notes that small firms have their own character, and are not simply small versions of large firms. Hill and McGowan (1999) argue that, for the small entrepreneurial start-up firm, we need to use an approach that reflects the firm’s individual and unique characteristics and circumstances, as well as taking into account the personalities active in it. They suggest that traditional research approaches grounded in positivist/quantitative methodologies may not take this difference into account, and that alternative approaches need to be considered. They recommend an in-depth research approach which is qualitative, and manifests much of the ethnographic tradition.

Bygrave (1989) cautions scholars of entrepreneurship not to get trapped by the basic biases of science. He suggests cultivating more independent research methods, being less concerned with statistical analysis, and conducting more field research and longitudinal studies, among other things. Bygrave (1989) also encourages those researching the field of entrepreneurship to use methods and theories to gather ‘fresh data’. This thesis falls within Bygrave’s field of inquiry into entrepreneurship. It supports the use of a multi-method research approach in examining the business phenomenon, with a view to gather such ‘fresh data’.
Studying Organisation

Different theoretical approaches have evolved, of which functionalism and normal science remain the driving force in organisational studies today (Clegg and Hardy, 1999). However, alternative approaches have also emerged. Burrell and Morgan (1979) offer a framework to locate these approaches: functionalist, interpretativist, radical humanist and radical structuralist paradigms. The current research is located in the interpretativist frame of reference.

Clegg and Hardy (1999) claim that any certainty about what organisations are is gone. For example, Weick (1969) provides an alternative view, by focusing on the processes of organising, rather than on those entities called organisations. He argues that the analysis of organising processes is central to an understanding of organisation. The study of organisations is therefore shaped by an understanding of an organisation as an empirical object, or as a social process, or of the intersections or gaps between them (Clegg and Hardy, 1999). Chia (1995) uses two contrasting, yet interdependent styles of thinking in contemporary theorising within the human sciences: the ‘modern’ and ‘postmodern’. The modernist view involves a more scientific orientation in the study of discrete variables in the pursuit of understanding the whole (Thomas, 2000). Chia argues that rather than seeing these two thinking styles as being in opposition, it is more fruitful to conceive of them in terms of ‘a logic of supplementarity’ (Derrida, 1976, cited in Chia, 1995).

‘Reality’ for the postmodern style of thinking is the emergent relational interactions and patterning of relationships. The ‘real’ is not out there to be discovered. There is no one reality, but multiple realities. Legge (1995) recommends that assumptions be continually critiqued, questioned — not in the hope of finding an ultimate truth, but in order to find new and different
truths not previously considered. In comparison, modern thinking accentuates a view of social reality that is discrete, static, and describable (Chia, 1995). For example, Chia (1995) suggests that for the modernist, the term ‘process’ is something static: conceived in discrete, linear, static and sequential terms; whereas postmodern thinking refers to organisational processes as ‘assemblages of organisings’ (Cooper and Law 1995: 3, cited in Chia, 1995). Chia (1995) argues that the ‘real’ focal elements of organisational analyses are in the micro-organising processes of actions, interactions, emergence and unfoldment.

The postmodern view of ‘process’ is particularly pertinent to the present research, which aims to study how and why events play out over time. By adopting a predominantly postmodern theoretical orientation, the current research study accords a primacy to a reality that is processual, that is, it is an ontology of becoming, rather than of being. The perspective of this research also recognises that different truths exist within this process of organising, and also acknowledges the emergent configuration of relations, which assumes that all we have are actions, interactions and local orchestrations of relationships (Chia, 1995). These views are particularly relevant to the current study, where the organisations are either embryonic or recently formed, and are in the process of emergence, or unfoldment.

The debate on the nature of postmodernism is ongoing, but the present research subscribes to the ‘soft’ version of postmodernism, as described by Palmer and Hardy (2000). This perspective

…recognises the ontological existence of the social world, however precarious and fluid, and focuses on the location of alternative interpretations, marginalised voices and different readings (Palmer and Hardy, 2000: 265).
According to these authors, this approach draws attention to the uncertainties, ambiguities and paradoxes of organisational life. Notwithstanding a strong leaning to the postmodern paradigm, the present researcher also notes the applicability of the above notion of ‘a logic of supplementarity’ between the modern and postmodern. For example, two distinct case studies are presented and described in this thesis as discrete social systems bound in time and place (a modernist understanding); yet the processes within the social world of these two organisations will be explored using a soft postmodern paradigm regarding the researcher’s interpretive framework. One reason for the choice of research methodology is that it aligns with the personal beliefs, values and ideologies of the researcher. In addition, it is also a perspective not extensively in use in the fields of entrepreneurship and HRM. This thesis aims to add a new perspective to the study of organisation formation activities, and help understand how the two fields come together in new ways.

Research methodologies in the field of entrepreneurship tend to lack diversity, and neglect alternative approaches such as ethnographies (Aldrich, 1992). According to Aldrich, this is troubling, given that the raison d’être of the entrepreneurship field is the dynamic response of creative individuals to turbulent social and economic conditions (1992: 209). He believes there is room for more diversity of orientation in the way we study organisations, for example, using direct field observations to uncover the meaning of patterns in the social processes. A linear research approach (for example, the survey) may not capture the nonlinear aspects of the entrepreneurial phenomenon under study, nor can it capture the whole process (Aldrich, 1992).

In their review of research studies, Hill and McGowan (1999) note a strong predominance of positivistic methods, the singular most popular method being survey method and permutations thereof. Aldrich (1992) questions why the research method of choice in entrepreneurship is the survey, which, in his
view, is a ‘static, cross-sectional, standardised questionnaire’. In a similar vein, Van de Ven (1992) comments that multiple research models are often desirable, to avoid facts fitting into a single perspective, model or theory.

The present research study acknowledges Van de Ven’s observation, that to

…understand organizational processes in general, and entrepreneurship development in particular, inductive theory development efforts grounded in concrete and rich field observations are more likely to lead to significant new insights than deductive armchair theorizing approaches (1992: 220).

But how do we know about the world of these two small entrepreneurial start-ups? The thesis advocates an epistemological stance of immersion in the small entrepreneurial start-up, in order to understand the processes in the two new entrepreneurial ventures as they unfold over time in their natural field settings, and then develops these understandings to elaborate theory. This way of studying the organisation enables the research to see people ‘in’ the organisation, rather than ‘of’ the organisation (Palmer and Hardy, 2000).

Organisations lend themselves to qualitative research. They are sites of situated social action open to explicit organised and formal processes as well as conversational practices (Clegg and Hardy, 1999). The qualitative researcher in organisational studies tries to ‘capture lived experience’. They try to see the everyday social world of an organisation in terms of action, and embed their findings in it and abstract from this world. Such experience is then recreated in the social text written by the researcher (Clegg and Hardy, 1999).

As mentioned earlier, the choice of a research model is a judgmental activity based on the aims of the research study. The generalised aim of this study is to conduct a humanistic inquiry into the social world of the entrepreneurial start-up company from the perspective of the interacting individual.
Van de Ven suggests that by combining data in a balanced way:

...quantitative data by themselves provide a skeletal configuration of structural regularities, often devoid of life, flesh and soul [and] qualitative data, by themselves [being]... like amoebas, while rich with life are squishy, soft, and absent of apparent structure (1992: 239).

Through this approach, he suggests, researchers will come to understand the richness of life in its many forms. However, this research chose the qualitative approach as a valuable way to gain knowledge about the social world of Consultco and Pilotco, the two entrepreneurial start-ups at the centre of this work.

Both quantitative and qualitative researchers are concerned about individuals’ points of view (Denzin and Lincoln 1998a). However, for the purpose of the current inquiry, a quantitative framework is too remote from the project’s perspective to capture the individuals’ points of view and secure the rich description of the social world. Researchers can make sense of the social world without claiming that either the inquirer or the actor is the final arbiter of understanding, an idea that concurs with Schwandt’s contentions (1998).

So what is meant by the term ‘understanding’? At first, ‘understanding’ is often confused with, or held to be contradictory to, ‘explaining’. According to Bjerke (2000), ‘explaining’ is what occurs when theories are tested empirically for causal relationships, while ‘understanding’ involves the interpretation of content for subjective meaning. Likewise, Ricoeur (1976; 1981) writes that to explain is to ‘uncover’, through a structural analysis, the internal relations of a text, while to ‘understand’ is to find the meaning of a text. Both concepts — explanation and understanding — are included in a superior concept of interpretation, that is, understanding (‘getting’ the meaning of a text) precedes and accompanies explanation (the development of understanding in an analytical way). As Bernstein (1983) points out, meaning
comes to realisation only through the ‘happening’ of understanding. With the aid of these ideas, then

...there seems to be the possibility, or an empirical basis, of understanding meaning of... stories about turning points and critical events, and the way they describe and reflect upon the function of knowledge in these situations (Nygren and Bloom, 2001: 374).

This is in marked contrast with much quantitative research, which looks for ‘objective understanding’, where meaning is free of prejudice and interpretation, and much of the understanding and findings are in terms of measurement, intensity and frequency. The principle approach to quantitative research is to analyse and measure causal relationships between variables. It seeks verification (Reichardt and Cook, 1979). Such positive science practices espouse a value-free objectivity, where ‘truth’ can transcend opinion and personal bias (Carey, 1989, cited in Denzin and Lincoln, 1998).

The quantitative researcher often writes their research in the impersonal third person, and will use mathematical models and statistical tables to emphasise process and meaning. This locates the researcher outside the domain of the social world being studied, which is in marked contrast to the qualitative methods, which were purposely developed for the task of discovery or generating theories (Reichardt and Cook, 1979).

Bjerke concludes that researchers who aim to explain do so from a frame of reference where entrepreneurs and entrepreneurship are:

Phenomena placed in a structure, in a process, or a field of information; respond rationally and purposefully to external conditions and changes; are driven by a need for achievement; are exceptional phenomena (2000: 8).

Whereas the researcher who aims to understand sees the entrepreneur and entrepreneurship as:
Phenomena intimately associated with the entrepreneur as an actor; acting in accordance with their own symbols, social reality and intentionality; having an attitude of reflective analysis rather than an attitude of unreflective experience; and as a part of everyday reality (Bjerke, 2000: 8).

Although quantitative research, and the associated positive science practices of producing knowledge and meaning is widespread (Hill and McGowan, 1999) and has informed many studies, this research inquiry is better served by an understanding of organisational life which accepts that there is a truth revealed in the process of experience. Truth is laid open through dialogical encounters with the other person. The use of interviews as conversations or dialogues, where two people are engaged in a process of understanding each other, provides interview data as a ‘permanently fixed expression of life’ in the two entrepreneurial start-ups under investigation. The present researcher sought to listen and understand what the other persons were saying, in order to find meaning in the lived experience (this is further elaborated in the following chapters). This data is the basis for interpretive understanding and the subsequent social text found in Part 3. As Bjerke (2000) comments, most people want to be understood, not explained.

In Closing

Myriad methodologies offer varying degrees of insight when studying organisations. There are rational cause-and-effect explanations; functionalist explanation; and interpretive and phenomenological accounts. Although entrepreneurship and human resource management can be approached from a functionalist frame of reference, these fields can benefit from an interpretivist, qualitatively oriented inquiry, especially when studying organisations as a social system.
The final choice of an interpretive frame depends on the world view of the researcher themselves and their belief of how best to represent the world being studied. The approach used in this inquiry was based on a desire to uncover meaning, rather than test models and theories. The theoretical foundations of this thesis are qualitative, interpretive and naturalistic. In addition, a ‘soft’ version of postmodernism helps give primacy to a reality that is processual. This thesis tries to understand processes as they unfold over time, and in a natural setting, in order to develop understanding and elaborate theory.

Kuhn (1962) asserts that the role of paradigm shapes and develops research methodology. With this in mind, a narrative epistemology within case study is chosen to study process of organisational emergence, and how the entrepreneurial start-up implements and actions HRM activities.
CHAPTER 4: THE NATURE OF CASE STUDY INQUIRY

The previous chapter showed that a narrative epistemology within case study was chosen to study the process of organisational emergence and determine how the entrepreneurial start-up implements and actions HRM activities.

This chapter shows how case study has a particular place in qualitative research. Qualitative research emphasises two conditions: the use of close-up, detailed observation of the natural world by the researcher; and the attempt to avoid prior commitment to any theoretical model (Yin, 1989: 25). The value of case study is in its application. It can be used to explain, describe, evaluate, and to explore phenomena in a real-life context.

This objective aims to position case study within the theoretical framework of this thesis and its subsequent research design. The discussion asks, ‘What is a “case”? ’ and then elaborates on the nature of case study inquiry. Then the two organisations under investigation are given specific attention. The two organisations represent two distinct bounded systems. Case study analysis enabled a close-up observation of why events played out over time as they did.

In Part 1, the strategic role of human resource management was defined as essentially about adaptation, that is, the HRM’s ability to adapt to the strategic positioning of the firm as it alters. By taking a longitudinal view of the case study approach, the present researcher was able to explore the strategic positioning of the start-up as it altered over time, and examine how HRM activities were adapted and implemented according to changing circumstances. Because this study used the respondents’ own perceptual data, then subsequent theory is grounded in that data (Glaser and Strauss, 1967). A
further objective of this chapter is to introduce grounded theory to case study and narrative inquiry, in order to facilitate theory building in the research.

**Case Study**

Case study is an important mechanism for the transfer of knowledge from one setting to another. The case study is ‘a search for explanation and theory rather than just a report of an empirical research’ (Kanter, 1977: 291), and is an intensive or complete examination of a facet, an issue, or perhaps the events, of a geographic setting over time (Clegg, Kemp and Legge, 1986). A unique strength of case study is its ability to deal with a full variety of evidence — documents, artefacts, interviews and observation (Yin, 1989). The emphasis of case study is on dynamic naturalistic settings and the importance of contexts in generating explanation for observed attitudes and behaviours (Clegg et al, 1986).

This inquiry aims to use case study to understand the complex world of lived experience from the point of view of those who live it. Yin (1989: 13) argues that case studies are the preferred strategy when ‘how’ and ‘why’ questions are being posed; when the researcher has little control over actual behavioural events; and when the context is real life, and the focus is on contemporary events. As the broad purpose of this inquiry is to achieve a better understanding of the interplay between people, strategy and organisation, and how and why events played out over time in the way that they did, it follows that the use of case study is an appropriate means of obtaining research data in the present research.

Yin (1993) believes case study research can be quantitative or qualitative, and that the characteristics of case study are not attributes of competing types of research, rather attributes of the types of data. However, an inquiry is
‘ethnographic’ in its approach when the research: has aims that are to gain a close-up, detailed rendition (thick description) of the real; where evidence is relative and not independent of the researcher; and where fieldwork is over a longer period of time (Yin, 1993: 46). An ethnographic approach enables the researcher to hear, first-hand, the issues raised by the participants. The on-site observation and participation of the researcher adds depth to the cases subsequently developed, and enables the researcher to have a stronger appreciation of what it is like to ‘be there’ (Thomas, 2000).

For the purpose of this inquiry, the case study is the choice of object to be studied, while the approach is ethnographic within a soft postmodern paradigm. As stated earlier, one of the goals of this research is to facilitate the understanding of how HRM decisions are taken, and direction actioned, in the entrepreneurial start-up. Case study is most useful when investigating contemporary phenomena within a real-life context (Yin 1993). Each case in the thesis reveals its uniqueness, particular context, issues and story. As Stake (1998) points out, the purpose of the case study is not to represent the world, but to represent the case. Case studies are of value in refining theory and suggesting complexities for further investigation. According to Clegg et al (1986), this research method allows the ‘discovery of grounded theory’ (Glaser and Strauss, 1967).

Case study is used in this thesis to provide a ‘rich thick description’ (Geertz, 1973); to convey a feeling of what it is like to experience an organisation from the ‘inside’. This enables the researcher to identify and examine phenomena and meanings from the actor’s own frame of reference, in order to establish relationships and configurations, with attention to generating theory or offering new interpretation (Clegg et al, 1986).

The detailed cases presented in Part 3 represent the bounded system within which the researcher tries to understand the complexities of the small
entrepreneurial start-up, as it moves from an idea, to concept, to embryonic organisation. According to Stake (1998: 86), ‘a case study is both the process of learning about the case and the product of our learning’.

Each case in this study is examined in depth. Its context and ordinary activities are examined, with a view to extend the researcher’s understanding, and provide insight and refinement of theory. It also uses observation, and continuous interpretation and reflection, in revising the meaning of ‘what is going on’, which constitutes a form of inductive analysis. The reconstructed understanding — the knowledge revealed — is socially constructed, partly in terms of what others reveal as their experience (Stake, 1998: 95). Hence, the utility of case study is in the extension of this experience, and supports the constructionist paradigm chosen as a theoretical foundation for this inquiry.

Hendry, Arthur and Jones (1995) support the use of case studies, especially when research is an intensive investigation of how strategy unfolds, as is the case in this study. They also believe that such research is rare in the small firm sector, and that a gap in knowledge exists into how strategy through people unfolds (Hendry et al, 1995: 21–22). This study intends to provide further understanding into the phenomena of development and growth in small entrepreneurial start-ups, particularly as the majority of growth models, identified in Part 1, do not offer in-depth insight into the very early stage of conception.

**Single versus Multiple Cases**

Some commentators prefer generalisations over several cases to a single case study — multiple case studies, believing that this will counter researchers’ tendency ‘to reach premature or even false conclusions as a result of information-processing biases’ when single cases are used (Eisenhardt, 1989).
However, this is not relevant to this research inquiry, because here, single cases are not viewed as sites to develop and measure constructs, nor are they contexts for hypothesis testing. The current research endorses Steyaert and Bouwen’s view that:

\[
\text{...case study work is to write a thick description of a field experience which can stimulate understanding and theoretical insight and not to control the research process according to hypothesis-testing research (1997: 47).}
\]

This inquiry uses case study work to further understanding through the telling of good stories. Dyer and Wilkins (1991) argue that in order to generate better theory through case studies, better stories are needed — instead of better constructs.

This research does not aim to test specific hypotheses, and thereby constrain data unnecessarily (Eisenhardt, 1989). Rather, it aims to look at process over time, and gain insight into how HRM decisions are taken and actioned in two small entrepreneurial start-ups. The use of case study in this inquiry is to better capture the process of becoming, as noted in the previous chapter.

Two organisations made themselves available. Given the ‘death’ rate of small new ventures, as evidenced in Part 1, the researcher decided it was better to have more than one start-up under investigation, in case one ‘died’ before the data collection phase of the research was completed. However, this should not be construed as using a multiple case methodology. In multiple studies, Yin (1989) posits that researchers aim to replicate, or produce, similar results; alternatively, to produce contrary results for predictable reasons. When a few cases are used, say two or three, a literal replication with similar results is used to develop a rich theoretical framework that can be generalised to new cases (Yin, 1989). Such a replication is not the intention in this research. Two distinct and separate entrepreneurial entities are offered, and their selection
was not meant to establish their representativeness. Rather, the choice was made because the firms were individualistic, which is expected, as their existence depends on the unique characteristics and attributes of their founders/owners.

Any generalisations drawn from the data are more typical of ‘critical case’ argument, where general conclusions are reached from cases that seem to represent an extreme position. Even if future substantial research in this field shows Consultco and Pilotco were not representative of other entrepreneurial start-ups, this does not necessarily limit the conclusions that can be drawn from this study. The dearth of research into small- and medium-sized enterprises makes it difficult, but not unreasonable, to assume that the individual entrepreneurs and their companies are typical.

Vaughan (1992) believes case studies of organisational forms of differing size, complexity and function can be used to improve or alter theory by alternating between units of analysis. In this way, theory elaboration is a useful method for developing general theories of particular phenomena through qualitative case analysis (Vaughan 1992: 175). In Dyer and Wilkins’ (1991: 614) opinion, a single case can be a useful unit of analysis for theory building. They note several classic case studies (for example, Becker et al, 1961; Dalton, 1959; Kanter, 1977; Whyte, 1943) that have greatly advanced the theorising of social science, and which, according to the authors, continue to have an impact on the field of management. In this research two cases are analysed with regard a similar event, that is, the starting of a new entrepreneurial venture. However, they are used as discrete units of analysis, where the researcher benefits from a deep understanding of two particular social settings. The case studies in this inquiry are ‘objects’, empirically real and bounded. In this respect, the research inquiry follows, to a limited extent, the focus and aim of Dalton’s research, which was:
...to get as close as possible to the world of managers, and to interpret this world and its problems from the inside... we wish to describe both unique and typical experiences and events as bases for the theory that is developed and related to other studies (Dalton 1959: 1–2, cited in Dyer and Wilkins, 1991: 615).

Part 3 provides a cross case-study perspective, which uses the comparison between the case studies to begin building theory.

Dyer and Wilkins (1991) observe that Dalton (1959) ‘went narrative’ to gather his data. Dalton’s approach supports the theoretical foundations of the current research inquiry, the use of case study, narrative theory and the interpretive paradigm, as noted in the previous chapter. Theory building comes from immersion and deep insight, which in turn comes from getting as close as possible to the phenomena under investigation, and the social and underlying dynamics of the cases.

Case study inquiry is suited to the current research because it addresses what was done (the content); why it was done (contextual and perceptual aspects); and how it was done (process) (Storey, 1992). Case study inquiry allows the researcher to explore the relevance of HRM to the entrepreneurial start-up, and to identify the developmental process through entrepreneurial decisions and practices, and how they change over time. It enables an examination of how HRM sits alongside, or is a part of, entrepreneurship. By using a qualitative–interpretive perspective to case study inquiry, the research attempts to interpret ‘what is going’, in order to create an account of the character of HRM in an entrepreneurial start-up, in a search for explanation and theory. This case study inquiry is not prescriptive in a general sense, because HRM is embedded in the specific economic and social context of the particular start-ups, where the organisational objectives and decisions are formulated. This thesis uses case study inquiry to locate ‘sense-making’ (Weick, 1995) within the bounded system of Consultco and Pilotco. It is used
as a sound way to explain, describe, evaluate and explore, close-up, the phenomena of HRM activities in the natural world of the entrepreneurial start-up.

Van de Ven (1992) believes that the study of the innovation process, which are essential components of the entrepreneurial start-up, is generally better initiated before the outcome is known. This is relevant to the present research, where the case study inquiry follows the two start-ups over an extended period of time, in order to observe the activities and events that occur as innovation develops from concept to reality, as well as observe the associated HRM decisions that are made around the innovation process. The researcher is able to look at contemporary events, observe changes that are relevant to the purpose of the research, and understand how and why they play out over time in the way that they do. The researcher gained access to the start-ups as early as possible in the innovation process, focusing on perceptions and actions of the entrepreneurs and those around them, without knowing how the journey might unfold.

The Two Organisations under Investigation

Consultco and Pilotco were chosen as examples of the research topic (Vaughan, 1992: 175). However, each case is treated independently, respecting its uniqueness, as an analysis of social phenomena specific to time and place (Ragin, 1992: 2), and are situationally grounded, whereby ‘they invest the study with a particular social setting with some sense of generality’ (Walton, 1992: 121).

Consultco and Pilotco considered themselves to be ‘entrepreneurial’ start-up companies, in that they were established by self-styled entrepreneurs for the purposes of developing and exploiting high growth opportunities, with the
central aim of creating wealth. Consultco and Pilotco are ‘start-ups’, because they were ‘starting business from scratch’, fitting Chell’s (2001: 56) classification as ‘inception entrepreneurial companies, at a formative stage in their product development’. The two organisations also exhibited ‘simple’ organisational structures (Mintzberg, 1983), where the management and administrative processes continued to develop during the period of investigation.

Consultco has a ‘single business entrepreneur’, where the CEO of the company was the founding and leading entrepreneur (Chell, 2001). The CEO exhibits entrepreneurial characteristics, such as high levels of improvisation and imagination, creating new ideas, new solutions and new products throughout the period of the research inquiry. Originally established in 1995, Consultco was relaunched in 1998 as an interactive business consultancy with recruitment practice as part of its service.

Pilotco is a newly created entrepreneurial venture operating within the ‘new horizons’ arm of a larger organisation, a business incubator, which provides initial seed funding and a managed workspace for new business ideas. The CEO of The Hatchery is a ‘serial’ entrepreneur. The Hatchery was founded in 1998, with the express intention of nurturing and incubating ideas, and subsequently harvesting them as business opportunities. Pilotco was created out of an idea the founding entrepreneur had, which was subsequently evaluated by a lead entrepreneur for its commercial viability, and then developed into a start-up entrepreneurial organisation.

So, what are these cases of? Ragin (1992) posits that a researcher may not know what their cases are until the research is virtually completed. This includes the task of writing up the results. To give a definitive answer to the question, ‘What is this a case of?’ at the outset of a research inquiry ‘can not and should not be given’ (Ragin 1992: 6), because the answer to the question
is tentative, specific to the evidence and issues at hand, and comes to light by working through the relations of ideas and evidence. In this way, cases are made (Ragin, 1992: 10). The interaction between ideas and evidence will result in a progressive refinement of the cases as theoretical constructs.

Walton (1992) argues that cases are always hypotheses. He suggests that in research, the case is the fertile ground where fundamental aspects can be measured, causal connections demonstrated, with results a source for generalisation. This approach appears to follow a ‘scientific’ ‘positivism’ to the logic of research, as discussed in the previous chapter.

However, as empirically bounded systems, the cases in this inquiry are agents, with intentions and histories, and sites for social action (Abbott, 1992). By ascribing a sense of social action to what cases do, the researcher is able to ask: ‘What kinds of activities do the cases undertake?’ ‘What do they try to accomplish?’ and ‘What kind of agents are they?’ (Abbott, 1992) This aspect of case inquiry is developed further in Chapter 5, Narrative Theory.

Briefly, this thesis uses the cases to learn more about the interplay between people, strategy and the entrepreneurial start-up. Specifically, it explores the phenomena of HRM activities in the natural world of the entrepreneurial start-up. This is achieved through cases as narratives, that is, the ‘storied’ quality of the data, the unfolding story of the founding of an entrepreneurial business as it is occurring.

**The Applicability of Grounded Theory to Case Study and Narrative Inquiry**

‘Grounded theory’ is a general methodology, a way of thinking about and conceptualising data (Strauss and Corbin, 1998a). The present qualitative research inquiry applies case study to explain, describe, evaluate and explore,
close-up, Consultco and Pilotco. This research uses an adapted grounded theory approach to create theory from data, and for the discovery of concepts. Lowe (1995) believes that grounded theory is a systematic, inductive process that reveals the basic social processes behind human behaviour. This, he argues, is achieved by developing sensitivity to the phenomena under investigation (Lowe, 1995). Grounded theory procedures can be used in conjunction with case study, in particular, the ‘intrinsic’ case study (Stake, 1994). In this way, the analysis takes place alongside the gathering of data, where frameworks, criteria and observations emerge and evolve throughout the study. An adapted grounded theory will result in emergent data categories and a comparative method, which becomes the basis of data analysis (Hill and McGowan, 1999).

Grounded theory is inductively derived from the study of the phenomenon it represents — it is discovered and developed during the actual research. The general method of constant comparative analysis (Glaser and Strauss, 1967) is a central feature of this analytical approach. There is also a reciprocal relationship between data collection, analysis and theory. Strauss and Corbin (1998b: 12–13) point out that in grounded theory, the researcher does not begin with a theory, then proves it. Rather, the researcher begins with an area of study, and what is relevant to that area is allowed to emerge. In this way, theory is grounded in the interplay with data, and is developed through the course of the research inquiry. Making constant comparisons and asking theoretically oriented questions makes the development of theory possible, and by using the respondents’ own perceptual data, this makes the subsequent theory grounded (Glaser and Strauss, 1967).

To briefly illustrate the process with respect to the present research inquiry, the researcher did not start out with a fixed idea as to the characteristics that necessarily define an entrepreneur and the way they behave. Rather, the
respondents were allowed to speak freely and the researcher listened. The respondents and the researcher came to a mutual understanding, and it was only later, using the interview data, that some conclusions were drawn about the nature of entrepreneurship as evidenced in these two case studies. Thus, a general procedure (Strauss and Corbin, 1998b) is to question the influence of a particular event, or action on the phenomena under study, and then to trace this influence as precisely as possible. Simply, the procedure will require detailed answers to the questions of what, how, where, when and by whom. In this way, the theory will be grounded in the interplay with data and developed through the course of the actual research.

This approach contributed to the researcher’s understanding of meaning, because it supported the researcher in the quest for interpretation. The interpretive inquirer, who watches, listens, asks, records and examines, is directly involved in creating knowledge that is specific in time and place.

It is therefore implied that grounded theory does not seek to force data to conform with existing theory, but rather, develop theory and interpretive categories that are grounded in the data itself (Hones, 1998: 227).

Finally, grounded theory is particularly relevant to the present research because the theoretical conceptualisation of grounded theory is in the patterns of action and interaction between and among the various social actors (Strauss and Corbin, 1998a: 169). It is concerned with discovering process. This is an aim of the current inquiry: to explore process and the relationship between the human dimension as a dynamic force in strategy, and organisation. Grounded theory supports the study because it looks at changes in patterns/interactions and in relationship to changes of conditions — either external or internal to the process itself (Strauss and Corbin, 1998a: 169).
In Closing

This chapter positions case study within the theoretical framework of the dissertation, in that the case studies are the choice of object to be studied. The researcher understands case study to be an intensive investigation of a series of events within one organisation over time. Case studies are, according to Stake (1998), naturalistic, holistic, cultural and of phenomenological interests. The cases in this inquiry are both empirical and theoretical. They represent bounded systems for the interaction between ideas and evidence, which results in progressive refinement of the case as a theoretical construct (Ragin, 1992), where the researcher tries to understand the complexities of the small entrepreneurial start-up, and the factors that influence and shape the character of HRM within it, and the role, in that, of the entrepreneur.

Case study inquiry serves the specific purpose within the overall scope of this research, which is to understand how and why events play out over time. The researcher, by using a longitudinal view to case study, intends to build theory, rather than test theory, for which qualitative case analysis is an appropriate approach (Vaughan, 1992). When the research uses the respondents’ own perceptual data, subsequent theory is grounded in that data (Glaser and Strauss, 1967).
CHAPTER 5: NARRATIVE THEORY

This thesis supports the notion that entrepreneurship is a creative process, in which:

…entrepreneurs are creators of new realities walking on the boundary between destabilising existing situations and actualising implicit possibilities into new contexts (Steyaert and Bouwen, 1997: 47).

Entrepreneurs appear to live on what Wheatley (1999) calls ‘the edge of chaos’, by reaching out and taking on new forms and opportunities. The processes of organising, leading and creating these new realities, which, according to Aldrich (1992) are central to entrepreneurship, are natural subjects for field-based studies.

This thesis’ use of narrative inquiry aims to understand and make meaning of this experience of creation (Clandinin and Connelly, 2000). It involves respondents as narrators, who tell their experience in their own voices. The collection of narratives and stories is the researcher’s approach to research with first-person accounts of experience (Riessman, 1993). These narratives are created as individuals make sense of, and give meaning to, the events in their lives (Sarbin, 1986; Clandinin and Connelly, 2000; Polkinghorne, 1988; Riessman, 1993). They were collected during the research interview process, where respondents retold key experiences and events.

Coffey and Atkinson (1993) point out that narratives and stories are an obvious way for social actors to talk to strangers, in this case the researcher, and can be used as a way of passing on organisational culture. For example, the authors note that tales of professional incompetence are used to give warnings of ‘what not to do’ and what will happen if you commit mistakes (Coffey and Atkinson, 1996: 56).
The characteristics of narrative inquiry as a working concept is relevant to this thesis, which is based on the work of Clandinin and Connelly:

Narrative inquiry is a way of understanding experience. It is a collaboration between researcher and participants, over time, in a place or series of places, and in social interaction with milieus. An inquirer enters this matrix in the midst of living and telling, reliving and retelling, the stories of the experiences that make up people’s lives, both individual and social… Narrative inquiry is stories lived and told (2000: 20).

The ‘storied’ quality of the qualitative textual data in this thesis represents the researcher’s attempt to structure the individual and collective experiences of Consultco and Pilotco, and is analysed in terms of meaning and motives. It is the researcher’s attempt to explore ‘interpretive interactionism’ (Denzin, 1998), represented in this thesis as the relationship between the social processes of starting up a new entrepreneurial venture — in particular, the role of the entrepreneur and the management of people — and the personal lives of the respondents.

The analysis of narratives as oral data in this thesis is based on what is said. This thesis also recognises the narrative context, acknowledging narratives as social constructions that are shaped, formed and told according to connections and cultural understanding (Coffey and Atkinson, 1996). Bruner (1991: 7) similarly points out that narrative can not be realised, save through particular ‘embodiment’, that is, in the nature of its particulars, because narratives are about people acting in a particular setting, in concert with their beliefs, values, desires, and so on. This means that the best hope, according to Bruner, of hermeneutic analysis of the narrative construction of reality is:

…to provide an intuitively convincing account of the meaning of the text as a whole in the light of the constituent parts that make it up… for a story can only
be realised when its parts and whole can, as it were, be made to live together (Bruner, 1991: 7, 8).

In this way he argues, the events are constituted in light of the overall narrative.

**Narrative Inquiry**

The lived experience of starting up an entrepreneurial new venture is a central interest of this research. Several influences shape the narrative inquiry. For example, Lackoff and Johnson (1980) on metaphor, Polkinghorne (1988) on psychology, Czarniawska (1995; 1997; 1998) on narrating the organisation; Denzin (1997) on interpretive ethnography, Van Maanen (1988) on anthropology, particularly the writing of the tales from the field, to note a few. This thesis accepts Czarniawska’s approach, (1998), which uses narrative as a heuristic device for understanding organisations, in particular, organisational emergence in the form of an entrepreneurial start-up. By applying narrative, two stories are created in this thesis, linking themes of entrepreneurship and human resource management.

This thesis accepts Czarniawska’s (1997: 203) premise that the research text, which is the organisational narrative produced by the researcher, is a document ‘part fact, part fiction’. Riessman (1993: 21) similarly states that ‘the truth of what a teller says remains a thorny problem in narrative research’, because narrative allows for the inclusion of the actors reasons for their acts, as well as the causes of their happening (Sarbin, 1986). Furthermore, Riessman states that narratives are interpretive, and in turn require interpretation:

> Interpretation is inevitable because narratives are representations. Human agency and imagination determine what gets included and excluded in narrativisation (1993: 22).
Similarly, White posits that

…the narrative text summons up a ‘substance’, that it operates in the domain of memory rather than dream or fantasy, and unfolds under the sign of ‘the real’, rather than that of the ‘imaginary’ (1981: 9).

Notwithstanding such comments, narratives and narration are considered a solution to

the problem [of] how to translate knowing into telling, fashioning human experience into a form assimilable to structures of meaning that are generally human rather than culture-specific (White, 1981: 1).

Narrative, according to White (1981), is a ‘metacode’ about the nature of a shared reality. It is more than a chronological framework of the occurrence of events. White (1981), on narrative, argues that it possesses a structure and an order of meaning that is more than a sequence, where ‘plot’ means a structure of relationships by which the events are endowed with meaning by being identified as parts of an integrated whole.

This research is a qualitative research inquiry; it does not formally test hypotheses, nor does it use any statistical technique. It is an alternative to objectivist–positivist research, which, at the extreme, according to Clandinin and Connelley (2000), is a hypothesis testing inquiry, where the researcher lays out experimental plots, creates fields of inquiry, and is in charge. Narrative inquiry differs from formalistic inquiries, as it relies on an interpretive presentation of what was observed. In narrative inquiry, the researcher tends to be at the other end of the continuum, where they enter a landscape and join an ongoing professional life (Clandinin and Connelly, 2000). In order to join the narrative, the researcher needs to become part of the landscape long enough to grasp the events, stories, twists and turns of the narrative threads. In this way, Clandinin and Connelly believe the narrative
inquiry can be more than story recording and story telling. ‘Narrative inquiry in the field is a form of living, a way of life’ (2000: 78).

The researcher chose narrative inquiry to try to make sense of the ‘life as lived’ in the social setting of the two entrepreneurial start-ups. By using a narrative research methodology the researcher engaged in entrepreneurship as a process, instead of a fixed entity, where the narrative method is used to yield insights into things such as: the way in which entrepreneurs think and behave; how and why events play out over time as they do; and how HRM integrates with the strategic positioning of the firm as it alters. The researcher began the exploration of the phenomena of experience in the two case studies, Consultco and Pilotco, in a way similar to that advocated by Clandinin and Connelly (2000), and in line with an ethnographic or phenomenological approach.

The research commenced with experiences lived and told in stories, rather than with a comparative analysis of the various theoretical methodological frames. Therefore, in this thesis, narrative is both a body of theory and a methodology for interpreting interview material, and aims to be a ‘particularly valuable source of insight’ (Pentland, 1999: 712). The contribution of narrative inquiry, according to Clandinin and Connelly (2000: 40) is more often in the ‘creation of a new sense of meaning and significance’, with respect to the research topic. They claim that the narrative inquirer does not prescribe general applications, but rather creates a text that offers the reader a place to imagine their own uses and applications. A narrative may take a verbal, written, photographic or artistic form, amongst other types. In this thesis the narratives are limited to the written form, and are presented in Part 3.
Narrative Methodology

A narrative inquiry pays attention to the storied qualities of experience. The researcher achieves this by exploring the way individuals use narratives (stories) to understand the world around them and give meaning to their lives (Sarbin, 1986). Events are given meaning, based on the part they play within the whole of an individual’s life, or designated portion of that life, that is, their work life, social life, family life and so on. Telling stories provides a way to explore how the social actors frame and make sense of particular sets of experiences. Of particular interest to this thesis are the understandings that arise from the stories told, that is, the ‘how’ and ‘why’ about the way events have played out over time for the two entrepreneurial start-up companies under investigation. Narrative involves respondents as narrators, who tell their experience in their own voice.

Story as Meaning

The object of investigation is the story itself (Riessman, 1993). By telling stories, respondents remember their past, invent the present and revision their future. In telling stories, meaning is constructed: ‘We make our experience, not simply have it’ (Eisner, 1998: 60). Sharing stories enables the respondents to share their beliefs about the way their world works; it is the referential core of a system, its memory (Norum, 2000); it is where the qualitative feature of the organisational system lives. Wheatley (1992) discusses ‘meaning’ as a shaper of behaviour in organisational life. She comments that individuals who create meaning survive, and even flourish, in chaotic organisations. It is the meaning, or purpose, which serves as a point of reference. This research accepts the premise that organisations, regardless of size or age, are social constructions, where the individuals construct the organisation through the
tales they tell about it. Stories guide systems’ practices and policies (Norum, 2000). Accordingly, the entrepreneurial start-ups in this research are a product of how respondents talk about them. Using the stories as indicators of a particular vision of reality, narrative methodology is positioned to identify themes, trends and insights into the world of the respondents.

Narrative methodology seeks to uncover peoples’ stories. It occurs during and after the interview. The narrative interview allows the researcher to participate fully in the interview, helping to construct meaning together with the respondent, through the process of engagement. The method allows the researcher to engage in a conversation that gives the respondent the opportunity to follow the line of most interest to them (Mishler, 1986; Riessman, 1993; Sarbin 1986).

Narrative methodology uses the narrative interview, which is a non-traditional interview, where the interviewer consciously puts self into the conversation, and does not try to stand back. The interview then becomes the projected world of the interviewee and interviewer, which leads to a joint construction of meaning, through the process of engagement. The emergent text is a thicker, more expansive text. The process calls forth interpretation of answers, as well as asking questions from different angles. Analysis takes place within the interview process, to determine meaning of the questions and answers.

While simultaneously offering ‘facts’ through explanation, the narrative interview encourages interpretation and understanding. Because of the engaging nature of the discourse, respondents are collaborators and full participants in the development of the research, the analysis and interpretation of the data. In this way the focus of narrative is on what is said.
But what understandings arise from the stories told? According to Bruner (1990), what occupies the storyteller and audience is ‘not how to know truth, but rather how experience is endowed with meaning’.

‘Reality’, in a postmodern style of thinking, is multifaceted and complex. Authors such as Denzin suggest that the qualitative researcher

…can only produce a text that reproduces these multiple versions of the real, showing how each version impinges on and shapes the phenomenon being studied (1997: 13).

The ‘truth’ of the text of the stories presented in Part 3 is grounded in the lived experience of the respondents, and the meanings constructed through, and out of, those experiences, jointly by the researcher and researched.

Riessman (1993: 64) acknowledges the difficulty in evaluating a narrative analysis, because the concepts of verification and procedures of validity common to experimental models of research are largely irrelevant to narrative studies. She notes that narrativisation assumes multiple points of view. Individuals construct very different narratives about the same event, and they do not remain constant over time. Each telling represents another possible version.

[T]he traditional notions of reliability simply do not apply to narrative studies, and validity must be reconceptualised (Riessman 1993: 65).

Instead, she offers another criteria — trustworthiness — as being more relevant to the narrative process in the social world of research. Trustworthiness, she claims, involves at least four ways of approaching validation in narrative work: persuasiveness, correspondence, coherence and pragmatic use. But she also notes that there is no canonical approach in interpretive work, and different validation procedures may be better suited to some research problems than others.
Riessman’s (1993) first way of approaching validation, persuasiveness, as the criterion of credibility and plausibility, answers the question: ‘Is the interpretation reasonable and convincing?’

The second way, ‘correspondence’ refers to reconstructions of the results as recognisable and as adequate representations. There is debate around this second point: should interpretations be affirmed by member checks? As Emden (1998) and Riessman (1993) both note, this is questionable, as consciousness shifts and interviewer and interviewee look for different meanings. As Riessman (1993) notes, in the final analysis, the work is the researchers’, and they need to take responsibility for its truth, which is why, in this thesis, interviewees did not review their transcripts, since the researcher was looking for meaning across the organisation.

Riessman’s (1993) third way of approaching validation, ‘coherence’ is necessary in order to show that interpretation is not merely *ad hoc*, and must be as ‘thick’ as possible.

The final, and fourth validation criteria, is ‘pragmatic use’. This is future oriented, and provides information that will allow others to determine the trustworthiness of the work, for example: describing how interpretations were produced; making visible what we did; specifying how we accomplished successive transformations; and making primary data available to other researchers. In this inquiry, the primary data are the transcripts, and because they run to over 400 pages, they have not been included in the bound copy of this thesis.

Gillette (1988: 309) comments that a critical element is that narratives flow from the events themselves rather than from a theoretical model. He sees the narrative is richly descriptive, and presents its conclusions only after building the contextual fabric for the reader. Its validity, according to Gillette (1988),
lies in the narrative’s ability to incorporate both previously known and newly discovered data; whether it takes into account all the relevant information; and whether it evokes an instinctively believable image.

**Language and Meaning**

By looking at how the narrative is told, that is, the language used, rather than just what is said in the data, the researcher can account for particular meanings and experience. As Coffey and Atkinson point out,

> [I]t is important to recognise that when informants provide responses by recounting past events or by describing general states of affairs, they may be performing particular kinds of speech acts. They may be giving accounts that justify, legitimate, excuse and so on (1996: 84),

using motives to account for their social actions. Bruner (1991: 3) similarly points to language and other symbolic systems as mediating thoughts, and suggests they place ‘their stamp on our representations of reality’. Narratives, he argues, are our version of reality, and their acceptability is governed by convention, rather than empirical verification. They are not true or false; rather, they are forms of representation of the world, constituting reality.

Language is one of the tools used to communicate people’s stories (Polkinghorne, 1988). The language used influences how the individual sees the world, and vice versa, and metaphor is a key element of the narrative mental process (Lakoff and Johnson, 1980), because the metaphors used signal the underlying thought processes of the individual. An understanding of the relationship of metaphor to language is central to narrative theory.
Metaphor

Metaphorical imagery can provide a useful way of thinking about and interpreting textual data (Coffey and Atkinson, 1996: 85).

In its simplest form, the metaphor illustrates a likeness, or dissimilarity, as the case may be, of two terms, and in its broader context, the way metaphors are used and understood reveals shared understandings and situated realities of the social group, revealing common knowledge (Coffey and Atkinson, 1996: 86). Even the location of narrative as story telling is using story as a metaphor, to ‘create order, construct texts in particular contexts’ (Riessman, 1993).

When metaphors are used by the social actors in the course of the narrative interview, they are grounded in the social context and may reveal ‘specific values, collective identities, shared knowledge, and common vocabularies’ (Coffey and Atkinson, 1996: 86), and can be used by the researcher as a symbol in drawing on shared meanings and further understandings. In terms of narrative analysis, Clandinin and Connelly (2000: 163) note that narrative inquirers use metaphors to help them think about their work. Miles and Huberman (1994), however, warn of the dangers of using metaphors to make sense of data too early in research, thereby constraining understanding; and also of overusing them. Notwithstanding, the associated risks of holding on too firmly to metaphor (Lakoff and Johnson, 1980), the researcher here uses metaphor in the analysis, because they are helpful in the creation of the narrative form, and ‘approximates the way the social actors actually organise and gain meaning from their cultural knowledge’ (Coffey and Atkinson, 1996: 92). Alternatively, the narratives in Part 3 use the terms a mosaic, or collage for example, to illustrate the interwoven nature of the individual narratives into a whole.
Inns and Jones (1996) suggest that metaphors are important because they signal and make explicit that there is no absolute world out there, but we are actively constructing meanings from our own frame of reference and experience.

Metaphors link thought and action and can provoke insights that allow us to act in ways that we may not have thought possible before (Morgan, 1986: 343).

Metaphor can be used to develop theory and guide analysis; it can also be used to communicate insights, to describe the experience, and to gain a greater understanding of behaviour.

**Narrative Analysis**

This thesis subscribes to the belief that a narrative inquiry is multi-layered and many stranded, where ‘the nested quality of stories told, lived, co-composed’ are eventually narrated in a research text (Clandinin and Connelly, 2000: xvii). The research also draws on Polkinghorne’s (1988: 161–2) work on narrative inquiry, which states that narrative can be both descriptive and explanatory. By using data in a descriptive manner, the researcher produces an interpretive narrative account to make sequences of events in the lives of the individuals, groups or organisations meaningful. When data is used in an explanatory manner, the researcher is interested in conveying an account of the connection between events in a causal sense. Polkinghorne (1988: 13) suggests that narrative links action and events ‘into interrelated aspects of an understandable composite’. A narrative gives the listener or reader a sense of the significant relationship linking people, or events in a story. In this way, a story describes sequences of actions and experiences, but more importantly, it reveals the hidden aspects of a situations (Ricouer, 1985; Chatman, 1980).
However, with respect to narrative analysis, according to Riessman (1993: 5), ‘there is no one method’ — instead it has to do with ‘how protagonists interpret things’ (Bruner 1990: 51), and how we go about systematically interpreting their interpretations.

Riessman (1993) offers five levels of representation in the narrative research process: (1) attending; (2) telling; (3) transcribing; (4) analysing; and (5) reading. In this methodology the researcher has no direct access to another person’s experience; instead, researchers deal with the ambiguous representation of the talk, the text, the interaction, and the interpretations (Riessman, 1993). Attending to experience involves a stream of consciousness: reflecting, remembering, and recollecting into observation. Telling about the experience is the performance of a personal narrative, representing the events in conversation. At this second level, meaning shifts, because it is constructed and may take different forms if someone else is the listener. Inevitably, it is self-representation.

Transcribing the experience involves the social science researcher first taping the conversation, and then transcribing the tape. However, the entire conversation can not be captured in its entirety, because transcription is incomplete, partial and selective. There is no one, true, representation of spoken language (Mishler, 1991).

Analysing the experience involves the researcher analysing the transcripts to identify a metastory, telling what the narratives signify. This involves editing, re-shaping and re-pasting it into something different.

The final level of representation is reading the written report. However, this final version is a written text created against a particular tradition, for example, the writing of a PhD is written with a particular audience in mind. Riessman (1993) raises the question of whether or not there can be true
representation of anything, and cautions the narrative researcher about the claims they make. Clandinin and Connelly (2000: 132) similarly note that moving from ‘field text to research text’ involves different levels of representation, although they do not use this term. In their view, the field text needs to be as close to the experience as possible, and tends to be descriptive and shaped around events; whereas the research texts are at a distance, and grow out of repeated asking of questions concerning meaning and significance. The research text looks for patterns, narrative threads, tensions and themes, either within or across an individual’s experience in the social setting.

Coffey and Atkinson (1996: 58) present another approach to the organisation of narrative, basing their approach on the following questions: ‘What was this about?’, then ‘Who?’ ‘What?’ ‘When?’ and ‘Where?’ and finally, ‘Then what happened?’ To add further meaning, they add the question ‘So what?’, with a concluding question, ‘What finally happened?’ In this way, the narrative is structured around abstract, orientation, complication, evaluations and a result. Coffey and Atkinson (1996) add a final narrative as a coda, to finish off this approach.

**The Act of Writing**

Denzin (1997) writes about a crisis facing the qualitative researcher: the crisis of representation, as it confronts qualitative researchers. He asked the question, ‘Can the researcher presume to capture lived experience?’ A corollary question for the present inquiry is, ‘Can the “real” world of these two entrepreneurial start-up companies be captured by the researcher?’

The researcher’s role as the ‘knowing’ author who, through careful transcription and analysis of interview material and organisational documents,
can mirror the world of the lived experience of an entrepreneurial start-up company, is brought into question. Denzin’s observation leads the researcher to realise that the flesh-and-blood persons in the research study present a subjective lived experience. This raises other questions: ‘Which lived experience is more authentic and real?’ and ‘Which version is more accurate?’ Although the researcher may want to know the answer, it may not be needed in order to represent the lived experience.

The researcher’s task is to work with the textually constructed reality, which is, in fact, the textual representation. However, the words and the literal translation of interviews cannot be assumed to reflect accurately the lived experience and its representation. The current research inquiry acknowledges that ‘the meanings of a subjects statements are always in motion’ (Denzin, 1997: 5). As Bruner (1986) argues, there are ‘gaps between reality, experience and the expression of that experience’ (Bruner, 1986: 7). Instead, what the researcher deals with, is ‘structured units of experience’, the stories, the ‘socially constructed units of meaning’ (Bruner, 1986: 7). The social text, represented here as the recontextualised research text, is just one, the researcher’s own, textual representation of the lived experience of Consultco and Pilotco.

Part 3 presents the cases, in an attempt to be both perceptive and articulate about what was encountered. It represents the social text — also known as the research text — where the voices of the other and the voice of the researcher come alive and interact to produce a lived experience. This thesis presents the researcher’s own, textual representation of that lived experience. However, the researcher is also telling a story, recounting conversations and describing the experiences of those involved in the two entrepreneurial start-up companies under investigation. The text, as it appears Part 3, reflects what
was said, what was heard, what was felt and what was understood. It treats the experience as a whole, as a unique experience.

Paradoxically, one aim of this inquiry is to use language to reveal what words can never say. Eisner (1998: 3–4) comments that ‘this means that the voice must be heard in the text, alliteration allowed, and cadences encouraged’. More importantly, his reason for emphasising voice is to serve epistemological interest. He notes that ‘what we look for, as well as what we see and say, is influenced by the tools we know how to use and believe to be appropriate.’ He encourages the exploitation of language, the employment of relevant allusions, for example metaphors, as noted above, to do justice to what was seen. Language helps the reader to know; it conveys feeling.

The narrative construction, as two case studies presented in Part Three, is the researcher’s attempt at constructing a narrative that most accurately represents the interviewees as well as the researcher’s own perceptions, understanding and selective rendering of experiences during the start-up phase of a new entrepreneurial venture. To achieve the most accurate narrative, the researcher uses extensive quotations to stay as close as possible to what the interviewees said in representing their experience. Even so, the case studies are still the researcher’s own narrative construction of the respondents narrative construction. Nevertheless, it is the most representative account possible of the jointly constructed narrative account from the data given — it is the researcher telling a story of the complexities of the actual situations in Consultco and Pilotco. Furthermore, it also represents a text that introduces new interpretations that reinterprets that which was told. In this way new meaning is generated. The reader will also be composing meaning as they read the stories of Consultco and Pilotco.

Working with Chatman’s (1980) three text types: argument, description, and narrative, the organisational narratives presented in Part 3 are composed in a
similar fashion to what Clandinin and Connelly (2000: 155) refer to with their metaphor — ‘a soup’. First, a rich description of people, places and things, is offered. Then there is a carefully constructed discussion that argues for certain understandings in relations to the people and events. Finally, the richly textured narratives of people in place, time, scene and plot are presented.

**In Closing**

The collection of narratives and stories is an approach to ‘doing research with first person accounts of experience’ (Riessmann, 1993: 17). Narrative as a methodology allows the respondent to tell a personal story and find a voice. Narrative inquiry also allows the researcher to interact with the research system over time, such that the researcher works on a ‘live’ project in ‘real’ time. According to Denzin (1997: 33), to study lived experience means ‘we need to understand the reinscribed in the transcribed voice and dialogue of the other’. It also involves doing research with first-person accounts of experience, where the subjects are narrators who tell their story and, together with the researcher, make sense of the personal, lived experience. Stories can be useful outcomes of qualitative research, open for sense-making by the reader and the user of the study.

Narrative is used in this thesis to identify and analyse the interviews, and provides the ‘interpretive tool’ to recontexualise the two case studies into a narrative account of the experiences in Consultco and Pilotco. The respective stories, which appear in Part 3, describe a sequence of events that has significance to the researcher.
CHAPTER 6: RESEARCH METHODOLOGY

The main objective of this chapter is to outline the steps followed in carrying out the research. The researcher chose a longitudinal, qualitative, comparative, case-based methodology to explore the process of organisational emergence, and gave specific attention to those human resource management activities that such enterprises action. In this way, the problems associated with a lack of empirical information on HRM in new small entrepreneurial start-up ventures, and any retrospective biases, are addressed. Brief justification is offered at times to extend the reasoning behind the choices made by the researcher.

Research Design

The researcher asked four questions with regards the structure of the research. First: how will the design connect to the paradigm being used? That is, how will the empirical materials be informed by, and interact with, the paradigm in question? Second: who or what will be studied? Third: what strategies of inquiry will be used? And finally, what methods or research tools will be used to collect and analyse empirical material?

In response, the theoretical foundation for this research is a qualitative interpretive framework, that is, the paradigm that underpins this research inquiry is a social constructionist paradigm, which uses case study and narrative as the means of generating data, which is then represented as a social text in Part 3. The researcher’s intention was to capture accurately the social world of the two entrepreneurial start-ups, in an attempt to identify the factors that influence and shape the character of human resource management and the entrepreneurs’ role in that.
To facilitate ‘knowing’ the social world of the two organisations, an epistemological stance of immersion was considered appropriate. Therefore, a longitudinal study was undertaken to study the social world of the entrepreneurial start-up from the perspective of the interacting individual. The research method in this thesis is built primarily around two strategies of inquiry: case study and narrative. Grounded theory, in its broad application, is also used as a way of thinking about and conceptualising data.

**Research Methodology**

The methodological emphasis in this research is to bring forward into a narrative coherence the subjective experience of the individuals participating in the process of starting up Consultco and Pilotco, the two small entrepreneurial start-ups under investigation. The use of case studies in this inquiry are as discrete units of analysis, empirically real and bounded systems, from where the researcher can observe and explain using documents, artefacts, interviews, field notes, informal conversations and observation. The intention is to employ a methodology that will enable the researcher to know HRM and its relationship to the process of organisational emergence in an entrepreneurial start-up. The understanding is to be derived from a variety of data, predominantly narrative interviews.

**Data Gathering Method**

In order to develop a preliminary understanding of the field of entrepreneurship, the researcher conducted a series of preliminary interviews with four individuals, all experienced in the field of entrepreneurship. Together, these four had extensive knowledge, theoretical and practical experience and recognised expertise in entrepreneurship, entrepreneurial
organisations and entrepreneurial start-ups, and in human resource management. As a result of these interviews, the researcher was able to refine, reframe and make clearer the research intentions.

This was followed by a search for suitable organisations to study because, at the heart of this research is the ‘lived in’ version of HRM within the stand-alone start-up on the verge of organisational emergence. Finding the organisations that met the criteria required generating a ‘judgment sample’, that is, to facilitate this, the researcher approached an Australian entrepreneur network, gained access to a membership list, then randomly selected twenty. The researcher then sent these twenty people a brief questionnaire based on the very broad areas of interest to the researcher. A letter of endorsement from the Director of the Australian Centre for Entrepreneurship supporting this inquiry was included with the short questionnaire.

The questionnaire was similarly distributed through another professional development network.

The researcher chose to track two new entrepreneurial start-up ventures in this study. Each start-up was privately held, and in the process of organisational emergence. Both fitted the criteria of a small enterprise, with fewer than twenty employees, and were run by the lead entrepreneur as managing director. The researcher visited these companies over a ten-month period, and interviewed all organisational members. The full list of persons interviewed and their position or relationship within Consultco and Pilotco are listed in a Dramatis Personae (Appendix). The names of the persons and companies have been fictionalised to preserve confidentiality.

The research in this thesis took place at a particular time and geographic location, with people who are no longer together. As such, this particular data
gathering cannot be repeated. The data exists on tapes, which have been transcribed and form the basis of the organisational narratives in Part 3.

**Interviews**

From the outset, the researcher made clear to those participating that the intention was to use their personal, as well as organisational experiences, for the PhD thesis. A series of interviews was undertaken to examine the inner working of each organisation. The entrepreneurs, all the employees and several associates involved with Consultco and Pilotco were interviewed.

The initial interview explained the purpose of the research, formally gained informed consent, and then proceeded with the narrative interview. Confidentiality was assured, and consequently, pseudonyms are used throughout in this thesis to protect interviewee anonymity. Interviewees were encouraged to speak freely, knowing that no part of the interview would be revealed to others in the organisation. After the first interview with the lead entrepreneur of Pilotco, the researcher was asked to sign a commercial-in-confidence document regarding documents and information disclosed during interviews at Pilotco, which was agreed. The lead entrepreneur of Consultco wanted a similar agreement, but did not present such a document for the researcher to sign. However, the researcher gave verbal assurance to the commercial-in-confidence nature of the inquiry.

Emden (1998) acknowledges the revisionist nature of narratives, where research participants often change their stories from one telling to the next. This invalidates the notion that a valid work is a conventionally reliable one. The researcher supports Emden’s (1998) claims that the researcher and the interviewee have different stories to tell and different agendas to promote. As such, the researcher decided not to go back to the participants with the core
stories and ask them if the stories rang true, and did not ask if they wished to correct, develop or delete any part of the story. Instead, the researcher relied on the joint construction of meaning at the time of the interview to capture and understand, as accurately as possible, the interviewee’s lived experience. The researcher acknowledges Denzin’s (1997: 5) claim that ‘the meanings of a subjects’ statements are always in motion’, and that stories are ‘socially constructed units of meaning’ (Bruner, 1986: 7), specific in time and place.

The researcher began the narrative interview with broad questions, asking interviewees to talk about the company and their background. For example: ‘Can you tell me a story about the company?’ This approach attempted to identify key players/actors. Similarly, by asking, ‘What is the story of HRM?’ and ‘What can you tell me about the entrepreneur?’ the researcher was trying to move the dialogue into the broad areas of interest to explore the character of HRM in an entrepreneurial start-up, and the role of the entrepreneur in shaping that experience. This approach aimed to explore those factors that influence and shape HRM and how they changed over time, in particular, to see how the entrepreneurial personality is embedded in the entrepreneurial start-up. The researcher was trying know how the entrepreneurial personality, outlook and experiences make a significant impact on the firm, and on HRM in particular.

As a narrative analyst, the researcher deals with meanings that individuals create from their experience. According to Emden (1998), it is the perceived coherence of the sequence (the temporal order) of events, rather than the truth or falsity of the story elements, which determine the power of the narrative as a story.

During the data-gathering stage of the research the researcher intended to stay close to the entrepreneur, in order to explore the entrepreneurship process as it unfolded for the two small entrepreneurial start-ups. The interviews mainly
centred on the lead entrepreneur, and took place at least bimonthly, interspersed with informal telephone and email communications. The additional communications took place when things were moving quickly in the development of the business, or when a crisis emerged and the business was adapting its strategy.

The interviews proved particularly useful in giving the lead entrepreneurs the opportunity to express their feelings and perceptions, and allowed them to describe their experiences as the process of entrepreneurship took shape. The researcher actively encouraged them to tell their stories, which led them to express their feelings. The researcher witnessed the excitement, enthusiasm and passion associated with the creation of their new innovative business ideas. Alongside this, the researcher witnessed stress and uncertainty in shaping the business start-up. At the conclusion of the data-gathering/interviewing phase there was anger, distress and confusion.

The narrative methodology gave interviewees the opportunity to highlight their feelings, as well as relate aspects of the entrepreneurial process. The researcher and the lead entrepreneurs entered into an extended dialogue, developing rapport and a trusting relationship. By using a narrative approach, the researcher is an integral part of the interview, helping create meaning along the way.

The researcher interviewed the founding and lead entrepreneur and all staff at Consultco over a ten-month period, and interviewed two staff twice. An HR consultant who was advising Consultco’s entrepreneur was also interviewed. Similarly, all staff at Pilotco were interviewed. The researcher made every effort to interview the founding entrepreneur of Pilotco at the outset of this inquiry. However, a suitable interview time was hard to find, with many appointments rescheduled. Finally, the founding entrepreneur was interviewed, but only once, and this was at the end of the ten-month research
inquiry. Three other persons associated with Pilotco were interviewed: an HR adviser; a mentor to Pilotco’s lead entrepreneur; and the General Manager of The Hatchery, who was also a member of the Pilotco advisory board.

**Narrative Analysis**

This research uses Emden’s (1998) analysis strategy, that is, core story creation and emplotment. Core story creation, according to Emden, is a means of reducing the stories to shorter stories to aid the narrative analysis process. The procedure is likened to ‘combing’ the data, whereby data were concentrated (or crystallised) in such a way that no key meanings were lost. Emden’s (1998) procedure for creating a core story involves the following steps: reading the full interview text several times within an extended timeframe to grasp the content; deleting all interviewer questions and comments from the full interview; deleting all words that detract from the key idea of each sentence or group of sentences uttered by the respondent; reading the remaining text for sense; repeating the last two steps until satisfied that all key ideas were retained and extraneous content eliminated, returning to the full text as often as necessary for rechecking; identifying fragments of constituent themes (subplots) from ideas within the text; and finally, moving fragments of themes together to create one coherent core story, or series of stories.

Similar to Emden’s (1998) finding, the researcher found, when working with the interview transcripts and using the participants’ own words almost exclusively, that the core stories for Consultco and Pilotco were approximately a quarter of the size of the full-length stories. By reading, deleting, re-reading, and extracting themes, the researcher created a core story for each interviewee.
In order to create the organisational narrative that appears in Part 3, the researcher had to move back and forth between the individual participants’ core stories, to ensure that a preconceived theme structure was not imposed on events. The construction of the plots or themes identified ‘the significance and the role of the individual events’, and the grouping together of these as one story (Emden, 1998: 35). This thesis uses the term ‘theme’ in a way similar to Emden’s (1998) use of ‘plot’ in her narrative analysis. Emden uses three terms: narrative, story and plot. Narrative refers to ‘a kind of organisational scheme expressed in story form’ (Emden, 1988: 13) or a ‘meaning structure that organises events and human actions into a whole’ (Emden, 1998: 18). According to Emden, the narrative embraces the collective ‘stored wisdom’ of people’s individual stories.

‘Story’ refers to a single narration or account that provides meaning to the past events and actions in a person’s life. Features of stories include their concern with events within a context of time, while ‘plot’ is sometimes used interchangeably with ‘theme’ or ‘main point’. The story usually has a theme or main point. In this way, the story is constructed to convey meaning. The theme captures the importance of a story, and could be considered to be the heart of the story.

The organisational narrative that appears in Part 3 is the researcher’s interpretation of the social world of the lived experience in Consultco and Pilotco during the period of inquiry. The researcher created organisational narratives that are ‘clearly polyphonic where authorship of the different pieces is distinctly attributed’ (Czarniawska, 1998: 67). This creates the illusion of one voice telling one story, and in this way, the researcher is recontextualising the narrative to acquire a new meaning.

Emden (1998) notes that interpretation occurs in three stages: explication, explanation and exploration. ‘Explication’ is the reproductive translation in
which the interpreter \textit{stands under} the text, aiming to understand it. ‘Explanation’ is an employment of an inferential detection to analyse it, in which the reader \textit{stands over} the text. Finally, ‘exploration’ is where the reader \textit{stands in} for the author, thus constructing a new text, although with the original one as a starting point.

In this inquiry, the researcher interviews individuals who participate in the organisational life of Consultco and Pilotco. The narrative interviews provide insight into organisational practices that shape the emergence of these organisations, and the researcher is aware that direct access to reality is not possible. What ultimately occurs in this thesis is an account of practices that interested the researcher, which are then compared to the body of theory in the fields of HRM and entrepreneurship to determine gaps in knowledge. For example, the researcher sought to know how the entrepreneur takes into account the human resources considerations when they make strategic decisions in starting up a company. However, neither interviews nor observations tell the researcher how decisions are really made. What the researcher is able to add is their own account, as someone who is not socialised into the same system of meaning, but is familiar enough to bring new insights, and add new meaning to the fields of HRM and entrepreneurship.

By using grounded theory in its broadest sense as a general methodology, the researcher can illustrate an emerging research methodology that combines story with the development of theory. For example, in this inquiry, the researcher did not start out with a fixed idea as to the characteristics that necessarily define an entrepreneur and the way they behave. Rather, the respondents were allowed to speak freely and the researcher listened, with the two coming to a mutual understanding. It was only later, using the interview
data, that the researcher drew some conclusions about the nature of entrepreneurship as evidenced in these two case studies.

A general procedure involves questioning what the influence of the entrepreneur on the phenomena under study is, with regards to human resource management, and then to trace this influence as precisely as possible. It required detailed answers to the questions of what, how, where, when and by whom. In this way, the theory is grounded in the interplay with data, and developed through the course of the actual research. This approach contributed to the researcher’s understanding of meaning, because it supported the researcher in the quest for interpretation. The interpretive inquirer who watches, listens, asks, records and examines, is directly involved in creating knowledge that is specific in time and place, as Hones’ (1998: 227) ‘grounded theory’ explains.

In Closing

Part 2 presents the theoretical foundation to this thesis. The theoretical paradigm used to guide this research is a qualitative interpretive framework. This research does not formally test hypotheses, nor does it use any statistical technique. It is an alternative to objectivist positivist research. It is a field study conducted over a year, using a multi-method research approach to examine the process of creating organisation, with a view to gather ‘fresh data’.

The research adopts a postmodern theoretical orientation that accords a primacy to a reality that is processual. It uses case study as the mechanism to transfer knowledge from one setting to another. The researcher believes that narrative is better placed, compared to other approaches, to capture the emergent configuration of relations in the two small entrepreneurial start-ups.
It provides the means for the researcher to know the world of these two organising social systems, and study the role of human resource management to see if it is used in a new way. It also places the researcher directly into the research, enabling joint construction of meaning.

The narrative inquiry that forms the basis for the interpretive case study approach contrasts with other methodologies that may view entrepreneurship and HRM as fixed entities. This thesis claims that useful outcomes are gained using this approach, such as knowledge about the lived experience of the social system of the entrepreneurial start-up, providing insight into the human resource management decisions taken to better understand the interplay between people, and capturing the process of entrepreneurship within the small entrepreneurial start-up, amongst others. Narratives — organisational and individual — are useful, and add a rich new dimension to research in the fields of entrepreneurship and HRM, particularly when used to describe the emerging organisation.

Using the literal transcription of the narrative interviews, the researcher analysed the core stories for themes to construct a textual representation of two small entrepreneurial start-ups. The researcher not only recounts the experiences of those involved in the two entrepreneurial start-up companies under investigation in the form of a constructed interpretive story, but also aims to add new meaning to our understanding of HRM.

The organisational narratives in Part 3 are the interactional experience of the researcher and the researched, lodged in a moment in time and space. They organise the structure of the experience in Consultco and Pilotco, and the reader is now asked to understand, interpret and co-create meaning accordingly.
PART 3: PRESENTATION OF THE NARRATIVES

As stated in Part 2, the current research accepts Eisner’s (1998) ‘methodological pluralism’ upon which to build the research text. It also accepts his view that human knowledge is a constructed form of experience. It is made, not simply discovered. By underpinning the qualitative research study with narrative theory, the researcher’s inquiry took place within the emerging organisation in its natural state (Lincoln and Guba, 1985), in its setting, with the aim to tell ‘a story that has a ring of truth without compromising figurative or interpretive language’ (Eisner, 1998: 3).

Van Maanen comments that

…ethnographic writers make use of discernible rhetorical and narrative conventions when putting into words the presumed results of their field work (1988: 7).

The following chapters should be read as ‘tales from the field’ (Van Maanen, 1988); they are organisational stories as well as individual stories. For Van Maanen, the ‘tales’ are the inherent story-like character of the fieldwork accounts, and he uses three narrative conventions: the realist tale, the confessional tale, and the impressionist tale to define ethnographic tales. Van Maanen describes the realist tale as providing

…a rather direct, matter of fact portrait of a studied culture, unclouded by much concern for how the field worker produced such a portrait (1988: 7).

He sees the confessional tale as providing a sharp contrast to the realist tale because it focuses more on the fieldworker than on the culture studied. Finally, the impressionist tales
…are personalised accounts of fleeting moments of field work cast in dramatic form; they therefore carry elements of both realist and confessional writing (Van Maanen 1988: 7).

The texts in Part 3 draw on the impressionist convention to frame the organisational case studies. They are figurative, and convey a highly personalised perspective. It is the author’s attempt to bring together the knower and the known in representational form. Drawing on Ricoeur’s (1973) term ‘textualization’, Van Maanen (1988: 95) argues that only in ‘textualised’ form do data yield to analysis. The process of analysis that occurs in this thesis supports the proposition that

…the process of analysis is not dependent on the events themselves, but on a second order, textualised, field worker — dependent version of the events (Van Maanen, 1988: 95).

Furthermore, Steyaert and Bouwen state that the impressionist version

…draws on the storytelling qualities of the researching writer in search of a good tale or a gripping yarn… we are dealing here with more than a change in our writing style, the insertion of a quotation, a comparison or an allusion to art (1997: 58).

They call for new forms of authorship that are polyphonic, multi-genre constructions, not as alternative forms, but that allow different forms, voices and genres to co-exist within the one text. Accordingly, the case studies are presented here as a body of work, and are representative of the world in the two companies during the course of the investigation.

The process of writing the present research text was, for the researcher, an ‘exploring and revealing, and… inventing, in the sense of giving meaning to one’s experience’ (Steyaert and Bouwen, 1997: 59). This supports the social constructionist approach, which underpins the present research inquiry. The research accepts the premise that organisations, regardless of size or age, are
social constructions, where individuals construct the organisation through the tales they tell about them. By using a sense-making approach, by moving away from outcomes towards process, and by framing the study in terms of narrative theory, this research emphasises the generation of meaning. By interweaving narrative with case study, the stories are more accessible and the research captures an unfolding story of the founding of a business. The researcher also acknowledges that other stories could be told by other researchers using the same material.

The text presented here is interpretive and ‘dialogical’. It represents the site where the voices of the other, alongside the voice of the author, come alive and interact with one another. The text is not wholly objective. It may be easily reproduced, but the contexts are not (Denzin, 1997). The truth that operates in the social world of the two entrepreneurial start-ups is anchored in the stories people have told about things that have mattered to them. As Denzin (1997) suggests, truth is socially constructed, and people build stories around the meaning of facts.

In a desire to engage in the joint construction of meaning, and produce a research text, the researcher creates a reflexive text that is itself a constructed interpretive story, connecting meaning to observable actions in the participants’ world. The researcher recognises that this process might create a ‘secondhand’ world of meaning, and might have no direct access to reality other than through the voice of the other and the researcher.

The truth that is presented here is an interactional experience lodged in a moment in time and space. Reality is lodged in these interpretive, narrative texts. It is this which ideologically mediates the real (Denzin, 1997). The reader is also asked to understand, interpret and co-create meaning. It is acknowledged, with caution, that each interaction with the data can produce a
new interpretation. Can it be presumed that a second reading of the text will produce the same meaning? Perhaps not.

Bruner (1986: 7) argues there are ‘gaps between reality, experience and the expression of that experience’. In this inquiry, the researcher deals with ‘structured units of experience’ — the stories — the ‘socially constructed units of meaning’, as noted by Bruner (1986: 7). To study lived experience requires an understanding of the re-inscribed in the transcribed voice and dialogue of the other (Denzin 1997: 33). The reader is invited to experience the ‘reality’ of the situation, and thus participate in the construction of knowledge. In this way, a social text is created, where the voices of the other and the voice of the researcher come alive and interact to produce a lived experience.

The research text in this part of the thesis reproduces a resemblance to the reality as experienced by the researcher and interviewees. The reader can come to know as if they have experienced the reality of the situation. The text’s truth is grounded in the ‘real’ world of the subjects and the joint construction of meaning. It is assumed that the truth in this text is established by its resemblance to reality, even though the text may present a struggle over the real and its meaning. Denzin supports this view, by suggesting that the qualitative researcher

…can only produce a text that reproduces these multiple versions of the real, showing how each version impinges on and shapes the phenomenon being studied (Denzin, 1997: 13).

According to Steyaert and Bouwen (1997), data generation, interpretation, representation and reporting can be regarded as a form of story telling. The way the researcher writes, and the forms used, guide the understanding and interpretation of the data. Data analysis and results presentation are closely interwoven activities in this thesis. The narratives of the two organisations are
presented here as case studies in narrative form. The chapter titles in this part of the thesis convey their underlying themes. Each case study is given a pseudonym to protect confidentiality. Participants are also given a pseudonym to protect their confidentiality, and their individual stories are given a title that conveys their experience (Consultco) or their role (Pilotco) in the organisation.

Each case study begins with a short folktale. Fulop and Linstead (1999: 24) state that

…storylines, particularly those that draw on legends and fairytales, function as powerful frames of reference by which individuals come to rationalise or legitimise what goes on in their organisations, including their success or failures (1999: 24).

The folktales chosen came up by inference during the interviews, and provide the backdrop to the researcher’s version of the organisational stories. Adams states that

…audiences of stories have always appreciated perfectly well the difference between realism and imaginative fiction… to take account of the unconscious mind and the world of symbolism (1981: 8).

He asks why folktales are not taken seriously by adults to enlarge awareness and sensitivity to a point. Accordingly, the researcher presents the tales as a prelude to each case study. The exact tales are not transcribed in this thesis. Instead, the researcher has constructed précis, to communicate the spirit of the story, and to convey, to better advantage, the points that apply to the particular cases. The tale is offered in the spirit of folktale — not from the spirit of literature. It is used to help paint a picture for the reader. Although some brief textual examination of the folktale is offered, it is not the aim of this research inquiry to go into detail as to the meaning and use of these tales.
Adams (1981: 11) quotes CS Lewis as saying that tales provide ‘an image of what truth may well be like at some more central region’.

The Consultco case begins with Hans Christian Anderson’s tale ‘The Emperor’s New Suit’ (Owens, 1981). According to Owens (1981: xi), Anderson’s tales were moralistic, yet retained a mischievous sense that people’s ethical standards were not always of the highest standard, which could be treated with humour as well as moral exhortation. The theme of illusion and wanting to believe strongly in the existence of this illusion is evident in the Consultco case study, which leads the emperor (the entrepreneur) to ‘wear no clothes’.

The emperor (in the tale) employed two swindlers in the guise of weavers, to manufacture for him a new suit. They told the emperor they would use a material of such wonderous quality it would be invisible to any person who was either unfit for office, or was unfortunately stupid. Loathe to admit that he could see nothing, the emperor paraded in his new suit. The people saw that the emperor was wearing nothing at all, but were also loathe to admit it. For them, the emperor was always right. During the interview process with employees at Consultco, reference to the tale was made to this tale to explain the lived experience of working with the entrepreneur.

The Pilotco case uses the Brothers Grimm tale ‘Hansel and Gretel’ (Adams, 1981; Zipes, 2001) about the abandonment of children. This theme was extracted from several Pilotco interviews. The folktale is used here to develop the motif of food and abandonment. Zipes (2001) comments on the widespread child abandonment during the Middle Ages, during periods of famine, poor living conditions and lack of birth control.

In ‘Hansel and Gretel’, the woodcutter did not have much food, and when the great famine devastated the country, he could no longer provide for his
family’s daily meals. The children, Hansel and Gretel, are taken into the forest and abandoned. However, they find their way back home and are welcomed by their father, who felt guilty. The country is again ravaged by famine and the children are abandoned a second time. This tale’s relevance to the Pilotco case study is in its modern interpretation. The Information Technology sharemarket takes a tumble, ‘is ravished’, and The Hatchery (the provider) can no longer feed the fledgling business (the child). Subsequently, The Hatchery abandons Pilotco by cutting off all finances.

The cross-case analysis chapter explores the human resource management narrative, highlighting how it is used in the two entrepreneurial start-ups under investigation, providing insight into how human resource management decisions are taken and actioned in these two companies. In this chapter, the researcher explores the influence of the entrepreneur in creating the start-up, and demonstrates to what degree human resource management is integrated into the business strategy.

The HRM–entrepreneurial narrative across the two case studies takes its title from another genre, the 1966 movie *The Good, the Bad and the Ugly*. This represents the researcher’s attempt to capture the spirit of entrepreneurial individualism, in their pursuit for wealth. According to the movie synopsis (Leone, S [Director] 1966), this film is about three mysterious gunmen who roam the western frontier. They are detached and ruthless, have no home, no loyalties and no companions. Thrown together by fate, the three men join forces to track down a fortune in gold. But the teamwork does not come naturally to such strong-willed outlaws, and they soon discover that their greatest challenge is to stay focused and stay alive in their bold and dangerous quest in a country ravished by war. This movie’s relevance to the cross-case analysis is that the entrepreneurs in the two case studies face similar challenges in their quest for wealth. They similarly take an idea, create a start-
up company to exploit the idea, survive, and take advantage of their window of opportunity within a difficult economic climate and skittish stock market, with the greatest challenge of all, to work as a team.

The final chapter in Part 3 is the researcher’s own tale, the narrative of self. It is not quite a ‘confessional tale’ (Van Maanen, 1988), but, as Steyaert and Bouwen (1997) suggest, it does answer the need of the researcher to look back over their own path, to make it known, learn from it, and to be freed from it. By narrating the researcher’s own experience, the meaning of the research tale is strengthened.

The narrative of the self, the researcher’s journey, shares its title with the film _The Wizard of Oz_. Perhaps a little cliché, it nevertheless offers a backdrop to the emotional connection of the researcher to the research inquiry. As Rosen points out, another analyst, differently situated, would likely highlight different patterns of meaning. He suggests that the selection of research topic and corresponding method

…are in many ways a life choice, and indicative of that which the researcher believes important to ‘see’ in the world, to investigate and know (1991: 21).

Like Steyaert and Bouwen (1997), the researcher presents stories that are open, leaving space for the interpretation and imaginative power of the reader. The case studies presented here are

…not exemplary ones or so-called best practice cases, but consist of the narrative that departs from the here and now, everyday entrepreneurial events which come to life when they are brought in a specific dialogue between the narrating researcher and an audience interested and captured by the stories of others as these make them think about their own telling story (Steyaert and Bouwen, 1997: 60).
Part 3 of the thesis is a hybrid, an ethnographical account of the fieldwork experience, and makes use of stylistic means to evoke a mosaic of images, as they appeared at the time, and as they became known later. The researcher considered how to share the creation of the emerging organisation, ‘the messy lived in experience’ (Storey, 1982), of the entrepreneurial start-up. By acknowledging Eisner’s (1998) view, that the world is known in multiple ways, the researcher draws on the arts, social sciences and humanities, which have a long tradition of ways of describing, interpreting and appraising the world. In this way, the thesis intends to broaden what it means to ‘know’, in order to better understand human resource management and entrepreneurship.
CHAPTER 7: THE EMPEROR HAS NO CLOTHES

The Tale


Many years ago lived an emperor, who thought much about new clothes. His only ambition was to be well dressed always. One day, two swindlers, in the guise of weavers, came to the city, and declared they could manufacture the finest cloth to be imagined. The clothes made from their material possessed wonderful quality invisible to any man unfit for his office or unpardonably stupid... The emperor thought, I must have this cloth woven for me without delay. And he gave a large sum of money to the swindlers so that they should set to work without any loss of time. The swindlers greedily took the emperor’s money, and pretended to work at the empty looms till late at night.

The emperor wanted to know how the swindlers were getting along with their work. Thinking he had nothing to fear, the emperor sent his old, honest minister to judge how the cloth looked. The good old minister went into the room and looked at the empty looms. He thought, I cannot see anything at all! But he did not say so. Can I be so stupid? he wondered. Nobody must know! Is it possible that I am unfit for my office? I cannot say I was unable to see the cloth! And he decided to tell the emperor he liked the cloth very much.

At last, the emperor wished to see it for himself. But he also did not see anything. He thought, Am I stupid? Am I unfit to be the emperor? That would indeed be a dreadful thing that could happen to me! He gave his most gracious approval to the weavers.

All the emperor’s attendants who were with him looked and looked, and although they could not see anything either, they said to the emperor, ‘It is very beautiful.’ All advised him to wear the
magnificent clothes at a great procession, which was soon to take place.

At last, the emperor’s new suit was ready. The swindlers held up their arms as if they held something in their hands. They said of the trousers, the coat, the cloak, ‘They are as light as cobwebs. One must feel as if one had nothing at all upon the body; that is the beauty of them.’ The emperor undressed, and the swindlers pretended to put on the new suit on him.

‘How well they look. What a magnificent suit of clothes!’ all said.

The chamberlains pretended to carry the train, not wanting the people to know they could not see anything. The emperor marched in the procession and all who saw him exclaimed, ‘Indeed, the emperor’s new suit is incomparable!’ Nobody wished to let others know they saw nothing.

Then the voice of an innocent child cried out, ‘But he has nothing on at all!’

Then the whole people echoed, ‘But he has nothing on at all!’

This made a deep impression on the emperor, for it seemed to him that they were right. But thought to himself, Now I must bear up to the end.

And the chamberlains walked with even greater dignity, still pretending to carry the train that did not exist.

The Consultco case study is taken from the original interview transcripts, field notes, various drafts of Consultco’s business plan, as well as material accessed from Consultco’s website throughout the interview period. To protect confidentiality, interviewees are identified by pseudonyms and their stories given provocative titles that capture the participants’ experiences, as interpreted by the researcher — titles that convey a message captured from their experience. The actors and their story titles are: Charlie — the dream weaver, Patty — a cry from the wilderness, Lucy — the emperor has no
clothes, Marcie — the outsider’s inside view, and Franklin — the challenge is the important thing.

In this qualitative study, the researcher sought ways to recognise the voice of those involved with Consultco the organisation. Interviewees were encouraged to express their opinions and share their experiences, thus bringing forth their voices. The researcher documented the ideas, gaining critical insights. The use of the terms ‘mosaic’ or ‘collage’ is the researcher’s attempt to create the illusion of one voice telling one story, and is the work of the researcher, where the pieces are used to acquire a new meaning by being recontextualised. Even gluing the pieces together is a way of representing interpretive procedures, of which many variations can exist.

Participants in Consultco eagerly shared their stories, and the interview provided them an opportunity to share their feelings. The resultant stories were colourful and engaging, the content full of emotion. The stories below are in the participants’ own voices, and are the final representations of the researcher’s consolidation of events.

In line with narrative methodology, the researcher actively constructed meaning, engaged in a dialogue. An initial round of edited stories was analysed. The researcher now presents this reflexive text for interpretation. The participants’ stories are also used in the cross-case analysis, for further analysis and reflection, as well as in Part 4 of this thesis, to prompt further inquiry and insight, and theory building.

**Consultco — An Overview**

Consultco is an interactive business consulting and IT (Information Technology) recruitment company. Originally established in 1995, it positioned itself as a marketing and business consultancy relating to the
The business was subsequently sold. Consultco was re-launched in July 1999 as an interactive business consultancy with a recruitment practice as part of its service. Initially, it underwent rapid growth, with a number of consulting projects and a specialist recruitment business, specialising in electronic commerce and information technology — from consultants to technologists.

The managing director of the company was the founding and leading entrepreneur. Consultco’s entrepreneur conceptualised ideas, and then created strategic alliances with others, such as software developers and technical infrastructure companies, to make projects a reality. The managing director exhibited entrepreneurial characteristics such as high levels of improvisation and imagination, creating new ideas, new solutions and new products. Consultco’s managing director described his organisation as ‘a small, simple venture full of excitement and change.’ He explained his mandate was to ‘keep the momentum of the business moving forward’ and suggested that his business was ‘in a constant state of transformation, with the express objective of surviving, growing and prospering’.

During the course of this investigation, the number of employees and affiliated consultants varied. According to one of the business plans, Consultco staffing needs were far more than 13 contractors and other staff on an ‘as needed basis’, plus an assistant/office manager. However, at the time of the research inquiry, Consultco comprised four permanent staff and a part-time accountant and reception support from the serviced arrangement of the office from which Consultco sublets space. At the conclusion of the inquiry, Consultco was a single-person consultancy. Products under development during the course of this inquiry were ‘Earth’, ‘Wind’ and ‘Fire’. Earth was a branded, online recruitment outsourcing product; Wind was a market-based electronic magazine; and Fire a market research project.
The managing director conceived the business plan as a ‘live document’ providing a ‘blueprint for moving forward’. Prior to the formulation of the first business plan, the managing director described the company’s mission as:

…to continue to grow our business organically through strategic partnerships, in line with our vision of developing the company into an innovation and knowledge based enterprise using recruitment as a vehicle for growth (Charlie).

The business plan was revised three times in 2000 in August, September and again in November. The mission statement was expanded to:

…grow the business and develop our company into multiple business assets, capitalising on our competitive advantage and the changes in the staffing industry to develop ourselves into a multifaceted enterprise servicing an Australasian market, while facilitating the evolution of our people on all levels, and through this process, developing our business into a wealthy and healthy enterprise for all stakeholders.

The vision statement evolved to describe the company as

…an enterprise providing services and products that assists our clients to identify the right staff by using technology in an innovative way; staff and management that value the company and their role in it; and a business model that fosters the evolution of the business and stake holders.

A purpose was added that stated the company was

…to add value to companies by identifying quality skilled people and products to meet their internal needs and simultaneously add value to candidates by not only identifying the companies that match their career, financial and cultural requirements, but develop a relationship with them whereby we may act as their agent over a longer period of time … [including the HR objective of] quantifying positions
in line with product and market development, to fulfil revenue objectives, that is, build the team.

Medium-range (three-year) goals were identified as:

…create a new style recruitment practice that is self-sustaining; spawn additional products/businesses that contribute to the bottom line and provide future interest for the owner; deliver a sellable asset and provide an equity or profit share mechanism for staff.

No long-range or short-term goals were identified in writing, however.

The Interviews

During the course of investigation, the number of employees and affiliated consultants varied. These comings and goings occurred quickly, with little notice, making it difficult to arrange interviews and carry them out. Ultimately, those interviewed were: Charlie, the managing director (the entrepreneur); Lucy, the senior recruitment consultant; Marcie, the human resources adviser; Franklin, the IT manager and webmaster; and Patty, the executive assistant and recruitment administrator. Other staff identified as current in the business plan were not interviewed. These were: Stanley, the financial controller; and Arthur, the technical consultant.

Charlie was interviewed six times at approximately two-monthly intervals. Lucy was interviewed twice: once soon after she joined Consultco, and the second time after she had handed in her notice. Patty was interviewed three times: twice shortly after she joined, and then again four months later. Both Franklin and Marcie were interviewed once during the course of this inquiry. At the conclusion of the present inquiry, Consultco began again as a single-person consultancy. A final interview was conducted with Charlie.
Charlie — The Dream Weaver

Charlie was the entrepreneurial founder and managing director of Consultco. He described himself as ‘a serial ideas person’. He loved what he was doing and would ‘leap off tall buildings’ to keep doing it. This supports his comment that he ‘needs to have a passion’ for what he does, and the only way he can have a passion is for his own ideas. He likened the process of bringing an idea to fruition as a business to that of birth:

This is my way of making a baby. It’s [the business] born; it might have a difficult birth; it grows; you nurture it (Charlie).

Charlie said there was magic in creating a business, to ‘spawn something tangible, sellable that has value’. He said he ‘needs a company to give birth to his ideas’. He indicated that anywhere else he would have been frustrated, ‘too much a maverick, too hard to control’. Charlie likened himself to a parent loving their own child unconditionally: ‘the feelings you have for your own child are not the same for the child of an other’. In this way, he set up a business as an extension of himself, to give birth to his own ideas, and loved them unconditionally.

Charlie was ‘forever thinking about mini projects’ and could ‘make deals quite quickly’. The business had two arms: recruitment and consulting:

The recruitment side of the business has a number of sub-projects and each has job requirements for different clients; the consulting side of the business has consulting projects that I am managing. Projects are dictating staffing needs (Charlie).

One year after the commencement of the business Charlie decided that ‘Consultco [was] not just a recruitment business’, but was also involved in online projects and e-commerce. During the research inquiry 2000–2001, three new products were created. The first of these, ‘Wind’ was a market-
based ‘electronic magazine, with a search engine in it’. This product was put to one side however, when the local city council Charlie applied to for a grant advised that the product had to benefit the local community.

The second product, Consultco online recruitment services, ‘Earth’, became the primary focus of the enterprise. It was, according to Charlie

…theakin to discovering the wholesale channel for recruitment. Other consulting companies, when they get a recruitment assignment, log onto our site, submit their request to us. They pay ninety dollars to submit the job and we charge five per cent for placement. The other consulting firm can charge their client 10 per cent or 15 per cent or 20 per cent (Charlie).

‘Fire’, the market research project, replaced Earth as the focal point for Consultco. Following a market research report that Charlie commissioned on his own company, Charlie realised that

The problem with recruiting is that it is a highly competitive market [and] clients don’t like recruiters. [However,] the report outlined a strategy. I took that and played with it and I think I’ve got something that works now. It’s very unique. We are small, we are new, we are a niche recruiting company (Charlie).

On the surface, Charlie appeared to have understood his relationship to business process quite well. He admitted to being self-absorbed with his ideas and to starting his business without a plan. He saw himself as a ‘big-picture’ man who ‘shies away from detail’, which, he admitted, leads him to manage ineffectively overall, making some poor specific hiring and marketing decisions and some unprofitable business decisions generally. He was nothing if not optimistic, however, and looked forward with

…the new sense of hope [working towards developing] a good perspective of where we are going… it’ll be, this is what I am going to do and I’ll deliver on that over the next three months. Then, once I’ve delivered
on that then there’ll be a six-month plan. And then a
twelve-month plan (Charlie).

The way in which some of Charlie’s employees experienced him and his
leadership style casted a somewhat different light on things. Two of the
respondents to this inquiry said that Charlie ‘live[d] in the fantasy of it’
(Lucy). Patty commented that he

…dreams illusions that aren’t grounded in the here
and now… he is always out there in the future. He
doesn’t think things through. His dreams don’t have
shape or form. He lives with the illusion of a lifestyle
greater than what is real (Patty).

**Patty — A Cry in the Wilderness**

Patty was in her early twenties and had recently earned her human resource
management/marketing degree. She worked for Trousers Inc for three years
— first in sales while she was studying, moving to a full-time position as an
assistant in the human resource department on completion of her degree. At
the time of her employment at Trousers Inc, Patty’s immediate supervisor,
role model and mentor, Marcie, was involved in a serious personal
relationship with Charlie. When Patty was retrenched from her full-time HR
position, Marcie mentioned that Charlie ‘might be needing somebody’.

Patty met with Charlie and he offered her a position. The work was similar to
that which she had done at Trousers Inc, and she was excited at the prospect:

I remember my boyfriend drove me to the interview
and when I got back in the car I said, ‘Hey. I start on
Monday!’ and I felt fantastic. To think someone
wanted me to start straight away. That was really
exciting (Patty).

At first, Patty
...had an agenda of what [Charlie] wanted me to do for the first few days. That was really good. After that, he left it up to me to generate work for myself. I would have to ask him ‘What now? What now?’ After a short while I became frustrated. I felt I couldn’t be proactive in such a new role (Patty).

Patty understood that Charlie felt that by leaving people to generate their own work, he was giving them freedom:

I try to provide a framework where people can evolve… I expect people to take responsibility (Charlie).

Charlie hired Patty to do the administrative work; to manage the client database; do flow charts and attend to ‘all the documentation process within the business’. He described her as:

…jumping into the fire, unbelievable. It was like she could read my mind. You know, I just grunt something, or I think I need something done, and she said, ‘Consider it done, consider it done’ — every time (Charlie).

Although Patty appreciated the responsibility, she also recognised what Charlie did not — that is, that the laidback, hands-off, casual approach also meant:

…there [were] no [temporal] boundaries. I can leave work at a quarter to five, four thirty, take a two-hour lunch, and do whatever. Furthermore, there is the blurring of the boundary between the personal and the professional, the merging between friendship and management (Patty). (See also Marcie’s story, below.)

Patty wanted structure, not ‘freedom’.

Patty did not find the work challenging and did not value the contribution she made, nor did she see it as of value to Consultco. Contrary to Charlie’s long-term view of her involvement, she was ‘bored’, she said that she felt that ‘my
talents are wasted’, and that she did not see herself ‘in this type of administrative role’.

I am not really as productive as I was in my other job. You can’t be productive if there is nothing to do. There just isn’t enough to keep me busy. When Charlie went away for six days. I wrote Christmas cards. He left me some things to do and I did them… But the work could be done in a day and it wasn’t enough to occupy me for six days (Patty).

Charlie said Patty was ‘on fire’ about the business, but she said that she did not ‘take any initiative [or] do anything beyond what I am told to do’. Charlie’s dreams were not hers, and she was not committed to them. The requests he made of her, such as writing procedures, she did in her previous employment at Trousers Inc, but she said of Consultco

It is a time filler, it’s like, ‘Oh well, if you have got nothing else to do, write some procedures. Charlie has got a scrapbook where he has written down a few things that I can turn into procedures, for example, the recruitment process. But my concern is that once I have done all that what is he going to say? I have got nothing else to do (Patty).

The uncertainty and unpredictable nature of the enterprise left Patty feeling frustrated and unable to experience any connection to the company. She said she ‘hasn’t been happy ever since [she] started’. She looked for other work right from the start. When Charlie did eventually talk to Patty about his future plans for the business, she ‘could see that they didn’t include me’. For Patty, it was ‘a relief that I could hear him say these things. I could openly take time out, go and see some agencies, and actually look on the computer at work’. With the end in sight, Patty began to feel considerably relieved: ‘There is an end to it. It means I don’t have to come back.’
Lucy — The Emperor has no Clothes

Lucy came to Consultco from a management position in human resources. When she joined Charlie, it was to help him develop Consultco’s recruitment business. She was initially interviewed shortly after her commencement at Consultco, and she was very enthusiastic about her role in the company:

I was a client of Charlie’s and was impressed by his approach. I joined him because I like his work philosophy… It’s not just about making money, it’s the approach in how we get there (Lucy).

The use of the personal pronoun (‘we’) can be interpreted as an indication that Lucy was totally committed to the company and really felt a sense of ownership towards ‘helping create something’. She felt in partnership with Charlie, that:

[Charlie] and I have a very similar approach… clients are impressed by our energy… Our goal is the same. We are working on building the business… there is no one like us (Lucy).

Like Charlie, Lucy espoused the view that it was not the quantity of the time the employees spent in the office, but the quality of the time that was important. If people such as Franklin had ‘fantastic ideas that would save us much time and money [then it didn’t matter if he] turned up for work at 10.30 am, took a two-hour lunch, and left at 5.30pm.’

Charlie became excited at the idea of creating a business, and Lucy bubbled over with the same sense of enthusiasm:

…when a person comes here we can’t promise things [but] we can provide them with a strong sense of adventure. We are all walking in uncharted waters. There is an element of risk that attracts certain people — that’s what I want to attract to this business. If someone wants a safe job where they are going to earn
Lucy saw the HR recruitment side of the business as the ‘bread and butter money’, but also observed that

[Recruitment] allows us to make the contacts in the industry that would potentially buy our product… [but] the growth of the company was sporadic… The company is never a constant, it’s fluid; it’s not completely changing but it’s always fluid… there are different components that are perhaps different from day to day (Lucy).

Early in Lucy’s appointment to Consultco this situation did not worry her. In fact, she rationalised the situation away by observing:

It’s very typical of all start-up companies, particularly in the information world (Lucy).

Four months later, however, Lucy and Charlie’s business relationship came to an end. She explained:

I just came to the realisation that Charlie can’t follow through with anything… he has a tendency to change focus too often (Lucy).

Although she said that she ‘sort of feels sorry for Charlie, because he has these great visions of grandeur’, she was also very angry. She came to the company with a particular vision in mind, prepared a business plan, set goals and targets and started to work towards achieving them, and then found Charlie’s business relationship with her had changed. Where she had thought she had a firm financial arrangement, she found it ‘changed two or three times’ until it was substantially different, and in the end, unacceptable to her — where she found herself

…doing the admin for the company, training staff, forever helping [Charlie] with his marketing, branding his business… [and heard him refer to her] as ‘just another chicky babe that worked for him’ (Lucy).
Along with the anger, there was also disillusionment. Where once Lucy lauded Charlie’s honesty and his ability to ‘read people very well’ and communicate ‘straight down the line’, at the end she decided

The bullshit [was] too thick… he likes to tell people he is going to turn Consultco into a three million dollar business in twelve months, get a bigger and better office, and buy a Mazda TXR in two months. But he doesn’t tell people that in order to buy the car he’s going to be completely in debt, and the reason we are going into a new office is not because of growth but because it’s cheaper (Lucy).

Lucy’s anger at having been ‘hoodwinked into a situation’, and the disillusionment with Charlie, the man, led to her running the recruitment side of the business

…at 40 per cent capacity. That’s all I am willing to put in because I am not going to implicate my clients in a business that probably won’t be here in another three months (Lucy).

Ultimately, Lucy handed in her notice, as she could no longer work in

…a company run like the fairy tale — where, if you say your lie so much, you’ll end up believing it (Lucy).

Franklin — The Challenge is the Important Thing

Franklin joined Consultco initially to complete the development of their website. Information technology (IT) was his hobby, albeit a serious one, and the position with Consultco was his first professional position. Although he was hired just as ‘the person responsible for everything IT’, the job evolved with Charlie’s projects and the problems encountered along the way. Franklin found himself not only responsible for web development but also for a number of other tasks: creating automatic robots, developing data bases,
changing servers, installing identifiers and so on, that were ‘not actually my task’.

Franklin professed to not mind these changes to the work he thought he was hired to do, as he said he could ‘learn a lot’:

> When I first started, I didn’t know I would be doing all these things, but Charlie gives me a lot of opportunity to learn. I feel this is a very, very good way of working. First, he encourages me to learn, and second, he gives me a challenge, which is using my skills in this industry. When I first began, I only knew how to use the software. I didn’t know how to program properly and now I can actually create something quite advanced… [Charlie] understands and appreciates my skill; he asks for my involvement (Franklin).

Franklin felt valued by Charlie. However, there is an admission from Franklin, that he felt he ‘owe[d] Charlie something because he helped me out’. Part of this feeling of indebtedness was probably because this was Franklin’s first professional position, but arguably, Franklin also believed that when he became ‘known as the one who developed the whole system’ at Consultco, he would be able to ‘work someplace else’, and this might have felt like an act of disloyalty.

At the time of the interviews, Franklin was Charlie’s longest-serving employee. Although Franklin felt valued and challenged, he also experienced a degree of tension and discomfort. This stemmed in part from the demands Charlie made on him for work, and in part from the financial arrangements:

> When I am working on a project and Charlie changes his mind, I sometimes feel bad. I put a lot of work and a lot of energy into the project… and sometimes he wants to shift me from doing this work to doing something else… sometimes all this effort just disappears. Even a minor change can require a substantial amount of time (Franklin).
In these situations, Franklin soon learned to ‘work around’ Charlie by ensuring that he, Franklin, obtained maximum input and commitment to a particular course of action from Charlie in the planning stage of a project.

The ever-changing financial arrangements, however, could not be overlooked or rationalised away indefinitely. Although Franklin’s starting salary ‘was quite shocking because it was too big’, Charlie reduced Franklin’s salary after three months. Franklin found this initial salary cut understandable, but when Charlie approached him four months later with news that Charlie would have to cut Franklin’s salary yet again, Franklin began to question his own motivation in staying:

I thought, should I just finish from this job, or should I continue? I’m learning a lot from this job and it is challenging, but remuneration is important as well for motivation. To be honest, when the challenge is no longer there I won’t be here (Franklin).

Franklin also felt deeply hurt and somewhat disillusioned, because

Charlie told me he wanted to cut my salary [this last time]. One of the staff told me that Charlie is going on holiday on the weekend. So I was thinking, you are cutting my salary but you’re going on holiday. That’s not fair. The company is having problems. It’s not fair if you put it on the employees. You have to [take a salary cut] as well (Franklin).

Finally, just short of twelve months employment at Consultco, Franklin handed in his notice.

Marcie — An Outsider’s Inside View

Marcie was the human resource manager for Trousers Inc. She was in a position to observe the evolution of Charlie’s business, as well as Charlie’s management approach. She gave Charlie human resource advice on an
informal basis, although only at a basic level, as she herself pointed out. As was the case with Charlie’s staff, Marcie was initially struck with

[Charlie’s] vision and creativity. He comes up with ideas all the time. That is exactly the person that needs to head up a business (Marcie).

As with Charlie’s staff, however, it was not long before Marcie started to question Charlie’s attitudes and actions.

Marcie said that she began to notice that although Charlie had lots of ‘ideas bouncing around and everyday he’d be talking about something new’, some of the ideas were never pursued. At one point, she said, ‘I thought there were more ideas than implementation’. When she took a closer look, she discovered that, on the one hand, Charlie often spent a lot of time analysing ‘what other people are doing, so that he can do something different and stand out’. On the other hand, if he wanted to go ahead with an idea he ‘just gets straight into it, bang, bang.’

Further, Marcie also realised that

He doesn’t think about all the other facets that are involved, such as the marketing aspects. He just makes it [the idea] happen. But because he doesn’t think about the other elements he has to go back to the [the idea] again and ask — how come it’s not working? (Marcie)

Planning, drawing up a business plan, marketing, recruiting the right staff for the business, writing a policy and procedures manual, implementing a payroll process and other ‘boring basic things’, as Marcie pointed out, from her vantage point as a human resource manager,

[must] be put into place so that people come on board and know what the operating boundaries are, and then they can start to improve these and review them as the business grows (Marcie).
Her unique position as an outsider with an inside view also led her to the realization that at Consultco,

[the staff were] told this is what you’ll do [although] Charlie does become frustrated with [any show of] lack of initiative (Marcie).

Furthermore, Marcie did not see any evidence of delegation of responsibilities to staff, something she saw as an important step towards empowering people.

Interestingly, Marcie saw Charlie as quite self-sufficient; holding the business together in his head, but then realized that

…if you don’t have internal resources then you need to get some external resources to help you, and not be so arrogant to think that you know everything. To continue to build the business he probably needs a marketing person. Charlie’s financial advisor is a recent addition and comes in once a week. What he is lacking at the moment is other people in the operation to provide input and direction and support (Marcie).

Marcie’s frustration showed here, even though she did not like to ‘stifle Charlie’s creativity’.

**Discussion and Summary**

This chapter gave an overview of Consultco and its mission vision and purpose, before telling the respondents’ stories. Through listening, exploring, and analysing these stories, it became clear that Charlie’s view of the enterprise was not that of his employees. In Charlie, there is a magic, an alchemy, to creating a business:

Creating a business… [is] magic. I have spawned something. It is tangible, sellable. It has value… I see my purpose as being an alchemist, taking the germ of an idea and turning it into gold. Proving its worth by
turning it into gold… and the gold into money in the bank, the lifestyle (Charlie).

For his employees, however, Charlie ‘lives with illusion’ (Patty), and he was ‘running the company like in a fairytale; you believe your lie so much, you say your lie so much you end up believing it’ (Lucy).

A number of these illusions can be identified through close analysis of the stories the employees told, alongside the story Charlie told, and together with the actual results of the decision making that occurred during the research inquiry period.

There are four basic types of illusion evident throughout the stories, although the overarching one is that of having built a utopia that fulfils everyone’s dreams. The illusion of success is closely related to this. Flowing on from the illusion of success are the illusions of seamless communication and a well integrated team.

*The Illusion of Utopia*

Charlie believed he was ‘setting up [his] own utopia’, a business of ideal perfection, and this myth was further fuelled by a human resource consultant that Charlie brought to meet the staff. The consultant put forward the view that everyone has a dream, and that

…the company should be able to fulfil the employees’ dreams. Then the staff will become happy… Then their performance will be much, much better (Franklin).

However, in the end, Franklin ‘doesn’t feel this is true’. Charlie held this view quite firmly though, admitting to being

…a little starstruck with [my] own success… [in giving] those who work with me freedom (Charlie).
He said that the enterprise was ‘extraordinarily successful’ and measured this by ‘its business potential’.

Patty presented quite a different view, believing that

[Charlie’s] dreams don’t have a shape of form [and] unless something dramatic happens Consultco may fizzle out… there is nothing happening. It’s really dead. The 60–70 placements he spoke of at the interview, the whole way the business was portrayed at the beginning was really quite positive, quite strong. [But] nothing has turned out the way he said. There is a lack of credibility regarding the business side of things (Patty).

Lucy started at Consultco full of enthusiasm for ‘working on building the business’, but it was not long before she realised that

It is difficult with Charlie. He always gets distracted… loses focus. The growth of the company was sporadic because there was really direction in what the company was doing. [Although] that’s very typical of all start-up companies, particularly in [this industry], Charlie has a tendency to change focus too often… It’s all very superficial (Lucy).

Charlie impressed people at first sight with his vision and creativity, and Marcie was no exception. Although she did not work for Consultco, she was in a position to observe the evolution of Charlie’s business. Like Charlie’s employees, Marcie also experienced frustration. She saw that he would get an idea, and ‘gets straight into it, bang, bang’, but she also saw that he ‘doesn’t think about [all the] elements’, such as the marketing aspect, the planning process, policy and procedures and payroll and so on.

Lucy was also taken in, initially seeing herself as a 50:50 partner with Charlie in building the business. She was proud that she had the right attitude to work in this somewhat risky environment, unlike some of the other employees, but at the end of her employment recognised that ‘it’s difficult to be aligned when
Charlie’s vision is constantly changing’. Lucy was also proud of her ability to help clients

…all flying by the seat of their pants; faced with change constantly, really poor management. And we ask, ‘Are you sure that’s what you want? Try to look at yourself in three months’ time’ (Lucy).

However, the irony of this appears lost to her.

The Illusion of Success

Charlie described Consultco as an ‘extraordinarily success’, but cautioned that

If you take the balance sheets of the past and compare them to our present balance sheet, you are not comparing apples to apples. If you are looking at return on investment per employee, you are not looking at the potential of the business. It’s the business potential, which is the measure of its success (Charlie).

On the personal level Charlie felt he had ‘never [been] more successful in [his] life’. Paradoxically, Charlie also described Consultco as

…always [being] lean and mean. I will always be scrutinising my return on investment. If you know your market worth is $35,000 and I am paying you $45,000, I want my pound of flesh (Charlie).

He also admitted:

I was never a good manager of cash, nor a very good manager of finances, within a business, much less my own. The business is forever dipping in the red. I am actually now at the point financially where I have got less than a third of what I had in the bank (Charlie).

His financial situation did not appear to colour Charlie’s view of his success, however, which he equated with business potential.
In contrast to Charlie’s certainty about his success, Lucy was questioning. She said,

To be honest, I’m not sure about the financial situation. Normally, if anybody asks me about the success of a company I immediately think of the financial report, their financial situation. But in terms of employees and advancement in IT, I think the company is quite successful (Lucy).

Lucy started out believing the company was successful, and noted that ‘for such a two-bit company that we are in size, we are getting people contacting us all the time.’ She soon realised that

[T]he growth of the company is sporadic… [and although Charlie] believes he has a reputation in the marketplace… I’m sorry, [but he] doesn’t… he is not known (Lucy).

At a point further into the interview, Lucy stated that she believed that

The company is broke now… Charlie is not doing any business development at all. I haven’t seen anything productive from Charlie for the last two months… Nothing happens. Charlie has lost the plot (Lucy).

Patty concurred with this view:

The 60–70 placements [Charlie] spoke of at the interview, the whole way the business was portrayed at the beginning was really quite positive, quite strong… it fizzled out quite a while ago. It’s really dead (Patty).

The Illusions of Seamless Communication System and a Well-Integrated Team

Although Charlie did not have a preconceived idea of exactly what he wanted, as Lucy pointed out,
With so few people communications are so easy to do. We have meetings Monday morning where we discuss where we are at for the week (Lucy).

The ‘just in time’ manner in which Consultco worked, however made this arrangement implausible, as Lucy explained:

Then every day we meet because the business changes every day… so whatever you’ve planned for the next week you might as well throw out the window because it’s not going to happen (Lucy).

When Charlie employed his first personal assistant, Viola, his very first employee, he realised he would ‘have to communicate everything’, and he ‘prides [himself] on [his] communications skill’. However, he applied his assessment of his skills to his relationship with his customers, rather than to his staff, whom he ‘assumes know about the vision [he has] by virtue of the fact that they are sticking their hand at it’. In fact, he said of Patty, that ‘it was like she could read my mind’. He understood intellectually that ‘communications don’t just happen by osmosis and that it is necessary to at least have weekly meetings’, but he also recognised that he

…struggles with leadership, not from the perspective that I can’t tell people what I want them to do, but [that] I can’t take responsibility for it (Charlie).

He was surprised, however, on speaking with Franklin after the latter’s resignation, to be told that he did not give clear direction; that he did not listen to answers given to questions he had asked, and that, because he would change things, Franklin was never sure what it was he wanted. Marcie also picked up this point, although she couched her comments in terms of Charlie’s ability to delegate:

Delegation is an important part [of leadership]; then slowly, slowly people start to take ownership. Then, before you know it they are empowered and then they can run with it. The thing is I don’t know if he allows his people to do that. No. I think people have just done
what they have had to do. They have been told, ‘this is what you’ll do’ (Marcie).

Charlie also appeared to judge the ‘sort of team I want’ based on his response to the people at interviews.

I liked Patty and Franklin within a few minutes of meeting them. Both worked out quite well. The team is a good team. Everybody is passionate. I have no problems with anybody… When I write Franklin’s salary cheque at the beginning of every month I feel that I have really gotten my money’s worth, and then some. I wish I could pay him more. When I write a cheque for Lucy for the work she’s done, I wish I could give her more (Charlie).

He waxed lyrically about Lucy’s ‘extraordinary skills’, and Patty’s ‘mind reading’ ability:

I just grunt something, or I need something done, and she says, ‘Consider it done, consider it done,’ every time (Charlie).

As things began to go awry, Charlie decided he ‘was hiring poorly’. He felt Viola did not demonstrate a work ethic, and the Lucy he remembered, who had

…come in [to the company] all guns blazing… didn’t have the skills… she hasn’t delivered. I was so disappointed with the Judas-like attitude of Lucy. I was betrayed (Charlie).

**In Closing**

Consultco was a small entrepreneurial start-up wholly reliant on the efforts of a single entrepreneur to stimulate growth and provide direction. However, the entrepreneur openly acknowledged that he lacked critical management skills in this regard, and had difficulty understanding human needs — his own as well as those working with him. This subsequently led to competitive
disadvantage, and Consultco returned to being a one-person business consultancy.

The entrepreneur’s charismatic personal attributes, optimism and confidence led him to believe in his own abilities, yet others saw him living with illusion. Several types of illusion emerged during the course of the interviews: the illusion of utopia, the illusion of success, and the illusion of seamless communications and a well-integrated team.

At the end of the research, Consultco’s entrepreneur faced the ‘worst financial situation’, yet was optimistic and kept pushing his business forward. His high level of tolerance for risk was evident in the statement

I have this faith inside me… I don’t hit bottom. I take a deep breath and know the worst that can happen is I have to start again (Charlie).

What he did not come to realise was that those working alongside him had lost faith in him, and did not believe his tales of success.
CHAPTER 8: ABANDONED CHILDREN

The Tale

Jacob and Wilhelm Grimm’s tale ‘Hansel and Gretel’ (1857) provides a backdrop to the Pilotco case study. Below are abridged extracts of the fairytale (Zipes, 2001: 711–716).

A poor woodcutter lived with his wife and his two children, Hansel and Gretel, on the edge of a large forest. The woodcutter did not have much food around the house, and when a great famine devastated the entire country, he could no longer provide enough for his family’s daily meals.

‘What’s to become of us? How can we feed our poor children, when we don’t even have enough for ourselves?’

His wife answered, ‘We’ll take the children out into the forest where it’s most dense, then we’ll leave them. They won’t find their way back home, and we’ll be rid of them.’

‘No, wife,’ the man said. ‘I don’t have the heart to leave my children in the forest.’

‘You fool!’ she said, ‘Then all four of us will have to starve to death.’

But he finally agreed.

The children had overheard what their stepmother had said to their father. That night, Hansel crept outside, and stuffed his pocket with as many pebbles as he could fit in. The next morning, they all set out together towards the forest. Hansel took the pebbles from his pocket, dropping them on the ground.

The children were left to sit by the fire and fell asleep. When they awoke, it was already pitch black. When Gretel began to cry, Hansel comforted her. After the moon had risen, they followed the pebbles, and walked the whole night long and arrived back at their
father’s home. Their father was delighted, because he was deeply troubled by the way he had abandoned them in the forest.

Not long after, their country was again ravished by famine. The children heard their mother talking to their father: ‘Everything was eaten up again. We only have half a loaf of bread, but after it’s gone, that will be the end of our food. The children must leave, otherwise there is no hope for us.’

Since he had given in the first time, he also had to yield a second time.

The children were led even deeper into the forest and abandoned. They walked the entire night and the next day — and the next — but they did not get out of the forest.

Then they came upon a house built of bread. An old woman let them into her house. She pretended to be kind, but she was actually a witch. She planned to entrance the children, and when they fell under her power, she would kill them and eat them.

But just as the old witch was preparing the fire in her stove, Gretel pushed the witch into the great oven. Hansel and Gretel filled their pockets with her jewels, and walked through the forest until they finally caught sight of their father’s house. They began to run, and rushed into the house, throwing their arms around their father’s neck.

The man had not had a single happy hour since he had abandoned his children in the forest, and since the children had gone his wife had died. The children emptied their pockets of the jewels. Now their troubles were over, and they lived together in utmost joy.

The Pilotco case study is taken from the original interview transcripts, field notes, various drafts of Pilotco’s business plan, Pilotco documents, and material accessed from their parent company, The Hatchery, its website throughout the interview period.

To protect confidentiality, interviewees are identified by a pseudonym, and their stories given a title. For this second case study, the researcher felt it
appropriate to give names and titles to capture the participants’ roles in the organisation, to convey a message captured from their experience in those roles. Greek mythic characters (Graves, 1972) are chosen to capture the many-sided workings of the human psyche. The actors are: Dion(ysis) — journeying into the unknown; Beller(ophon) — craving new and ever more glorious adventures; Athene — cool reflection and balanced thought; Chiron — the wise teacher; Apollo — the radiant sun god; Penelope, Queenie and Ithaca — self-contained holders of creative imagination; and Daed(ulus) — enthusiastic dedication to a new venture.

Daed’s interview took place before the investigation of Pilotco was underway, and is incorporated in the broader narrative of HRM and the entrepreneurial start-up contained in Chapter 9.

As noted above, the researcher has chosen to adopt Greek mythic characters to represent the interviewees in this case study. At the conclusion of the first round of analysis of the interviews, the researcher found these characters more accurately described the organisational role played by the respondents. Brief background information is now provided from Bulfinch’s Mythology (1979), with further information on the Greek mythic character supplied before each individual interview.

*Bellerphon (pp. 124–6) was a gallant young warrior, sent by a king to destroy the fearful monster, the Chimaera. After his successful conquest of the monster and further trials and labours in which he triumphed, he became a special favourite of the gods. However, his pride and presumption soon angered the gods, who took their revenge. As a result, Bellerphon ‘wandered lonely... avoiding the paths of men, and died miserably’ (p. 126).*

*Dionysis (pp. 160–5), also known as Bacchus, was the son of a God and a mortal. Following the death of his mother when he was only an infant,
Dionysis was nourished and cared for by beautiful maidens. As a grown man, he was accused of falsely claiming heavenly parentage. At one time, superhuman giants warred with the gods, who fled from them, hiding themselves under various forms. Bacchus took the form of a goat (pp. 122–3).

Athene (p. 887), the goddess of wisdom, was believed to have bestowed upon man the most useful boon (the olive tree).

Chiron (p. 127), a centaur, was admitted to the companionship of man and was renowned for his skill in hunting, medicine, music, and the art of prophecy. Considered to be the wisest and most just of all the centaurs, on his death he was placed among the stars.

Penelope (p. 936), a weaver, ‘employed every art to gain time’ (p. 185), giving rise to the expressions ‘Penelope’s web’, which is used as a proverbial expression for anything which is perpetually doing but never done.

Ithaca (p. 184) is the home of Ulysses, Penelope’s husband. Queenie and Ithaca are names of the characters used to identify those persons who are similar in character to Penelope.

Apollo (pp. 884–85) is the god of archery, prophecy, music and healing; the sun god. He was implicated in the deaths of others, and also embodied the Greek ideal of youthful manhood.

Daedalus (p. 898), an inventor and architect, was skilled in the mechanical arts. ‘The cunning worker’, he built the labyrinth for King Minos of Crete, ‘a most skilful artificer’ (p. 156).

As in the Consultco case, the researcher encouraged respondents to express their opinion and share their experiences, bringing forth their voices in this
narrative inquiry. The researcher documented the ideas, gaining critical insight from their stories and explanations of the events in their organisational lives. The text presented here is a collage of Pilotco’s interpretive narrative accounts. The mosaic is the work of the researcher re-contextualising the pieces to acquire a new meaning to the events.

Similar to the preceding case study, an initial round of edited stories was analysed. In the main, participants were polite in sharing their stories, the interview providing them an opportunity to share their observation of events. The resultant stories were conveyed in a polite, detached manner, unanimated, lacking emotional fullness, yet holding considerable insight into the process of starting up a company. When interviews exhibited a deeper emotional content, the language and meaning was more fulsome. The stories below are in the participants’ own voices, and are the final representation of the researcher’s consolidation of events. In line with narrative methodology, the researcher actively constructed meaning, engaged in a dialogue, and now presents this reflexive text for interpretation.

The following reflexive text begins with a background that provides a context for Pilotco, which is followed by the interviews. The themes of confusion, organisational egoism, and parent–child relationships are constructed meanings elicited from the interviews and developed in the discussion section of the chapter.

**Pilotco — An Overview**

Pilotco is a newly created start-up entrepreneurial venture under a parent company that is here called ‘The Hatchery’. Pilotco was created out of an idea that the founding entrepreneur, Beller, the chief executive officer of The Hatchery, had. At the time of writing, The Hatchery had a 75 per cent interest
in Pilotco, which was a publishing and Internet company set up for the purpose of providing advanced solutions to finding information on the Internet. It was to produce a series of professionally edited guides in the form of a CD-ROM, which was to contain comprehensive coverage of key Internet sites to address perceived inadequacies of the search tools currently available on the World Wide Web. These guides were also to be supported by a website to allow users to access easy updates to the guides.

Pilotco’s managing director, Dion, held 25 per cent equity in the venture and was provided with a Board, appointed by the parent company, The Hatchery, that was to review Pilotco’s operations and give Dion guidance.

The business plan indicated that the management team would comprise a publisher for each series of guides, a sales/marketing manager, and commercial manager, in addition to the managing director. Specifications were also written, detailing the primary and secondary responsibilities of those in the functional areas, and the reporting lines, salary ranges, and key criteria to each position. Although it was planned to outsource some of the publishing functions, such as website development, and hardware and legal support, the functions of key management, product development, market research and sales were intended to be kept in-house.

Dion first came on board in March 2000 as a project leader, whose job it was to see if the product idea for Pilotco was a viable, commercially exploitable one. The composition of the management team and its reporting lines had already been detailed, and a direct marketing plan was being developed. Despite these details and plans, in November 2000 the projected company structure had not yet been put in place, ‘nor are we sure who we are’ (Dion). At this point, HM consultants were brought in to help Pilotco to find the right niche for its product. The consultants were to have a strong influence in shaping Pilotco’s strategic direction.
New staff were hired in December 2000, but one month later they started to challenge the company structure and the basis of its raison d’être. Unbeknownst to the new employees, The Hatchery, which contributed funding to Pilotco, found cash in short supply.

Two months after starting with Pilotco, one of the new employees resigned. Shortly after, the founding entrepreneur of The Hatchery sought to have Pilotco’s managing director sacked. At the end of March 2001, The Hatchery stopped all cash flow to Pilotco, and the remaining employees were given notice.

When interviewing came to an end, the ultimate fate of Pilotco was still to be decided. Dion was considering legal action to determine ownership interest in the company, as well as ownership of the intellectual property of the products that had been developed thus far.

**The Interviews**

During the course of the investigation, a number of interviews were conducted. Those interviewed were the founding entrepreneur of The Hatchery, Beller; the lead entrepreneur and managing director of Pilotco, Dion; the general manager of The Hatchery, Athene; Dion’s mentor, Chiron; the management team, Penelope, Queenie, Ithaca, and Apollo; and Daed, another director of The Hatchery and HR adviser.

Dion was interviewed six times at approximately two-monthly intervals. Several phone conversations also took place during the course of the inquiry. Chiron saw the researcher at the time when Dion was selecting his management team. The management team were interviewed shortly after they began working on Pilotco, however participants were interviewed once only. A repeat interview was scheduled two months later, but did not take place,
due to staff being laid off the week before the scheduled meeting. The interviews with Athene and Beller took place after funding cuts were made. The researcher had consistently attempted to interview Beller for five months, with interview times being changed, cancelled and rescheduled. Athene requested, and was given, a transcript of her interview before Beller made himself available to participate in the research. Daed was interviewed before the research inquiry into Pilotco began, in order to provide an overview of The Hatchery and offer his insight into an entrepreneurial start-up in general.

**Beller — Craving New and Ever More Glorious Adventures**

_Bellerphon is volatile, changeable, and effervescent, arrogant and boastful, always in motion, seeking new challenges. The image is of one craving new and ever more glorious adventures. He is both immensely creative and divorced from reality. He is intuitive and imaginative, taking up new ideas. He is no follower — but is no leader, either. He is too self-centred and easily bored to take up the responsibility of directing others. He is most creative, spinning new ideas, which can be sifted through a more realistic lens, by someone else who is more grounded._

Beller was the founding entrepreneur of The Hatchery, and said he ‘has more ideas than I can possibly handle’. He developed a model that he applied to the way he envisaged Pilotco operating. This model was premised on risk:

...the real world for entrepreneurs... success is only winning over some risks... you have to put people under fire. You have to put a blowtorch to people. You can’t say [a project] is dead [if] no one has ever knocked it back… what an entrepreneur does is hang on by his fingernails; he would pawn his wife and his family and his house. For projects to be entrepreneurial there has to be pain (Beller).

The strategy behind the model rested on ‘evidence of presentation to external investors’, said Beller, and failure was only judged to occur in the absence of risk — that is, failure to ‘go out there and try… to [risk] asking someone for
money’. In this model, risking the rebuff is ‘the name of the game’; an actual rebuff is still seen as a success, or at the least, not as a failure. Beller did however, identify a difficulty with his model, that different types of people are needed at different stages of a project’s development. Beller found this aspect of his model to be quite challenging, and seemed convinced that

The people who develop projects to a certain stage almost invariably are not the right people to take it to the next stage (Beller).

However, that this conviction appeared to arise ‘post’, rather than ‘ante’ the Pilotco experience, as The Hatchery ‘learns how to run the model’.

It had been difficult to pin down Beller for the interview, and although many times were arranged, most were cancelled. When an interview time with him was managed, it was short, and included an assistant as timekeeper. Time with Beller only took place after the decision to cut Pilotco’s funding. During the course of the interview, Beller made the researcher aware of the critical nature of the cash crisis and the ‘fact’ that Dion and Pilotco were being evaluated on a three-monthly basis. However, Dion was not aware of any such evaluation.

**Dion — Journeying into the Unknown**

*Dionysis represents the irrational impulse toward change and toward opening up life’s horizons into the unknown. He stands at the beginning of a new journey. A risk is required. There is ambiguity, excitement and fear.*

Dion had previously worked for many years in a large traditionally structured company, but had recently completed a course of study that had fired his imagination and a desire to try something different. Fortuitously, Dion happened to meet Beller, who outlined his idea for Pilotco, and asked Dion if he was interested in exploring the idea ‘to see if it was feasible, viable
commercially, exploitable’. Although Dion initially thought that the idea ‘could be a little bit thin [and] would probably prove to be a dud’, the more he looked at it ‘the more excited I got’. Six months after the initial meeting Dion joined Pilotco as project leader, a consultant to The Hatchery. He received no remuneration (such as salary), but held ‘a reasonably generous equity’ in the outcome, with The Hatchery providing the venture capital and computing, telephone and other facilities, financial and human resources advice, as well as taking the lion’s share of the equity that developed out of the company.

Dion knew that Pilotco was a start-up company and that in all likelihood it would have a very informal culture, and an atmosphere of uncertainty and excitement. He envisaged ‘people joking, running around doing silly things, coming in wearing crazy clothes, often working late’. He saw Pilotco developing as a company that would grow rapidly, where people could feel ‘they can really contribute; they are part of something important’. He envisaged a company that offered value to customers, ‘improving people’s lives’, and wanted Pilotco to be ‘fun, fun, something a little bit different, with people who come in with sizzle’. He did not know how he was going to manage this type of organisation, however, as ‘I haven’t done it before’. He was, by his own admission, a little conservative by nature, but he wanted to create something different, recognising, at the same time, that

…that needs to be thought about carefully. HR is the key. The people will be the key. But making it happen is another thing (Dion).

Dion’s role was to put into place: a production house to produce a CD-ROM; a company to conduct a focus group to test the product; another company to design the packaging for the product; a media consultant (a publishing company) to advise on the types of employees that would be most suited to Pilotco’s business, and to write a strategic plan ‘working out roughly what it would cost and get budgetary approval’. To make sure it happened in a timely
manner, Dion realised that it was important to ‘get stuck into the business planning side of it [and] look at the HR issues’. The steps scheduled to follow the initial activities were to then develop a prototype of the product — ‘which we have almost done’ — test it in focus groups, and assuming all went well, ‘fully develop business planning presentation packs’. Only then, did Dion plan to try to attract outside funding, along with recruiting the right people:

…people who have worked on other start-ups; who are happy to do everything and be across everything; who are prepared to be open and flexible, and happy and willing to try lots of things and not it’s done my way or it’s not done at all (Dion).

Two months after the researcher’s first interview with Dion, he was interviewed again. At that point he stated that the business plan was reasonably finalised, and ‘quite a bit’ had been done on the management team. However, there were a couple of things that had started to worry Dion. First, he was worrying ‘most about the marketing strategy’. Defining his ‘most worrying’ problem in terms of marketing and product led him to pay less attention to what might arguably be the problem of the root of his worry — that is, that ‘we are not sure who we are’. He saw Pilotco as a ‘hybrid company’, a cross between an Internet company and a publishing company. The dilemma was that Pilotco had a publishing product, but it was one that used a CD-ROM as its medium of communications. Dion discovered that publishers, on the one hand, are not happy with the media. On the other hand, Internet companies are not interested either, because Pilotco was not a dot.com company.

Then Dion found himself on the horns of another dilemma. He knew that recruiting and selecting the right people would be crucial to the success of the enterprise. The general manager of The Hatchery, Athene, someone to whom Dion looked for help and advice on such matters, had years of HR experience
in large companies and was keen to be involved in Pilotco and the HR side of the enterprise. However, Chiron, Dion’s mentor, was concerned:

…if she gets involved she’ll set it up like a big company, which is definitely a concern, as this company [Pilotco] needs to grow very rapidly, and it’s not going to work with people thinking it’s going to be like a big firm. [But he acknowledged, however, that] the people we hire will come out of big companies just because we need them experienced (Dion).

For all this, Dion was still excited, particularly as he had made a presentation to potential investors and had plans to speak to others as soon as he had completed the necessary financial modelling.

In December 2001, and three months after the initial interview, Dion reported that the business plan ‘is pretty much advanced’. A media consulting company was appointed and were ‘particularly helpful with recruitment; they give such good advice, such good value’. Their assistance led to the taking on of three people, who became the management team (their stories follow below). Dion still felt ‘very excited’ about the venture, but it became obvious throughout the interview there were difficulties.

One fundamental difficulty, from which many of the other problems flowed, stemmed from the confusion about the nature of the company. Dion relied on the expertise of the media consultants to recruit the right people, confident that they ‘knew exactly what the product was and what we wanted to do’. A profiling system was used, but not as part of the selection process. There was disagreement between Daed and Dion’s mentor, Chiron, as to the efficacy of this method as a selection tool. In the end, three candidates were selected, and they became part of the management team. Two were commercially motivated; one was not. All came from publishing businesses, which is not surprising, as the advertisement run by the media consultant firmly placed
Pilotco in the publishing world. Dion, however, remained adamant that Pilotco and The Hatchery ‘is not a publishing group’.

A second fundamental problem arose, as Chiron feared, from the involvement of Athene in the HR arrangements. She had produced HR guidelines for The Hatchery and its offshoot companies, and Dion found these useful because ‘you need to have something down on paper’. At the same time, he described the guidelines as a

…fairly weighty little document [that] everyone is reasonably happy with apart from the core values, which we at Pilotco redid for ourselves (Dion).

Dion was more concerned, however, with the contract of employment, which, he said was

…too wordy, too onerous, too legalistic. There is too much detail. It shouldn’t have someone on high define it. They are something Athene thought of (Dion).

Dion still believed in the psychological contract between employer and employee:

…the contract is really everything you say to the person in the interview and everything they say and the letter of offer. I think this [written contract] is a legal minefield that no one could ever really enforce in court (Dion).

Later, Dion eventually consulted a lawyer to test this proposition on his own behalf.

Despite the fact that Pilotco had HR guidelines, there did not seem to be a sound, consistent policy regarding salary. There were differences in what people are offered. At interview, Pilotco said

We can’t guarantee things; we don’t want to pay big salaries and that might be a worry if you have a mortgage.
However, the company negotiated either a higher salary, or an equity arrangement, if that was what it took to secure someone it wanted. In the case of Apollo, an open-ended contract was offered. People seemed to join because

[They] love the atmosphere, like the people, and think it [the company] will be a great place to work (Dion).

The recruitment and selection process also led to another problem, as the positions in which people were placed based on their past experience, and the language used to describe to them their roles within Pilotco, indicated that they were management. This raised the question of how to manage a trio of self-managing, senior, publishing people. Dion worried that

…they are going to be competitive and get in each other’s hair (Dion).

But at a deeper level, and one that brings us full circle to the dilemma mentioned above, Dion

[didn’t want them] sinking into the publishing role [as] he can’t have this [enterprise] driven by publishers and publishing mentality (Dion).

A closer examination of the language Dion uses when speaking about the situation reveals his employment of a number of mantras to aid him in his understanding and acceptance of what is happening around him. Dion to described the media consultants and later, Apollo, in using words such as ‘fantastic’, ‘really wise’, and ‘brings so much value to Pilotco’ over and over again. The researcher speculated that this was a subconscious attempt by Dion to justify his choice of strategic partners. The second type of mantra concerns the identity of the enterprise, as Dion asserted that ‘Pilotco is a hybrid company’. Dion continued to muddy the waters, however, by also referring to the company as
…not a publishing company, but an Internet product publishing information from the Internet in the form of a publication (Dion).

His third mantra refers to the definition of an entrepreneur — a definition he desired to apply to himself:

It has to be scary [because when you are scared it means there a lot of uncertainties in your mind] and that’s good (Dion).

By the end of January 2001, and following presentations to an investment banker and a stockbroker, who both told Dion that Pilotco was a publishing business, Dion was also insisting that the enterprise was a publishing business. He was happy with the management team, and felt they

…had a lot of potential… all fairly senior people used to taking the initiative (Dion).

It seems, however, that they were operating to some extent in the dark:

[although] they had the initial strategy document they haven’t all seen the business plan (Dion).

Dion offset this state of affairs against the fact that

[T]his [situation] is a really interesting challenge. If we really pull something off they will be able to say we were a part of that (Dion).

Although Dion felt that ‘things are really moving forward and things happening’, at the same he time confessed that two-thirds of the management team ‘don’t have the necessary skills and can’t drive the process more’. He sensed a need to go off-site, to ‘nut over things, develop strategy, set some targets for everyone’. He found the responsibility for implementing the infrastructure of Pilotco very stressful, and became

…washed out and ratty [if he does not] take time out and have a bit of calm time everyday… a few things do fall through the cracks (Dion).
Dion also stated that he was aware that

Cash is in short supply while we get going (Dion).

He had agreed with Beller that he, Dion, would only receive financial gain when the financing was in place. Even so, he believed The Hatchery had guaranteed him 25 per cent equity in Pilotco, and that equity promised to Apollo was to come out of The Hatchery’s share. This view of arrangements proved to be a major source of conflict a short time later. Meanwhile, Dion felt frustrated by the fact that Apollo, who was guaranteed equity on the basis of driving the creative process within Pilotco, was only available two-and-a-half days per week.

By mid March 2001, one of the management team, Penelope, had resigned. Penelope felt that she was not contributing as much as she should. At her exit interview, she expressed the view that it had all been a great experience but there was just too much uncertainty for her. Dion maintained that all was going well, but realised that he ‘has got to go out and raise funding’. Further, he knew that ‘a lot of things fall through the cracks’, but he took no responsibility for this.

By this stage, a director of The Hatchery had been appointed to attend to some of the day-to-day management issues that Dion was initially told were part of his role. The Hatchery also tightened the flow of cash to Pilotco, and advised Dion that the amount of equity they were prepared to give him would be halved. Dion felt that The Hatchery was backing away from their initial agreement with him, while simultaneously paying Apollo ‘a lot of money’. Dion believed that

[Beller] is doing it because he really wants to put pressure on me to go and raise finance (Dion).
Their agreement had only ever been verbal, however, Dion thought of the employment contract as being all that was said, plus the letter of offer.

Six months after the first interview with Dion, a somewhat similar product was discovered in the United Kingdom. The Hatchery director who had been involved with Pilotco on the day-to-day issues wanted to pull Pilotco out of the project, and emailed the other directors to that effect. Dion felt that there might be the opportunity of an alliance between the two companies, and the Pilotco Board was prepared to give him a week to see what could be done. At that week’s end

[The Hatchery] decided to pull all funding because of the competitive product — that was the reason they gave (Dion).

At the same time, the Board of Pilotco directed Dion to

…go out and talk to a whole lot of investors, and if you can show us you are making progress in fundraising then things might change.

At week’s end, as indicated above, all funding ceased. A second reason was given: ‘unsatisfactory progress’ (on the funding issue). In fact, the founding entrepreneur called an impromptu meeting and ‘read [Dion] the riot act’.

In the sixth and last interview with Dion, he revealed his hurt and confusion over the way in which things happened. He felt he had been ‘played with’ and that the decisions behind stopping the funding were ‘pretty silly; not rational and rather erratic’. He discovered that Beller had recommended that Pilotco’s Board

…sack [me] but they continued to play games [with me] by suggesting they see if some progress could be made on fundraising… [but I had] done everything that [my] contract actually said (Dion).
On engaging a lawyer for advice Dion found that, as he had first suspected, the contract was unlikely to be enforceable in court. Nevertheless, he was thinking about contesting the ownership of the intellectual property that had thus far been developed, and he disagreed that he had been ‘sacked’.

Dion vented his spleen to the researcher, accusing The Hatchery of not being genuine and treating people as ‘inferior in a way’. He felt the problems stemmed from a $66 million valuation of the business (which, at this stage was still a product only), which ‘really hit their greed glands fairly hard’. In more rational moments, Dion called the timing of the withdrawal of funds ‘unfortunate’. In emotional moments, he reflected on the mercurial nature of entrepreneurs, accusing them (The Hatchery) of

…cutting off your nose to spite [their] face; [they’re just] wankers, they don’t know what they want (Dion).

**Athene — Cool Reflection and Balanced Thought**

*She contributes balanced thought and impartial decision making, and has the capacity to weigh one thing against the other to arrive at an impartial judgment. She exhibits a willingness to battle for principles, rather than passions, making choices based upon reflection, holding instincts in control. At times, her cool reflection is too chilly, and too destructive.*

Athene was the general manager of The Hatchery, and ‘manages the strategy and aspects of operation planning’. Even though Pilotco had been wound down at the end of March, at the time of the interview in April, she still saw Pilotco as attached to The Hatchery, albeit as

…a child. It’s still fully tied to The Hatchery’s apron strings (Athene).

Athene’s view, understandably given her role, was fairly broad. She spoke of The Hatchery as providing an infrastructure for companies like Pilotco,
although, echoing Beller’s risk model, she admitted ‘I don’t like calling it a safety net’. She viewed the relationship between The Hatchery and Pilotco as

…it a partnership [but not one where] we [have] to be ‘big brother’. We do have to have some sort of positive procedures and frameworks, though, to minimise the risk to The Hatchery (Athene).

Like Beller, she talked about the model, but where he described a model premised on risk, the one Athene portrayed had five-stages: the initial idea; the scoping stage; the opportunity evaluation stage; detailing the business plan; and the commercialisation stage. After these stages, she saw these fledgling enterprises as leaving The Hatchery and flying solo. Like Beller, she held the view that

…there’s this vision and there’s this ‘I’m going to make it happen, nothing will get me down’ [type of attitude], a set of competencies and a personality style which relates to start-ups. But these people are frequently not the ones who have got the attributes to do well in the ongoing operational management (Athene).

This view raises the question for Athene about managing expectations of project leaders, and the transition of an enterprise from start-up early stages to running the business as a going concern.

Unlike Dion, Athene had an overall view of The Hatchery’s financial affairs, which she likens to having

…it an allocated pension, our nest egg. Now, each time we win Tattslotto by launching a new company [such as Pilotco], our pension goes up, but then you send Dion on an overseas trip, and our nest egg goes down… [The Hatchery] is expecting Dion to go out there and raise funds, and we are giving him every support to raise those funds (Athene)’.

As we have seen above, Dion had a different view of the situation.
Athene had had a background in HR, and took these aspects of her work very seriously, declaring:

[T]he biggest risk for start-up companies is ignoring the long-term implications of people management decisions. Experience tells us that ignorance of people management decisions leads to big problems down the track… Dion has done some initial work preparing Piloteo policies and procedures in relation to HR… [but I think that] one way of raising the awareness of HR was having stricter and tighter guidelines, standard guidelines and standard contracts [and] pay according to market rates (Athene).

It was in this area that she also perceived The Hatchery as providing support for the fledgling enterprises:

We say, here is a legally checked formal contract that we want you to use… how you go about hiring your own staff is up to you… nobody is going to want to deal with a company that cannot tell them what their commitments are, in terms of remunerations, for example. Somebody is going [to have] to look at the company systems. [We can’t have] each of them going off and writing their own contracts (Athene).

**Chiron — The Wise Teacher**

*Chiron is the wise teacher to the young hero, devoting his time to teach wisdom. The young hero uses his encounters with Chiron to begin to formulate and express an individual vision, which guides him as he leaves ‘childhood’ behind and ventures into life’s challenges.*

Chiron considered himself to be Dion’s mentor, and as having had a significant part in Beller’s success. Chiron’s model entrepreneur was similar to Beller’s, Athene’s and Dion’s, in that he said that entrepreneurs are opportunistic and greedy to be successful, committed to a vision and can

…articulate it in a way that people will warm to… [and have a] can-do attitude [that enables them to] find
a way around any barrier. They have an almost fanatical approach. They see the opportunity and are absolutely determined to go for it (Chiron).

Unlike the others, Chiron distinguished the entrepreneur from gamblers *per se*, and saw that:

[they] always evaluate what [they are] moving towards and assess the risks… [but also that] a lot of entrepreneurs are so committed to getting to the end point that they fail to look after the financial side. Or they don’t create the market side. Even the concept of writing down a position description was anathema in the entrepreneurial organisation (Chiron).

Athene, as we have seen above, experienced the entrepreneur as

…very inclined to say, ‘Let’s just get the job done. I have got to get the next dollar, otherwise I am not going to be able to take the next step’ (Athene).

In concert with the others in Pilotco, Chiron linked the entrepreneurial spirit to

…an emphasis on growth… most entrepreneurial opportunities have a window of opportunity… you have to get in and establish your position; capture the market. Turn the opportunity into a real growth area. Growth of some hundred per cent (Chiron).

Dion, in Chiron’s view

…certainly understands how to be entrepreneurial, but he doesn’t have all the entrepreneurial characteristics, qualities. He is entrepreneurial in the way that he can make the idea happen, but he is [too] pragmatic. Now Beller’s fundamental point is that an entrepreneur who doesn’t feel pain will never be entrepreneurial. That was one of the reasons why Dion doesn’t get paid a salary. Because Beller just knows that’s the way of providing the pain and the commitment level (Chiron).

At the same time, Chiron explained that
[Dion] has access to financial advice and resources, which he doesn’t have to pay for; he doesn’t have to put staff on… Beller has appreciated that there is value in having this type of net put around… it did indeed enable you not to fall (Chiron).

Members of the Management Team

Penelope, Queenie and Ithaca: Self-Contained, Holders of Creative Imagination

The image is of loyalty, industrious, creative, versatile, strong-willed and talented people, who are self-contained and stable, and hold great strength and energy within.

Apollo: The Radiant Sun God

He is brilliant, the embodiment of far-reaching vision. He brings hope and clarity, and represents the spirit of intellectual striving, combined with a vision of the future. He brings clarity and optimism, and the view that it is possible to plan for the future and move forward. He brings foresight and purpose. On the downside, he is ambivalent: the scorching heat can burn and destroy the necessary time for things to gestate. His light shines too bright.

The management team was comprised of Queenie, who had worked as a writer of training publications, and had considerable experience as a professional business publishing editor; Penelope, who had an education publishing background and accepted that a mixed-media approach allows ‘each person to come to things in different ways’; Ithaca, who was well known already in the publishing industry for her sales and marketing expertise; and Apollo, who had worked for many years in the publishing industry in roles as varied as journalist, promotions manager, editor and general manager.

Interestingly, all four both confirm, and fly in the face of, Athene’s concern that, without proper policies, procedures and clarity around things such as remuneration, nobody would want to deal with the start-up. Queenie, for
example, talked about contract issues at her third interview (‘chats’, as The Hatchery called them), but felt there ‘was a vagueness about how I would be paid’. Even so, Queenie was able to negotiate her salary upwards, possibly reflecting a higher commercial orientation than Penelope’s.

Salary also was not clearly laid out for Penelope, who sensed that The Hatchery was playing games with her:

[They were] asking me what I would like. [It] puts you in a bit of spot. What were they prepared to give? They left it to me to throw out and work around that (Penelope).

Ithaca like Queenie and Penelope, was offered a choice between a short-term contract with The Hatchery, and operating as a self-employed consultant. She was given a ‘standard contract’, but became disaffected with Pilotco later for other reasons, as we shall see. Apollo only came in to Pilotco two days a week, but was employed as a consultant on a generous hourly rate. Nevertheless,

[I] need to be on the Board, and definitely [need to] have equity if [he] comes on full-time… a reasonably substantial chunk of equity, seven or five per cent (Apollo).

Clarity about their roles and tasks within Pilotco also seemed to be lacking. Ithaca said:

[I was] given a list of duties, but the key performance outcomes were not identified. We are not clear about our positions or role… [I offer Pilotco] a bit of direction; I bring in the market, the financials, grounding the idea, putting ideas into practice. I have brought a bit of clarity through sales and marketing (Ithaca).

Apollo saw himself coming in as a senior manager, yet he admitted that
The specifics of my role have not been thrashed out (Apollo).

He found this state of affairs to be acceptable, because

…when you are building a business like this it is very difficult to be explicit about anything in fact. I mean, the business plan itself is just a contingent document, and as it evolves I think the responsibilities that people have within the organisation will evolve… [I expect] to be on the Board, to be part of the team that will sell Pilotco to venture capitalists, to have an international role when Pilotco expands quickly to the US and UK, and that the publishers will report to me. [This sort of venture] is going to need a person like me (Apollo).

Queenie said that

[I] accepted the fact that the role was going to be fluid. I knew vaguely what my title would be and I knew vaguely that I would be reporting to Dion. But three weeks into the job I still didn’t know the lay of the land. Bits and pieces of information sort of dripped down by osmosis… I think roles are fluid at the moment and that’s quite an eye-opener (Queenie).

Although Queenie ‘got a sense’ that she could probably contribute quite a bit, she found her position personally quite challenging. She was also frustrated with the slow speed and lack of smoothness of the operation, and the less-than-explicit communications between various Hatchery operations. She had no clear idea of who was actually driving the product, and felt somewhat disconnected from the enterprise by the fact that some people felt it was a publishing product, while others treated it as an Internet product.

Penelope also felt the job was challenging, but thought that, because of the constant

…swinging around [as to whether Pilotco had a publishing product or an Internet product], I don’t feel as productive as if I was doing one thing and doing it
thoroughly… It looks as if you are running with an idea, but then it’s all thrown up in the air (Penelope).

She often felt her contributions were rejected and, as a result she experiences herself as ‘absolutely diminished’. Penelope eventually resigned.

When Ithaca realised there was such a lack of clarity about the identity of the product, and therefore about the identity of Pilotco itself, she was quite ‘shocked, I have to say’. She thought she had a very clear idea of where The Hatchery were coming from:

…a strong sense of how it all fitted together… [even though I] hadn’t seen the business plan (Ithaca).

She admitted that the reality of uncertainty was ‘scary’.

Apollo was attracted to Pilotco, as he saw it as ‘something new, fun, challenging, and interesting’, however but two months prior to the business being wound down he said that he had not yet

…made a full commitment yet… I haven’t completely given my life to it… Everyone is holding back a little at the moment actually. I suspect I am not the only one. You really need a little more certainty before you really commit yourself emotionally (Apollo).

He also suspected that because Pilotco was part of The Hatchery (and located in one of the most desirable parts of the city) there was

…not the same sense of urgency that you could feel if we were in a sort of grubby part of town (Apollo).

For Ithaca, Queenie and Penelope, knowing that The Hatchery was behind the start-up influenced their decision to accept the short-term contract.
Discussion and Summary

It was clear that there were a number of issues that created confusion at Pilotco. The most fundamental cause for concern, and one which affected the whole structure of the enterprise, and its modus operandi, was the entrepreneurial model that underpinned the thinking, and therefore the behaviour, of the characters in this story.

Confusion: About the Entrepreneurial Model

Chiron presented a more rounded model than any of the other main characters. He described the entrepreneurial personality as greedy to be successful, actively seeking out risk and always finding a way around difficulties, able to recognise opportunities to grow ideas and enterprises a hundred-fold, with a passion and commitment that caused pain, but a magnetism that attracts both extremely loyal and respectful staff, as well as substantial venture capital. At the same time, said Chiron, the entrepreneur was mindful of not ‘throwing people [staff] to the wolves’.

Beller’s model was predicated on the pain of risk taking, and the willingness to sacrifice everything. Beller judged a project leader’s success by the degree of pain and commitment that the leader was prepared to fight to overcome, and by the number of presentations made to external investors, ‘because that’s the model’. Beller had never believed ‘that [Dion] was an entrepreneur’ and originally took him on only to assess a number of ideas for their economic viability. Once he had done that, Dion was offered the chance to develop his chosen product, and from that point, Beller started to judge Dion’s performance according to his (Beller’s) model of what an entrepreneur was, and should be doing.
Dion, ‘by nature, a little conservative’, but influenced by his wife’s more flexible and spontaneous nature, and perhaps with something to prove, took up the challenge. Athene had an awareness that

[T]he entrepreneur can get carried away with going down a particular path, and sees everything was going to be rosy… [but I learned] to play the bad guy [and] insist on proper process (Athene).

Dion initially bought into the excitement, uncertainty, informality and lack of rules that seem to epitomise the entrepreneurial company, to the extent that he was critical of employment contracts because ‘they lack excitement’. He recognised a model that incorporated notions of flexibility, mutual support, pain and risk, but failed to understand the mercurial nature of the entrepreneurial personality until it was turned against him. At that point, he perceived the model to encapsulate a personality driven by greed, ‘playing games’, and punishing those they perceived to have upset their game plan, as will be discussed later.

Confusion: About the Nature of the Product

A second source of confusion revolved around the nature of the product that Pilotco was trying to develop, and Dion’s seeming inability to make an unambiguous decision about it and to communicate that decision to others. He recognised that he needed staff with both publishing and Internet skills, and it was this, added to the fact that a CD-ROM was to be the medium by which the product information was to be published, that led to the confusion — not only Dion’s mind, but in the minds of some of his management team as well.

Two members of the team were clear that the product was a publishing one. Dion’s insistence that the product, and therefore Pilotco, were hybrids, led him to wonder if his staff ‘are really going to know what’s going on’. People
in Dion’s management team became quite frustrated with the lack of clarity. Queenie, for example, thought that, in reference to Dion and Apollo,

    certain things should be moving more smoothly and should be moving faster… [and I am] uncertain as to who was actually driving the product (Queenie).

Apollo saw the product as definitely residing in the publishing domain. When Penelope said,

    [When I try to] pin something down, Apollo will come in and say we are this and this and this kind of publishing house… it looks as if you are running with an idea… and then [new staff] join and we go back into things. I have to say, nothing gets resolved (Penelope).

Ithaca was both frustrated and shocked that the product was still being discussed — ‘we have got deadlines to meet’ — and she felt Pilotco needed her ability to ‘give a bit of direction’.

**Confusion: About the Structure of Pilotco and its Relationship to The Hatchery**

The third major source of confusion stemmed from the structure of Pilotco and its relationship to The Hatchery. Pilotco staff never received any diagrammatic representation of how the companies fit together. This made it difficult for them to understand their roles and responsibilities, and the lines of authority. For example, Ithaca said that

    [Apollo] is an integral member of the team, he is on the advisory board and it would be good to at least know where he fits in (Ithaca).

Penelope was also confused about Apollo’s place in the line of authority compared to her own:
[Both are] called publisher… but his name is given on the business plan on a level with Dion, as well as once on the level of publishing… Am I deferring to him? Am I integral in some way? (Penelope)

Apollo said

There isn’t a fixed hierarchy [but] I would need to have a reasonable level of authority. I need to know where I have the right to make decisions and where I do not (Apollo).

The Hatchery: An Example of Organisational Egoism

According to its corporate profile, The Hatchery’s vision was ‘turning good ideas into great business’. Its mission was to develop and commercialise worthy entrepreneurial concepts and embryonic enterprises, in order to increase shareholder value, with the intent of substantially increasing the capital value of those enterprises. The Hatchery fits Chell’s (2001) description of a ‘business incubator’, an organisation that provides initial seed funding and a managed workspace for new business ideas. At the time of this inquiry, The Hatchery had four fledgling projects incubating, of which Pilotco was only one ‘child fully tied to The Hatchery’s apron strings’.

Primarily, as the parent company, The Hatchery, had considerable power over Pilotco, as it shaped and influenced the process of creating the start-up venture. The Hatchery looked at its cash flow across projects, and made decisions based on the contemporary financial climate, and the income from its investments. The general manager of The Hatchery said:

If they [the fledgling start-ups] are all just out of the egg, it’s easier to cope, because they all want a little bit. But when they are all teenagers, which is what they are at the moment, it’s more difficult (general manager).

Athene also called this the raucous teenager stage:
…when they all want the latest of everything, and you say, ‘My god, what am I breeding now?’ (Athene)

The Hatchery came to the decision that it could not continue to ‘burn cash’, and pulled back on Pilotco:

It was the first time The Hatchery put a project on hold, cut back [funds]… [previously we would] swap horses midstream, cutting back staff, then putting other staff in (Athene).

The Hatchery harvested two companies, ABC and XYZ, and

…learned from past experience, where the entrepreneur got carried away… [and led us] down a difficult route (Athene).

Beller believed that he had made it too comfortable for Pilotco. It appeared that this belief, taken together with the subsequent decision to stop funding, constituted evidence that The Hatchery was motivated by self-benefit. Beller’s behaviour, as well as Athene’s and The Hatchery’s Board, ‘to abandon the child’ (the fledgling enterprise), was an example of organisational egoism. It was motivated by self-benefit, where the best interests of The Hatchery dominated, and which, according to Beller, was to nurture the fledglings, let them go, ‘so they can leave us a certain amount of shares [profit]’.

**Games People Play**

Transactional analysis is a method of understanding behaviour in interpersonal dynamics (Lussier, 1999). In his book *Games People Play*, Berne (1973) talks about three active ego states: the parent, the adult and the child. Berne’s position is that at any given moment, an individual in a social aggregation with two or more people will exhibit one of these ego states, and
can shift in varying degrees of readiness between one ego state and another. These three major ego states affect our behaviour or the way we transact.

Luthans (1981: 628, quoting James and Jongeward, 1971) notes, ‘anything that happens between people will involve a transaction between ego states’, and can be classified as ‘complementary’, ‘crossed’, or ‘ulterior’. For example, an ulterior transaction may be one when an individual says one thing, but means quite another. Berne (1973: 48) defines a ‘game’ as ‘an ongoing series of complementary ulterior transactions progressing to a well defined, predictable outcome’. In this instance, it represents a set of transactions, ‘superficially plausible, with a concealed motivation’. Berne (1973) differentiates games by two characteristics: their ulterior quality and the pay-off, where every game was ‘basically dishonest’, the outcome having a dramatic quality, although Hay (1992) comments that ‘game’ is transactional analysis’ jargon for unhealthy interaction.

‘Games people play’ as a theme was used here in its general application, and not to present a detailed social psychology of transactional analysis. The interpersonal relations evident between the individuals of Pilotco and The Hatchery reveal ‘ulterior transactions’. The general application of ‘games people play’ helps us understand the sequence of events leading to the lack of confidence in Dion as managing director of Pilotco, and the subsequent withdrawal of funds. In the last interview, Dion expressed the belief that The Hatchery was playing games with him. It became apparent to him that ‘operations’ were really ‘manoeuvres’; ‘not honest request[s] but moves in the game’ (Berne, 1973: 49).

At an organisational level, Pilotco ‘was the child, tied to The Hatchery’s [the parent’s] apron strings’. Berne (1973) suggests that parents teach their children from birth how to behave, think, feel and perceive. Liberation from these influences is no easy matter, and Berne suggests that this is only
possible when the individual starts off in an autonomous state, and the
parents’ influence is no longer dominant. Chiron saw the growth of a start-up
as a parallel to human growth:

When growth begins to occur for a start-up, you can’t
keep them in the hatchery. As a small child… [the
fledgling enterprise] needs love and care. [When it]
become[s] independent… [it has] got to get out
(Chiron).

He expressed the view that Pilotco got through the ‘existence’ stage, and was
entering the first stage of growth, similar to what Athene called ‘the teenager
stage’.

Dion was adamant that Beller and the Pilotco Board were ‘playing games’
with him. Dion believed that when Beller recommended that the Board should
sack him, he was playing the ‘critical’ parent, punishing him, the child, in a
public forum; shaming him. He felt he either ‘needed to go stand in the
corner’, until he did what he was told, or ‘beg forgiveness’. Dion had
witnessed Beller ‘come down fairly hard on other people’ and believed he
was being set up, being told ‘show us some progress… [then] bad luck, it’s
gone’. At that point, he felt he couldn’t ‘take any more of this crap anyway,
it’s stressing me out too much, they aren’t genuine’. He subsequently engaged
a lawyer to advise him, and had ‘withdrawn from the game’.

**In Closing**

Even though Pilotco developed from an idea into a start-up entrepreneurial
venture, taking on staff to grow the business, and was independently
evaluated at $66 million, The Hatchery decided to withdraw funding,
effectively dismissing staff and putting the venture on hold. This decision was
explained as a loss of confidence in Dion (as the managing director) to take
the project to the next stage, and that there was now a competitive product in
the marketplace.

Confusion, organisational egoism and game playing characterised the Pilotco
narrative. The entrepreneurial model that shaped this narrative was an
‘opportunistic, risk taking’ myth, driving decisions that ultimately leaves the
researcher with no clear outcome as to the success or otherwise of this
enterprise. Dion was disappointed it finished the way it did, because it had
‘huge potential’, and did not view his part as a failure. Beller said Pilotco was
still a good idea, and there was a market for it. He acknowledges Dion added
a lot of value to it, but was not prepared for him to lead it further. Instead he
was prepared to do a deal himself. Some of the Pilotco staff expressed an
interest to return should The Hatchery resume funding of the enterprise.

As stated at the outset, this thesis brings together two fields: human resource management and entrepreneurship, in order to determine how they are combined, with regards a small entrepreneurial organisation in its first stage of the business life cycle. Chapter 12 is the HRM–entrepreneurial narrative across the two case studies, providing insight into how HRM is integrated into the entrepreneurship process, and looks at the process as it unfolds, that is, at events over time. The previous two chapters covered the individual cases, where the researcher moved beyond the idealised version of HRM rhetoric and entered the ‘lived in’ version of HRM. Building on this understanding here, the thesis now considers the two organisational narratives as multiple cases, whereby a comparative analysis is possible (Yin, 1994), offering contrasts and similarities, in order to provide a more comprehensive understanding of HRM in an entrepreneurial start-up context.

This chapter’s title is taken from the 1966 movie *The Good, the Bad and the Ugly*, and is the researcher’s attempt to capture the spirit of entrepreneurial individualism — its pursuit of wealth. In the movie, the greatest challenge for the strong-willed outlaws is to work as a team, stay focused and stay alive. A similar challenge confronted the entrepreneurs of Consultco and Pilotco, as evidenced in the two previous organisational narratives. However, this is not a tale of a successful or unsuccessful entrepreneur; nor is it a tale about their fortunate or unfortunate start-up company. Instead, this narrative is offered as a way of extending the field experience, and stimulating understanding and theoretical insight. The researcher intends to broaden what it means to ‘know’, in order to understand better HRM in its relationship to entrepreneurship.
Along with the challenge to work as a team, illusion and rhetoric are two other themes that are woven through the discussion below. Illusion as a false perception, or interpretation, influences the interpretation of what a person sees. Positive illusions are related to productivity and creativity. However, holding overly positive illusions may produce poor, biased decisions, and inappropriate behaviour, based on erroneous assumptions (Feldman, 1998). Alongside this is rhetoric. By using words effectively, either in speech or in writing to persuade and influence, rhetoric is an important source of power to enact realities that further the interests someone wishes to pursue (Morgan, 1997). The rhetorical influence of the entrepreneur is seductive, presenting illusions of success and unique opportunities, ‘buying in’ others to their fantasy image of the entrepreneurial start-up.

Although this research uses a social constructionist frame of reference, in the belief that ‘individual experience is unique, subjective and socially constructed’ (Chell, 2000: 76), for labelling purposes, some prototypical descriptors are used. Chell notes that ‘it is possible to identify prototypical ways of doing and being that are attributable to types of individuals’, which enables the researcher ‘to objectify reality, using behavioural descriptors, and see the similarities in contexts, situations, strategic and tactical behaviours, and their consequences’ (2000: 76). Hence, each case in this thesis is seen as unique, but for labelling purposes, the term ‘entrepreneur’ is applied in both, based on Chell’s (2000: 71) distinction that entrepreneurial intentions for business development are capital accumulation and wealth creation and that entrepreneurial behaviour is ‘opportunity taking’ behaviour.

HRM is similarly used at the generic level of meaning to convey the variety of social practices designed to engage individuals to achieve organisational goals. At its broadest level, Boxall (1996) notes that HRM is concerned with the total management of people in organisations. Furthermore, the start-up
stage of an organisation is recognised as a time when the foundation is being laid; it is a time when culture, strategy, structure and management values come together (Gersick et al, 1997: 149). The resultant behaviour, in relation to HRM, occurs as a consequence of the choice of action to pursue, or not pursue, opportunity. It therefore follows that the entrepreneur can be seen to lay the foundation that shapes our understanding of HRM in the two entrepreneurial start-ups, Consultco and Pilotco.

This chapter considers the cases at two levels. Broadly, it discusses the factors that influence and shape the character of HRM, and the entrepreneur’s role in that. More specifically, the research looks at the way the entrepreneurial start-up implements and actions HRM activities. Nankervis et al (1999) contend that HRM operates at three distinct levels: strategic, functional and operational. The strategic level is broader in its appeal and, as noted in the HRM literature, strategy is geared towards the long-term outcome, as opposed to an operation’s immediate needs. In contrast, the functional level of HRM considers development, motivation and maintenance issues, where the main functions of HRM in an organisation are widely considered to be planning, recruitment, selection, appraisal, training and compensation. The specific focus for the operational level of HRM is the action plans to meet labour needs.

The discussion below will first apply the frame of reference argued by Nankervis et al (1999). Brief deliberation is given to the articulation of vision, strategy and its integration with HRM, and selecting a partner, and the chapter will then move onto the basic HRM activities such as planning, staffing and managing performance. The role of the entrepreneur is also discussed. This research accepts that entrepreneurial propensity is an amalgam of personality, outlook and experience, and makes a significant strategic impact on the firm (Pitt, 1998) — the entrepreneur shapes and influences the start-up. As
founder, the entrepreneur establishes, sanctions and reinforces the implicit rules that govern the day-to-day behaviour in the start-up venture.

**Human Resource Management**

This discussion intends to broaden what it means to better understand HRM in relation to the entrepreneur and their start-up. The generic level of the meaning of HRM is used here to convey the variety of social practices designed to engage individuals to achieve organisational goals, and is concerned with the total management of people in the organisation. Given that Consultco and Pilotco were in an emergent stage of organisational growth, HRM is also deemed to be in the initial phase of its development (Baird and Meshoulam, 1988). Buller and Napier (1993) consider this level of HRM to focus primarily on attracting and hiring the right kind of talent, in order to make the new business grow. During the course of the research, a similar process unfolds: the founding entrepreneurs have an innovative idea for a new enterprise, which they proceed to create. They bring others in on the basis that not only is the idea a good one, but also that others possess technical talent to commercialise successfully the idea of the founder. When interpreting the narratives of the two start-ups, Consultco and Pilotco, it appears that at the heart of it the entrepreneurs want to ‘bring together people and things… bringing relationships into being for mutual advantage’ (Fulop and Linstead, 1999: 6).

**Strategy and the Integration of HRM**

According to Limerick et al (1998: 159), ‘all organisations come into existence as an act of vision’ of the founder of the organisation. This vision may be as vague as a dream or as detailed as a business plan, ‘but this vision
must exist and it must be sufficiently compelling to act as a focus for sustained human effort’ (Limerick et al, 1998: 159). In this research, the researcher observed ‘vision’ at two levels: as the personal vision of the entrepreneur, and as the entrepreneur’s strategic intent for their start-up, to establish a sense of direction.

The research is not so much interested in the kind of person the entrepreneur is, but in what they do. As the founder of the entrepreneurial start-up, the entrepreneur’s vision establishes the identity of the organisation, and initiates a system of action, which will involve choosing strategic, as well as operational values, that guide HRM.

The researcher observed the vision of each founding entrepreneur as a personal desire to pursue and create wealth for himself. This was articulated into a ‘credible future’, either by the creation of an organisation to realise this ‘dream’, or by forging strategic partnerships, or both. Limerick et al (1998: 153) note that ‘all… organisations have a dream, a Utopia which they find persuasive and which directs their activities’. The personal vision of the entrepreneur is their dream of utopia, and is the illusion that directs their behaviour. The vision to pursue personal wealth drove many of the decisions the entrepreneur made in the cases studied in this thesis, for example, to harvest the business for profit, rather than build the business for the long term.

The entrepreneur’s opportunistic behaviour is akin to the movie’s mysterious, strong-willed outlaws roaming the western frontier to track down a fortune in gold: ‘to make a killing’. One respondent believed that

entrepreneurs] are greedy, but not greedy in a bad way (Chiron).

Yet ‘greedy’ is defined as ‘wanting excessively to have or acquire; desiring more than one needs or deserves; being avaricious’ (Webster, 1959: 635). Based on the evidence in this inquiry, the researcher concluded that the two
founding entrepreneurs’ vision translated to avaricious and grasping behaviour. For example, one entrepreneur said:

[W]e hired him and said ‘look this is yours, this is the opportunity, build this up for me’.

In their eagerness to accumulate wealth, the entrepreneurs seized opportunities to get what they desired, and this was not always with the benefit of others in mind. However, when vision is translated into strategic intent, it is couched in terms of strategic values, such as opportunity taking and wealth creating values, and growth-oriented behaviours, rather than opportunistic and greedy ones.

Vision was observed in this research as strategic intent, that is, as an overall framework for the start-up’s mission and goals. Time and effort were put into strategy, in the form of the business plan, although the number of iterations of the plan varied between cases — forty-three drafts over a ten-month period for Pilotco, compared with three drafts over a three-month time period for Consultco. The use to which the plan was put also varied. For example, Pilotco used the plan as the basis for the entrepreneur’s presentation to outside parties to garner their support and advice, regarding the potential of the business. Adjustments were made to the Pilotco business plan based on the feedback.

Consultco’s entrepreneur used the business plan as a way of articulating his business objectives, however, he did not want to give too much away, comparing his business plan to the secret formula of Coca Cola. The researcher observed that the entrepreneur might not have put too much detail into the business plan because he wanted to hold onto his illusion of success and the fantasy image of his start-up. The literature confirms that the business plan does not necessarily have to exist in detailed form at the time of founding a business, but it does need to give sufficient direction to be turned into an
identity image (Limerick et al, 1998). In both cases, the business plan did provide an identity image and was subsequently used as such, for example, when presented to candidates during the selection interview.

The literature often argues that HRM should be integrated with strategy, so that HRM practices support the strategy through shaping the culture of the organisation and the behaviour of the employees. This is referred to as an ‘alignment’, or ‘vertical fit’. However the lead entrepreneurs of Consultco and Pilotco both confirmed that ‘little to no attention was given to human resource strategy’. The integration between strategy and HRM in the start-up, where it occurs at all, seemed to be followed in a piecemeal fashion.

The evidence strongly suggests that the entrepreneurs as managers did not know how to match preferred HRM practices to strategy. HRM was used as a rhetorical device, and may have merely been a ‘symbolic label’ (Johnson, 2000) for the entrepreneur, where there was a distance between the espoused rhetoric and the experienced reality (Legge, 1995). For example, in both cases, the heading ‘HRM’ features in the business plan, however, below the heading there is little more than a list of staff currently involved in the organisation, or a list of job titles for the future. No HR policies and practices appeared on either business plan.

Regarding the Pilotco case study, Daed said:

[O]ur people are our greatest asset [but that is] a little like saying we’ve got a great garden… it’s a tangled mess, nobody is bothering to cultivate it (Daed).

This suggests that strategy, and the integration of HRM, for Pilotco at least, is simplistic at best.

Integration presupposes that strategy is clearly articulated and communicated to others. This can be done either verbally, or through the business plan. The
researcher found that integration did not appear to hold true for either Consultco or Pilotco. The entrepreneur, as a manager, must be capable of articulating their strategic vision, communicating that vision throughout the organisation and empowering others (Lado and Wilson, 1994). Neither entrepreneur in Consultco and Pilotco exhibited the necessary leadership skills in this regard. Lado and Wilson (1994) conclude that, should limitations exist in managerial competencies, this creates a potential for competitive disadvantage. For example, regarding the founding entrepreneur,

[They] love the razzle-dazzle, but are bored stiff with the day-to-day management (Charlie).

In Consultco, the entrepreneur acknowledged that he became a little starstruck with his own success, and did not have the time to make rational decisions. To compound this, he had no sense of what he was doing. This would suggest that the entrepreneur’s lack of managerial competencies in articulating his vision and communicating his vision to others works against the integration of strategy and HRM. This is further compounded by the many drafts of their business plans, reflecting the entrepreneur’s inability to articulate and subsequently implement their strategy.

The entrepreneur’s desire for flexibility to modify strategies and practices to accommodate changes in the environment seems to be an adaptive approach, which may appear appropriate in this emergent stage of organisational development, and explains the many drafts of the business plan. However, Consultco changed direction three times in six months, and not all of these changes were articulated in the business plan. The researcher concluded that the changes occurred because the entrepreneur could not stay focused and was not able to plan these opportunities fully. This raises the issue about whether an alignment between strategy and HRM is even possible under these circumstances. The evidence, as revealed in this inquiry, led the researcher to conclude that neither Consultco nor Pilotco were strong enough or flexible
enough to deal with the unpredictable, the chaotic and the unfolding or emerging opportunities.

The entrepreneur at Consultco expressed that he hoped his company would

...continue to grow organically through strategic partnerships and joint ventures in line with [his] vision.

However, underlying this statement was his desire not to be too deterministic about his strategy, preferring it to evolve. This substantiates Mintzberg, Ahlstrand and Lampel’s (1998) claim that entrepreneurial strategy may be both deliberate as well as emergent. The researcher concluded that the vision alluded to by the entrepreneur in this statement is his general desire to create wealth, rather than a vision specific to the start-up. This attitude, together with the emergent nature of strategy, helps explain how he took on a potential strategic partner for the recruitment side of his business.

Consultco’s entrepreneur believed that Lucy had ‘extraordinary skills’, and he saw her availability as a great opportunity to enter into an arrangement that was mutually advantageous, with the express purpose to create wealth. This led to them ‘doing a deal’, with nothing more than a handshake. Although not expressed in the same way, Pilotco’s strategic alliance between the founding and lead entrepreneurs also emerged out of circumstances, rather than through planning.

Pilotco’s lead entrepreneur approached the founding entrepreneur with a desire to build a business. Recognising in Dion a complementary skills set, as well as a willingness to take a risk, the founding entrepreneur entered a strategic alliance to exploit one of his ideas commercially. Similar to Consultco, this was done with the express purpose to create wealth, and Pilotco’s founder said, ‘We are in the business of making people wealthy’. In both cases a strategic alliance was forged out of circumstance, rather than out
of a deliberate plan, with wealth creation a clear key outcome. These alliances come into being based on little more than a handshake or a verbal agreement. Neither Lucy nor Dion entered a formal agreement, nor did they receive a salary. Instead, their reward was tied to the future potential of the business they are to help develop. By the end of the research inquiry both relationships broke down. This appears to show that the founding entrepreneurs were only interested in their personal success, and not the goals and expectations of the other stakeholders.

Another factor that contributed to the lack of integration between strategy and HRM was that the initial opportunity-taking behaviour of the entrepreneur, which forged mutually advantageous relationships in the first instance, often turned into opportunistic greedy behaviour. The entrepreneur appeared to have difficulty sharing. Consultco’s entrepreneur said, ‘How does that benefit me?’ in a way that showed he felt no obligation to share profits. A similar situation arose in Pilotco’s case, where the breakdown is attributed to the founding entrepreneur’s ‘greed glands’.

The researcher also witnessed other examples of greedy behaviour, where the goalposts shifted in the entrepreneur’s favour, salaries were cut, and bonuses reneged. Those on the receiving end vented feelings of ‘disillusionment’, ‘disenchantment’ and ‘being hoodwinked’, and ultimately these feelings led to their resignations. These breakdowns highlight the entrepreneur’s ‘difficulty in managing expectations’ (Athene), which might reflect the entrepreneur’s struggle to understand human needs, and manage the psychological contract. A ‘psychological contract’ refers to ‘an implied promise… for loyalty and hard work’ (Dessler et al, 1999: 224), and is a set of expectations that specifies what the individual is expected to give, and what they expect to get in return for their performance. There appeared to be a
violation of such a psychological contract, which made the integration of strategy and HRM more difficult.

The researcher concluded that the rhetoric of the managerialist model could be observed throughout Consultco and Pilotco. The following examples illustrate the managerialist propensity in the entrepreneurial start-up. The founding entrepreneurs were both ‘resilient in adversity’, having ‘rolled out businesses… and sold them… having come close to going broke’ (Beller). They saw this as ‘going through their rites of passage’, knowing the worst that could happen would be that they had to start again. They were always on the lookout to exploit new ideas commercially, to create wealth. Their business strategy, of continually searching for different products and market opportunities had them experimenting with potential responses to new and emerging environments. Pilotco’s founding entrepreneur formalised this into an elaborate model, containing five gateways for commercialising ideas. Both founding entrepreneurs had the goal of:

   …thinking good ideas into great business; the goal is to achieve dynamic growth and significant returns on investment, increasing shareholder value (Beller).

This also included achieving personal wealth. The rhetoric of the managerialist model also appears to support the ‘hard’ view of human resources, which sees people as an expense of doing business. However, this approach to HRM, which stresses the rational, quantiative and strategic aspects of managing human resources, does not translate into an integrated set HR practices that highlight performance management and improved competitive advantage (Stone, 2002) in the entrepreneurial start-up.

The entrepreneurs’ words and behaviour revealed individuals who were absorbed in the self-esteem of the self; and the wealth of the self, rather than as a leader of an organisation. In the movie The Good, the Bad and the Ugly,
the greatest challenge for the strong-willed individuals is ‘to work as a team’. This applies also the entrepreneurs in this research.

Once an opportunity presented itself and was considered financially lucrative, the entrepreneur began to pull together a team to exploit the opportunity commercially. There was a strategy of building an organisation for growth and for the creation of wealth, which required the start-up to be flexible enough to deal with the unexpected. However, the researcher observed the building of a business for growth, not for the long term, but with the express purpose of harvesting the business for a healthy profit as soon as possible. The researcher saw this as evidence of the entrepreneur creating the start-up as a means towards the entrepreneur’s personal goals, first and foremost, although their rhetoric would suggest otherwise. If their partners realise their own goals along the way, then this is a bonus. However, the entrepreneurs engaged in greedy behaviour that prevented partners realising their own goals. This suggests that, for the founding entrepreneur to work with others, as a team, is as illusive a challenge as it is an allusive concept.

Given that the entrepreneur seeks to work with self-starters who are proactive and inspired by the challenge much like themselves, it is not surprising that those advising the entrepreneur on HR matters see themselves in a positive partnership with the entrepreneur, at least initially. The rhetorical influence of the entrepreneur means that they can persuade and influence, to promise them realities that further the interests that the HR advisers wish to pursue. The HR advisers, in both cases, were struck by the entrepreneur’s ‘vision and creativity’ which they ‘do not want to stifle’ (Marcie), because in their view

…that is exactly the [type of] person that needs to head up a business (Marcie).

At least initially, the HR advisers took on the rhetoric of the entrepreneur. For example, at Pilotco, the HR adviser endorsed the five-stage model of
commercialising new ideas and business ventures to minimise the risk for the founding entrepreneur. However, when it came to the implementation and practice of HRM, the HR advisers tried to influence the entrepreneur, and thereby organisational practices, by suggesting they needed to have:

- operating boundaries
- manage expectations
- prepare policies and procedures creating a company-wide system of HRM.

The HR advisers challenged the entrepreneur to ensure that their ideas were sound, holding the entrepreneur’s ‘untamed nature in check’ (Athene), and transforming the entrepreneur’s business, something that did not, in fact, materialise during the course of this inquiry. It appeared that the HR role advocated by the advisers:

- balances the intuition and emotion of the entrepreneur with the rationality and systematic thinking of the manager (Kao, 1991: 24).

The HR advisers seemed to believe that they could have considerable influence on the entrepreneur, but the evidence suggests a different reality.

When there is integration between strategy and HRM, the literature suggests HRM has an informing role. For example, Consultco and Pilotco’s HR advisers believed that HR could provide the entrepreneur with a more disciplined and measured assessment of opportunities, thereby building the character of the business. Instead, what appeared to materialise suggests that HRM has a more conforming role. The degree of sophistication that both HR advisers suggested in respect of procedures, policy and protocol, was criticised by the entrepreneurs for moving the organisation away from being ‘the entrepreneurial kind’. Baird and Meshoulam (1988) contend that entrepreneurs in new emerging organisations want to keep such procedures, policies and protocols to a minimum; any higher level of integration in the
The literature on entrepreneurial organisations contends that entrepreneurs can give us ‘creative work environments’ (Kao, 1991: 1). However, the researcher did not observe this in Pilotco and Consultco. Daed commented that the entrepreneurial company talked a lot about how different they were,

…wanting the culture to be open, inventive and innovative with highly motivated staff (Daed).

He then acknowledged that the practice of HRM in the entrepreneurial start-up company was not particularly innovative, and that

HR policy simply does not follow the rhetoric (Daed).

Instead, the entrepreneurs, as well as their HR advisers, reverted to the familiar, focusing on a limited range of basic HRM concerns, such as recruitment, selection and compensation.

According to Kao when properly conceived, HRM is a source of leverage for the entrepreneur:

…selecting the right person for the right job; planning for change in a dynamic environment as both people and jobs evolve; and maximising productivity through job design, clear expectations and performance appraisal, encouraging shared values, skill development and training, managing morale, managing non-financial incentives, encouraging communications within the company (1991: 11).

We now turn to how the HRM function actually operates in the entrepreneurial start-ups under investigation.
Functional and Operational Levels of Human Resource Management

HRM, at its broadest level, is concerned with the total management of people in organisations, primarily within an employee–employer relationship. It involves attracting, retaining, motivating and separating individuals, in order to meet legal requirements of the workplace, while contributing to the organisation’s business strategy. HRM activities at this level are widely held to be the functional activities associated with the employment relationship: planning (job analysis), staffing (recruitment and selection), and managing performance (appraisal, training and development and compensation) (Stone, 2002; Dessler et al, 1999).

Consultco’s and Pilotco’s approaches to the management of human resources are similarly informal and loosely managed. This finding supports Weisner and McDonald’s (2000) claim, that small business face management processes different from those of big business, where we are likely to find more mature and complex HRM practices. The entrepreneurial start-up’s work environment is described as ‘fast paced results oriented’; and what is expected is ‘fire in the belly’, ‘passion’ and ‘a tolerance for ambiguity’. These issues need to be addressed within the context of the HR activities observed in the initiation stage of HRM for Consultco and Pilotco.

Planning

Planning is the process by which HRM tries to have the right people in the right place at the right time. When HRM is aligned to the strategic business plan, it helps focus, mobilise and direct human resources activities that will affect the business. Theory suggests that the organisation’s competitive strategy identifies its demand for skills and employees, and HRM creates the
organisations readiness to pursue the strategy. In this way, planning is said to be congruent with organisational goals. Kao (1991: 11) suggests that HRM in the entrepreneurial organisation is a source of leverage and influence, when it answers the questions: ‘Do we have the right people we need today?’ ‘Are we looking for the people we will need tomorrow?’ ‘Are tasks being defined to best satisfy individual and organisational needs?’ and ‘Is the organisation developing so as to best support its strategy?’

The entrepreneurial start-up usually employs a ‘prospector type’ strategy (Miles and Snow, 1978; 1984), where the entrepreneur responds to new and emerging trends. For example, Consultco changed direction three times in six months, in order to accommodate emerging opportunities. The justification offered by the entrepreneur was that Consultco was a ‘just-in-time’ business, where he re-evaluated everything, including staff, monthly:

People’s job descriptions change. If they fit, great. If they don’t then we have to look at exits.

This level of flexibility concentrates strategy and planning on short-term replacement needs, rather than building the organisation’s long-term human resources requirements. In Consultco, planning was project driven and reactive: ‘every day is different’. This reflected a management-by-crisis approach.

Although not exactly the same, Pilotco also lacked clear, long-term plans for human resources. When Pilotco was ready to bring in technical talent to commercialise their product, the entrepreneur knew he was ready to take on his first employee. But he was not able to articulate who this person should be, nor what attributes they should have, nor what they would be doing. All he knew was that he needed someone. When three excellent candidates presented themselves, all three were selected. Once again, this confirms the opportunistic nature of the entrepreneur’s decision making, as he changed
direction on the basis of the candidates. The researcher observed HR planning in its simplest form: determining a position to be filled, and matching the human resource availability with the job opening. However, this was not always done as part of a deliberate strategy, and occurred on several occasions as a result of circumstances and changes in the environment.

There was only sporadic evidence of the HR activity of job analysis, something that focuses attention on what the employees are expected to do. According to Stone, (2002) job analysis provides information about three basic aspects of the job: job content, job requirements and job context. Both entrepreneurial start-ups used a job description, however, there was ambiguity about further expectations. Consultco’s entrepreneur’s expectations of employees went beyond the job description:

   It was the minimum. What is expected is that staff look for better ways… Too much control… will stifle growth.

This attitude suggests that the job description was seen as controlling, and not as a document that reflects the evolving nature of the job and the entrepreneur’s expectations. Pilotco’s entrepreneur went further, and acknowledged that ambiguity was actively encouraged as a way of generating new ideas. However, this level of ambiguity, instead of being exciting, led to feelings of frustration and uncertainty, and ultimately, resignations. An additional reason for this ambiguity of expectations could be that the entrepreneur had difficulty in articulating expectations, preferring to use the term ‘ambiguity’ to mask the fact that he did not know precisely what he wanted.
Staffing

The staffing function of HRM primarily involves recruitment and selection. ‘Recruitment’ involves searching for and getting sufficient potential candidates so that the organisation can select the most appropriate; while ‘selection’ is the gathering of enough information for the purpose of evaluating who should be hired in the short- and long-term interests of the organisation (Stone, 2002). Kao (1991: 25) argues that recruiting is even more important in the entrepreneurial company, because it is looking for ‘people who can hit the ground running, self starters’. He sees these people as needing little training to be effective, who assimilate quickly, and have a consonance with the values and culture of an entrepreneurial company, and ‘who are comfortable with ambiguity, challenge, responsibility and growth’ (Kao, 1991: 25).

In practice, Consultco and Pilotco engaged in the two activities — recruitment and selection — but to varying degrees of formality. Pilotco retained the services of a media consultant to work with the lead entrepreneur in writing and placing a job advertisement in a publishing newsletter, to screen applicants and interview candidates, and to recommend candidates. Pilotco also administered a values assessment to profile behavioural and attitudinal characteristics to establish a person’s propensity to tolerate risk, in order to establish if the person–organisation values fitted, and if they were suitable for the entrepreneurial organisation. By profiling for values congruence as a predictor of performance, Pilotco tried to match applicant personality characteristics with the start-up entrepreneurial culture. However, the values assessment was not part of the final selection process, as it was administered after employees joined Pilotco. Other than providing employees with a summary and debriefing session with the profiler, nothing further was done with the results of the values assessment.
Interviewing candidates was a common procedure for both Consultco and Pilotco. Job interviews in both cases were called ‘chats’, quite informal and low key, making candidates feel relaxed, as if engaging in a conversation. Candidates consequently saw the interviews as having a ‘human touch’. The entrepreneurs did this for two reasons: first, to establish the candidates’ tolerance for risk, and second, to convey their future vision. Interviewees were made aware of the risks associated with an entrepreneurial start-up, and the ‘chat’ was meant to assist the entrepreneur in recruiting staff ‘who had a high tolerance for uncertainty’. The chat was also an opportunity for the entrepreneur to convey their expectations and values, that is, a start-up full of excitement, passion, sizzle, fun and ambiguity.

The entrepreneurs held strong beliefs that people would be attracted to the excitement of the challenge and innovation itself. This view was substantiated in the interviews with Consultco and Pilotco employees. However, ultimately there appears to have been a mismatch in values, leading to the perception of lies and betrayal, and ending in separation. The researcher concluded that one of the problems was that the candidates did not fully appreciate what the entrepreneur’s value system would mean in practice. People were excited in the interview, because the entrepreneur’s vision was a positive illusion. However, the positive illusion led to erroneous assumptions, suggesting that the interview process was flawed. The entrepreneur was flattered by the interviewees’ response to their ideas, and interviewees ‘got excited’ about joining the start-up. It is only later, that the interviewee discovered that their own set of values clashed with those of the entrepreneur.

Although the entrepreneurs of both Consultco and Pilotco indicated that a start-up should be careful in recruiting staff:

...hiring staff who have high tolerance for uncertainty, who have worked in start-ups and like change.
Yet they were also fatalistic:

People who like it, stay; and the ones that don’t, leave (Dion).

This attitude appeared to be one of self-justification on the part of the entrepreneur, and it absolved them from recruiting and selecting responsibly. The entrepreneurs held strong beliefs that people joined their organisation because there was an opportunity in it, and they stayed as long mutual needs were met, and there were mutual benefits and mutual gain in the association. Walton (1985) stands out in the HRM literature as endorsing mutuality of interest, referring to mutuality of goals, influences, rewards, respect and responsibility, in order to elicit commitment. This is quite different from the mutuality of interest espoused by the entrepreneurs in Consultco and Pilotco. In these cases, the entrepreneurs sought commitment based on the principles of collaboration, in the form of an alliance based around their idea and its commercial exploitation, with the express purpose of wealth creation.

Another example common to Consultco’s and Pilotco’s staffing approach was that people were chosen based on the belief that they could ‘add value’ to the business. This hard, task-focused view of HRM is a quantitative and calculative approach to managing people, and supports the resources-based approach to HRM noted earlier, which holds that an employee’s competency is rare and non-substitutable, and is therefore a source of competitive advantage for the organisation. When the additive value was no longer apparent, the entrepreneurs quickly broke off their association with these persons.

The researcher also observed significant changes in the entrepreneur’s language when things went awry with their staffing. For example, Charlie, changed from waxing lyrically about the employees’ extraordinary skills, to a point where he criticised them because ‘they didn’t demonstrate any work
ethic’, and said they had a ‘Judas-like attitude’. The entrepreneur said he had a sense of betrayal, and of ‘having money stolen’. This suggests that the entrepreneurs took little responsibility for recruiting and selecting responsibly.

Another dimension to staffing observed in Consultco and Pilotco involved making staffing choices opportunistically, and the hiring of friends, relatives, academic acquaintances and people who had worked with the entrepreneur before. Once such working relationships became established, however, there were problems.

When it came to staff who were friends and relatives, there appeared to be ‘no boundaries’. The entrepreneur had unrealistic unspoken expectations of friends, expecting them to somehow show a greater personal commitment and understanding about the risks associated with a start-up, possibly even deferring salary when money was tight. In one instance, an employee who was also the entrepreneur’s friend took advantage of the friendship to challenge the entrepreneur’s authority when making business decisions, as if they had ownership rights. At Consultco, the entrepreneur had difficulty making himself clear about the level of expectations, boundaries and key performance indicators. There are two possible causes for this: first, staff acquisition overall was not always strategically planned and well managed, and second, it was overshadowed by opportunity-taking behaviour. This again indicates that the entrepreneur was ‘not cognitive about the human side of the business’.

**Managing Performance**

Effective HR practice is viewed as a flow of interrelated activities in fast-growth small entrepreneurial organisations. It starts with the right person —
‘organisation fit’ — and is followed by an ability to attract and reward them appropriately for motivation and retention purposes (Heneman et al, 2000). Kao (1991) contends that the reward system in an entrepreneurial organisation should establish that the right kind of behaviour is being rewarded. For example, he asks:

Is risk taking being encouraged in an appropriate fashion? Are intrinsic as well as financial rewards being used in an effective manner? (1991: 25)

Three activities: appraisal, training and reward, are important, as their focus is the enhanced achievement of organisational objectives through a concentration on individual performance (Stone, 2002).

Performance appraisal typically involves formal methods of measuring and evaluating employee job-related behaviours, and can be tied to results. The researcher did not observe formal appraisal procedures in either case. Although Pilotco’s relationship with The Hatchery involved a three-monthly review, the lead entrepreneur told the researcher that he knew nothing about this. It could be that the lack of a formalised appraisal method was due to the very early stage of the life cycle of the entrepreneurial start-up. However, the researcher observed that, on several occasions, people felt ineffective about their performance, and this led them either to disengage emotionally or disengage by leaving.

In Pilotco, one employee felt frustrated when she concluded her work was not valued, which generated considerable physical as well as emotional unease, and led to her resigning within two months of her appointment. In Consultco, one employee did not value her own contribution, regardless of the positive feedback from the entrepreneur, and she placed herself in a ‘holding pattern’, putting in the minimum required until a better job came along.
When the entrepreneur intuitively evaluated other people’s performance and found it to be ineffective, or when the entrepreneur lost faith in the other person’s ability to deliver expected success, their actions were swift, ending the relationships, abandoning ideas and letting employees go. For example, at Pilotco, the lead entrepreneur’s relationship with the founding entrepreneur ended swiftly, and in the former’s view, in ‘an irrational way’, leading to considerable disappointment. The lead entrepreneur attributed this to the mercurial nature of the founding entrepreneur, who reverted to control when he lost confidence in the other’s performance. This approach is vastly different from a process of measuring, evaluating and finding performance lacking.

Training and development is another activity not clearly developed in the two start-ups. Again, this could be attributed to the very early stage of the life cycle. Training and development attempts to improve current or future performance. The researcher was told of instances in Consultco where the entrepreneur indicated he allocated a training budget for each employee, however this did not materialise. Instead, training appears as another example of the promises made to employees as part of the illusion of a success perpetuated by the entrepreneur.

In Pilotco, the lead entrepreneur indicated he wanted to take the management team away for a team-building exercise, to help them focus on the vision and mission of the start-up, and to improve the overall cohesiveness and performance of the team. The HR adviser represented to the researcher that some form of team building did take place, however the adviser was vague as to the details, as she was not directly involved. Again, the researcher observed that the entrepreneur wanted training, but the specifics of the training were not articulated; that is, what, where, when, how and by whom was not thought through. The only thought was that team building would be useful.
In the movie *The Good, the Bad and the Ugly*, three strong-willed individuals come together to track down a fortune, but the teamwork does not come naturally. In Pilotco, there was a management team comprising very senior individuals, some quite strong-willed, for whom working as a team in the new start-up similarly did not come naturally. Each appeared to be holding back or competing to promote their perspective, thus necessitating a team-building exercise.

The final HRM performance-related activity to be discussed, compensation, features significantly for the entrepreneurial start-up. The researcher observed alternatives to the traditional employee–employer relationship, which is normally talked about with an assumption that the usual employment and psychological contracts relationship exist. In such instances, compensation is usually considered to be

…what employees receive in exchange for their work, and includes pay and benefits (total compensation) or just pay (cash compensation) (Stone, 2002: 428).

This distribution of monetary and non-monetary rewards is typically based on an evaluation of performance against the job description and the key performance indicators. An organisation’s compensation practices emanate from the strategic business objectives determining the performance and behaviours to be motivated (Stone, 2002). In the case of the entrepreneurial start-up, the strategy, and subsequently the compensation philosophy, is premised on high risk and potentially high reward.

Consultco and Pilotco consistently encouraged others to join their business venture as associates or partners, as an alternative to the traditional arrangements, and with no direct salary in some instances. For example, in Consultco, an associate joined, receiving no salary, but 50 per cent commission. Another joined a project team, taking no money, but understanding that when the business is launched he would share in the
success, or not, as the case may be. The lead entrepreneur who took on the project of developing and commercialising Pilotco worked for over a year and received no salary, but was promised (verbally and in a simple contract) 25 per cent equity in the new company once it became operational, as a share of the success. It appears that the founding entrepreneurs believed those joining should ‘hurt a little’ (Beller), as a way of being committed to the outcome:

To be entrepreneurial there has to be pain… we don’t give them salaries until such time where we are more financially secure (Beller).

Pilotco staff were offered the choice of either becoming engaged as a self-employed contractor, or taking on a temporary three-month employment contract, with a likely offer of a more lucrative package with equity in the newly formed company. The newly hired management team mainly chose contracts. However, different salary packages were negotiated, reflecting the negotiating skills of the individuals. In only one case did a candidate start on a very lucrative consultancy agreement. He was offered a three-tiered compensation package to reflect his more senior role, and his considerable ‘added value’. Right from the start, discrepancies emerged in salaries, and these reflected personalities, and were not based on performance or job level, leading to potential HR problems associated with inequity.

On several occasions, the goalposts moved, and in some cases, employees or associates were made worse off, due to salary cuts, and their bonuses did not eventuate. These attempts by employers to control labour costs, by shifting costs or eliminating benefits, can be viewed as violations of the ‘psychological contract’ (Lucero and Allen, 1994). A psychological contract typically develops when the employee believes their employment contribution obligates the employer to reciprocate in some way. When there is a breach, as in these cases, feelings of deprivation, resentment and anger surface. A psychological contract also exists for those associates not formally on an
employment contract, and this can also be violated whenever the promise of a future return is being made in the form of an offer, is duly accepted, but is then summarily withdrawn. In both instances, commitment to the entrepreneur, and identification and involvement with the start-up, is compromised.

The operational level of HRM also needs to be considered, that is, the action plans needed to meet labour needs. HRM for Consultco and Pilotco appears simple at best, with the entrepreneur having difficulty articulating the details of what HRM involves, and only in hindsight, applying reasoning to their actions. The operational level of HRM found in Consultco and Pilotco appears to confirm Buller and Napier’s (1993) contention that, at the emergent stage of organisational growth, the primary focus is on attracting and hiring (or involving) talent to make the new business grow. However, little horizontal integration between the activities is observed, which suggests that the entrepreneurs might simply not have been interested in HR practices, let alone had knowledge about how to integrate HRM into a coherent system of mutually supportive practices.

There did not appear to be any synergistic approach to HRM, either vertically or horizontally. Instead, the sum of the individual effect of the HR activities led to competitive disadvantage, disillusionment and disengagement, ultimately contributing to the lack of commercial success for both Consultco and Pilotco. The basic functions of HR as they are commonly defined, and their actual practice in the two entrepreneurial start-ups researched here as revealed by the respondents, exposed entrepreneurs as being preoccupied with HRM in its narrowest form. Their HR practitioners felt that they were forced to play the ‘bad guys’ (Athene), and had to temper the excesses of the entrepreneur and bring a focus and process to the organisation that was otherwise missing.
The Role of the Entrepreneur

The entrepreneurial personality is embedded in Consultco and Pilotco, by virtue of the fact that the entrepreneur is founder and/or manager of the start-up, and has shaped its character and culture. Entrepreneurial propensity is an amalgam of personality, outlook and experience, and makes a significant strategic impact on the firm (Pitt, 1998).

The entrepreneurs studied appear to have accepted risk for the sake of profit, wanting to ‘spawn something tangible, sellable, that has value’ (Charlie). This attitude led the researcher to believe that strategically, there may not have been a long-term plan. Instead, the heart of the operations seems to have been the desire to create an organisation to accommodate their opportunity-taking behaviour to commercialise an idea. That is, the entrepreneurs’ aims were to nurture the start-up to the stage where the entrepreneur would harvest their business idea and ‘make a lot of money’ (Beller). This appears to fit with Churchill and Lewis’ (1983: 34) sub-stage in their growth model, called ‘success-disengagement’. In this stage, rather than using the organisation as a platform for growth, the owner chooses to disengage fully or partially from the company, and use the derived resources to pursue other activities.

Success, in the minds of the entrepreneurs studied, is winning over risk. The literature on entrepreneurs expects entrepreneurs to be risk bearers, creative, innovative, have high energy levels, self-confidence, optimism, a high need for achievement, independence and a tolerance for failure, and so on (Dalglish, 2000). These personal characteristics hold true for Consultco and Pilotco, particularly for the founding entrepreneurs. Moreover, these attributes were highly regarded by their HR advisers, who believed these to be valuable traits and strengths when starting a new venture. In the early stages,
…an organization seeking fast growth needs an entrepreneurial manager with fertile and even wild imagination and an aversion for anything resembling order and method (Etzion and Niv, 199: 151).

However, some of these attributes did not appear to sit well with some of the employees or associates of Consultco and Pilotco, creating discord in relationships. Furthermore, the entrepreneur’s enthusiasm appeared to be individually motivated, confirming a serious lack of leadership. The entrepreneur as manager should appreciate the challenges and difficulties involved in starting up a new venture. The entrepreneur as manager also carries a broad range of leadership functions: getting others to work together as a team; creating a meaningful and exciting vision, to name but two. But as in Consultco and Pilotco, the greatest challenge was to work as a team, to stay focused and survive.

**In Closing**

The HR advisers to the entrepreneurs in these two entrepreneurial start-ups saw themselves as shadowing the entrepreneur, helping them implement their ideas, and planning objectives and strategies to integrate with business needs. However, there was little to suggest that HRM existed beyond some basic functions. The HR advisers did not have as much influence in shaping strategy as they believed. Instead, HRM fell into a conforming role. The researcher observed minimal integration of HRM policies and practices with the business strategy. Communication, motivation and leadership, or lack thereof, created considerable obstacles in Consultco and Pilotco, due to the opportunistic behaviour of the entrepreneurs. In both cases the entrepreneur’s changeability in preferences was evident, which led to the sum effect of the individual HRM activities being less than their whole.
When Charlie expressed his concern, ‘How does that benefit me?’ he was articulating a core value, one which underpinned the values of the social system across both start-ups, and which emphasised the utilisation of human resources as an expense of doing business. Such an approach to HRM reinforces an opportunity-taking strategic perspective in the entrepreneurial start-up. HRM was further shaped by the strong influence of the founding entrepreneur, which led to tight control, even though it may be held in the soft glove of ‘the benevolent dictator’ (Charlie). This sounds similar to what Legge (1995) calls the ‘tough love’ of HRM rhetoric. Finally, at the functional level, little development, motivation and maintenance was observed, with the primary focus being on recruitment, selection and compensation.

The evidence from this cross case-study analysis suggests that HRM activities in these two entrepreneurial start-up organisations were not particularly strategic; instead, HRM in the start-up phase was limited in its focus and contribution.
CHAPTER 10: THE YELLOW BRICK ROAD

The Self in Research

The previous chapters presented individual interviewee stories, interwoven to become part of the larger organisational stories. This chapter is part of the mosaic of the wholeness of the research experience, the researcher’s ‘tale from the field’ (Van Maanen, 1988), to acknowledge my own role as researcher and participant in the inquiry.

Part 2 showed that an interpretive/social constructivist paradigm was chosen to understand the world of experience in this thesis. To do so, I want to give voice to, and acknowledge my part as the researcher, because it was I who actively engaged as a ‘passionate participant’ in the joint construction of meaning and sense making that took place continually throughout the process in the telling and retelling of the stories, and ultimately in this re-contextualised research text. I put myself into the conversations with interviewees, and did not stand back. The respondents were talking to me, and it is my version of reality that is presented here.

In this chapter, I want to acknowledge the first person singular as relevant to this research inquiry (Peshkin, 1988; Berg and Smith, 1988). In this instance, I am an amalgam of two selves: the human self and the researcher self, and it is my individuality, personality and attributes that ultimately shaped this research, because it is my worldview — my paradigm — that is the foundation upon which this research grounds knowledge.

This chapter deals with the self in research; more specifically, it brings to the fore my subjectivity, not in the form of distortion, but as a shaper of the
research from start to finish. You, the reader, are witness to that subjectivity because, according to Peshkin,

…the virtue of subjectivity is that it concentrates and focuses attention; and produces an ‘it’ (1988: 278).

My thesis is shaped by my biases and inclinations, which, according to Peshkin (1988) has narrowed what I see, and shaped what I made of what I saw and heard. Peshkin comments that an individual’s subjectivity is the basis for their distinctiveness, peculiar solely to them, which holds true for me. If my work is to hold value, then my perceptions are not just interesting to me alone. My subjectivity is functional, and the results produced invite you to consider my ideas

…not necessarily as [absolute] truth… but as positions about the nature and meaning of the phenomenon. By virtue of subjectivity, I tell the story I am moved to tell (Peshkin, 1988: 280).

This chapter offers an interpretation of my journey with the two companies under investigation. It involves ‘narrative actualisation’ (Steyaert and Bouwen, 1997: 53), making my experiences explicit through my narrative sense making. The meanings that this thesis creates are extremely context sensitive, and offer a story ‘meaningful only within the contours that it delineated itself’ (Steyaert and Bouwen, 1997). Similar to the previous chapter, I employ other narrative genres, such as film and myth, in order to build on narrative language use as concrete, metaphorical, allusive and context sensitive (Bruner, 1990).

A little like Dorothy in the film The Wizard of Oz, I found myself on a journey I have never been on before, that is, the task of studying for a PhD, and writing a thesis of this magnitude. It was a substantial part of my life, all-consuming at times, and now that I write the final text I want to say that it was a wonderful journey, with much learning along the way — more learning than
can possibly be reflected in this document. In some respects, my journey mirrors the experiences of the entrepreneurs who were founding their start-ups. I felt excitement, enthusiasm and passion, but also stress, uncertainty and confusion, as part of the process of emergence. I lived it and I felt it. I concur with Clandinin and Connelly (2000: 144), when they say that narrative inquirers tend to be less sure of themselves after investing intensely over the research time. This was particularly so when I needed to find a way to write a text that is ‘in place’, and to write about things as becoming, rather than being. Therefore, this research text is a temporal text about what was, what is now and what is becoming (Clandinin and Connelly, 2000), in relation to the topic, human resource management and entrepreneurship, but also to me.

A short examination of the symbolic meaning in the film *The Wizard of Oz* will help to enhance meaning and understanding. For example, at the beginning there is a cyclone, which might represent chaos before transformation. When the cyclone hits, it lifts the house with Dorothy and her dog Toto. She ends up in a strange land, where the house crashes down. She says to Toto, ‘I have a feeling we’re not in Kansas anymore.’

Once this research inquiry ‘hit’, it took me into a new world: the world of the entrepreneur and the world of a small start-up company. I left behind the rhetoric of organisational life, and human resource management in particular, as seen through the eyes of someone who has spent a considerable amount of working life in the academic discipline of human resources. I found myself travelling down ‘the yellow brick road’ meeting my own scarecrow — my inner self and intellectual reality — and my tin man, who represents my compassion and heart, and my emotional connection to the entrepreneurs and those involved in their dream.

The cowardly lion touched me many times during the course of this research inquiry, and sometimes the fear immobilised me. This included fear of my
perception that my ideas were exposing a limitation in the world of research, and that my narrative would challenge the status quo. In these instances, my cowardly lion lacked self-esteem. However, during the course of this investigation, courage came, and this thesis represents these new ideas.

Extending the analogy of Greek mythic figures (Graves, 1981) used in the Pilotco narrative, I assign myself the character of King Theseus of Athens, who symbolises creative imagination. He was full of new and brilliant ideas of how to unite the constantly warring Greek cities so that they pulled together as one. Similarly, I attempted to sell the grand vision of bringing together the disciplines of human resource management, entrepreneurship and narrative in this thesis.

I also wanted to conquer an imperfection in the world of research, and to convince you of the validity of my way of looking at things. I saw this as a challenge in the spirit of striving to bring newness to the world of knowledge and understanding of organisational life. It is also a recognition that the use of narrative can bring ‘humanity’, through the voice of the other and self, into the world of research, and is worth further development. I strongly support Clandinin and Connelly (2000: 43) when they acknowledge that people are at the heart of all social science inquiry.

Smith and Berg (1985: 9) point out that no matter where we place ourselves as researchers, there are benefits and biases, and ultimately there are no rights and wrongs. The choice of analytic technique, in my case, narrative, and how to relate to those being studied, became important in determining my position as researcher.

Clandinin and Connelly (2000: 46) acknowledge that

…we all, novice and experienced researchers alike, come to [narrative] inquiry with views, attitudes, and ways of thinking about inquiry… almost all of us…
come to narrative inquiries with various versions of formalistic and reductionistic histories of inquiry. To the extent that this is true, we are forever struggling with personal tensions as we pursue narrative inquiry (2000: 46).

I also experienced tension, due to lack of experience with narrative inquiry. However, I was determined that narrative inquiry would be the means to the end, and was adamant that this thesis would be grounded in narrative. It confirmed a shift in my world of analytic thinking. Throughout the research process, I became fully involved as a social investigator. I did not accept the assumption that I was an independent observer on a quest of objectivity. Nor was I the ‘over-personal human being who goes native’ (Alderfer, 1985: 67). Instead, I accepted the concept of self dynamics in social research, and as Alderfer (1985: 68) comments, ‘controlled in’, rather than ‘controlled out’ the different self-perspectives, so that conscious dialogue and dialectic was possible.

Alderfer (1985) also argues that unconscious dynamics are always present, and that they play a powerful part in the creation of data and theory. I accept my ‘self’, who I am, in my role as social investigator. My self comes from my personal social history, my family role, my professional training, and so forth. The reasons behind why I chose this type of research inquiry at this time of my life are an acknowledged part of self. I find that giving my ‘self’ a voice is as important as giving voice to the other, which was the overriding reason for choosing narrative research technique. The incorporation of folktales and film in my research text is another example of my own personal creative world, and was my way of granting legitimacy in this research to inform understanding.

I will now discuss the journey. Jeffcutt (1994: 230) comments that, on the one hand, a researcher’s confessional tale is similar to the isolated questor embarking on a process of academic passage towards the interpretation of a
particular setting. On the other, the epic tale can take the form of a melodramatic memoir as a passage through transitional steps of ‘seduction, corruption and redemption’. Although I do not consider my tale epic, or melodramatic, there were elements of ‘initiation, identification with and estrangement’ (Jeffcutt, 1994) from participants of the two organisations.

My ‘initiation’ stage can be traced to my PhD application, as well as the first interview, where I engaged in the interactive process of narrative. Using Steyaert and Bouwen’s (1997: 52) metaphor from the theatre, I entered the drama of a new situation and began to play my new role as researcher,

…all the while trying to figure out what the play or scene is actually about but in the process shaping it and changing it (Steyaert and Bouwen, 1997: 52).

I ended up in other people’s emotional stories, and they in mine.

I was anxious when it at the outset of this research. I knew nothing of the world of entrepreneurship, and practically nothing about starting up a new business. To try to come to terms with my own anxiety, and make my entrance into the unfolding drama and my role as researcher, I approached four individuals in the world of entrepreneurship and engaged in semi-structured interviews to learn more. But I also did this in order to refine, reframe and make clearer to myself and others my intentions with this research. The four individuals approached were: a well respected academic in entrepreneurship, with more than 20 years experience in the field; an HR adviser/director of a commercially successful entrepreneurial organisation which had recently launched two new business ventures; the business manager of an entrepreneurial business, and an entrepreneur who had started numerous business ventures, many of which failed, and who was now in the process of starting an entrepreneurial network.
Following, this I had the opportunity to work with two entrepreneurs: Charlie the managing director of Consultco, and Dion, the managing director of Pilotco, who agreed to allow me to follow their organisational process of emergence. We seemed to speak a common language, each having studied business. This made the process of engagement easier, because it predisposed us to exploit organisational themes and attribute meaning useful to this inquiry, enabling me to develop some of the research possibilities. However, this common language was also disabling, in that it limited other themes from being developed (Peshkin, 1988).

As I entered the worlds of the interviewees, I also entered into a new landscape and a new social milieu, known here as the entrepreneurial start-up. Through Charlie, I was made aware that, as an entrepreneur, he was creating a non-traditional structure around Consultco; he was constantly innovating and being creative. He said of Consultco:

We are allowing ourselves to evolve without being too deterministic about it (Charlie).

Upon reflection, I now see that a ‘parallel process’ was taking place. Berg and Smith (1988: 30–35) refer to this parallel process as one in which the researcher will be ‘playing through, in parallel form, the key dynamics that are driving the system being researched’. This statement resonates with me personally, and became more obvious as the research inquiry evolved. My strategy was to allow the data to emerge and evolve, without being too deterministic. I wanted it to be ‘grounded’ in the meaning brought to it from the participants.

My research questions were intentionally broad: ‘How do you feel?’ ‘What is going on for you?’ ‘Tell me about it.’ I support Steyaert and Bouwen’s (1997) contention, that narrative interviewing is where the researcher elicits stories from the interviewees. The interviewees and I did not go through a checklist
of questions, although I did present them with an overview of my aims; that is, to look at the factors that influence and shape the character of human resource management within the entrepreneurial start-up.

In the case of non-entrepreneurial interviewees, I began by asking them to tell their story, from their first contact with the organisation; their background, their role, and what they saw happening. I wanted them to bring their own experience to the interview. Similarly, I asked the entrepreneur to tell their story, their background, their role, and what they saw happening.

The interviewees said that they found the interviews clarifying, and the narrative interview allowed them to expose their feelings about their experiences. They had a chance to open up and become aware of things they were previously not conscious of. Regarding the entrepreneurs, our bi-monthly meetings, over an extended period of time, established our ongoing relationship.

The storytelling approach gave all interviewees a chance to frame their own experiences. For example, Charlie, in particular, focused on the future, and his business possibilities. Alongside eliciting their experiences, I was able to pursue my interest in human resource management, the entrepreneur and strategy in an entrepreneurial start-up. I asked Charlie if the notion of strategy was appropriate for his company: ‘Was emergent strategy more critical for the entrepreneur than deterministic strategy? He answered

...even though I may be directing it into a particular direction, the gravity of the situation may take us somewhere else, and we may be missing out on a huge opportunity if we deny that call (Charlie).

At the time, I did not realised how much this rang true in my own research journey. I knew my end goal, completing this thesis, and was determined to
use narrative, yet the opportunities along the way were not clear. They became clearer in the process of creation.

Particular identification issues emerged for me. For example, the themes of abandonment and games people played in Pilotco contained an emotional connection for me that coloured my research experience, and my feelings of allegiances between the founding and leading entrepreneurs. This level of emotional entanglement became more obvious when I was writing this text. On reflection, I now see how strongly I had identified with the experiences of those participating in my research. As Steyaert and Bouwen (1997: 56) point out, research of this nature, qualitative narrative inquiry, is no ‘passive ride’.

During the data collection phase of this inquiry, I not only shared the experiences of the companies, but I also helped to construct them. Steyaert and Bouwen (1997) write that this occurs when the researcher enters into an interaction with the environment and with others. This interaction is constitutive, whereby data are arrived at by mutual agreement. There were instances when I had to move between ‘information’ given, and constructions made. At times, Dion and Charlie wanted to engage my services to look over their strategic plans and give them feedback. I did not do this. I looked over the business plans while writing this text, but whatever comments I made to them were made in the moment, during the course of our interview, to enhance ‘joint construction of meaning’.

With hindsight, I realise my role as researcher probably covertly shaped some of their decisions. Our conversations gave them an opportunity to voice concerns, and to bounce their ideas off me. I accept that I was a stakeholder, because I wanted an outcome for my research.

There was also a process of estrangement in this research; it was a gradual, and linked to each aspect of data generation, data interpretation and
representation. Being in conversation with participants, transcribing the interviews, then reading the disembodied text for meaning, enabled me to read the interviews in a different light, and in fact to hear other things.

Reading the transcripts was not as emotionally laden as hearing the interview tapes and reflecting on my field notes. The space of time between the interviews, transcription of the interviews, and the writing of the research text, allowed me an emotional distance from my personal involvement with the participants. Likewise, now, at this time of writing, I am experiencing greater dispassion and objectivity. I have disengaged from the physical worlds of Consultco and Pilotco, and am only connected to them now through the experience of this thesis.

I recall being very caught up in the flow of the organisation with both Consultco and Pilotco, and at times risked being dragged along. Now I do not feel the same connection. Back in the world of researcher, the disembodied analysis has become paramount, such that I am making a different sense out of the experience I lived through. According to Smith and Berg,

> When we think we have the explanation we should entertain the possibility that the conclusions we find compelling may be a consequence of our reactions to the nature of the research topic or the research relationship and might lead us to believe a flawed or myopic explanation of the world… Doubt forms the foundation of good research. Doubt is the precondition to the questioning of the nature of our work. At an intellectual level it keeps us open to the possibility of alternative explanations. At an emotional level it makes us open to learning… (1988: 105)

I entered the organisational domain of Consultco and Pilotco in an attempt to become familiar with the inner workings, and understand the social world of these two start-ups. Similar to Gioia and Chittipeddi, I tried
...to suspend *a priori* assumptions to better understand the social world by first discovering the conceptual lenses that the members of the organization use to see and interpret their experience (1991: 435).

I avoided hypothesis testing, and allowed inductive reasoning to prevail. This thesis is my study of that experience in Consultco and Pilotco, specific in time and place, so much so that

...it is in the living and telling of experience that we locate what represents our sense of our experience as narrative inquirers (Clandinin and Connelly, 2000: 189).

I link my personal narrative back to the movie chosen as the title of this chapter, *The Wizard of Oz*. At the end of the film, the wizard is revealed for what he is, an illusion, a small man behind the curtain illuminated by the light shining behind him to project a figure larger than life. I believe that I have similarly exposed the illusory quality of the entrepreneur. By exposing the wizard as the entrepreneur behind the screen, I feel I have in some way demystified the process of entrepreneurship.

**In Closing**

Part 3 of this dissertation generated four narrative texts, describing a progression of events in both Consultco and Pilotco, where the stories shared by the participants reflect their point of view of events. Each chapter is a specific reflexive text of these events as they make sense to the participants, and to the researcher. In order for the narratives to carry meaning and explain the underlying process that generates these patterns, the researcher presented themes to convey a deeper reading to the surface structures, as captured by the stories told and her observations. Four illusions: utopia, success, seamless communications system, and a well-integrated team, taken together with organisational egoism, abandonment of the child and the games people play,
connect the events, and are critical to our understanding of the relationship between HRM and entrepreneurship as evidenced by the effect the entrepreneurs’ stories had on their actions.

The focus of this thesis is broadly on factors that influence and shape the character of human resource management within the entrepreneurial start-up enterprise and the role played by the entrepreneurial founder/manager; and specifically on the ways in which they implement and action HRM activities. From the findings, it appears that there is a gap between the rhetoric of HRM and the reality that emerges from the lived experience within these two cases.

The rhetoric of HRM presents an informing role for HRM; it is strategic, integrated people management system, with a long-term focus. However, for the small entrepreneurial start-up, beyond some basic functions, little is observed in relation to development, motivation and maintenance functions. Instead, the primary focus of HRM was on recruitment, selection and compensation, suggesting that HRM’s role was a conforming one. The entrepreneur’s managerialist propensity and preoccupation with wealth creation and survival shaped HRM in these cases. This led to HRM being framed by the ‘hard, unitarist’ perspective, with the utilisation of human resources seen as a cost of doing business. It may be that HRM, as proposed in the literature, does not lend itself to this early stage of organisational emergence and the early stage in the business life cycle, and this is discussed in the next part of this thesis.

Part 4 of this thesis takes the two case studies, Consultco and Pilotco, the sets of events, actors and their relationships to the next level, in order to build theory and to try to explain why those events occurred in the first place. I argue that HRM and the entrepreneurial start-up are oppositional texts. Athene stated in her interview that HRM ‘plays the bad guy’. But why does
this hold true for her? Does this mean the entrepreneur is ‘the good guy’? Part 4 is the explanation that lies in the story that connects, or as will be argued in this thesis, disconnects, HRM and the entrepreneurial start-up.

Weick (1995: 127) argues that most organisational realities are based on narratives, and that our ability to engage in ‘sensemaking’ depends on our ability to look back, retrospectively; and ahead, prospectively; so as to construct an understanding of the events. Part 4 builds on the underlying structures or deep structures (Pentland, 1999) and is significant for both start-ups.
PART 4: SYNTHESIS AND THEORY BUILDING

The Consultco and Pilotco narratives presented in Part 3 formed part of a first-order analysis. They were rendered mainly in the words of the organisational members, in order to derive the dominant themes as expressed by the participants themselves. Part 4 reports on a second-order analysis (Gioia and Chittipeddi, 1991) of human resource management in the two entrepreneurial start-up companies, in order to derive an explanatory framework that puts the stories into a theoretical perspective.

The theory building presented in this section is derived from the data gathering, and is grounded in, and emerges from, the firsthand data of Part 3. This supports the researcher’s approach to adopt an interpretive social constructionist qualitative methodology, and places the researcher simultaneously in the role of participant, and of observer, of the activities taking place within the two organisations. In going ‘outside’ the data, the researcher is generating insights (Gioia and Chittipeddi, 1991) about the instigation of HRM within an entrepreneurial context, and is taking on a more detached role. According to Gioia and Chittipeddi (1991), second-order analysis is aimed at providing a perspective beyond the immediate organisation under investigation, in this case Consultco and Pilotco.

An analysis of organisational interpretation suggests that the disciplines of HRM and entrepreneurship can be regarded as differing significantly — in both theory and practice of organisation. This research reveals an entrepreneurial rhetoric of collaborative individualism. In contrast, the HRM rhetoric, which could be seen to encourage supportive relationships, represents a function more suitable to the traditional competitive organisation, and is part of the functional, mechanistic paradigm that drives an employment
relationship. Such a relationship is not necessarily a focus for the entrepreneur. This thesis argues that in the main, HRM as articulated in much of the literature is counter to the entrepreneurial opportunity seeking start-up organisation, which is characterised as a collaborative organisation based on loosely coupled networks and alliances. HRM fits into the frame of hierarchy (guidelines, policies); whereas the entrepreneur wants to fit the ‘network’ frame. The researcher found that HRM may be a ‘symbolic label’ for managerial opportunism, and is misleading as a social artefact because, in the case of the entrepreneurial start-up, it may more accurately symbolise an arrangement where there are no employees, no employer. Instead, what the entrepreneur desires, is to bring into being relationships for mutual advantage, and these do not need to be in the form of an employment relationship, which is foundational to most models and theories of HRM.
CHAPTER 11: HUMAN RESOURCE MANAGEMENT AND THE SMALL ENTREPRENEURIAL START-UP: A NEW READING

The nature of HRM and entrepreneurship is now revisited and further understood, in the context of the foundation literature discussed in Part 1, and the subsequent analysis of the two entrepreneurial start-ups in Part 3. This will enable an extension of theory.

This thesis used the two case studies as the basis upon which the researcher engages in critical reflective theory building. This involves making judgments on the subject matter at hand. The researcher then makes judgments about the findings, to expand knowledge, rather than produce general conclusions. As stated in Part 2, this thesis does not offer these cases as ‘typical’.

It is not possible, for example, to predict with absolute certainty that all entrepreneurs fail to integrate HRM effectively; nor that they have no long-term vision; nor that all entrepreneurs create a business with the express purpose to harvest it for profit; nor that HRM is neither adaptive nor open ended enough to deal with the unpredictable nature of the entrepreneur who heads the entrepreneurial start-up. Instead, this chapter is another way of viewing the relationship between HRM and the entrepreneurial start-up.

Gomm, Hammersley and Foster (2000), in their discussion on the relevance of case study findings and generalisation, acknowledge that any social phenomenon occurs in a specific context, and

…it is up to the reader to determine whether the findings are applicable to other cases than those which the research studied (Gomm et al, 2000: 100),
It is up to the researcher to provide a description that allows the reader to assess the applicability of the findings.

This thesis looks at two inception entrepreneurial start-ups at the embryonic stage of the business life cycle, where they are moving from an idea, to action, to a social system, that is, the inception start-up organisation. This social system, in particular the management of people in this social system, is the subject of this chapter. First, we revisit the organisational growth and life cycle model as a significant factor that shapes the character of HRM. This is followed by another influence that affects the character of HRM: the entrepreneur, his personality and values.

At a broad level, this thesis suggests that the inception stage of growth does influence the character of HRM, but HRM is not influenced, except rhetorically, by the entrepreneur. In this inquiry, HRM is subordinate to the entrepreneur’s values, and HRM learns to, using Boxhall’s expression (1995), ‘hum the same tune’ as the entrepreneur. By doing so, HRM then offers the entrepreneurial start-up a representational connection and compatibility between people management and the entrepreneur. HRM is the medium for manufacturing meaning to explain the ‘reality’ in the entrepreneurial start-up.

This thesis then argues that, at the specific level, HRM as it is currently presented can also be viewed as being a counter-image to the opportunity-seeking entrepreneur and the entrepreneurial start-up business. A reconceptualisation of meaning is necessary to ‘change what we see’ (Barry and Elmes, 1997: 430), thereby extending the realm of possibility. To do so, the researcher pays particular attention to conceptual metaphors and symbolism represented by the narratives in Part 3, in order to argue that the metaphoric fields representing HRM and the entrepreneurial start-up differ significantly.
HRM fits into the organisational frame of hierarchy, guidelines and policies, with an accompanying construct of loyalty and commitment to a company, based on an employment relationship, which is more suited to the mature organisation in the later stages of the business life cycle. The entrepreneur fits the ‘loosely coupled network’ frame; seeking individuals willing to collaborate and work in a loose alliance based on a commitment to the issue or idea. This collaboration is not necessarily premised on an employment relationship, as it is usually understood. What, then, is HRM’s role? Using Chia’s (1996) phrase, this may require us to ‘think beyond the thinkable’.

**HRM and the Start-Up Phase of an Organisation**

A brief examination of entrepreneurship provides a context for further theory building. The present research defines entrepreneurship as the creation of new ventures, with the entrepreneur as the creator, founder/owner/manager of the new venture, where the entrepreneur, through their persistent search for opportunities and efforts, marshals the resources they need to exploit their opportunities. The entrepreneur’s behaviours are acts of the individual’s motivation to create a new organisation. The resulting intention to form a particular venture then operates as a perceptual lens for viewing relationships, and involves a resource exchange to satisfy the entrepreneur’s motivation to engage in a conscious search for profit-making business opportunities (Bird, 1992).

Consultco and Pilotco are examples of two new entrepreneurial start-ups, at the germinal stage of their inception as an organisation, with the entrepreneur as founder/manager marshalling resources to exploit opportunities. Consultco and Pilotco were both new ventures identifying their market niches and developing their products and services in preparation for further expansion, which is typified by stretched resources and, as observed in both cases,
reaching a point of financial crisis. They were both small, informal enterprises with a founder/owner/manager who was opportunistic, innovative and actively responsive to the excitement of risk taking, who actively planned for fast growth and wealth creation.

Hill (2001) argues that a primary function of the entrepreneurial process is to extract profits from new, unique and valuable combinations of resources in an uncertain environment. Both start-ups in this thesis were trying to establish themselves as players in the information technology, Internet business environment, having identified the Internet as a marketable offering.

In examining the strategies in practice, the researcher found that Consultco was a small start-up venture trying to create new opportunities in a mature market, using information technology as its creative edge; whereas Pilotco used an entry strategy in an emerging market of Internet users. The start-up stage included inventions and prototype building, as well as developing the technology-refining product design. However, the uncertainty of the market and the changing nature of the initial opportunity restricted their ability to go beyond inception.

Over the period of investigation, the ventures did not reach the stage where profits were extracted from the perceived opportunities. Instead, according to the entrepreneurs’ retrospective gaze, the start-ups were wound back due to uncertainty in the information technology and Internet environment, as well as a cash flow crisis. However, the behaviour, values and attitudes of the individual entrepreneur appeared to have impacted negatively on the emerging organisation, contributing to the winding back of both ventures. At the time of the conclusion of the research inquiry, neither start-up was in a position to develop the business or situate the business strategically in the marketplace. The major concern of the start-ups was, instead, the entrepreneur’s ability to market their product (Consultco) and secure financial
backing (Pilotco). This research confirms that the strategy process is highly contingent, and as evidenced in Part 3, and not formally and rationally designed, but arising out of necessity or circumstance.

Baird and Meshoulam’s (1988) five-stage conceptual framework integrating organisational stages of development with HRM practices informs this research. In the initiation stage, management’s attention is on a limited range of basic HRM concerns, such as salary administration, hiring and termination, with the founder/manager making many of the decisions. In the two entrepreneurial start-ups studied, the HRM practices in the initiation stage of their development were similarly focused on basic practices. The findings also confirm Koa’s (1991) contention that HRM’s level of leverage and influence at this stage is in providing people, defining tasks and developing the organisational context to support strategy, which is no different from what is expected of HRM in the traditional corporate context. This is an example of HRM’s ‘conforming’ role, regardless of the stage of organisational development.

The entrepreneur’s managerial orientation towards the achievement of organisational goals wants an HRM function to help them focus, mobilise and direct human resources activities — essentially, to address the people issues that affect the start-up business. The entrepreneur’s overarching strategies need to be flexible enough to take advantage of any perceived opportunity or gap in the marketplace as it presents itself; to be innovative; to take risks; and to create substantial personal wealth. The entrepreneur then tailors their HRM practices to suit their strategies.

Recruitment by the entrepreneur appears to be either an *ad hoc* affair — taking advantage of personal friends or previous business connections — or is contracted out to agencies. The entrepreneur considers job descriptions to be too inflexible, so, even though they know they need staff, they may not know
exactly what job they want done. This can lead to the hiring of people on the basis of personal liking, and a change in business direction based on the individual’s experience or strength.

The culture of the enterprise is presented to job applicants as one of risk and uncertainty. Ogbonna (1992) states that the selection process is the most widely cited HRM practice that facilitates the management of culture, as it provides the entry point for both the individual and the entrepreneur to establish a psychological contract. The practice of HRM in the entrepreneurial start-up may therefore be understood to support: opportunism, control by the entrepreneur, and the bottom line, as the entrepreneur perceives it. The entrepreneur appears to be pre-occupied with HRM in its narrowest form, that is, in the unpredictable and unknowable messy reality of the entrepreneurial start-up. It seems that the managerialist approach to HRM is neither adaptive, nor open-ended enough, to manage individuals in ways that will ensure the achievement of organisational goals in such enterprises.

Although not given as a generalisation *per se*, the findings might suggest that people working with entrepreneurs should think carefully about the consequences of choosing to work in an entrepreneurial start-up venture. Further, people should be clear about their own needs, expectations, abilities and values, and try to obtain from the entrepreneur a concrete idea, and commitment in writing to a compensation package and job description, if these are things that are truly important to them. People who are even mildly uneasy about any of the terms they are being asked to accept should look elsewhere for work and career, in the traditional sense.

Regarding this stage of organisational development, the researcher observed a low level of sophistication and little integration of HRM practices. Organisations are said to be more efficient and effective when they achieve fit, relative to a lack of fit (Baird and Meshoulam, 1988). ‘Fit’ is defined in
Part 1 as the degree to which the needs, demands, goals, objectives and/or structure of one component are consistent with the needs, demands, goals, and/or structures of another component. HRM in entrepreneurial start-ups appears to be simplistic, exhibiting little ‘fit’; that is, little person–organisation fit, little person–task fit and little task–organisation fit.

HRM in the entrepreneurial start-up is characterised by considerable ambiguity or confusion. During the period of inquiry, the researcher did not observe a synergistic approach to HRM, nor a coherent, internal set of HR practices, suggesting a very loose alignment of a limited number of HR practices. HRM’s relevance to the entrepreneurial start-up appears to be as a derivative of a primary need to secure an adequate and appropriate skill supply.

Based on the evidence in these cases, HRM in the initiation stage of development for the entrepreneurial start-up is neither strategic, nor particularly entrepreneurial in character. The reason for this appears to lie in the informality and lack of systems in the inception stage, and its ‘free spirited nature’ (Flamholtz, 1986). Because the entrepreneurs are opportunistic, create self-benefiting organisations, and change action quickly without notice, it is hard to develop appropriate recruitment and selection plans. When the entrepreneur changes direction, it is difficult for HRM to champion something that is illusive and always on the move.

The narratives in this thesis indicate that the business plan may become a substitute for the entrepreneur’s reality. However, no matter how much planning is done, either formally or informally, the start-up is risky, with no guarantee that the idea will work in the marketplace. Weick (1969) uses the phrase the ‘enacted environment’ to indicate that it is the human actor who creates the environment to which the system then adapts:
The human actor does not react to the environment, he enacts it. It is this enacted environment, and nothing else, that is worked upon by the processes of organising (Weick 1969: 64).

In his argument, actions are only known when they are completed, suggesting that if everything is retrospective, then what do we do with plans? Plans are oriented to the future, however, there is a quality about them of an act that has already been accomplished. This view can help explain why, for entrepreneurs, the act of planning can create an illusion of a reality, contributing to the entrepreneur’s illusion of utopia and success. The business plan, when it exists in a context of justification as well as anticipation, can become a substitute for the entrepreneur’s reality, as if the act of creating a successful organisation had already occurred. However, until action has occurred, and is embedded in a flow of experience, the plan remains meaningless (Weick, 1969). This is further exacerbated when the entrepreneurial start-up is under the personal control of the entrepreneur, where communications and decision making are dependent on and open to the whims of the founding entrepreneur. For example, Consultco’s strategy formulation was the sole responsibility of the CEO, and tended to be highly intuitive and non-analytical, where the seduction of success was insufficient to support the transition of an idea progressing beyond the embryo/inception stage of organisational development.

This research confirms that the entrepreneurial start-up is a simple small organisation in the start-up phase of organisational development, with the entrepreneur at the strategic apex, who remains in tight control (Mintzberg, 1983). The entrepreneurial start-up tends to adopt a simple structure, because it has not had the time to elaborate its administrative structure. The present research findings further acknowledge Chandler and McEvoy’s (2000) finding that, in emerging companies, HR practices and strategic initiatives appear to unfold simultaneously, and that the business strategy in the
entrepreneurial start-up is both deliberate and emergent in character. However, HRM in this type of organisation is observed as a ‘third-order’ (Legge, 1995) activity, conforming to the direction determined by the opportunity-seeking entrepreneur. Mintzberg’s (1983) belief that the structure of the entrepreneurial start-up consists of a one-person strategic apex, with an organic operating core, suggests that the entrepreneurial start-up is well placed to be responsive to change and opportunities. However, when applied to HRM, the researcher observed problems instead.

Although the internal administrative aspect of the entrepreneurial start-up, particularly HRM, is left simple, it revolves around the entrepreneur. The researcher observed that the unpredictable nature of the entrepreneur’s grasp for new opportunities led to strategic decisions that the entrepreneur may have viewed as flexible or organic, but which others in the organisation saw as irrational and confusing, creating tensions between strategic and operating issues. The researcher also observed that the entrepreneur had difficulty in articulating what it was they wanted, with regards HRM. They simply did not know how to make HRM work.

The entrepreneurial start-up organisations in this inquiry emphasised flexibility; role ambiguity; short-term relationships; mutuality of interest based on adding value; and on ‘making money’ — but always with economic survival not far back in their thoughts. If an employment system existed in the entrepreneurial start-up, it was focused on getting people, and securing their commitment to the product. Little importance was placed on retaining people, or on sustaining commitment to a grander vision for the long term. HRM guidelines, processes and systems were being thought about, and were starting to be put into place, however, this way of thinking was not the natural predisposition of the entrepreneur.
This research concludes that at the broad level, the inception stage of growth does influence the character of HRM, but only in so far as the HR adviser takes on the language, or rhetoric, of the entrepreneur.

Katz, Aldrich, Welbourne and Williams (2000) comment that founding an organisation is a disorderly process, in which people improvise as best they can, and usually reproduce forms they are familiar with, rather than crafting new ones. This was observed in this research. Instead of bringing innovative and creative thinking to the field of HRM in the entrepreneurial start-ups, the entrepreneurs and those advising them on matters HR mainly fell back on the familiar, in this case, was life experience in bureaucratic, conservative organisations. Because of this tendency to fall back to the familiar, the researcher concludes that HRM is not particularly entrepreneurial, innovative or creative in the entrepreneurial start-up.

The Significance of Entrepreneurial Characteristics for HRM

There are particular distinctions between the terms ‘entrepreneur’ and ‘entrepreneurial’. ‘Entrepreneur’ is the term given to the person, whereas ‘entrepreneurial’ is a descriptive word ascribing the characteristics embedded in the personality of the entrepreneur to the organisation. The process of organising is known as entrepreneurship, which may simply be a metaphor for business creation.

Although the researcher has identified definitions throughout this thesis, upon which to ground the research, the literature is not clear on any of these definitions, and neither are there universally accepted definitions in the field of entrepreneurship (Gartner, 2001). Similar difficulties exist regarding the meaning of ‘strategy’ (Mintzberg and Lampel, 1999) and ‘HRM’ (Keenoy,
Notwithstanding this limitation in the literature, the researcher observed, and can confirm, that the entrepreneur creates and innovates, but the actions associated with this creation, that is, the formation of a business, is less clearly entrepreneurial. Further, there is little to suggest HRM is innovative and creative in the entrepreneurial start-up, and the organising principles of managing people, and managing performance, are not particularly entrepreneurial. Although supportive, HRM remains rudimentary, and falls prey to the opportunistic nature of the entrepreneur.

In the entrepreneurial start-up, the entrepreneurial role is embedded in a social context (Hussin, 1997), where the entrepreneur chooses courses of actions that reflect differing priorities in their personal values. This study identifies the entrepreneur’s personal values concerning various aspects of their life and business environment as being important to the functioning of their organisation. For example, the affecting psychology, where success itself can create over-confidence was observed, as well as the personal life cycle, the entrepreneurs’ past experiences, and personal value of self-interest, also influenced the choice of strategic action and organisational fortunes. The entrepreneurs took responsibility for, and made judgmental decisions, that affected HRM.

Bolton and Thompson define the entrepreneur as

…a person who habitually creates and innovates to build something of recognised value around perceived opportunities (2000: 5).

This definition recognises that it is the person, rather than a system, that is involved in the building process. The entrepreneur is a builder, who puts together the materials to make a base for opportunities, which is different from growing and developing a business towards maturity. This distinction will be developed further in the discussion on the deeper influence of meaning, below.
Schein (1994) recognises in the entrepreneur an overwhelming zeal to create, succeed, build, and make things happen. In his view, the entrepreneur’s self-concept is about building and self-aggrandisement. According to Schein (1994), entrepreneurs are narcissistic, self-confident, creative and assertive. They are either not concerned about security, or they have an obsession to amass fortunes before they can relax.

The founding entrepreneurs in this inquiry fit well into Schein’s schema, as they had chosen to start-up a business to satisfy their need for autonomy, creativity, and material gain, as demonstrated in their need for achievement and power. The level of individualism and self-interest observed led them to found self-benefiting organisations, where organisational egoism characterised the organising style, benefiting their narcissistic self-aggrandisement self-concept. The founding entrepreneurs were strong willed and used centralised power to enable them to carry out their wishes, which made it possible for their influence to be concentrated.

Miner (1997) identifies the entrepreneur as a person who loves ideas and enjoys problem solving, who has a high tolerance for ambiguity, may take risks and is often creative. The characteristics such as risk, motivation, need for achievement, internal locus of control, tolerance for ambiguity, and leadership, shape the entrepreneur’s management style, and impacts on the HRM activities in the entrepreneurial start-up. The current research inquiry observed that this type of person has strong motives for recognition, a need for independence, and a desire to pursue personal goals, and this shapes the entrepreneurial start-up into a loose organisational structure.

The research findings verify that motivation for self-achievement was a source of satisfaction for the entrepreneurs studied, who were more concerned with achieving success than avoiding failure; preferred situations they could control or influence, and had a strong personal commitment and personal
identification to their ventures. Miner (1997) cautions that the entrepreneur’s enthusiasm for ideas and innovation could lead them into actions that threaten their venture’s survival, and they might need some counterforce to restrain their enthusiasm. In the present investigation, this role fell to human resource management, to encourage the entrepreneur to avoid taking unnecessary risks. This was not made any easier, however, when the entrepreneur had a strong internal locus of control, and where the entrepreneur perceived that they had control over what happened in their life and their own destiny (Miner, 1997).

In line with this inquiry’s approach, much of the literature on entrepreneurs links the term ‘entrepreneurial’ to persons (the entrepreneur) who thrive on imagination and improvisation (Krass, 1999), with entrepreneurial thinking closely aligned to the concepts of innovative thinking and creative solutions. Such thinking is generally said to be open-minded, flexible, and responsive to new ideas (Stevenson and Gumpert, 1985). This thesis confirms and supports these conclusions, and also supports Krass’ (1999) suggestion that entrepreneurs tend not to be disciplined business people with set policies and procedures. More importantly though, this research concurs with Quinn’s (1985) observation, that innovative thinking, interpreted here as entrepreneurial thinking, is opportunistic, turbulent, nonlinear and individually motivated. The turbulent and nonlinear characteristics were not easily transferable or operationalised in the start-ups investigated, and led instead to ambiguity and confusion.

HRM signifies the character of the employment relationship in the entrepreneurial start-up. This thesis consistently argues that, at the broad level, the character of HRM is influenced rhetorically by the entrepreneur. The relationship is not the traditional employee–employer contractual relationship, but is issue centred, suggesting we need to perceive the employment relationship differently. The language of risk, uncertainty,
challenge, opportunism and survival is finding serious consideration in HRM in the entrepreneurial start-up, but the implicated meaning for HRM is yet to emerge. Entrepreneurial rhetoric is embraced at the rational and linguistic level of HRM, but the deeper construct, its fabrication and what it constitutes, and how it is to be embodied, remains illusive at the embryonic stage of organisational formation for the entrepreneurial start-up. This is further complicated when HRM is situated and practised on non-standard forms of employment. Even the term ‘employee’ and ‘employment’ has new meaning in the entrepreneurial start-up. The entrepreneurs in this inquiry preferred temporary short-term employment arrangements, subcontracting or consultancy arrangements in the first instance. HRM’s choice in the entrepreneurial start-up lies between changing the form of the employment relationship to become more individualised based on opportunism, and working towards the progressive dissolution of the employment relationship, as it is generally understood, altogether.

The start-up is referred to in this study as ‘entrepreneurial’ because entrepreneurs founded them, yet the researcher found that an entrepreneurial culture was not evidenced — but this may have emerged if the two enterprises had survived their start-up phase. At the very early stage of organisational emergence that was the focus of this research, culture was limited to the influence of the personality of the entrepreneur, which showed a strong tendency towards individualism, self-interest and narcissism. The entrepreneurs’ personal values and beliefs influenced and shaped the meaning systems in their organisations, as did their narcissistic traits and the effect of the power structure, their rhetoric and their interests.

The entrepreneur, as strategic head of the entrepreneurial start-up, manipulates culture through what Calas and Smirich (1991) call the ‘seduction of the rhetoric’, presenting an imagined world of possibilities that
are otherwise out of reach. The seductive leadership and illusions of potential success, challenge, innovation and unique opportunities are the entrepreneur’s way of buying in others into their version of the organisation,

…which is in fact a fantasy, a blueprint copy of a supposedly successful original that never existed (Linstead, 1999: 108).

They sell the fantasy images of the entrepreneurial company, made possible because of their narcissistic traits. Fulop and Linstead (1999b), in their discussion on narcissism in organisations, conclude that narcissistic traits, such as self-aggrandisement and attributional egoism of leaders, shape organisational culture. The entrepreneurs in this inquiry were

…individuals who engage in fantasies of omnipotence and control… creating organisations in their own image, narrate stories that flatter themselves, containing self enhancing explanations, making claims to their uniqueness… blaming unfavourable results on external factors and attributing positive outcomes to themselves (Fulop and Linstead, 1999a: 193).

However, acceptance of the fictional view of the venture depends on the willingness of the other actors in the entrepreneurial narrative to be seduced by the entrepreneur’s epic journey, ‘navigating towards opportunities and success’ (Barry and Elmes, 1997). The entrepreneurs in the cases studied built their organisations as an expression of their own vision and leadership, and their singular sense of mission, centred around their new product, the new innovation, which, in effect, was an extension of the entrepreneurs’ selves.

Drawing on Linstead’s work (1999) on organisational culture, this research supports the claim that organisational culture relates to a system of shared meanings held by the members of an organisation, and is the driving force that creates behaviour. Here, culture is not an integrative force, but is subordinate to the entrepreneur’s personality. Initially, the entrepreneurs had enormous influence in shaping the core culture of the start-up, and when other
interested parties became involved they influenced and shaped the culture according to their own interests, suggesting that the founders of these organisations did not have unilateral control over culture. This investigation also observed that uncertainty and lack of clarity regarding the mission, purpose and direction of the start-up led members of the enterprises to ‘wait and see’ how things would evolve. Interestingly, they did not seek clarification of meaning in times of confusion and frustration. Furthermore, there was relatively little time to embed a collective understanding of the organisation, as members’ time with the start-up is so short.

A cultural tension is experienced in the entrepreneurial start-up. This tension may be understood in the gap (Linstead, 1999: 89) between the ideal and real, the formal and informal, the overt and covert, and the conscious and unconscious experienced by people as part of their time in the organisation. The actors in this research were faced with such tensions, which required a response that created a bridge between the ideal and the real culture; between what ought to have been done and what actually took place. The tension was observed between the entrepreneurial spirit of the entrepreneur, and the human resource management functions; for example, whether it would be individualistic or group oriented; whether it would espouse harmony and unity; whether it would encourage ambiguity and deviance. The tensions could also lie in the representational styles of HRM and the entrepreneur.

Using Jeffcutt’s (1993) representational styles of organisational interpretation, this research inquiry exposes the entrepreneur’s process of starting up a venture as a quest, where struggles and transformations take place. The entrepreneurial start-up represents the beginning of the entrepreneur’s epic journey, where success is measured in terms of ‘giving birth to new ideas’, ‘nurturing’ the idea, as one might a child, anticipating its success, and the ensuing creation of personal wealth, resulting in the exultation of the hero, the
entrepreneur. The vision, charisma and strong belief in their own special qualities enables the entrepreneur to embark on their quest. In comparison to the entrepreneur’s quest, the HRM representational style may fit more closely to Jeffcutt’s (1993) corporative narrative as a romantic tale. HRM is concerned with what happens if opportunities are pursued, where obstacles are overcome, enabling safe passage into a new state. Underpinning the process in this romantic tale is a creative tension between the entrepreneur’s quest and HRM’s realist mode of expression in trying to connect the human side of the start-up venture to the entrepreneur’s epic journey.

However, the entrepreneur’s quest is not one that seeks organisational unity, or harmony. The entrepreneur is emboldened by ambiguity and difference, and seeks to empower by authorial privilege. The narratives presented in this thesis expose the authority and privilege of the entrepreneur in a context of undecideability, in a period of considerable processual tension. The dilemma for our entrepreneurs is similar to the dilemma that Jeffcutt notes — the entrepreneur is

…unable to achieve the unrealisable, but unable to not ‘go on’ seeking (Jeffcutt, 1993: 43).

For the emergent entrepreneurial start-up, HRM is in an initiation stage of development, confirming the organisational growth and life cycle models in the literature. The HRM choices made in the emergent stage of an organisation’s life cycle remain simple, and focus on rudimentary practices such as recruitment, selection and compensation. HRM is subordinate to the entrepreneur’s values, and can be projected as an adjunct to the theories of entrepreneurship; as a form of people management associated to the pursuits of entrepreneurial intentions of business development and wealth creation.

Based on the evidence in Part 3, and using the life cycle model as a frame of reference, this thesis concludes that HRM is neither strategic nor particularly
entrepreneurial for the entrepreneurial start-up. Any further elaboration of HRM as a system might not be appropriate or relevant for this stage of organisational development.

**Collaborative Individualism**

To be regarded as entrepreneurial HRM needs do more than just ‘hum the same tune’, and needs to embrace the entrepreneur’s paradigm more fully. If HRM is to be regarded as entrepreneurial, it needs to reconceptualise meaning accordingly. This requires the processes that guide the HRM system to shift, and become based on fundamental notions about how things operate in the world of the entrepreneur; that is, HRM needs to operate from the basic assumptions used by the entrepreneur to view the world.

Although the researcher does not suggest that HRM and the entrepreneur are antithetical, which implies being diametrically opposed, there are elements to suggest that, by using the traditional organisational paradigm, there are sufficient contrasts to make HRM and the entrepreneur quite different — they pull in different directions. If no paradigm shift takes place, then HRM and entrepreneurs are counter images.

Metaphor and symbolic meanings help make explicit the differences in the HRM and entrepreneurial discourses, and is discussed below. Then, in order to build the reconceptualisation of HRM, collaborative individualism is analysed as the basis of building mutually advantageous relationships, moving HRM away from its traditional focus on the management of the employment relationship as we know it.
A Deeper Influence to Meaning

Browne, Banerjee, Fulop and Linstead (1999), in their discussion of a postmodern approach to strategy, explain that a postmodern representation of ‘reality’ focuses on the central role of language in constituting reality. This discussion looks more generally at metaphor and symbolic meaning, as a deeper influence to meaning, to make explicit a distinction between the HRM and entrepreneurial discourses.

Metaphors are used in this thesis as a way of analysing and generating meaning, as well as looking at the differences the meanings carry (Lakoff and Johnson, 1980). The researcher is not inventing new metaphors, but rather extending the conceptual metaphors presented by the entrepreneurs and others interviewed in this inquiry. The research draws on Jeffcutt’s comment that

…reality or truth becomes an effect and not an absolute position, an outcome of a particular reading of the privileged ordering of a text by an author (1994: 228).

The authorship and rhetorical style of interpretation of the researcher and the participants engaged in this research inquiry have influenced the following staging of meaning.

Mangham (1996: 35) confirms that metaphors are fundamental to an individual’s conceptual system, and are ‘central to our understanding of ourselves and our relations with the world’. He argues that the more basic a metaphor is, the more it will be systematically connected to other metaphors, and the more implications it will have for the way we think. In this research inquiry, metaphors direct attention to certain interpretations of situations — and away from others (Dunford and Palmer, 1996), and constitute the application of words to something different from their literal meaning, to provide an efficient way of imagining a complex reality (Doving, 1996). For
example, when the entrepreneur likens the process of bringing an idea to fruition to that of giving birth, or spawning something, the imagery is rich. It provides a different construction of reality, enabling the researcher to explore similarities of the images, in this case creating a business, which, for the entrepreneur, is like giving birth to a child. The symbolic meaning attached to giving birth, then nurturing the child through different stages of growth, gives rise to a number of life cycle images: a child fully tied to the apron strings; the raucous adolescent wanting the latest in fashion and music; to adulthood, and becoming independent of the parent. All these images bring forth conscious, and even unconscious, elements of the entrepreneur’s schema. In turn, symbolic meaning can then be attached to explain the entrepreneur’s actions when creating their business venture, and their relationship with others. This symbolic meaning points to what could be described as the ulterior transactions between the entrepreneur and others.

Morgan (1986: 343) posits that metaphors link thought and action, and can provoke insight, which is useful to the researcher. For example, the entrepreneur may see themselves as the critical parent, and may play out a script involving authority, discipline and control, withholding love or resources as a form of punishment. Alternatively, the entrepreneur may see their purpose as ‘being an alchemist’, turning an idea into gold, creating wealth. Each perspective communicates an insight into the entrepreneur’s experience, and we gain a greater understanding of their behaviour and their fantasy world.

The portrayal of the entrepreneur as having a key role in establishing the dominant root metaphor in which to conceptualise HRM, is central to our understanding and perception of the organisational situation. This inquiry’s findings suggest that the entrepreneur’s organisational reality is about becoming, transforming, emerging; their world is organic, processual. In
contrast, HRM is about static thinking, about shaping a reality into existence, about *being*, as distinct from *becoming*. The HRM function contributes balanced thought, an infrastructure, policies, guidelines and rules. Hence we have two images: the image of the entrepreneur as individual, and a counter image of HRM as policy and guidelines. By extending the conceptual metaphors and symbolism, the researcher suggests that HRM is a counter image to the structuring organisational reality of the entrepreneur.

Using Marshak’s (1996) examples of thematic coherence in the metaphoric field, the entrepreneur’s, and by association, the entrepreneurial start-up’s, core metaphoric theme can be seen as biological; whereas HRM’s core metaphoric theme is cognitive. Further support is provided for the claim that the fields representing entrepreneurs and HRM differ significantly. Marshak (1996) argues that, if the thematic coherence of the metaphoric field is based on biological symbols, then it is likely that the organisation will be understood to be some type of organism living in an environment. Such is the case for the embryonic fledgling start-up. It is an evolving organisation (Kao, 1991), and relies on the instincts of the entrepreneur to adapt and to respond to the opportunities and threats in its environmental niche to survive. When healthy, it will grow and develop into something that is bigger, faster, quicker and more powerful. It will move from one stage in its life cycle to another. There will be an adjustment period with each transition, culminating in a transformational process, or metamorphosis (Kao, 1991; Marshak, 1996).

In contrast, the metaphoric field for HRM is organised around the implicit theme of cognition, where the mediating symbols and metaphors are related to thinking, knowing, reasoning, calculating, learning and the awareness to shape organisational reality. Reason and logic dominate the cognitive process. As Marshak (1996) suggests, strategies need to be calculated based on solid intelligence and careful reasoning in order to avoid any errors in judgment. If
an error does occur, it should be corrected quickly, so as to avoid compounding the mistake. In our inquiry this is evidenced by the HRM adviser playing the ‘bad guy’, who makes tough decisions, switches methods, and learns from past mistakes.

This thesis supports Marshak’s proposition that:

…symbols, especially metaphors, are the common building blocks and forms of expression for conscious, pre-conscious and unconscious elements of an organisation’s schemata. The organisation’s system of symbolic meaning, or, more specifically, its metaphoric field, is therefore a principal, but implicit, framework that structures organisational reality and response (1996: 162).

The present investigation identifies two metaphoric fields, and argues that HRM in the context of an entrepreneurial start-up privileges a managerial point of view, while at the same time appropriating entrepreneurial terminology. This leads to two thematic fields of organisational interpretation: biological and cognitive. The two fields appear to come close together, at least rhetorically, but if they are to come together more fully, there needs to be more than just transference of terminology from one domain to the other. We might be witnessing a process where there is a carrying-over, or crossing, of one element of experience into another, in these two start-ups.

This study establishes the emergence of a new social artefact, a ‘contract’, with no obligations; a relationship where there is no direct employer or employee, no work but potential future work and financial gain; no workplace; and no organisational structure, because nothing is formed. Yet something continuous does exist, and fits Keenoy’s observation that

…it appears to be a ‘contract’ without obligation or concrete expectations, designed to fulfill a transitory moment of ‘market demand’ (1999: 8).
He regards this as the ultimate form of flexibility and economic efficiency, which, this research argues, sits well with the entrepreneurial start-up’s desire to expand and contract organically in relation to market demands — what one entrepreneur calls his ‘just-in-time’ business. The innovation and adaptability associated with an entrepreneur is mirrored in the fluid organisational entity they create, which enters through a small window of opportunity, as a ‘fleeting expression of the market’ (Keenoy, 1999).

This study opens up new ways of thinking about the phenomena of HRM, and encourages us to shift our focus to ‘becoming’ (Chia, 1996), where HRM, as a lived experience, closes the gap between rhetoric and reality for the entrepreneur. HRM can help the entrepreneur transform an idea from non-being to being, and help transform an idea into a reality. This is made possible by providing the systems to enable the idea to grow, to change, or develop into something more than just the initial idea; evolving it into relationships and arrangements and creating the basis for a loosely coupled network. Keenoy (1999: 18) presents a ‘holographic’ perspective of HRM, which permits a realism grounded in the belief that social reality is a ‘fluid unfolding process of social accomplishment’. This view is especially true for the present study, where the researcher has observed the entrepreneur’s world ‘becoming’ (Chia, 1996: 143) — moving, flowing, reshaping, transforming, unfolding — and HRM reveals itself as part of that reality.

This research acknowledges that HRM takes on many definitions and perspectives, due to the vast array of its associated functions, practices and activities. But if we want to know it better, then it is best articulated as a social reality identified in practice. The researcher argues that HRM now needs to take up entrepreneurial ‘becoming’ as part of HRM’s reality, in the context of the social reality of the two entrepreneurial start-ups investigated. This observation challenges the facticity of the various models and
perspectives of HRM as predefined concepts or models, as discussed in Part 1.

HRM is more than a prescriptive, normative model, map or concept. This dissertation extends Chia’s (1996: 143) argument for overcoming the inertia of thinking in categorical terms, as it applies to HRM. This requires us to shift our style of thinking of HRM away from ‘being’, and its thinking in terms of entities, events or attributes, towards a processual reality — a reality more in line with an evolving organisation, transforming itself, opening itself up to emerging opportunities.

At one level, the nature of the contemporary employment relationship for the entrepreneurial start-up in this study conveys many contradictions. First and foremost is the entrepreneur’s disengagement from a traditional employee–employer relationship, while at the same time wanting full commitment from others to exploit the given opportunity. These entrepreneurial start-ups were managerialist in their approach to HRM, emphasising cost minimisation, while at the same time they encouraged empowerment, freedom and challenge as part of motivation and commitment. However, rather than viewing these as contradictory, they can be considered as alternative truths, in the context of the construction of the social reality of starting up an entrepreneurial business, and therefore part of the whole unfolding entrepreneurial process.

The researcher believes that the entrepreneurs in this study actively shaped and created their own reality and, as the driver of the entrepreneurial process, they also drove the HRM process. HRM’s desire to institutionalise the way things are done might satisfy a sense of purpose and objectivity, but it does not represent shared actions — or shared meaning. Self-interest is enshrined in the entrepreneur’s reality, however, which requires innovative HRM practices to produce a new image of what we take to be true of the organisational reality of the entrepreneurial start-up.
The current investigation identifies entrepreneurs who create business ventures with the express aim of exploiting opportunity and creating wealth. They reconstruct their image of reality, where the role of HRM effectively represents the ‘fantasy of the real’ (Keenoy and Anthony, 1992: 252). The decisions and choices made by the entrepreneurs in relation to HRM are contextually embedded, from which outcomes emerge. HRM is the interpretive strategy that connects the apparent oppositions in the entrepreneurial start-up, and offers a representational connection and compatibility between people management and the entrepreneur. It is the medium for manufacturing meaning to explain the ‘reality’ in the entrepreneurial start-up.

This thesis posits that, for HRM to be entrepreneurial, administering the employment relationship might no longer be relevant. In the case of the entrepreneurial start-up, we find mutually advantageous partnerships emerging that do not involve an employment contract, or a direct economic exchange, but are based on potential gain. Part 3 presented HRM as it is usually understood, based on there being an employment relationship where an economic exchange takes place. An employer offers a person a paid job, and the contract of employment specifies and defines the nature of the employment relationship, and establishes the rights and duties of both the employer and employee.

HRM, as seen in the literature, is primarily concerned with the administration of employment in an organisation, as well as incorporating a strategic approach to the management of employees. This fits into the organisational frame of hierarchy, guidelines and policies, with an emphasis on human capital and its accompanying construct of commitment to a company. Whereas this thesis maintains that the entrepreneur fits the ‘loosely coupled network’ frame, seeking individuals willing to collaborate and work in a loose
alliance, based on a commitment to the issue or idea, and an opportunistic outcome. This collaboration, in the entrepreneur’s view, is not necessarily premised on an employment relationship, and individuals join the entrepreneur and take responsibility for their own activities. On a cautionary note, such collaboration requires the entrepreneur to relinquish significant control, which, according to the evidence from this inquiry, is extremely difficult for them.

Beer et al (1985) write of ‘congruence’ in terms of the need for employees to integrate as part of the organisation, however this is not the same as the mutuality of interest evidenced in the entrepreneurial start-up. It is not the collective interests of the employer and employees that is of interest to our entrepreneurs. Rather, the collaborative nature of mutuality of interest is the driving force behind the generation of commitment. It is a commitment to the issue, the idea, the product, the challenge, the knowledge, the creation of something new that has never been done before that is driving commitment, and not a commitment to the organisation per se. Once the challenge is met, the entrepreneur may very well move on to the next issue. The researcher sees the entrepreneurial start-up as similar in many ways to a loosely coupled organisation,

...characterised by a culture that places high value on autonomous, interdependent, proactive, empowered, collaborative individuals (Limerick et al, 1998: 43).

This moves towards networks, deliberately using subcontractors and alliances to acquire skills and capability.

Limerick et al (1998) identify collaborative individualism as a management ideology that recognises interdependence between individuals. This concept is particularly relevant to entrepreneurial start-ups, with their need for individuals to work together towards a common vision, but to do so without bureaucratic rules, valuing freedom and autonomy instead. These individuals
are expected to initiate, problem solve and act on the business as if it were their own. Collaborative individualism is not about coercion or administrative need. Collaborative individualism stresses self-reliance, interdependence and collaboration, ‘a team of individuals’ pursuing personal and organisational goals (Limerick et al, 1998: 106). According to the authors, the autonomous individuals, through collaboration, create the organisation, and in this case, are the building blocks of the entrepreneurial start-up.

The psychological contract of the employment relationship, where the employee gives high levels of commitment to the organisation in exchange for security, growth and development, is not what the entrepreneur envisages. The entrepreneur, and those working in the entrepreneurial start-up, engage in systems of collaborative action, working across a variety of roles, where relationships develop based on commitment to the issue. There is no lifelong employment. Instead, an issues-based contract is valued — for as long as it meets personal and organisational needs.

Limerick et al (1998: 114) note that collaborative individuals do not join organisations in the sense of membership with its reciprocal rights and obligations. Instead, they collaborate and network on an issue-by-issue basis. Individuals join the entrepreneur in their venture knowing they are forming an alliance with them in forging an organisation, but not wishing to become owned by the organisation. There is a movement towards short-term contracts, or consultancy-based arrangements, de-emphasising job security. The entrepreneur wants to involve individuals who ‘contract-in’ to their venture, and who hold compatible values.

HRM in its entrepreneurial role in the entrepreneurial start-up would emphasise collaborative relationships between individuals and the entrepreneur. Individuals would agree on a joint mission — not based on a commitment to the organisation, but a commitment to the entrepreneurial key
outcome, pursuit of opportunity and wealth creation. The entrepreneurial start-up is the creation of an organisation representing the means (to wealth creation), not an end. The end for the entrepreneur is to secure personal goals, and HRM in the entrepreneurial start-up is about securing people to collaborate and align themselves similarly.

Entrepreneurial HRM would take up the entrepreneurial spirit, shifting its focus to one where individuals are actively encouraged to take up opportunities. Hendry et al (1995) suggest that this will require that

…people act, among other things as owners, as entrepreneurs, as sources of skill and expertise, as collaborators, as agents of their own careers, all of which have a particular flavour in the start-up phase of a firm (Hendry et al, 1995: 10).

Entrepreneurial HRM would encourage people in the entrepreneurial start-up to see themselves as part of, and interdependent with, the broader set of resources that both informs and affects the entrepreneurial start-up as it unfolds. They become part of the existing resource base, from which opportunities are then drawn. HRM in the entrepreneurial start-up is about aligning organisational opportunity and individual opportunity, where individuals will negotiate mutually benefiting objectives that will be re-evaluated and renegotiated as the entrepreneurial start-up moves through from an idea into organisational reality.

In Closing

This chapter presented several ways to understand HRM in the entrepreneurial start-up. At the broadest level, HRM is influenced by the inception stage of growth, such that HRM’s leverage and influence is in providing people, defining tasks and developing the organisational context to support the entrepreneur’s strategy. HRM in the entrepreneurial start-up is
influenced significantly by the entrepreneurial rhetoric, where the language of risk, uncertainty, challenge, opportunism and survival finding consideration in HRM in the entrepreneurial start-up. However, at the specific level of the implementation of HRM activities in the entrepreneurial start-up, this research concludes that the character of HRM is not particularly entrepreneurial, innovative or creative. If HRM is not to be a counter image to the entrepreneur, and if it is to be considered entrepreneurial, it needs to move away from the traditional notion of managing people as if they were in a traditional employment relationship between employer and employee.

This thesis extends our understanding of HRM in the entrepreneurial start-up, to incorporate collaborative individualism as the basis for HRM. This requires a shift in emphasis towards mutually beneficial relationships not premised on a traditional employment contract. This thesis also appropriates Keenoy and Anthony’s (1992: 235) application of HRM as a meta-narrative, ‘locating, informing and legitimising managerial practices’ to the entrepreneurial start-up, where the message carried by HRM that guides the social behaviour for those joining the entrepreneur is that they are entering an alliance to exploit an opportunity for wealth creation. This requires us to redefine the meaning of the employment relationship in the entrepreneurial start-up, and HRM’s role in that, and the way individuals relate to the entrepreneur when they join the entrepreneur in starting up the venture.
RECAPITULATION

This thesis brings together human resource management and the small entrepreneurial start-up organisation, in order to examine how HRM is actioned and implemented in such organisations, and to examine the extent to which HRM can be characterised as strategic or entrepreneurial.

Many models and theories stand out in the literature to explain both HRM and entrepreneurship, with little consensus or coherence emerging in these fields. One reason put forward is that these models and theories represent the idealised two-dimensional reality of the organisation. Nevertheless, they are a useful guide. This research moves beyond the idealised version of HRM, and enters ‘the messy reality, the lived in version’ of the small entrepreneurial start-up, in order to add new understanding and derive an explanatory framework.

By choosing to research such organisations, the researcher adds insight into the process of ‘becoming’, that is, into how and why events play out over time. The start-up phase of organisational development is recognised as a time when the foundation is being laid; it is a time when culture, strategy, structure and management values come together. HRM occurs as a consequence of the choice of action to pursue, or not pursue, opportunity. The entrepreneur lays the foundation that shapes our understanding of HRM in the entrepreneurial start-up.

The thesis is a longitudinal, qualitatively based interpretive research inquiry, which uses a narrative epistemology within case study to both understand and explain HRM in these enterprises. This methodology, together with a postmodern theoretical orientation, is suited to explore a reality that is processual, specifically, the factors that influence and shape the character of
HRM within the entrepreneurial start-up, and the role of the entrepreneur. Rather than viewing entrepreneurship and HRM as fixed entities, the research methodology provides the means to study the role of HRM, to see if it is used in a new way, and to add a rich new dimension to our understanding of HRM in an emerging organisation.

The research text is the researcher’s representation of the lived experience in two small entrepreneurial start-ups, and treats the experience as a whole, as a unique experience. The case studies are stories that capture the everyday HRM events in an entrepreneurial start-up, and leave sufficient space for the interpretation and imaginative power of the reader.

The findings show a gap between the rhetoric of HRM and the reality of the lived experience within these organisations. The two themes — illusion and rhetoric — are woven into the seductive influence of the entrepreneur, presenting illusions of success and unique opportunities, and buying others into their fantasy image of their enterprise.

HRM in these enterprises is shaped by the entrepreneur’s opportunity-seeking and wealth creation orientation. HRM was not observed as being strategic, because HRM finds it hard to adapt to the entrepreneur’s HRM changeability in preferences. In the initiations phase of development, HRM is limited to basic operational activities, with the primary focus on attracting and involving talent to build the business.

In the first instance, the relationship between HRM and the entrepreneurial start-up offers a representational connection between people management and the entrepreneur, espousing the language of risk, uncertainty, challenge, opportunism and survival. However, this research found that the implicated meaning of such language is yet to emerge, because of the nature of the contemporary employment relationship for such organisations, which contains
many contradictions. The researcher therefore understands that HRM is a counter image to entrepreneurship.

The entrepreneur wants to bring into being a relationship with people for mutual advantage, but this does not have to be based on the traditional employment relationship. In fact, the entrepreneur prefers to disengage from the traditional employee–employer relationship altogether. A reconceptualisation of HRM is necessary. Either HRM remains subordinate to the entrepreneur’s values, or some of our basic assumptions about HRM need to change if it is to be compatible with the entrepreneurial start-up.

This thesis offers collaborative individualism as the basis for building mutually advantageous relationships, which moves HRM way from the traditional focus of managing the employment relationship as we know it. The entrepreneur is not interested in the collective interest of the employer and employees in the small entrepreneurial start-up; rather, it is the collaborative nature of mutuality of interest that is the driving force behind the generation of commitment. If it is to become entrepreneurial, HRM must build interdependence between individuals, encouraging them to act as though they are entrepreneurs themselves in the start-up phase of a venture. That is, encouraging individuals to become part of the existing resource base from which opportunities are drawn. In this way, individuals who join an entrepreneurial start-up venture can be made aware of a shift in emphasis towards mutually beneficial relationships not premised on the traditional employment contract.
BIBLIOGRAPHY


APPENDIX 1: DRAMATIS PERSONAE

Consultco

Charlie — the managing director (the founding/leading entrepreneur).
Lucy — the senior recruitment consultant.
Marcie — the human resources adviser.
Franklin — the IT manager and Webmaster.
Patty — the executive assistant and recruitment administrator.

Pilotco

Beller — the founding entrepreneur, and CEO of The Hatchery.
Dion — managing director and lead entrepreneur.
Athene — the general manager of The Hatchery, member of the Pilotco advisory board.
Chiron — Dion’s mentor.
Daed — HR adviser, and director of The Hatchery.

Pilotco Management Team

Apollo — senior publishing editor.
Penelope — publishing editor, education series.
Queenie — publishing editor, business series.
Ithaca — marketing manager.
FILMOGRAPHY

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