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The Need of a HRM Change from Traditional to Strategic with Organizational Transition
-- A Case Study of a Swedish High-Speed-Growth Company

Dissertation, 15 ECTS

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Abstract

With organizational development, many of management systems should be established and developed to handle different challenges and situations. Flamholtz and Randle (2007) figure out different but typical management orientation and systems at different stages of this development process and emphasize the importance of organizational transition between the stages. Human resource management (HRM) is regarded as one of the most important management systems to overcome challengers and gain competitive advantages during organization development. This paper concentrates on a HRM perspective to research on the relationship between organizational transition and HRM changes.

The findings show HRM correlated with organizational transition from an entrepreneurial stage to a professionally managed one needs to change from traditional to strategic. The essence of this process is correspondingly a role change from a service provider to a strategic participant. Meanwhile, the functions and abilities to support them in HRM should be changed also.

Key Words: Organizational Transition, HRM Changes, Strategic HRM.
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1 Introduction

1.1 Background

Organizational growth is a common process firms need to step on. It is regarded essential by the research of Flamholtz and Hua (2002) and would give a firm many of benefits (Agrawal, Khatri & Srinivasan, 2012). At the beginning of a firm, new product development are supposed to be the main focus (Lewis, 2001). Innovation is perceived as a key of firm survival at the entrepreneurial stage. Then to a developed firm which has occupied steady markets and established many of operational systems, strategic perception and management systems to support strategy implementation should be emphasized (Flamholtz & Randle, 2007). The concentration of a professional firm is changed to a long-term perspective of sustainable development.

With the growth of a firm, it has to encounter a series of internal problems and external situations. The problems might derive from the inside pressure of a firm, like the contradiction between rapid increase of employees and undeveloped management. The finding of Majumdar (2010) indicates company growth in common brings out many of changes, perhaps radically and architecturally, within a firm. Although it seems to be a tough journey for each firm which attempt to gain high and sustainable growth, much of research, such as Flamholtz and Hua (2002) and Agrawal, Khatri and Srinivasan (2012), points out the obvious benefits from company growth and its necessity.

From an environmental perspective, the findings of Kose, Otrok and Whiteman (2008) indicate that the recent business world has changed from the stage of common shocks to the one of globalization. Furthermore, more and more business cooperation based on interactions between businesses is emphasized by many of previous researchers like Kose, Prasad and Terrones (2003) and Bordo and Helbling (2003). These kinds of environmental changes also bring out some of challenges to a firm.

1.2 Problem Discussion

To solve the problems and deal with the challenges, a firm is supposed to continuously improve its operation and management. Flamholtz and Randle (2007) figure out a typical process of organizational development and different management orientation and systems in different stages of this process. Between different stages, a conceptual change by the name of transition would be made (ibid). Actually, from an entrepreneurial firm to a professional one, many of internal management systems need to be established or improved continuously.
Li, Wang and Zhang (2011) point out the importance of human capital in the 21st century and also identify Human resource management (HRM) as a core approach to overcome the various challenges. HRM as a basic but much important management system acts a significant role to achieve competitive advantages, argued by Schuler and MacMillan (1984) and Boselie, Dietz, and Boon (2005). The functions of HRM are very much manifested in finding right people and use them to meet organizational goals. In other words, it is about how to recruit people and afterwards how to motivate them and has been emphasized by many of firms. It is obvious that when a firm has developed for a period of time and then enters a new stage in which more effective management should be established and improved, HRM is also supposed to be changed. In other words, organizational transition might drive HRM transition correlated.

Traditional HRM put most of attention on the recruitment of right people based on position demands and make their abilities equal to the requirements of positions. It is very much about the current need of human resources through two major functions, namely recruitment and training (Dreyfus & Vineyard, 1996; Bartel, 1994; Katz, Kochan, & Keefe, 1983; Cooper & Kleinschmidt, 1995). The finding of Carmeli and Schaubroeck (2005) presents the managerial perception to realize human capital in terms of individual’s education background, skill levels and work experience. It may be seen as common concentration to recruit people in traditional HRM. From the perspective of organizational performance, the findings of Magnan, Vickery & Droge (1995) indicate that employee training offers more contributions to the achievement of organizational performance goals. Thus, the qualification and skills of human resources seems to be adequate when they are consistent with the requirements of current tasks.

When a firm enters a professionally managed stage which requires more strategic thinking for long-term development (Flamholtz & Randle, 2007), traditional HRM seems to have little help to aid a firm to achieve the goals. Many of researchers who studied traditional ways of HRM have paid their attention more to a strategic perspective (e.g. Festing & Eidems, 2011; Wright, Dunford, & Snell, 2001; Arthur & Boyles, 2007). They argue that HRM should put its concerns not only to the typical functions held by traditional HRM activities but also, more important, to be a consensus of organizational strategy implementation. Relevant and newest research, like Buller and McEvoy (2012), contends “However, [Right now] it is not enough to simply create HRM practices and systems that are aligned with strategy”. Similarly, the finding of Ostroff and Bowen (2000) reveals the challenges which firms also encounter nowadays are the linkages between capable and skillful human resources and strategic achievement.

Even though many of previous researchers paid attention to HRM changes from a traditional way to a strategic one (e.g. Festing & Eidems, 2011; Wright, Dunford, &
Snell, 2001; Arthur & Boyles, 2007), which means to consider HRM with a strategic perspective – the functions should include long-term development of human resources to achieve organizational strategy, really little research with respect to HRM changes is explicitly associated with organizational transition. Therefore, with the process of organizational transition, the need of HRM changes associated with different stages a firm is located at should be elaborated upon.

1.3 Purpose

This paper is expected to elucidate the need of changes in HRM correlated to organizational transition and then exploit the essence of these changes. From the theoretical perspective, the gap of a relationship between HRM changes and organizational transition within a firm would be fulfilled. Organizational transition and corresponding changes in HRM are intended to be discussed separately and then to be correlated.

From a practical perspective, challenges of HRM changes in the process of organizational transition would be figured out. Then the factors necessary to support the changes of HRM would be indicated into various dimensions to guide and inspire managerial activities within a firm.

1.4 Research Question

In what follows, the research questions of this paper are presented. The first one concentrates on the necessity of HRM changes. It would manage to clarify that firms have to change their HRM during the organizational transition. Also, the second question is used to clarify the changes in details and simultaneously identify the nature of them. So these two research questions are going to elaborate upon the relationship between HRM changes and organizational transition. It was rather uncertain in the research area.

- What is the need of changes in the HRM focus correlated to organizational transition as a growing company?
- What is the essence of these HRM changes?
2 Theoretical Reviews

2.1 Organizational Development and Transition

2.1.1. Organizational Development

Necessity of Growth
Business growth for a firm is manifested not only in the increases of a staff size and market shares the firm has occupied in the focused industry as well as the revenue based from those, but also in the improvement of firm’s management style. The finding of Weinzimmer, Nystrom and Freeman (1998) reveals in statistics of relevant research on the definition of organizational growth that the increase of market shares is perceived 10% more than the increase of the number of employees or of assets within a firm. Also, the research of Flamholtz and Hua (2002) indicates the revenues of a firm as a basis to discuss organizational growth rather than its size. On the other hand, much of previous research, like Birley and Westhead (1990) and Kimberly (1976), argues to use a multi-perspective approach to measure organizational growth, with various dimensions embracing the number of employees, assets, organizational capabilities and market shares.

The research of Flamholtz and Hua (2002) indicates organizational growth is essential in a long run of business development. Continuing growth of a firm brings out advantages to itself from both organizational and individual levels which in common mean the promotion of organizational development and individuals benefits to the staff. For instance, the research of Agrawal, Khatri and Srinivasan (2012) indicate organizational growth makes a firm more attractable to skillful workers and more available to exploit the values of its market.

Organizational Development Model
In the process of growth, firms have to encounter various internal changes. Organizational development is considered as doing internally actions to meet the need of changes from growth within a firm. The classic research of Porter (1980) argues from a strategic perspective to think over issues firms experience in their development. Many of researchers, like Lewis (2001), discuss organizational development from a new product development (NPD) level. In other words, innovation prompts the development of a firm. Flamholtz and Randle (2007) figure out a model by the name of Pyramid of Organizational Development (see Figure 2.1) to specify different periods of organizational development of a firm.

Six key areas of organizational management are identified as markets, products and services, resource management, operational systems, management systems, and
corporate culture, from the bottom to the top (Flamholtz & Randle, 2007). In details they describe, the first two layers in the bottom identify the basis of a firm – defining the market (Freeman & Hannan, 1983) and then developing products and services to meet the need in the market (Midgley, 1981). Then, a higher layer in the model is the resource management to allocate and arrange organizational resources (Caroll & Yangchung, 1986) including financial, technological and human resources. Meanwhile, operational systems should be established with organizational development which requires more and more professional management (Manzini & Bindi, 2009). However, it is obvious that on this layer a firm is beginning to establish the systems even though they are perceived preliminary. When these operation systems are developed to be mature, a firm needs to consider more about its future instead of daily operations. Strategic management systems are necessary to be perceived. Strategic planning (Porter, 1980) acts a basic role on the layer and then many of professional mechanisms (Child & Keiser, 1981; Flamholtz & Aksehirli, 2000), like organizational structure development, management development and performance management, should be built to support the implementation of strategic plans. In the top of this model, corporate culture embracing employees’ values, beliefs and norms needs to be considered to develop professional management more (Walton, 1986).

The transition from entrepreneurial orientation to professional orientation (discussed in the section 2.1.2) is reflected by this evolution process from bottom to top. Meanwhile, it would serve as a context to correlate to HRM changes (discussed in the section 2.3).
Proactive vs. Reactive
Organizational development is mostly deriving from proactive or reactive drivers. The difference between them is exactly manifested in the sources – proactive one’s is probable from the positive desire of the firm future while reactive one’s is probable from passive actions required by growth. Many of researchers (e.g. Pfeffer, 1994; Ulrich, 1997) indicate the movement from reactive to proactive would bring out competitive advantages to a firm through strategic activities, like strategic HRM and culture nurturing. Correspondingly, the requirements to a firm with the proactive drivers are much more than with the reactive ones, especially at the orientation about strategy implementation and formulation.

These two dimensions in many cases work within different periods of organizational development for a firm. A reactive driver emerges from the relatively early period of a firm, which may be an entrepreneurial one with new birth. The research of Lumpkin and Dess (1996) identifies entrepreneurial orientation as a series of entrepreneurial activities within a firm through a specific management styles and approaches. In this area, many of relevant researchers agree with the argument of Miller (1983), who contends an entrepreneurial firm pays its major attention to product and market
aspects and undertakes risks during the process of innovation. That means the firms have to tightly follow the changes of the products and markets even if they have occupied market shares to some extent.

After entering or pre-entering a professional period, a firm should put more attention on long-term development, which lets it utilize more management from strategic orientation, rather than to survival. A new research of Lau (2011) reviewed previous relevant research about resource-based strategic orientation and contends that strategy formulation is “the managerial cognition” of top management teams thinking from external and internal factors of a firm. Strategic orientation management provides possibilities to a firm to anticipate growth with its expectation and then do necessary development to meet the need of growth. Morgan and Strong (2003) indicate strategic orientation would be instrumental to achieve organizational goals in the business direction of a firm.

**Growth Pains**

The research of Flamholtz and Hua (2002) identifies discrepancies between organizational growth in the perspective of revenues within a firm and its infrastructures would lead to growth pains. Also, they argue the pains are likely an inevitable “symptom” to a firm in the process of organizational development. The finding of Penrose (1959) brings forward a managerial capacity problem which growing firms probably face. In a micro level of organizational management, the observation of Saunders and Chan (2002) points out several typical challenges in organizational development including human resource provision, management participation, knowledge management and leadership development. Kuruvilla and Ranganathan (2008), in like manner, argue the problems from lack of higher-skill employees probably caused by less attention on internal human resource development and also less attraction to external outstanding applicants.

### 2.1.2. Organizational Transition

Flamholtz and Randle (2007) divide these six areas into four stages from entrepreneurial orientation to professional orientation: the new venture stage embracing the layers of markets and products and services, the expansion stage embracing the layers of resource management and operational systems, the professionalization stage embracing the layer of management systems, and the consolidation stage embracing the layer of corporate culture.

- **New venture**: The first stage is described very much about a birth firm which has to encounter the decision of an original market location (Freeman & Hannan, 1983) and correspondingly concentrate on products and services it provides to customers (Midgley, 1981). This is a period of pure entrepreneurial management in common with regard to direct control from entrepreneur(s) on firm activities.
- **Expansion**: In the second stage, a firm commonly has experienced organizational
growth in a certain extent. Simple and direct management from entrepreneur(s) seems to be a little weak to control a firm. On the other hand, more new problems entrepreneurs have to encounter would come up, and they make entrepreneurs act more like fire fighters within their firms. In this stage, resource management (Caroll & Yangchung, 1986) and operational systems (Manzini & Bindi, 2009) to guide daily work of employees should be pointed out as two significant aspects to be considered by entrepreneurial management.

- Professionalization: From the beginning of this stage, a firm would be deemed a professionally managed one. Strategic thinking is core guidance of the management in this stage. To support it then achieve long-term goals, a firm is expected to pay most of efforts to various management systems (Child & Keiser, 1981), such as construction/reconstruction of an organizational structure, management and leadership development, performance measurement, and reward systems (Flamholtz & Aksehirli, 2000).

- Consolidation: The fourth stage which concentrates on the nurture and development of organizational cultures (Walton, 1986; Flamholtz & Aksehirli, 2000) is a developing form of the former. In other words, the professional management systems established in the third stage provide strong foundations to nurture organizational culture.

Two dimensions
The most notable transition between these four stages at an organizational level is the one from the second to the third, described as the milestone transition from entrepreneurial orientation to professional orientation. In other words presented by Flamholtz and Randle (2007), the professionally managed period is coming in the transition process.

As a birth firm, it puts efforts on short-term revenues to make itself survive and then grow rapidly. Similarly, after organizational development of a firm has entered into a stage of professional management, encountering new issues much different from ones at the earlier stages, it should do something more from a higher level rather than short-term measures with which a firm probably concentrates on functions towards markets and products (Flamholtz and Randle, 2007).

Thus from another point of view to understand the differences between these two dimensions, the paradox of organizational management about short-term and long-term perspectives is revealed. What should be highlighted is the transition between these dimensions carrying the process of management changes such as HRM changes discussed below.

### 2.2 Strategic Orientation

From the perspective of Porter (1980), a classic definition of strategy is about that a firm utilizes the resources which it is able to control and allocate for gaining
competitive advantages to achieve the goals in a long term. Flamholtz and Randle (2007) separate the process of strategic formulation and implementation into assessment of present resources, objective clarification, action plans and measurement. On the other hand, Teece, Pisano and Shuen (1997) identify many of features in organizational processes to implement organizational strategies: coordination and integration, learning to working development, and configuration of measurement.

Strategy-based management with which a firm anticipates future challenges from organizational development is regarded as a sort of positive actions. Flamholtz and Randle (2007) argue that a firm which has reached, or would reach the professional stage of organizational management should have the capabilities of strategic planning and adequate support systems to ensure the process of strategy formulation and implementation. Even for small-size firms, Majumdar (2010) indicates two kinds of strategic thoughts probably from relationship-based and technology-based strategies. The strategy makers within a firm need to have advanced foresight of organizational development, and to achieve its success in future, they formulate and then promote the implementation of these strategies (Flamholtz & Randle, 2007).

**Strategy implementation**

The finding of Bonoma and Crittenden (1988) suggests implementing organizational strategies from two aspects: structure and management. The structure aspect is very much about the attention on an organizational level like the identification of policies and rules. And the managerial aspect is manifested in managers’ abilities within a firm. Crittenden and Crittenden (2008) develop the previous research into a deep way through the division of eight dimensions, namely cross-functional integration, learning programs, support systems, policies, leaderships, skills for resource allocation, measurement and rewards, and culture nurturing. Obviously, the first four belong on an organizational level, equal to the structure argued by Bonoma and Crittenden (1988). Also it is similar that the rest four belong on a managerial level, equal to the management.

Much of research gives supports for the arguments of Crittenden and Crittenden (2008). For instance, Flamholtz and Randle (2007) specify the support systems for strategy implementation from following aspects: organizational structure development, management and leadership development, measurement systems, and consolidation systems for organizational culture. The study of Schrage (2005) points out that hiring right people seems not to be sufficient to support strategy implementation and an environment within a firm to motivate them to learn and improve is also essential. Chatman and Cha (2003) identify organizational culture as a combination of values which conduct what should be important to staff and norms which mean how they should behave in the daily operation within a firm. Furthermore, their finding reveals organizational culture significantly impacting on the success of strategy implementation.
**Strategy formulation**

Strategy formulation mostly handled by a small group of senior managers within a firm (Mintzberg, 1990) is different from the implementation process which should be followed and executed by the whole organization (Mintzberg, 1990). The finding of (Hamel & Prahalad, 1996) argues two core objectives for strategy formulation by the names of foresights and dynamics, based on not only current markets and resources but competitive advantages or their development for future competition. On the other hand, previous research (e.g. Simons, 1995; Stewart, 1997) has tended to expand the inputs of strategy formulation through adopting a wider range of participants – probably from various functional units within a firm rather than “a small group of senior managers”, described by Mintzberg (1990).

From a perspective of formulation processes, Platts, Mills, Neely, Gregory and Richards (1996) through their case study point out seven aspects for strategy formulation: clarification of objectives, effectiveness (how to measure the achievements), visibility and formality, participants, formulation management (who is the leader and how to manage the formulation process), adaptability (the extent to which a whole organizational would accept the strategy), and error perception. Ko and Lee (2000) suggest an approach to formulate strategies through a combination of the balanced scorecard (BSC) and the SWOT analysis. The research of Weihrich (1982) about the SWOT matrix highlights strengths, weaknesses, opportunities and threats within a firm and these four dimensions are perceived to represent internal and external factors. BSC is developed by Kaplan and Norton (1996) and Mark (1988) from four aspects: financial goals, customer perspectives, process perspectives and learning and improvements. The SWOT analysis works as a basis for strategic planning with BSC. Although BSC has actually been a main managerial tool for performance and measurement, it also impacts on and interacts with the process of strategy formulation (Lee & Lo, 2003).

### 2.3 HRM Change

#### 2.3.1. The Need for Human Resources

Human resources contributing to organizational development have been emphasized by many of previous researchers since the early 1960s. The finding of Schultz (1961) points out a significant relationship between organizational productivity and human capabilities and the achievement of organizational growth through investments in human capital. Becker (1962) with the words “through the embedding of resources in people” emphasizes the importance of human resources to positively impact on organizational development. Recent research like Li, Wang and Zhang (2011) indicates in the 21st century human resources would act as a core role to overcome various challenges. At a micro level, O’Connor and McDermott (2004) highlight management systems within a firm should be supported by capable people and their
connections.

**In an Innovation Process**
The research of Arnal, Ok and Torres (2001) elucidates when a firm intends to involve a new technology or product, it would not achieve a successful performance goal without the support of human resources. In an innovation process, the importance of human resources should also be pointed out. Twiss (1992) presents an innovation model (see Figure 2.2) which illustrates a linear process from generating creative ideas to product innovation. Every step of the process needs the knowledge both from R&D and marketing departments. In other words, many of people including idea generators, idea developers, market professionals, senior managers and production employees are supposed to be involved. Similarly, the finding of O'Connor and McDermott (2004) argues innovative ideas by individuals should be supported by the organizational structure and management systems within a firm to make them available. In an innovation project, commitments from senior managers have been broadly perceived (ibid). Cooper, Woo and Dunkleberg (1989) also suggest top managers to understand and support innovators to make profits.

![Figure 2.2 “The Egg of Innovation” (Twiss, 1992)](image)

Even if some of innovation projects initiated by manager teams (Mazzanti, Pini & Tortia, 2006), the workers involved are also much important to make new innovations (Black & Lynch, 2001). In terms of technology transfers, the finding of Ehretsmann, Hinkly, Minty and Pearson (1989) highlights the necessity of, and the connection with inventor involvement.

All above imply that in the different steps of an innovation process various skillful people should be included. It would be obvious that adequate and capable human resources have been understood as a crucial factor to ensure innovation success.
2.3.2. Traditional HRM

No one can ignore the fact that human resources have been a key in organizational development. The research of Zhao and Du (2012) highlights “People Orientation” has been perceived widely by contemporary HRM researchers. Bennett, Ketchen, and Schultz (1998) indicate that management should view human resources as a crucial factor to organizational success.

Much of previous research elucidates the importance and functions of HRM with a firm. Arthur and Boyles (2007) indicate firm performance is very much related with the human resource systems of a firm with empirical evidence. The findings of Dyer and Holder (1988) point out a considerable HRM structure with staffing, training, rewards and job design. Jayaram, Droge and Vickery (1999) study on broader HRM activities embracing communication of organizational goals, individual and team training, individual autonomy, management relations, etc. Similarly, other research like Ekstedt (2002) outlines HRM is usually examined by two key aspects, staffing and career development.

Besides those typical functions above, salary and corresponding appraisal systems are supposed to be involved by HRM (Zhao, 1999). The research of Zhao and Du (2012) elucidate the advantages of an annual salary system for managers through overall thinking of responsibilities, risks and incomes. However, they also present the salaries of normal staff within a firm are mostly based on their performance. Lin (2006) surveys from various perspectives of HRM functions embracing job positions, recruitment and contract management, new employees’ training, regular measurement systems, working environmental security, employees’ suggestions and appeal, and so on. All of this management is supposed to be mechanisms driven by HRM activities.

On the other hand, Flamholtz and Randle (2007) argue that functions from various individual roles make up function units, such as sales, manufacturing, and R&D, which the functionalities of a firm consists of. Each role in a function unit works as a sub-function, and with the combination as well as the coordination between various but related roles a function unit would be established (ibid). This conducts an approach HRM utilizes to execute its activities for meeting the goals of placing right people within a firm. Hence, putting right people in right positions becomes an essence of traditional HRM manifested by what these two traditional but typical HRM activities, staffing and training, act.

2.3.3. Strategic HRM

HRM at the Organizational Level
Strategic HRM comparing with traditional HRM put more attention on the organizational level within a firm to achieve organizational goals. It not only
embraces the traditional approaches of HRM, but also, more important, covers the perspective to long-term organizational development. Besides individual and job orientation, as a core conception of traditional HRM, the extra but essential requirement of strategic HRM concentrates on systematic construction/reconstruction of an organizational structure and nurturing for both human resources and organizational culture to follow firm’s strategy implementation and formulation.

Many of researchers like Bowen and Ostroff (2004) and Dickmann, Müller-Camen and Kelliher (2009) indicate a firm should understand how HRM systems would contribute to its strategic implementation for the achievement of competitive advantages. HRM activities have been regarded as an implicit factor for a firm to pursue its competitive advantages (Soderlund & Bredin, 2006). On the other hand, Festing and Eidems (2011) argue HRM processes should be improved by development, adaption and renewal.

Wright and Boswell (2002) suggest a systematic way to construct a HRM system rather than separated HRM activities. Arthur and Boyles (2007) identify five components of HRM system structure composed by principles, policies, programs and practices, and climates. Likewise, the findings of Colbert (2004) and Kepes and Delery (2006) suggest HRM systems should be constructed by multi-level components. In this case described by five components, HRM principles and policies work as a guidance role consistent with the implementation of organizational strategies to concrete programs and practices (Becker & Gerhart, 1996). Employees in this kind of behavioral frames advocated by HRM are supposed to act in consensus of overall objectives within a firm (Arthur & Boyles, 2007).

**HRM for Structure Development**

Many of researchers concentrating on HRM activities, (e.g. Fombrum, Tichy & Devanna, 1984; Sparrow & Marchington, 1998) elucidate that the activities conduct the changes more at the organizational level within a firm. Function units make up systematic construction of an organizational structure within a firm, and simultaneously are working with their different effects. However, through the process of strategy implementation, some of functions tend to be necessary to be eliminated or even obsolete. In this case, the functions would be obliged to be revaluated and then adjusted if necessary to strategic achievement (Flamholtz & Randle, 2007).

At an individual level, each role in a function unit should be changed in response to function changes. However, for achieving strategic goals, the improvement of individual roles is not only about this aspect. A specific and detailed guidance forming micro objectives contributing to strategic achievements is necessary to be a big part of role description (Flamholtz & Randle, 2007). Thus, job descriptions should be continuously changed to follow strategy formulation and implementation. In other words, the role of an individual in the functional unit of an organizational structure would be as well changed.
Dynamic capabilities are defined by Eisenhardt and Martin (2000) as firms’ processes to utilize, integrate, reconfigure and gain related resources to meet the need of organizational goals. Furthermore, the values of dynamic capabilities which would create competitive advantages for a firm stem from resource exploration and exploitation (ibid). Typical dynamic capabilities are manifested in the activities of retraining and appropriate firing which reply on the demands of strategy implementation. Thereby, dynamic capabilities are as well supposed to reconfigure or re-exploit human resources within a firm.

**HRM for Measurement & Retraining**

The research of Zhao and Du (2012) print out a clear conception, that HR departments have been regarded as a potential managerial unit, by the words of “part manager and part worker”. Performance measurement and appraisal to individuals are suggested by their findings to be a core of HRM, and the activities would involve individual assessment for abilities and skills, individual performance appraisal and corresponding incentive salary mechanisms.

Furthermore, periodical examination for each role to adjust the description timely is as equally important as the one for functions (Flamholtz & Randle, 2007). As compared with role specification which determines what should do for a position holder, assessment of individual skills is more about whether the position holder has adequate capabilities to accomplish what he or she should do (ibid). The benefits of periodical assessment are brought from optimally putting right people on the righter position than the present one to prompt the process of strategy implementation.

From the perspective of management measurement, Flamholtz and Randle (2007) argue that how a manager holds and utilizes capable skills is the equation for managerial effectiveness. Also, in a macro level, the effective management emerging from managerial behaviors is interaction with firm performance outcomes (Huselid, 1995; MacDuffie, 1995).

Zacharatos, Barling and Iverson (2005) elucidate that a firm should provide adequate retraining approaches to teach the employees to work in a new way doing their jobs. The findings of Boxall (1996) and Wright and McMahan (1992) identify the importance of implementation of a given strategy framework which HRM professionals should work on, and indicate, during the implementation process, they should also create human resource advantages through retraining outstanding employees.

On the other hand, knowledge management is recognized by previous research as an expected outcome of HRM. Becker and Huselid (1998) point out HRM might bring out value creation to facilitate the process of generating organizational knowledge. The findings of Chini and Ambos (2005) also indicate effective knowledge transfer
derives from individual actions and interactions. In like manner, the development of knowledge creation and transfer -- including the outcomes brought -- would be influenced by HRM practices like training, performance appraisal and rewards (Bierly & Daly, 2002; Yahya & Goh, 2002). Continuous improvement for employees’ abilities and skills to fulfill the demands of strategy implementation depends on development programs in HRM activities which work as a role of reorganizing knowledge within a firm.

**HRM for Management Development**

Management development is of importance on developing basic technicians or professionals to become first-line managers, or in the other side, on developing existing managers who have been regarded skillful and capable in their current positions to the ones in higher levels within a firm, and to contribute to manager demands of strategic achievement then. These two kinds of management development is interpreted by Flamholtz and Randle (2007) through three changes potential managers encounter in the different aspects, namely role conception, skill enhancement and individual psychological transformation.

The forms of management development might be involved in development programs and activities in the areas of HRM (Arthur & Boyles, 2007). From their findings, development programs are the ones that consist of a set of formal HRM activities to guide participants at an organizational level, while HRM activities are more about the implementation of these programs and their outcomes (ibid). In other words, the quality of development programs is manifested in participants’ behaviors and mindsets after the ends of these programs.

**Management skill enhancement**

Flamholtz and Randle (2007) also agree with the point above regarding outcomes of a development program stemming from individual behaviors. The extra skills participants learned in a program give them a chance to enter a new level of management within a firm. Wu and Lee (2007) suggest utilizing a competency model associated with different measurement on managers’ behaviors to help them develop their skills and abilities. The research of Clark (2001) shows the importance of management skill enhancement though a case in which the resource budget skills of managers are developed by HRM programs to achieve a cost control strategy. What should be highlighted here is that enhancement of management skills is hardly embraced by one or two development programs, and actually these kinds of programs work as a role -- a guideline -- to conduct participants to develop themselves in future daily work.

**Leadership development**

McKenna (1998) leadership behaviors are one of important outcomes of management competence development. No matter who is a first-line manager or a middle one, leadership development is to conduct them to learn from organizational leadership.
styles. The programs might be a process of communicating acceptable and appropriate management styles to participants. Developing managers comprehend that how to think as effective managers to lead and supervise their subordinates is expected in a certain organizational context (Flamholtz & Randle, 2007).

Rewards and recognition
Having chances to participate these programs toward managers or ones who will become first-line supervisors is a kind of recognition within a firm (Flamholtz & Randle, 2007). It mostly brings out promotion to individual’s confidence and satisfaction he or she holds of a high performance evaluation to his or her job (Vandenberg, Richardson, & Eastman, 1999). Thus, in other words, the entrance to management programs is an intangible form of rewards for an individual within a firm.

HRM for Culture Development
Yeatts and Hyten (1998) identify organizational culture in terms of an implicit set of assumptions and norms all of employees hold or should hold. Recently in culture research, Flamholtz and Randle (2007) complement an additional point into the interpretation – values, which represent what a firm considers most important both to itself and for its customers.

Organizational culture development is another core job of HRM activities supporting sustainable development of a firm. It is very much manifested in HRM principles and policies, described by Arthur and Boyles (2007). O'Reilly and Pfeffer (2000) also indicate that the principles made by HRM would shape organizational culture and also conduct the process of decision making at an individual level within a firm.

Culture embedded
The forms of culture development, in some cases, are carried by training and development programs. The finding of Cooper and Phillips (1994) implies that the extent and quality of training programs would evidently affect organizational culture. No matter who is a new comer and a developing managers or worker, organizational culture embedded in the implementation of development programs would be communicated to the program participates (Flamholtz & Randle, 2007).

2.4 Theoretical Model
In the process of organizational development, firms have to encounter the situation of the transition from an entrepreneurial stage to a professionally managed one (Flamholtz & Randle, 2007). The nature of this organizational transition is the perception change to a firm which means that it would have long-term insights of its future development. When a firm is situated in this organizational transition, this reveals that the firm might have chances to layout its future more by itself (Morgan & Strong, 2003) rather than by reactive drivers stemming from market or environmental
changes. In other words, how to survive in the market – a main question to an entrepreneurial firm, especially in the beginning period -- no long troubles the firm, and after possessing certain market shares (Miller, 1983; Freeman & Hannan, 1983; Midgley, 1981) and establishing daily operational systems to support the provision of products and services (Caroll & Yangchung, 1986), it should develop management systems into a higher level to maintain sustainable development.

However, strategy-based management should be supported by a series of professional management systems (Child & Keiser, 1981; Flamholtz & Randle, 2007), such as organizational structure development, management development, performance measurement and organizational culture nurturing (Flamholtz & Randle, 2007; Walton, 1986). It seems to be a tough route for a firm because of many of organizational adjustments which have to be done. Nevertheless, the success of an orientation change from market/product-based to strategy-based within a firm does depend on the success of these organizational adjustments, even though the route is hard to proceed (Flamholtz & Hua, 2002; Penrose, 1959; Saunders & Chan, 2002).

HRM is one of the key factors of organizational management (O’Connor & McDermott, 2004) associated with the process of organizational transition. Simply dealing with employee issues at a micro level, traditional HRM seems to be little help to follow organizational transition. It works as a reactive role which means traditional HRM puts more attention to present or short-term demands of human resources (Dyer & Holder, 1988; Lin, 2006) and acts a service provider who probably servers other functional departments within a firm. Simultaneous with the orientation change, the issues of HRM need to involve strategic perception at a whole organizational level.

Obviously, traditional HRM probably works in the period of an entrepreneurial stage. The HR department within a firm mainly acts as a service provider to other departments, such as R&D and marketing and sales, through aiding them to hire new employees and make training if necessary. In these processes, the role of HRM seems to be a coordinator, or a HR supplier. Hence, the functions of HRM might not be emphasized because of high-extent dependence on other functional units. It is certain that organizational strategy is rather far from traditional HRM. Nonetheless, it might work well at an entrepreneurial stage due to the common circumstances under which the size of an entrepreneurial firm is probably small and then other functional units are able to pay rather a part of their attention on the minor activities, like the stuff of new employees.

With organizational growth, the size and revenue of a firm tend to be increasing. The range HRM functions should cover would be broader because of the greater volume of employees. Simultaneously, holding a number of human resources does not only mean to manage them simply. So HRM should change (Festing & Eidems, 2011). It is more important to enable it to be consensus of, and interact with, organizational strategy (Dickmann et al., 2009).
Strategic HRM is supposed to be involved and then gradually mature as a management system to support organizational strategy (Arthur & Boyles, 2007). Also, a firm achieving a successful change to strategic HRM would largely aid it to establish other professional management systems to support its strategy orientation. Strategic orientation HRM needs to adopt within a firm is likely to be separated into two sub stages – strategy implementation and formulation (Flamholtz & Randle, 2007) – from a detailed perspective. HRM should act differently according to the different need of functions and abilities to support them.

At the first sub stage, namely strategy implementation, HRM acts more as an executor to support organizational strategy. The HR department within a firm should at first understanding strategies as a basis. That means HRM professionals are supposed to directly communicate with strategy formulators and then gain sufficient information and develop their perception of strategic orientation. Besides that, HRM activities should be supported by the relationships with other functional units. Present HRM has been changed to be a direct strategy implementer at an organizational level (Fombrum, Tichy & Devanna, 1984; Sparrow & Marchington, 1998), so to some extent the position of a HR department would be as equal as other main functional units. It really contributes to make a HR department predominant in HRM activates to follow organizational strategy (Bowen and Ostroff, 2004; Dickmann et al., 2009).

On the other hand, main functions of HRM are supposed to be changed (Festing & Eidems, 2011). Some of typical HRM activities, like recruitment and training, need to concern the contribution to strategy implementation, for instance, through the new perception of an individual role, which an employee would take over to support organizational strategy (Flamholtz & Randle, 2007), instead of to make the single contribution to a project or a department. In other words, hiring or firing and retraining an employee as a dynamic capability (Eisenhardt & Martin, 2000; Zacharatos, Barling & Iverson, 2005) to prompt strategy implementation is an issue of the adjustment of the organizational structure within a firm. Meanwhile, many of expected activities for long-term goals, such as programs of management development (Arthur & Boyles, 2007) and culture nurturing (Flamholtz & Randle, 2007), are in new but necessary issues HRM should take over. It is the ability called long-term program formulation. In addition, HR performance measurement systems are established to appraise and reward outstanding employees (Flamholtz & Randle, 2007) such as incentive pay as motivation (Zhao & Du, 2012). Meanwhile, the benefits of measurement systems are also brought out to gain responses from the training and programs. They would work as feedback collection channels to measure the HRM activities and then also to contribute to strategy implementation.

The second sub stage is strategy formulation. It means the director of a HR department is supposed to be integrated with the process of strategy formulation. There is a position upgrade as fully equal as COO, CTO, and CFO in the top
management team (Mintzberg, 1990). Comparing with the previous stage, the additional need of HRM concentrates on overall perception of firm’s operation and special foresights (Hamel & Prahalad, 1996) for future human resource demands. The requirements of abilities to a HR director, not only in the aspect of his or her management experience but also importantly in the extent of firm familiarity (Flamholtz & Randle, 2007) which probably supports overall perception and foresights should be pointed out.

The theoretical model which summarizes the relationship between HRM changes and organizational transition is presented below (see Figure 2.3). There are four parts by the names of organizational transition, HRM changes, functions of HRM and abilities to support functions from left to right in the figure. With organizational development, management of a firm would transit from a short-term entrepreneurial stage to a long-term professional one. These two stages are discussed in the section 2.1.2 and they are based on, but simplified through, the pyramid model (Figure 2.1, showed by Flamholtz & Randle, 2007). Then correlated to the change of this management orientation, many of management systems also should be changed like HRM which is deemed to change from a traditional way to a strategic one.

The functions of HRM should be changed and supported by corresponding abilities. It depends on the requirements of role changes – a HR service provider to a strategy implementer, and then to a strategy co-maker. In a detailed perspective, strategic HRM consists of two aspects: strategic implementation and formulation. The latter is more advanced than the former.

The changes of main functions in HRM are stepwise but superposed. The HRM functions at the stage of strategy implementation embrace the basic functions of traditional HRM, but the orientation of these functions needs to change. That means recruitment and training need to more serve organizational strategy rather than current task demands in a short term. These together with retraining, management development and culture nurturing compose the five functions which are directly supported by the abilities of a HRM department including strategy understanding, persistent relationships, dynamic capabilities, long-term formulation and measurement and control.

In like manner, the HRM functions at the stage of strategy formulation should embrace the HRM functions for strategy implementation. Participation of decision making as an additional function is manifested in a HR director who acts as a co-maker with overall perception to organizational operation and foresights to future human resource demands, and these abilities would be based on his or her individual experience and knowledge.
Entrepreneurial (Short term)  

Transition

Professional-managed (Long term)

Figure 2.3 Theoretical Model
3 Methodology

3.1 Research Approach

Bryman and Bell (2007) indicate deductive research is based on the hypotheses stemming from literature reviews in a specific theoretical area and then test them through the collection of relevant data. The finding of Sedmak and Longhurst (2010) also argues the function of deductive research to verify as well as revise previous theories. By contrast, inductive research is more regarded as creation of new theories from empirical data (Sedmak & Longhurst, 2010; Bryman & Bell, 2007). It is a data-driven approach.

The research approach of this paper is a middle one between these two, called “abductive”. Through theoretical reviews, many of concepts and a theoretical model are highlighted to guide the process of data collection. On the other hand, empirical data which might support, complement and revise previous theories really contribute to creating new theories after data analysis.

3.2 Research Strategy and Design

Two major research methods by the names of quantity and quality are common used in business research (Sedmak & Longhurst, 2010; Bryman & Bell, 2007). With regard to qualitative research, many of researchers utilize it to gain profound information to support their study. Bryman and Bell (2007) point out more words instead of a large data number are the main advantage of qualitative research. That is what this paper needs. Strategic HRM has been broadly discussed by previous researchers, but the combination with organizational transition is less involved. Furthermore, the need of HRM changes during the process of organizational transition is separated into several levels which should be clarified by in-depth data. As argued by Edmondson and Mcmanus (2007), sufficient data is a main outcome of qualitative research to support new knowledge discovery. These in-depth data might be dig out by qualitative approaches like interviews and observation. Then, concentration on such in-depth data through continuous categorization and analysis would give this paper strong support to exploit, and make many of senses to create, new knowledge.

In terms of research design, Bryman and Bell (2007) indicate the common use of case studies to research on a single firm. It is seen as a way to gain profound and meanwhile intensive data concentrating on the target firm. Large amounts of empirical data from case studies are also highlighted by Eisenhardt (1989) in order
to support new knowledge discovery.

Company A, as the company which the authors interview in the research, is commonly regarded as a high-tech company with high-speed growth and has been a leader in the niche market. High-speed growth also brings out many of problems, one of which is the discrepancy between rapid increase of employees and undeveloped HRM. It is understood by Flamholtz and Randle (2007) as a typical phenomenon with a growing pain. The organizational development is also typically transiting from entrepreneurial to professional and successful so far. The case study for Company A is exactly based on its transition which is very much appropriate for the authors to develop the research. Related to organizational transition, a HRM change from traditional to strategic is taking place within Company A. Concentration on Company A would provide detailed information and strong evidence to support our findings.

### 3.3 Data Collection

Two methods of observation and interviews are accepted to research on the topic in this paper. Bryman and Bell (2007) argue these two approaches are regarded appropriate when doing a cast study. It is fortunate for the authors that there are the chances to participate in many of conferences which give us sufficient first-hand data of the daily operation within Company A. Moreover, interviews to members in the management team are directly able to fulfill the answers of the questions in the interview guide. All of the interviewees have strong backgrounds in the industry of Company A and most of them have worked for long time. Hence, the history and different development steps of Company A is unveiled from different individuals’ points of view.

One author works as a trainee who mainly practices in the marketing department within Company A. So there are empirical data stemming from on-site observation of the author. Also, in terms of interviews, it sums up 5 interviews to the members of top management team mainly involving the CEO and HR manager about 8 hours. In the process of interviews, the authors choose to use two kinds of effective practices, by the names of snowball and theoretical sampling (Bryman & Bell, 2007). The snowball practice allows researchers to add new interviewees into their prepared target list through the suggestions from finished interviews. In this case, the top managers of Company A really give us constructive suggestions to expand the target interviewee list. Meanwhile, the theoretical sampling practice guides the authors to make sure most of theoretical points covered.

### 3.4 Data Analysis

Data analysis is the heart of business research (Eisenhardt, 1989) which would make
explicit contributions to the research area. Meanwhile, the finding also mentions the challenges because of complicated but disordered data. The grounded theory approach is elucidated by Bryman and Bell (2007) and it is chosen by this paper to guide the process of data analysis. From coding to concept making, the standard process helps the research to be more strong and scientific. It moreover contributes to final revision of the theoretical findings for creating new knowledge.

On the other hand, continuous data recollection complements the sufficiency of empirical data. It is an appropriate way to reach saturation (Bryman & Bell, 2007). As argued by Edmondson and Mcmanus (2007), the cycle of data collection and analysis is helpful to qualitative research. Hence, the process did not stop until all of theoretical points had been met.
4 Empirical Data

4.1 Overview of Company A

Company A was founded in 1988 in Halmstad, a west coast city in Sweden. It was originally started as a university student project for measuring the thickness of paper. The two founders were from the university. Afterwards, the company realized a business idea to connect machines or devices between different industrial networks, by the name of Fieldbus. In the later 1980s, the market of industrial communication devices was new. The major technology was probably not named even. Company A is a pioneer company to concern on this field.

Nowadays, there are 2 registered brands, by the names of “Superbus” and “Remotebus”, which represent two series of products. The principles and differences for them are described as follow.

Superbus is referring to network cards which can connect industrial devices and networks. For example, a customer has bought two machines using different networks, but the customer wants to use them in the same production line. What Superbus can do is to translate those two networks, combine two machines and let them work together. The principle for this is simple like making two people from two countries and with two different languages talk. Superbus is the “translator” who is able to understand both of languages and can process “information” anytime. The first Superbus module was developed in 1994 as the symbol of a millstone. At that time, Superbus as a new product, the corresponding technology was relatively new for the market also. Now Superbus is still the main products for Company A. The business value of Superbus is that there are so many manufacturers producing different devices in the world, but they don’t have standard networks. So the “translator” for networks is becoming an indispensable support for those big manufacturers.

Remotebus is referring to remote management of industrial devices. The product is a unique solution of remote control management to enable customers to control and monitor the remote their installations and devices. For example a Swedish firm has a genset in US, and they have no employee working there in the nights and weekends. However, the genset needs to keep working throughout 24 hours all the time, so all the information for the genset such as the temperature, moderation and voltage need to be sent to the headquarters automatically and without people’s help. Remotebus can collect that information and send them to the offices all over the world, even to the mobile phones for the engineers. At the same time, the engineer can use Remotebus to control remotely the temperature, moderation and voltage in the genset. The business value for Remotebus is to remotely control and manage the
devices in worldwide. It saves the cost for hiring new employees, avoids extra working time and dangerous working condition and gives a more effective and efficient way to transport the information from the devices.

The business mission described by the founders of Company A is to provide reliable devices for its industrial customers to enable fluent interactions and communication between different industrial devices and networks. Also, Company A has a vision with respect to making all of automation devices networked and communicated and meanwhile becomes the undisputed market leader. Customer commitments at a high level, Long-term growth, innovativeness and cost awareness are core values perceived by Company A. The businesses and management systems within Company A are improved by learning every day because Company A, even this industry, is relatively young and new. During the development, Company A faces many problems in reality and learns it by actions.

4.2 Organizational Development

After the development of the first product at three General Motors plants, the company is growing in a high speed. It established sales offices in the US, Germany, Japan, France and other several countries in recent 15 years. In Sweden, Company A is the first Swedish company which was certified according to the ISO 9001:2000 quality standard. In 2001, the new production plant with a high quality standard was finished and taken into operation in Halmstad.

The customers Company A serves are mostly located in the industry of automation machines. Some of well-known customers include Siemens, Toshiba, Sony and ABB. 90 percent of sales for Company A is in the overseas because that the most well-known automation manufactures are located in the countries like US, Germany and Japan. It is also the reason why Company A is a much globalized firm and has most of businesses overseas. The company’s subsidiaries in ten countries locate in Sweden, Germany, USA, Japan, Denmark, China, Italy, France, UK, and India. Meanwhile, there are many of distributors in more than 50 countries.

Company A got their first big customer at approximately the beginning of 1990s. In 2001, it created a new production plant in Halmstad to have a production line with high-level effectiveness and flexibility. Company A established a finance department in 2006, began to use a new information system in 2009 and reconstructed a more advanced and organized marketing department in 2010. The figure 4.1 briefly presents the growing timeline of Company A (The strategy orientation in the figure will be described in the section 4.4).
The number of employees within Company A is increasing fast, except for the period of financial crisis. At that time, some of employees regarded as overspill in the marketing and sales department were fired because of market depression. Also, a part of employees who had the possibilities to do other kinds of jobs were retraining and then adjusted to a new but appropriate position. Till the first quarter of 2012, Company A has about 250 employees working internationally. The revenue has reached 40 million EUR in 2011. Nowadays, it is recognized as the leader in the field of the industrial communication technology. This industry is based on a very niche market and most players are small- or medium-size companies.

4.3 The Top Management Team

There are 6 people in the top management team within Company A (see Figure 4.2).
The CEO, as a core in this team, drives the whole company forward. He is one of the founders and has a strong engineer background. Obviously, the CEO leading all departments is the top leader in this team with a strategic view, long working experience and special niche knowledge for this industry. The CFO and HR director joined the team in 2006, and other team members joined it much earlier than them. Also, the CFO and HR director are only the two people without technological backgrounds, and other team members all have working experience as an engineer for many years. Therefore, it is easy to know that team members in the red bottom square understand products better than the CFO and HR at least in the technological perspective. There exist strong relations between the COO, the sales manager and marketing manager who have worked in Company A for long time, and they often have group works to figure out the future for products, markets and sales.

The CFO holding strong finance knowledge acts as a financial specialist in this team. With company growth, the CFO is also becoming more and more important. He begins to attend some activities like company visiting and exhibitions which refer to the events related to markets, partners or competitors to understand the industry and products.

By contrast, the HR director acts as an “in-house general manager” who takes care of administration, training, recruitment and even legal stuff. Most of chances for the HR director to communicate with other managers are to help them in the recruitment processes and to know what kind of employees other managers need and who they have.

Those people with technological backgrounds have tighter relations than the ones including the CFO and HR director in this team. The figure 4.2 briefly presents the relations in the top management team within Company A.
4.4 Strategy

The overall strategy of Company A according to the vision presented above is to make it be “a unique and market-leading industrial communication partner”. As a basis, technology leadership is concentrated on by the top management team. Most of the founders and present members in the top management team have technological backgrounds which mean their job careers were beginning from technology engineers and they also have sufficient perception of how important technological knowledge is in the field. Hence, Company A holds most outstanding experts in the field of industrial communication technology. Innovation is always highlighted in the product development within Company A which has a long history of innovations and is even awarded by the King of Sweden at the early decades. More than 30% engineers in the R&D department are continuously researching on new technologies.

On the other hand, the orientation transition from a product provider to a solution one proceeds. Company A realizes that product selling is regarded as a onetime way in which the seller just can make money once through a selling process and is trying to change it. Solution-oriented selling is not only to sell products but important to provide extra service in order to solve a whole problem, such as assistance for customer to design their products better and product upgrading service to meet new needs. It lets the customer service cycle become longer and then customers would become more loyalty. Actually, it makes more business opportunities and more sales. This is another important strategy of Company A. Even if the quality of products has reached a rather high level about 98% rate of on-time and qualified deliveries, the
strategy is to give the products a more customized perspective to support specific customer needs. In other words, a complete solution is proposed to be offered in the product development and support for the improvement of more customer satisfaction. It contributes to sustain and expand long-term customer relationships.

4.5 Development of HRM

4.5.1. History

The first HR professional was hired in 2006 and now she works as a HR director in the management team. She is much younger than other managers and her personalities are positive and talkative. There were about 150 employees in 2006. One of the most important reasons to create a HR position is to grant authority to a person who mainly can take care of payment, recruitment, training and other internal HR activities within Company A. Before 2006, the recruitment and training was responsible by departmental managers. With the swift development, it took more and more time and energy from managers to handle as HR professionals. This caused them not to focus enough on their main work.

After 2007, Company A began to focus more and more about organizational development. In 2010, the company hired another HR professional as a HR assistant to the support the HR director. Now she is mainly responsible for inside company activities such as employees training, staff meeting, etc. In 2011, Company A hired another HR professional, who mainly takes charge of recruitment. The managers guess the overseas offices will have more 50 employees in near future and at that time they will have their HR department in the oversea offices to fit better for culture issues. The figure 4.3 briefly presents a growing timeline of the HR department within Company A.
4.5.2. The Main Changes

The first change is the size and number of employees growing fast. From 1988 with 2 employees to 2012 with about 250 employees, the whole structure of Company A has experienced a tremendous change. HRM is changing and moving forward with the company’s growth.

In 1988, Company A focused more about sales and R&D. To find customers and satisfy their needs were most important goals. There was no one who was especially responsible in HRM. In 1999, after 10 years successful growing, Company A’s management team felt that HRM was more and more important to the group, but there were still no necessary to create a special position for HRM as a small-size company. What Company A did was trying to make the HR functions held by
different departmental managers and they were the real ones understanding who they want to hire and what training they want to give for the employees.

In 2006, after employees’ number increasing to 150, departmental managers felt pressure and HRM stuff costs too much time and energy from their main work. At that time, the management team decided to create a position as a HR professional to handle HR issues, such as payment, recruitment, training and other internal HR activities. In 2012, the employees’ number is about 250 and the professionals working in the HR department also increase to 3.

The second change is in the process of globalization. Till now, all of HR professionals are working in the headquarters in Sweden, and there are more than 150 employees working and the whole management team in the headquarters. All of the HR professionals are highly educated, experienced and also Swedish. They understand Swedish culture, recruitment processes and internal training procedures well and all of them can speak fluent English.

However, there are about 100 employees working outside Sweden. The functions of HRM are still like Company A in the 20th century -- managers responding for HR issues. But the difference comparing to Company A in the 20th century is that there are some of connections for the HR issues between the offices overseas and the headquarters in Sweden. Because different countries have different cultures, especially in the HR issues, to let HR in the headquarters responsible to all the detailed HRM activities in other countries is impossible in reality. For example, the recruitment processes depending on different cultures is different. So in most cases recruitment in other country will be done by managers in the local country, but also during the recruitment process, oversea office managers will contact with both the corresponding department and HR department in the headquarters. The involvement of HR professionals is mostly because one of organizational cultures within Company A, which is that everyone inside the company needs to work together in future. So everyone should like to work together. No matter who is an engineer in the headquarters or a salesman in Japan, to let them meet and know each other at first and feel that the person new recruited are the one they want work with is necessary. Including email communication, ringing or visiting, there will be many chances for employees to meet. Working for the person that you want is an important principle advocated by Company A.

4.5.3. Still Lack of Innovators and Talents

With the development of Company A, it needs more technological engineers to do more and more innovative projects. However, Halmstad in which the headquarters is located is a small city and the labor market cannot satisfy the continuously increasing need for Company A in the recent two years. Recruitment tracks are arranged in all regions of Sweden, especially in cities with technical universities.
Company A also established an office in Göteborg and created a better working environment for the employees working and living in it. It is also aiming to find more talent engineers in a big city.

4.5.4. Functions of the HR department

Recruitment
The principles for Company A to recruit right people are presented as follow:

1. Education Background
Company A is a high-tech company and the R&D department is a big and important group. Hiring technological people in a right and specific background is necessary and it would save costs and time of training for the company. This is decided by the feature of the special niche market. There is no possibility that every appropriate worker can be found and work for Company A. So people with specific knowledge and skills are very precious. Actually, programs held by universities have been more and more specific and it really benefits the recruitment of Company A. There is no longer a situation which the company had to face before regarding that embedded systems, the core of industrial communication technology, were not divided as an independent subject.

2. Have Courage to Say Different Opinions and New Ideas
As a medium-size firm, Company A is trying to grow in a “healthy” way which means that different opinions and new ideas said aloud by people are important. For keeping a high innovative level, it needs many of new ideas to come and “collide”. However, with the organizational growth, it naturally turns to a higher hierarchy. In the most cases, opinions and decisions come from top managers, but it is hard for the company keeping high innovative level. So recruiting the person has the courage to say different opinions and new ideas becomes a standard.

3. Experience
Specific experience in the industry is very important. Most companies are small- and medium-size, so hiring a new person is actually relatively expensive to the company. Small-size companies have fewer resources to support training and education for inexperienced employees compared with the large-size companies. Also due to the niche market and its specific technologies, people outsiders are very hard to really understand this industry quickly in a depth. So hiring an experienced salesman or engineer is important to save the training investments and the specific experience makes them begin to work quickly and effectively.

4. Personality
In the personality part, employees are required to be good at both teamwork and individual work. Meanwhile, they should be active in working and meanwhile have a heart to be the “General” – they need to have long-term objectives to be
outstanding people in their career development.

**Internal Training**

There are five kinds of internal training. One and two refer to internal training for new employees and three to five refer to internal training for all employees.

1. **Introduction for New Employees**
   Every new employee will attend an introduction meeting about the company strategies, the different departmental functions, the company history, and so on to let them understand what the company is doing and what it exactly want to do. The new employee introduction will be arranged in different time according to the number of new employees.

2. **Product and Technology Introduction for New Employees**
   As a high-tech company, the major functions of core technologies and products are not easy to be understood by everyone at once, especially for employees who work in the finance, production or HR departments and who have not technological backgrounds. The introduction for the core technology and product functions will be started from the level of beginning. The aim of this internal training is to let everyone understand the company from a technological side. This technology and product introduction for new employees does not require them to have background knowledge. Everything is taught from zero. It is aiming to let employees to understand products’ concepts and ideas basically.

3. **Mentor**
   Each employee has a mentor who can help him or her to understand everything happening inside the company. It can be related to the small things like how to put the alarm on when you leave and the important ones like a personal plan in future. The employee can ask questions anytime and the mentor is also able to have fixed time to discuss with him or her in detail. A mentor is better in the other department but has long time working experience. Some of trivial questions are also allowed to be asked.

4. **Internal Training Program**
   This is for employees who want to improve their abilities to a higher level. For example, a salesman intends to learn more technological knowledge or more advanced sales knowledge. The internal training is lectured by experts in different fields, like engineers giving technological training, salesmen giving marketing and sales training and senior managers giving leadership and management training. Everyone can apply this internal training and it will begin when it fulfills a certain number of applicants.

5. **Extra Courses outside the Company**
   This is for employees who want to improve their abilities to a higher level, but they
cannot get corresponding education inside the company, like languages and courses at a university. For example, someone wants to learn English to understand products in other countries better, he or she is allowed to apply an English course outside of the company. The employee should apply this to the manager first. After approved by the corresponding manager, the employee should pay the course first by themselves. Then after finishing and passing the course, the company will pay it for the employee.

Other Activities
1. Meeting with Other Departments
   The aim of meetings with other departments is to understand the states of employees better. It could be one-to-one or one-to-many meetings with the employees and managers from different departments. Most of discussions in the meetings are to ask what employees think about the situations he or she encounters now, such as “Are you satisfied with working environments?” and “What do you think the company can improve?” or what managers think about the employees in their departments, like “As a manager, what do you think about your team?”

   The HR professionals learn the knowledge and requirements of other departments from the processes, because of frequent conversations with department managers about what kind of talents they need, why they need and how the department will be developed in future. So it lets the HR professionals understand other departments better and deeper.

2. Interests Group in Leisure Time
   There are many of people who probably have same habits within the company. Helping them to find a group to do the same things is looked as an important issue. The HR professionals will arrange some activities like running, gym, watching football games or listening music. The aim of this “interests group” is to let employees feel that they like the people inside the company. They have same topics and have things to talk with each other. This will let colleagues become much friendlier in their leisure time.

3. Company Party
   Every one or two months, the company will arrange a party after the work on Friday. It will provide the place, food and music. Mostly, every party will be given a theme and some quests for everybody to seek for. The aim of company parties is to release the working pressure and make employees feel that the company is like a family. Also, once a year, the company will arrange a year party to invite employees all over the world to meet together.

4. Family Visiting
   It is to invite employees’ family members to come the company to have a tour, a seminar or a “fika”, which lets them know what the company does and what the
employees do. This is aiming to win the support from the employees’ families to make sure that their wives or husbands have a good working environment and win the understanding from them.

5. Employee Survey and Satisfaction
There is a short survey which includes about two or three questions will be sent to employees once three months. Compare with the short one, there is a kind of large survey to be done once one year and a half. The context of surveys is mainly about working environment and employee satisfaction. According to the results, the HR professionals will take measures to improve the working environment for employee satisfaction interacting with the company development.

6. Staff Handbook
Staff handbooks are written by the HR department and refer to all of overall issues associated with the company and individual work. Each employee can download it from the website and read it to understand the normal daily work. Also, the handbooks will be continuously improved. Thus, old employees could also know the new company policies, programs or events through reading the updated one.

### 4.5.5. Duties of the HR professionals

The table 4.1 briefly presents different duties the HR professional do within Company A.

<table>
<thead>
<tr>
<th>What are duties?</th>
<th>Whose responsibility?</th>
<th>What should they do?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment</td>
<td>The third professional, supervised by the HR director</td>
<td>Launch recruitment processes; Make relevant managers cooperate; Contact with candidates; Write the documents; Handle the legal stuff; Etc</td>
</tr>
<tr>
<td>Internal training</td>
<td>The second professional, supervised by the HR director</td>
<td>Plan, prepare, coordinate and arrange internal training; Talk and discuss with employees to measure the effects and plan new internal training; Etc</td>
</tr>
<tr>
<td>Other activities</td>
<td>The both professionals, supervised by the HR director</td>
<td>Plan, prepare, coordinate and arrange other activities; Talk and discuss with employees to measure the effects and plan new activities; Etc</td>
</tr>
</tbody>
</table>

Table 4.1 The Duties of the HR professionals
4.5.6. Goals for the HR Department

An important goal is to let different departments communicate better, not only in Sweden, but also internationally. For example, the R&D department is a big actor within Company A. However comparing with the marketing and sales department (the employees have more issues to communicate and the most important work for marketing staff and salesmen are to talk with customers), employees in R&D have more individual work. This situation is decided by the high-tech industry. In most cases, the engineers need to concentrate on and do programming through the computers. Therefore, there will be more “communication” between a engineer and his or her computer instead of between people. Although there are also discussions between engineers, most of their time is to do programming with computers. So the challenge is that the engineers are seldom having communication with the workers in other departments, especially in the oversea offices.

4.5.7. The Distance to be a Strategy Formulator

As a relatively new department within Company A, the HR department has few opportunities to participate in strategy making. It is manifested in the main work of the HR director who pays most of attention on the process of strategy implementation. She still stands at a weaker position and has not conducted strategy formulation in terms of serving time to Company A and management knowledge.

4.6 Summary

Company A has concentrated on the field of industrial communication devices for more than 20 years. The products it provides are used to connect different industrial machines and their networks through high technologies. Even though the size of the company is medium, it is regarded as an undisputed leader in the niche market and a reliable partner cooperating with many of well-known automation firms all over the world. Through more than 20 years growth and development, Company A becomes a world’s leading firm in the industrial communication area. As a firm experiencing the transition from an entrepreneurial stage to a professional one, Company A continuously improves the management systems. It has adopted a proactive perspective based on strategic thinking to deal with organizational development.

The process of HRM changes seems to be relatively slower than the organizational development within Company A. The first HRM professional was hired in 2006 – after the company establishment for about 18 years. Nowadays, the number of HR professionals has increased to three, including the HR director and two HR professionals respectively hired in 2010 and 2011. Although the number was increasing slowly, HRM within Company A did change gradually. The functions of
HRM manifested in recruitment, internal training and many of other activities begin to serve organization strategy rather than only to act as a HR service provider. The main changes in HRM are significant.
5 Analysis

5.1 Organizational Transition

5.1.1. Entrepreneurial

Two founders with technological backgrounds and graduated from Halmstad University established Company A in 1988. It was born because of a university project in order to measure the thickness of paper. The project is supposed to be seen as an original stage for the entrepreneurs, even if it seems to be far from the main businesses Company A is doing nowadays. The research of Lumpkin and Dess (1996) indicates entrepreneurial orientation is emerged from a series of entrepreneurial activities. The cooperation of two founders in the university project would contribute to building an entrepreneurial company afterwards.

The findings of Freeman and Hannan (1983) and Midgley (1981) elucidate that a birth firm need to encounter the selection of an original market and its customers. The major business idea was realized to innovate and develop industrial devices to connect different machines and their networks in early days after the company establishment. Obviously, an original market was founded out through the first big customer got approximately in the beginning of 1990 and that type of markets is also the one Company A concentrates on till now.

Miller (1983) emphasizes the importance of innovation at the early stage of an entrepreneurial firm. Similarly, the finding of Lewis (2001) indicates the organizational development mostly begins with new product development. As a pioneer to a new market, Company A concentrated on new product development. It was supposed to be most of jobs held by the founders. Both of them had a technological background which was supported by state-of-art technological education in Halmstad University. So they really had the opportunities to do with it.

There is a point which should be concerned. Market perception is precedent than new product development in the early days of Company A. That is following the pyramid model illustrated by Flamholtz and Randle (2007) – the layer of products and services is higher than the one of markets. Although these two layers work as a basis of early organizational development, there is also a priority perceived by previous research. In this case, Company A began to develop the products after the precise market founded. Comparing with marketing after new product development which might be regarded as a new technology driven approach, the company adopted an appropriate means.
5.1.2. Growing

The growth of Company A is very much like a process of globalization. After the first significant product – “Superbus” -- developed, the need of marketing and sales relied more on the company daily operation. In the stage of high-speed growth, Flamholtz and Randle (2007) suggest to set up operational systems concerning with accounting, operations, marketing and other daily work. Since the market expansion within Company A required a transition of organizational emphasis from new product development to marketing and sales, these operational systems were essential.

Meanwhile, the number of employees increased as fast as the markets. The resources management involving human, technology and financial resources identified by Flamholtz and Randle (2007) would be main consideration of the management team mostly composed by entrepreneurs within the company. It is also indicated by the finding of Caroll and Yangchung (1986) that significant resource-based systems are supposed to be established to guile daily resources allocation.

Many of new management systems like a finance department (2006), a real HR department (2006), a new information system (2009), and an improved marketing department (2010) were established during the growth period. Meanwhile, these departments were continuously developing after established. For instance, the HR department expanded with two new professionals respectively in 2010 and 2011. They strongly supported high-speed growth of Company A. Finally, the growth prompted Company A to be a medium-size firm no matter from the perspectives of market shares (Weinzimmer, Nystrom & Freeman, 1998), or of revenues (Flamholtz & Hua, 2002). Also, the finding of Agrawal, Khatri and Srinivasan (2012) indicates high-speed growth make firms more attractable to outstanding potential employees, which set up a foundation for Company A’s long-term development, especially at the aspect of technological human resources.

5.1.3. Pre-professional

The research of Flamholtz and Randle (2007) argues strategic planning is a key at the professionally managed stage and subsequently support management systems are essential to achieve the success of organizational strategy. The strategies of Company A rely on the legible vision and values presented above about making all of automation devices communicated and networked through high-level customer commitments, long-term perspectives, innovativeness and cost awareness.

Company A perseveres with the efforts to maintain and reinforce technology leadership it holds nowadays. It was lasting for a long period of time as a core strategy the top management team formulated. Classic research about strategy-based
management by Porter (1980) elucidates strategy is an approach to utilize the resources within a firm to achieve organizational objectives in a long term. It emphasizes the importance of organizational resources regarded as a basis to strategy formulation and implementation. The main resources within Company A to achieve the success of technology leadership were very much about technological experts who hold and also develop state-of-art technologies in the field of industrial communication devices. In order to set up an outstanding team of technological expects, some of management systems were built and improved such as the change of the HR department, which will be discussed in the next section.

A professionally managed firm should be supported by various managerial efforts (Child & Keiser, 1981) through professional support systems concerning with strategy implementation (Flamholtz & Randle, 2007). It requires not only strategic planning but organizational structure development, management and leadership development, performance measurement and consolidation of organizational culture. These systems are not only supported by different functions of operational departments Company A established but also based on the perception of the management team. Although Company A in reality has strategic plans, some of systems to support them seem to be weak. For instance, there is an obvious distance for the HRM to completely reach a strategic level (specifically discussed in the section 5.2). So by now, Company A is not fully professionally managed and even still in the beginning of being such a firm.

However, it is supposed to be a real significant beginning, since strategy-based thinking has been adopted by the top management team and some of typical efforts such as employee development and culture nurturing have been taken to build professional management systems. No matter whether the changes are perceived or not by Company A, it does proceed to be professionally managed.

The figure 5.1 briefly presents the development of Company A and its relationship with the pyramid model (Flamholtz & Randle, 2007).
5.1.4. Reactive to Proactive

When Company A was standing at an entrepreneurial stage especially in the period of business beginning, it was obliged to tightly follow the market. Even though the market was newly explored at that moment, the process of new product development needed to respond to the changeable demands. Since the process of market exploitation is tough because of limited resources held by Company A and lack of standardization to develop market demands, the entrepreneurs had to undertake risks and put their almost all of attention on products (Miller, 1983; Lewis, 2001).

With the emphasis transition from new product development to marketing and sales, the reactive position did not change very much. Especially when Company A tried to exploit new markets abroad, cultural differences and the characteristics of local markets force the company to change and then follow. Operational and resource-based management systems established (Flamholtz & Randle, 2007; Caroll & Yangchung, 1986) might relieve the discomfort of the reactive position. However, the ultimate means to get rid of it is to have a strategic perspective in management.

Much of research including Pfeffer (1994) and Ulrich (1997) indicates the movement from a reactive position to a proactive one would benefit a firm with competitive advantages. The strategic perspective of Company A is to anticipate future changes and then positively deal with it through correlated changes of organizational management. On the other hand, the leadership in the niche market
also provides the opportunities for Company A to comprehend new and potential needs of its customers. Moreover, about 20 years experience of the niche market makes the company very familiar with its customers and simultaneously holding strong customer relationships which do contribute to seek for the evidence of new changes.

In the case of the solution-based strategy, Company A is equally manifested in proactive actions. There would be a trend carrying the emergence of much specific customer needs. A customized solution strategy is perceived to continuously prompt customer satisfaction as well as to increase profits in future. It is hard to deny the proactive attitude in the management of Company A in reality depends on a better market position and more resources to support, but a subjective change on managerial thinking is also crucial. Company A has been walking in a long-term perspective.

5.2 HRM Changes

5.2.1. Growth Pains

Flamholtz and Hua (2002) indicate growth pains derive from discrepancies between organizational growth like revenues, size and markets and its infrastructure and seem to be inevitable. Company A has experienced more than 20 years development from an entrepreneurial firm to a relatively professional one. During the long process, it probably suffered from the pains and then overcome the difficulties to be more developed. A typical discrepancy within Company A was between continuous increase of employees and lack of professional HRM in a long period of time before 2006 in which the first HR professional was hired.

The findings of Saunders and Chan (2002) and Kuruvilla and Ranganathan (2008) in like manner emphasize the importance of human resource provision with organizational development. As to a high-tech firm, the main human resources of Company A should be the technological experts who grip the key of technology innovation driving the company to go forward. The company founders with technological backgrounds cultivate a tradition within the firm to all along emphasize on technological human resources. It is also the main causation of the leadership in the field of industrial communication devices. Hence, the commitment of the top management towards technological human resources relieves the pains to some extent (Cooper, Woo & Dunkleberg, 1989), even though professional HRM seems to be lagging behind the development of Company A.
5.2.2. 0 HR Professional

At the early entrepreneurial stage, Company A concentrates on marketing and product development to survive in the market. In other words, how to satisfy customers and meet their needs was the lifeline the management team within Company A did really care about. On the other hand, the size of Company A was rather smaller than today’s, so it seemed to be acceptable that a HR department was not necessary.

After ten years development, the HR position was considered but finally not adopted by the management team of Company A in 1999. The main reason they thought was that most of HR functions typically like recruitment and training could be fully handled by the managers of different departments. It is regarded as typical function- or task-based HRM, as argued by Dyer and Holder (1988) who indicates job design is one of major HRM activities. The meaning of a human resource tightly relates to a specific job and its function in the department. The research of Flamholtz and Randle (2007) figures out a process of functional construction – many of individual roles compose a functional department, and then many of functional departments compose a firm.

No HR professional is not equal to no HR function. To Company A at that moment, it meant no necessity to hire a HR professional which was perceived as an extra cost and an unrequited investment mostly because of the number of employees standing in a small size. There was another consideration really contributing to firm performance – departmental managers further expressly knew who were supposed to hire and what kind of training was for new employees. However, it is hard to deny that many of irrelevant but still necessary HR functions should be handled by the managers such as contracting and payment described by Zhao (1999) and Lin (2006) in necessary but minor manner.

5.2.3. 1 HR Professional

When the number of employees was increased to 150 in 2006, a formal HR professional was hired because the departmental managers were not supposed to share their time on minor HR functions. Actually, the HR professional just partook in the HR functions still mostly held by the departmental managers. Without a technological background, it was impossible for her to take over the whole processes of recruitment and training.

However, the effects of the HR professional were obvious. On the one hand, her work really relieves the pressure of departmental managers through handling minor HR stuff like contracting and payment. On the other hand, it seems to be more important that she would gradually be a dominant position to initiate and manage
HRM activities. Arthur and Boyles (2007) indicate professional HRM brings out benefits to firm performance. Hiring a HR professional benefits HR functions of Company A in a formal way even if the measure may be perceived a little later.

5.2.4. A Real HR Department

There is no evidence to show the performance of a HR department directly depends on the number of HR professionals. However, many of activities within a firm do involve a HR department, unveiled by the surveys of Lin (2006) such as job positions, recruitment and contract management, new employees’ training, regular measurement systems, working environmental security. With the development of Company A, the functions of the HR department are expected more and broad.

A real HR department not only with one professional seemed to be urgent within Company A. Two additional HR professionals were hired to assist the work of the HR director the first one acted and to compose a real HR department. Ekstedt (2002) outlines two typical aspects of HRM activities – staffing and career development. Staffing involving hiring right people and training them to be capable in their roles was what the HR director was doing all along since she took over it from the departmental managers. With the continuous and high-speed increase of employees, the capacity of HR work was supposed to be correspondingly increased. It is the basic causation to hire two new HR professionals. From a long-term perspective, more and more HRM activities would be taken over to support the achievement of organizational strategies within Company A.

Company A is by now located at the beginning of a professionally managed stage. Some of critical issues before like survival in the market do not trouble it any more. By contrast, the management transiting to a strategic perspective requires HRM to contribute to long-term objectives (Bowen & Ostroff, 2004; Dickmann et al., 2009). Wright and Boswell (2002) suggest a systematic way to construct HRM systems rather than separated HRM activities. Similarly, the research of Arthur and Boyles (2007) and Kepes and Delery (2006) suggest HRM systems to be composed by multiply components. In other words, HRM is deemed to be reconstructed and redesigned to meet the need of organizational strategy. Actually HRM within Company A is experiencing the transition from traditional to strategic.

Technology leadership is a long-term strategy which has been, and also would be implementing successfully all along. To achieve it, sufficient and capable technological human resources to drive innovation are essential (Arnal, Ok & Torres, 2001; Hinkly, Minty & Pearson, 1989). A situation Company A encounters is still lack of innovators because of the labor limitation of the geographical position and innovative projects are increasing. The research of Twiss (1992), McDermott (2004) and Cooper, Woo and Dunkleberg (1989 similarly emphasizes the importance of innovators. The recruitment process has expanded to some of big technical cities in
Sweden and imaginably it would create direct benefits from more capable labors recruited in future. Meanwhile, HRM in a strategic perspective is also manifested in the second principle of the recruitment, by the words of “Have the courage to say different opinions and new ideas”, which are perceived to benefit the innovation process. One of the most significant characteristics of technological experts is the courage to doubt the stuff existing and then deliver different opinions. Meanwhile, the requirements of recruitment about the specific personality associated with the “Courage to question” principle promote teamwork within Company A. It would lead to many of conflicts within a team, but in reality keep a high innovative level through discussion.

Due to the passive impacts from the worldwide financial crisis, Company A had to encounter the situation to be obliged to reduce costs. Cost awareness is a common value perceived by the management team within Company A and worked significantly in the particular period. However, most of technological experts were reserved even if the period of financial crisis truly forced Company A to be reluctant to fire employees for cost reduction. Eisenhardt and Martin (2000) regard dynamic capabilities as a management approach to integrate and reconfigure resources to achieve organizational objectives. Although the firing action looks like heartlessness, the positive point is that through the reconfiguration of the organizational structure the core competence of Company A – technological experts who hold state-of-art technological abilities and innovative energy – were reserved to the most extreme. It really sustains the technological advantages and keeps the strategy of technology leadership to be implemented continuously. On the other hand, retraining some of employees to let them capable to a new position is a way to reserve outstanding people who might bring out more human resource advantages (Boxall, 1996; Wright & McMahan, 1992; Zacharatos, Barling & Iverson, 2005).

The regular meetings and employee satisfaction surveys are used to measure the state of an employee within Company A. The information would be gained from different perspectives including individual work, problems and troubles and thinking to the department or company. The research of Zhao and Du (2012) highlights the importance of HRM to be a measurement unit. Through these two approaches the HR department actually executes its measurement function. Meanwhile, regular meetings with departmental managers and employees actually improve the relationships between the HR department and other ones in a continuous way. It might decrease the possibilities of co-work resistances in the daily HR work then to support the process of strategy implementation. On the other hand, the HR department is given more chances to connect other functional departments. HR professionals follow the whole recruitment procedure and have meeting with other departments to understand their requirements. Their communication is increased through the process.

Also, collected data about employees through measurement would also reflect their
different functions on different roles. Thus, it would be periodical examination suggested by Flamholtz and Randle (2007) to assess the function of a job. Continuous improvement of staff handbooks probably derives from the periodical examination and certainly from the organizational changes. Besides, the recruitment process is originally a way to specify the roles. Even though individual roles seem to be a little far with organizational strategy in common perception, each of individual functions associated with the roles should be following strategy implementation (Flamholtz & Randle, 2007).

Training programs within Company A are varied and in a long-term perspective. There is a broad range across technology, marketing and sales and leadership for both bottom employees and managers. What looks very interesting is that the programs are not binding with applicants’ work. It provides much more opportunities to improve employees’ abilities. In other words, to each of employees within Company A, he or she would have sufficient freedom to choose the programs based on his or her career development, like being a manager or an outstanding expert concentrating on one field in future. The research of Arthur and Boyles (2007) and Flamholtz and Randle (2007) similarly points out HRM activities to launch management development programs. With this kind of HRM activities – management development possibly available for everyone, managerial human resources would sufficient in the future development.

Even if the training programs and external self-development give employees adequate freedom, an uncertain factor should not be veiled. Some of them appear to be much advanced in terms of organizational strategies. So here comes a possible question which needs to be considered by the HR department and the top management team about whether such broad investments on human resource development are necessary. Comparing with it, new comer training seems to be more strategy-based. Every new employee should attend a meeting of strategy perception and furthermore technology introduction do help some of employees without technological backgrounds to work better with the technological engineers. It actually contributes to the strategy of technology leadership.

There are many of activities, such as interest groups, company parties, and family visits, organized by the HR department to directly involve nurturing organizational cultures. Arthur and Boyles (2007) and O'Reilly and Pfeffer (2000) indicate HRM principles and policies impact on organizational culture development. Obviously within Company A, culture nurturing is seen as a very important HR function supported by various activities.

5.2.5. Two kinds of HRM Concurrent

In the process of globalization, there are two kinds of HRM concurrent existing within Company A. Even if the recruitment process in an abroad subsidiary is
required to interact with the HR department, the main functions of HRM outside the headquarters are carried by subsidiary managers. Meanwhile, few chances of individual development would be caught because of the limitation of geographical distances.

5.2.6. Traditional vs. Strategic

With the organizational development, HRM within Company A are correspondingly changing. Even though the change might be slower than the organizational development, HRM has changed from traditional orientation to strategic orientation. A real functional HR department is successfully established in the headquarters. Many of HRM functions supported by HRM activities would gradually show their effects to support strategy implementation.

At a more advanced level with respect to HR directors participating strategy formulation, none of evidence reveals that it works within Company A. The main reason probably depends on the status of the HR director who is much less experienced than other members of the top management team. Meanwhile, without a technological background it seems to truly impede a very trustworthy relation between her and other top members. So the background discrepancy which almost divides the top management team into three parts – the group with all technological backgrounds, this group with the CFO and the group with the CFO and HR director – might be another reason. However, it would be possible that the HR director with company-specified experience increase will have more opportunities to participate in the process of strategy formulation in future.

On the other hand, Company A’s HRM is not fully strategic because of traditional HRM truly existing in most of subsidiaries. To some extent this kind of coexistence did not bring out many of obvious disadvantages so far. By contrast, these two kinds of HRM get along with harmony and interaction. However, it is obvious that strategic HRM comparing with traditional HRM stands at a leading position.

To sum up, the figure 5.2 briefly presents the HR development of Company A and its relationship with the pyramid model (Flamholtz & Randle, 2007). The column of HR growing stages, which are corresponding to the HR growing timeline and based on real functions the HR department shows, is the key in the figure. Meanwhile, organizational development within Company A according to the company growing timeline (discussed in the figure 5.1) acts as a context to drive HR changes. It is obvious that when Company A is beginning to establish strategic management systems, the role of the HR department is also changed into a participant of strategy implementation (Phase 2). However, the requirement of a strategy-formulation role to the HR department (Phase 3) has not been met within Company A. It would be an explicit objective in the future correlated to more organizational development. The figure is supposed to show the relationship between HRM changes and
organizational transition within Company A by now.

5.3 Discussion

5.3.1. Pre-professional Management

The professional extent truly depends on professional management systems to support organizational strategy. The case of Company A specifically shows the process of organizational transition from an entrepreneurial stage to a professionally managed one and the growth pains stemming from the transition – the discrepancies between organizational growth and the lagged infrastructure. Even though it has successful experience on the achievement of technology leadership which does contribute to the leader position it holds in the niche market, fewer strategy support systems are fully established.

In terms of HRM, the HR department within Company A does make a positive effect to achieve organizational strategy, but the range of HR activities seems to cover much more largely than the one directly required by the strategies. It shows an evidence of immature management which might prove that Company A is not fully professionally managed.
5.3.2. Traditional HRM vs. Strategic HRM

The case of Company A shows a significant process of HRM changes from traditional to strategic. Traditional HRM was working in Company A for a period of time, and acted as a reactive role to serve other departments during this period. Simultaneously, the consideration of HRM was very much about a short term and just to meet the current need of human resources. However, even though it follows but in fact obviously lags behind organizational development, the process finally conducts a functional HR department of which strategic HRM are manifested in various long-term programs directly having a positive impact on the achievement of organizational strategies, like technological leadership in the industry. Strategic perception is obvious in HRM nowadays in Company A, and would bring out more competitive advantages in future. Meanwhile, it is easy to find out that HRM transits from the role of a HR service provider to the role of a strategy participant. It is the main indicator of the transition from traditional HRM to strategic HRM.

On the other hand, a probable relationship between entrepreneurial management and traditional HRM is figured out by the process. Similarly, strategic HRM undoubtedly relates to professional management at the end of the process. This relationship established is likely to depend on firm conditions in different development stages, especially on the size of a firm – how many human resources it holds.

5.3.3. HRM for SI vs. HRM for SF

Company A acts well in a perspective of strategy implementation. As described by the theoretical model, abilities of HRM are manifested in HRM functions and then to support strategy implementation within a firm. In the case of Company A, most of abilities and functions are proved beneficial and necessary to strategy implementation. Although there is little evidence to directly relate to the dimension of strategy understanding, the importance of them is actually unveiled all along by strategic HRM activities. To some extent, the dimension even acts as a basis in strategic HRM.

HRM for strategy formulation is at a higher level than only for strategy implementation. However there is, unfortunately, no direct evidence in the case to show how it works and what are its outcomes. The step seems more difficult to be reached. The experience and abilities of HR directors less than, and also different from, other departmental managers might be a reason. Furthermore, an in-depth causation is that HR departments may not have a fully equal position in common comparing with R&D and marketing and sales departments – typical important ones within a firm. On the other hand, a role of the service provider still exists even when HRM truly participates in the process of strategy implementation.
6 Conclusion and Implication

6.1 Conclusion

With organizational development, firms have to encounter different challenges which make them continuously change and improve their management. A crucial managerial change is perceived as organizational transition from an entrepreneurial stage to a professionally managed one. It also involves the orientation transition from a short term to a long one – strategic thinking through which firms based on their resources allocate and utilize them to gain sustainable competitive advantages. Certainly, professional management is not only about, but depending on the strategic thinking. It drives the establishment and improvement of strategy support systems and is also supported by them.

HRM correlated with organizational transition needs to change from traditional to strategic. Role transition from a HR service provider to a strategy participant simultaneously takes place. The corresponding relationship between an entrepreneurial stage and traditional HRM is implicit but factual. So is the one between a professionally managed stage and strategic HRM. Two most significant reasons for the relationships are that the different HRM need correlated to the different stages and changes of managerial thinking always driving HRM changes.

Meanwhile, the functions of HRM and the abilities to support them are supposed to change in a detailed perspective. Main functions in traditional HRM are regarded as recruitment and training driven by individuals’ tasks. A HR department acts as a passive role to provide HR service to meet the need of other departments within a firm. In other words, traditional HRM works reactively for the current or short-term need of human resources. It more concentrates on an individual level to manage jobs or positions within a firm. By contrast, strategic HRM stands on an organizational level to achieve organizational strategy through meeting the long-term need of human resources. Typical functions like recruitment also need to be adjusted to serve organizational strategy. Besides, many of extra functions embracing retraining, development programs and cultural nurturing should be involved to support the implementation of organizational strategy. The role of a strategic participant instead of a service provider requires more abilities including strategy understanding, persistent relationships with other departments, dynamic capabilities, long-term formulation and measurement and control.

A higher level of strategic HRM is to participate in the process of strategy formulation rather than only of strategy implementation. It seems to be hard to be achieved probably because of HRM having acted as a service provider for a long period of time before a firm enters a professionally managed stage. A HR director is
not placed into a fully equal position comparing with other senior managers within a firm. The manifestation of extra HRM functions might very much depend on the knowledge and abilities of a HR director. At a formulation stage, he or she should participate in the process of firm’s decision making together with other members in a top management team. Also, the requirements to a HR director include overall perception of firm operation and future foresights. They are very much based on HR director’s management experience and familiarity of the whole firm.

To sum up, organizational transition from an entrepreneurial stage to a professional one drives continuous improvement of management systems to support a long-term perspective of sustainable development. During the process, HRM should change and act as a strategy participant instead of a HR service provider. It is supposed to take more responsibilities for the implementation of organizational strategy. Moreover, strategic HRM might reach a higher level through the role change of a HR director to be a strategy co-maker. It would contribute more to organizational development in a strategic way.

6.2 Theoretical Implication

This paper is supposed to fulfill the theoretical gap of a relationship between organizational transition and HRM changes. The previous research of Flamholtz and Randle (2007) argues a pyramid model of organizational transition, but the changes of HRM correlated to organizational transition are not clearly concentrated on. Many of researchers like Bowen and Ostroff (2004) and Wright, Dunford and Snell (2001) suggest a strategy way to deal with HRM within a firm. The result of this paper figures out strategic HRM derived from traditional HRM is correlated with, and probably driven by management changes in the process of organizational transition.

Functions and corresponding abilities to meet the different need of HRM is exploited. It systematically sorts out the relevant findings of previous research, such as Lin (2006), Zhao and Du (2012) and Arthur and Boyles (2007). Meanwhile, strategic HRM is specifically divided into two dimensions to be discussed. The findings like Crittenden and Crittenden (2008) about strategy implementation and Hamel and Prahalad (1996) about strategy formulation are integrated with HRM to make new senses.

6.3 Practical Implication

The findings of this paper show the necessity and essence of HRM changes correlated to organizational transition. There are main practical implications which should be pointed out in what follows.
Context
Organizational transition from an entrepreneurial stage to a professionally managed one is a hard process for firms, especially when they are not fully prepared for the change. However, it should be done with organizational development which leads to managerial requirements continuously changing. HRM acts as a more and more important role with the development and growth of a firm.

1. A High Status of HRM
Since HRM is always seen as a passive role, like a service provider, its changes lag behind other management systems within a firm. Nevertheless, HRM truly impacts on different systems in a larger and larger extent, especially with the continuous increase of human resources. So it is necessary to put it on an equal position comparing with other management systems. A commitment from CEO is essential. Besides, an experienced and outstanding HR director accepted by a top management team and capable HR professionals are also crucial. Nevertheless, although these conditions have been met, the change of organizational perception to HRM needs a period of time, especially when a firm just gets rid of traditional HRM. The process should be continuously committed by a top management team and meanwhile the performance and benefits of HRM in a new position need to be perceived by a whole firm. These not only influence on other senior managers’ perception to a HR director but direct affect the approval and cooperation to HRM activities by normal employees.

2. Appropriate Investments in HRM
Due to the fluidity, human resources differ from other kinds of resources within a firm. Although HRM from a strategic perspective is strongly approved, there would be some of consideration coming from strategic HRM, especially in the aspect of development program investments – whether they will timely bring out real benefits because of rather much time required during which a developing employee is possible to quit. Hence, with the improvement of employees’ skills and abilities, their loyalties should also be concerned. Organizational culture nurturing might be an accepted way to increase loyalties. However, cultural formation representing the process for an employee to accept organizational cultures also takes time. The ratio of these two kinds of investments is hard to be measured. Nevertheless, the balance between the development of employees’ abilities and the increase of their loyalties should be kept by HRM. Meanwhile, the investments in HRM are suggested to tightly follow the human resource need of organizational strategy for the avoidance of extra but unnecessary investments.

3. Technology-based HRM
The technology-based HRM which provides chances for, but does not oblige, many of employees without any technological backgrounds to have technology knowledge works well in medium-size and high-tech firms. Technological objectives like the strategy of technological leadership would not only be supported by common factors
like creativity or technology transfers, but be influenced by efficient technology communication and cooperation between technological engineers and other relevant employees within a firm. It might accelerate and benefit innovation processes through giving more understanding and support to engineers.

4. **HRM Contributing to the Transition form Product-oriented to Solution-oriented**

   If a firm intends to become solution-oriented, it needs more experienced salesmen and technological support serivcers and marketing professionals who may give adequate support to make a whole “solution”. There is an appropriate way to cultivate and train employees expected. It is based on engineers from R&D departments and to give engineers who are interested to be salesmen, technological support serivcers and marketing professionals more special internal training to complement their abilities required. Meanwhile, organizational principles of engineer transfers are also suggested to be built.

6.4 **Further Research**

   Further research might concentrate more on strategic HRM working as a strategy formulator and its performance. Meanwhile, the professionally managed stage could be divided into different dimensions to specify the relationship with two different stages of strategic HRM. It seems to be true that the division of third and fourth layers in the pyramid model (Flamholtz & Randle, 2007) is not directly associated with these two stages. It requires much of empirical data from fully professionally managed companies.
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8 Appendix

Interview Guide

Overview
● Can you briefly describe the development of your company? Is there any milestone during the development?
● How many management systems have been established? Is there any of structural improvement afterwards?
● What is the process of globalization within your company? What are the typical difficulties during this process? How does it bring out benefits?
● Can you briefly describe the main products and their technologies?
● What are the main organizational strategies nowadays? When did they begin to be implemented?

HRM History
● When did we have the first HR professional? And why to recruit her?
● Can you describe the main changes during the development of the HR department?
● What are main goals the HR department is going to achieve in future?

HRM Function
● What are the main functions of the HR department right now?
● What’s the guideline for you to recruit right people?
● Do you consider the recruitment from the perspective of the organizational structure? What do you think of the recruitment impacting on the organizational structure?
● What's your typical program for training new comers?
● Do you have any training project for new demands about more skillful workers, when your company intends to adjust products and services provided? How does it work?
● Do you have any program for the employees who might be managers? How does it work?
● Do you have any program for management development of current managers? How does it work?
● What’s the nature of your organizational culture? Do you think your HRM activities bring out benefits for nurturing the culture?
● How do you measure the performance of your HRM activities?

HRM and R&D
● Can you describe how to build a team of technological experts you have now? What are their common backgrounds? What do you think of important factors which generally influence their career and skill development?
• Does the HR department attend R&D department meeting to understand what R&D wants in the future development?
• Does the HR department talk with the engineers to understand their thoughts?

HRM to Organizational Strategy
• Does the HR director involve management-level meetings to solve some tricky questions or make a strategic decision?
• What do you think of the main contribution of the HR department to strategy implementation?
• Is there any resistance to impede strategy implementation from your understanding? Is there any difficulty to implement the strategy-based HRM activities?
• According to your experience, does it really benefit your company through the HRM activities with strategic orientation?