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The far west of HRM: witnessing the birth of formal processes

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"It always seems impossible until it is done" (Nelson Mandela)

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Abstract

Not much is known about the early stages of Human Resources practices and its formal implementation within small and medium enterprises (SMEs), mainly at a startup phase. In order to further our understanding of the processes involved in this transition phase, and drawing upon theoretical framework on organizational growth models, mainly Greiner's model, we conducted a case study analysis, of a qualitative diachronic nature, with a before versus after design focused on the process of implementing formal HR procedures.

Data collection took the form of semi-structured interviews conducted to the employees of the organization, guided by a script focusing on the two moments and complemented by direct observation and documental analysis. Content analysis focused on categorizing reports against the background of High Performance Work Practices (HPWP).

Findings show that HPWP set at a strategic level in the initial stage of an organization can be critical to leverage its successful organizational evolution.

Resumo

Pouco se sabe sobre a implementação de práticas de Recursos Humanos e do seu contributo para a formalização dentro de pequenas e médias empresas (PMEs), especialmente na fase *startup*. A fim de desenvolver a compreensão dos processos envolvidos nesta fase de transição, e baseando nos em modelos teóricos ligados à evolução organizacional, focámos no modelo de Greiner. Foi realizado um estudo de caso, de natureza diacrônica qualitativa, com um antes versus um depois focado no processo de formalização dos processos de RH. A recolha de dados foi efetuada através de entrevistas semiestruturadas realizadas aos colaboradores da organização, seguindo um guião que salienta os dois momentos (antes e depois), esta informação é complementada por observação direta e análise documental. A análise de conteúdo é focada na categorização do desempenho das melhores práticas de recursos humanos (boa prática versus má prática). Os resultados mostram que as melhores práticas de RH se forem implementados estrategicamente numa fase inicial, poderão ser a alavanca fundamental para a evolução próspera de qualquer organização.

Palavras-chave: *Startups*; Boas Práticas de Recursos Humanos; Pessoal; Gestão de Recursos Humanos

Classificação JEL: **M100** Business Administration: General, **M120** Personnel Management, **M130** New Firms, Startups

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Glossary

AMO - Ability, motivation, and opportunity

ESN - Erasmus Student Network

GDP - Gross Domestic Product

HRM - Human Resources Management

HR - Human Resources

HPWP - High Performance Work Practices

HPWS – High Performance Work Systems

KPI – Key Performance Indicator

LPHS - Lisbon Premium Housing for Students

NPO – Nonprofit organization

SHRM - Strategic Human Resources Management

SMEs - Small and medium enterprises

1 – Introduction

Human Resources Management (HRM) has gained over time, more and more relevance since the assumption that competitive advantage lies within people gained more empirical support. Despite this HRM is very vast, and often linked to an administrative role (contracts, legal actions, pay role, layoffs). Research has shown us that Human Resources (HR) is so much more than that and when aligned with the business objectives, it is strategic as well.

Placing HRM at a strategic level ("Strategic Human Resources Management", SHRM), completely changes its focus into aiding the organization as a whole through the use of its workforce to reach the desired objectives, aiming for full efficiency and effectiveness.

Although this is hardly a disputed purpose for HRM, there are three assumptions that may condition its true applicability.

Firstly, much of this literature is conducted in large corporations, and some authors seem to assume that an HR department only makes sense to exist in larger organizations, with more than one hundred people.

Secondly, the most studied topics in HRM are, by order, recruitment and selection, compensation, and training (Cardon and Stevens, 2004) which means these are at the core of research (and assumedly practice). These studies were conducted in order to analyze the formality that is needed to manage such a large number of staff. This is linked to guarantee that communication flows, that the same message is shared amongst the entire work force, that all members respect and follow the organization's moral, values and culture.

Thirdly, in order to achieve the necessary process flow, scholars seem to admit that a formal structure is important for large organizations to maintain their predictable blueprint, where control, monitoring, and rules prevail. Having a standard structure eliminates time and cost expenditure, as for all procedures and processes are in place and all one needs to do is follow them. This is a pattern spread out through great part of large companies. Formality requires an HR department, where all the needed procedures and tools to look after the organization internally exist.

However, amidst the literature produced, sometimes scholars overlook the largest part of the organizational market, small and medium size firms (SMEs), responsible for the largest Gross Domestic Product (GDP) in most countries, or startups, where flexibility rules, and HR procedures are kept to the very minimum of formality. Despite this, organizations will need formal HR practices to harvest their positive contribute.

In this way, it is critical that more is known about the impact HR has at an initial stage of an organization's existence.

Startups (initial stage) are known for their informality, for their Ad-hoc environment, entrepreneurial management style, flexibility and the way they react instantly to the market's pressure (Greiner, 1998). At this stage of an organization's existence order is not something that stands out, it is the opportunity to create processes and procedures from scratch, and at an HR level many are the practices which involuntary are done, without any specific norms or direction, it is done because the need is upon the young organization.

In this way, we consider it might be important at this early stage to adopt a thinking strategy, where the founders plan out what are their short, medium and long term goals. Understandably, these managers are solemnly focused on creativity; new ideas and making sure their ideas turn into reality. So the HR practices they adopt which could work to their advantage, if this mindset was present, could lead an organization to reach success in a couple of years: high revenue, low turnover, a healthy on boarding system and so much more, it is important to state that this depends on many features linked to the founder's ideologies.

At a startup stage, the practices which predominate are associated to staffing, participation, rewarding and communication. Yet, there should be at this stage a great consciousness to evaluating, setting objectives and a standard at the entry level. All this should take into consideration the needs of the employees and of the organization; this is why it is important to have an HR mindset, to tie all practices together with the overall business strategy, to achieve ultimate success and results.

As the startup scene is gaining notoriety in the Lisbon entrepreneurial scene, an opportunity was found to begin an internship in a startup which is in the rental and hospitality industry for students and young professionals.

Lisbon premium housing for students (LPHS) is a startup, which upon the decision of the founder was in search for someone who could assist him with the HR side. His main goal was to implement an HR system and to bring structure and order into the company without it losing its natural creative and flexible environment. It is the perfect scene to take on a study to understand the impact an HR mindset can have, while also analyzing the force of the best HR practices, labeled High Performance Work Practices (HPWP) in this specific case at an initial startup phase.

Taking into consideration past references to studies within the early stages of an organization, we will proceed with an empirical qualitative diachronic study where we verify that LPHS is at a startup phase, backing ourselves upon Greiner's Growth model.

As a following objective, we identify within the human resources practices which anteceded September 2013 (T0), and at a second moment after September 2013 (T1), any differences between the practices already announced and new ones which may have been inserted, with the official presence of an HR mindset.

Once the practices are identified, we will attempt through the use of Pfeffer's HPWP framework, establish which practices are more relevant at the initial stage, and demonstrate within LPHS, which are the practices that predominate and which are lacking, trying to establish a cause-consequence effect, which affects the functioning of the organization.

As regards methodology, we adopt a case study approach due to the singular characteristics this organization presents. Through interviews, direct observation and use of other appropriate information, we gather the required data to reach our objectives. Once the information is gathered, we shall split the different input into categories taken from Pfeffer's work on HPWP; this input will be firstly codified so it will be more convenient to associate it to a specific practice. As this is fulfilled, we proceed by quantifying these findings per category and assess the impact (percentage) it has, concluding whether it is an in-use good practice or a malpractice. Furthermore, we shall enumerate what are the positive and negative features of this system while also proposing some possible changes.

The following parts will be divided into at an initial point, literature review (chapter two) on the various topics linked to growth models, HRM, formality and HR practices. Following this we explain our methodology (chapter three), authenticate our results (chapter four) and show our findings, respective limitations and conclusion (chapter five).

2 - Literature review

2.1 – The organizational context of HRM emergence

As organizations evolve, the challenges and problems they face may drastically shift from the ones managers were used to. This statement is built on the premise that the strategic value of HRM for organizations depends on the specific challenges they face. This has come to be

known in literature as the need for both external and internal fit (Baird & Meshoulam, 1988) to build organizational effectiveness.

Models that depict the organizational configurations covering both external and internal situations have been proposed of which Greiner's growth model has been the foundational and still in use (e.g. Gupta, Guha & Khrisnaswami, 2013). Lieve & Lichtenstein (2010) findings across more than one hundred different growth models published in four decades are of special interest because they clearly show that Greiner's model stands out as the top referenced one.

Greiner's growth model dates back from 1972 and was revised in 1998 by the addition of a new growth phase while also removing some outdated material from the opening sections.

Greiner's idea came from the fact as he states, "The problems at these companies are rooted more in past decisions than in present events or market dynamics." (Greiner, 1998:3*).* Thus meaning managers place the focus on the wrong concepts. They want to achieve fast growth ignoring critical developmental questions such as "Where has our organization been? ; Where is it now? ; What do the answers to these questions mean for where it is going?" (Greiner, 1998:3). Management instead of focusing on finding the answers to the described questions they target the outlook on the external environment and the future, thinking that finding a new market niche would project a new identity for the organization.

An organization's history has profound impact on its future. By definition, an organization is made up of people, and people have intrinsically a history that conditions current and future action. Just as individuals develop through an ontological process so do organizations, in evident phases which Greiner calls "stages" due to its developmental nature. These stages have each a set of characteristics that are unique, such as management focus, organizational structure, management style, type of control system and the type of management reward system.

Each phase has a recurrent dynamic starting with a period of evolution, which comprises a stable and incremental growth until an unstable period occurs where problems build up until a radical change is needed, thus corresponding to a two-phase dynamics of evolution-revolution (Greiner, 1998). Once the solutions are found to successfully resolve the revolutionary period, then the conditions are met to transit to the next growth stage.

Greiner's Growth model proposes that organizations evolve depending on five dimensions that help compose the model, and understand why and how each phase is constituted. The

dimensions of age, size, status stage of evolution, revolution and the growth rate of the organization's industry influence its growth pattern.

Each dimension plays an essential role as they bring out several attributes, which influence the development. We briefly explain each dimension, assisting in the understanding of the model.

The first dimension, age of the organization is one of the most significant as time influences the systematization of managerial attitudes and employee behaviors, allowing it to be more predictable yet more difficult to correct over time.

The size of an organization relates to its development over time, by growing and increasing the number of employee and sales volume. Size per se places challenges at the level of coordination and communication thus compelling management to create new functions and intermediate strata to cope with the emerging necessities (Greiner, 1998).

With age and size changes, the stages of evolution occur in a continuous manner where minor adjustments are made in order to facilitate the current management period until there comes a time in which organizations need to evolve to the next stage in order to initiate a new cycle of progressive growth.

At this point we reach the fourth dimension, the stage of revolution, which anticipate radical change as the cumulative incremental adjustments are no longer effective in dealing with the emerging problems. Thus, managers face the need to find new organizational practices to solve new organizational problems (Greiner, 1998).

Lastly, the growth rate of the industry in which the organization operates in is the last dimension which helps shift Greiner's model, fostering quicker or slower managerial decisions and development through the various stages.

As the notion of Greiner's growth model gains more depth, we will now explain the three initial stages form the model. At this point we will present each evolutionary and respective revolutionary phase and the related crisis period.

Greiner states, "each evolutionary period is characterized by the dominant management style used to achieve growth; each revolutionary period is characterized by the dominant management problem that must be solved before growth can continue." (Greiner, 1998:6).

The three initial stages and by respective order are as follow: creativity stage, direction stage and delegation stage. In the following section, we will describe each stage in detail.

Creativity Stage

This is the stepping stone for any organization, here we find the reason why they exist and what do they do, organizations put the emphasis in creating a product and a market (Greiner, 1998).

The evolutionary period at this stage is masterfully depicted by Greiner as: "The founders of the company are usually technically or entrepreneurially oriented, and they generally disdain management activities; their physical and mental energies are absorbed entirely by making and selling a new product. Communication among employees is frequent and informal. Modest salaries and the promise of ownership benefits reward long hours of work. Decisions and motivation are highly sensitive to marketplace feedback; management acts as customers react." (Greiner, 1998:6).

If on the one hand informal management is a key to flexible organizations, on the other hand informal management creates more problems than the ones it solves when dealing with an increased number of staff, sales and customers. Therefore, the first crisis is one of leadership where managers/founders cling to old habits in the hope of witnessing the same problem solving effectiveness. Once the crisis is rooted people look for someone that takes the situation into his/her own hands and put the house into order. The profile has to match both business knowledge and managerial skills to place in action an effective formal structure. When founders do not have what it takes they either have to step aside or have to find someone that becomes their right hand in changing their managerial options.

In this way the evolution to the second stage lies in the fact that a stronger and more assertive manager is needed, one that will guide and direct the organization to progress.

Direction stage

Once the first crisis is sorted out, a new business manager is selected or the founder adopts a new posture, the turbulent times give way to a new evolutionary phase. In this a functional formal structure starts to operate to translate specialized managerial functions (e.g. production, marketing, staff management, accounting, communication etc) into formalized structure. The manager becomes a general director setting up direction but centralizing decisions (Greiner, 1998).

Although effective, this centralization will become dysfunctional as the organization grows into a more complex and diverse one. Lower level managers will soon feel compelled to claim more decisional power as there is a buildup of tacit knowledge and information that cannot be translated into formal processes or information, if the organization is to answer the market

and organizational needs in due time. Autonomy of lower strata becomes an organizational need but is incompatible with the former solution of centralization.

The solution to this new crisis linked to lack of autonomy, is to focus the managerial practices on higher delegation, moving from a more centralized to a decentralized approach.

Delegation stage

At this phase managers are trusted with more responsibility and decision power while bonuses are linked to the profits they generate. Top managers act only when needed and upon numbers and are focused on the external opportunities for growth. The boost in motivation at the lower strata jointly with the external focus of top management translates into an expansion phase in organizational size, market and products.

At a given point of time the enlarged autonomy becomes dysfunctional as it turns into independent action of each business unit. Such quasi-independence leads to coordination problems and parochial mindset (Greiner, 1998).

In this sense, the organization enters a new crisis one of control. The solution linked to development to the new stage, is the use of special coordinating techniques, where the top leaders feel they have regained control.

Any organizational analysis on HRM has to be conducted taking into consideration the developmental period it is experiencing as organizational challenges unavoidably mirror into HRM challenges. In order to continue building the theory framework for this study a following section on Human Resources covering also HR phases is called for.

2.2 - Human Resources as a key competitive driver

Human Resources Management, as the three words state, is related to decision-making concerning resource allocation to achieve organizational objectives, where such resources are human in nature and are seen as an active part in achieving organizational effectiveness.

The criteria used for decision-making, the premises concerning how to make the most of this sort of resources, the causal nexus between people and organizational effectiveness have changed over time as well as the managerial theory, which has also evolved.

Several scholars have found various definitions for this often-undervalued organizational asset. HR is gaining more importance as corporations gain awareness that having competitive advantage is mostly built upon unique, non-imitable resources which bring positive economic outcomes (Pfeffer, 1994). This view is based on the well-known framework by Michael

Porter (1979) that states that five forces condition a company's ability to achieve success, namely new competitors, possible substitutes, the bargaining power of both buyers and suppliers, and the degree of hostile competition. Drawing on a backlog study covering two decades (1972-1992), Pfeffer (1994) found compeling evidence that the competitive advantage lays in the way a work force is managed. This stems from the way decision makers think about employees and how they envision it as a source of stategic advantage, an asset instead of a liability.

Thus, most scholars credited on SHRM will undoubtfully undersign the idea that HRM makes a difference, if not, the difference. From this standpoint of SHRM and according to Delery and Doty (1996) the basic premise is that organizations adopting a particular strategy require Human Resources practices, that are different from those required by organizations which adopt alternative strategies.

Wright and McMahan (1992:298) argue that SHRM is concerned with "the pattern of planned Human Resources deployments and activities intended to enable an organization to achieve its goals". They continue by stating that in order for an organization to be effective they, "must develop an Human Resources system that achieves both horizontal and vertical fit". This meaning that vertically there is the need for Human Resources system to be in

synchronization with other organizational characterisitics, such as the firm's strategy. The horizontal alignment relates to the internal features of the human resources system, making sure they are all in synchrony.

The point that many authors are aiming to reach is that HR is an area where managers should look out for what employees will do, and how they will do it, bearing in mind the best interest of the organization and at the same time the employees' needs, desires and motivations. Adopting a strategic position, all practices need to be in syntony with each other and with the overall company strategy.

Amongst models derived from extant research Ulrich (1997) is one that deserved much attention. His model builds on an axiom with the promise of better outcomes from HRM. Namely, that HR professionals must focus on defining deliverables from people's work instead of focusing on work itself. The resulting model comprises two axes representing HR professional's focus (long-term versus short term) and activities (managing processes versus managing people). The resulting four quadrants match four HR roles: (1) management of

strategic human resources; (2) management of firm infrastructure; (3) management of the employee contribution; (4) management of transformation and change." (Ulrich, 1997:25).

These roles can be characterized on the basis of three dimensions: the deliverables associated to the outcome of each role, the visual image that is linked to the role, and the activities the HR professional needs to perform in order to fulfill the role.
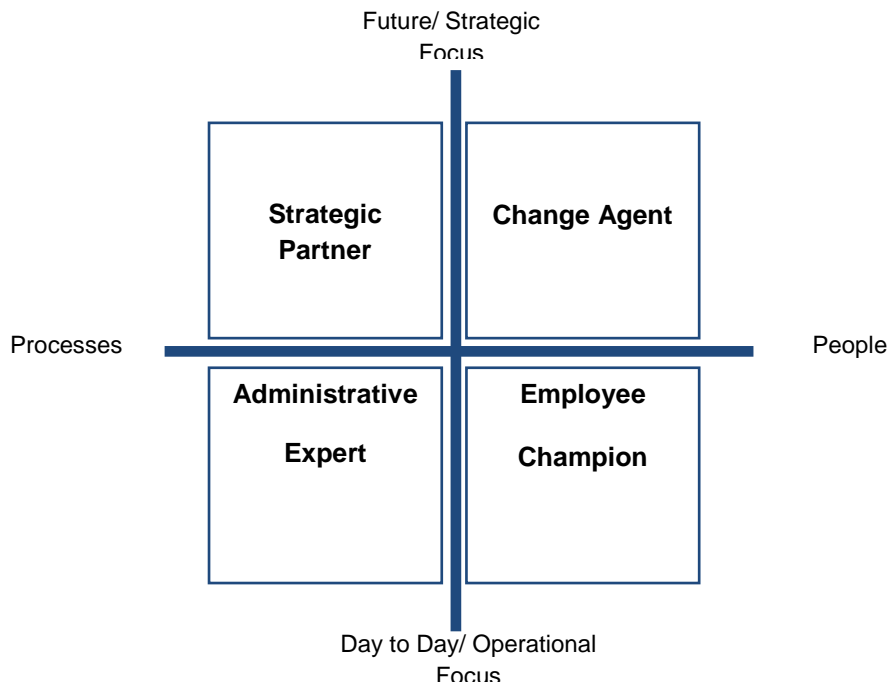
Figure 1 - The Ulrich Model (source: Ulrich, 1997)

The resulting framework covering the four roles comprehends the activities aiming to align HR and business strategy. These can be measured by means of the degree the strategy is executed. In such role the HR professional can be metaphorically featured as a strategic partner.

By managing firm's infrastructure, the HR professional deploys re-engineering processes which can be measured by efficiency gains in the infrastructure. This role corresponds to the metaphor of administrative expert.

When the role falls into management of the employee contribution, the HR professional is expected to develop activities aiming at listening and responding to employees which are

expected to increase (and be measured by) employee commitment and capacity. This corresponds to a metaphoric idea of employee champion.

Lastly, HR professional role of managing transformation and change, consists of activities aiming to successfully aid the organization to reach its new balance, whether it be through elaborating a communication plan, which provides the needed assurance to all employees (new guidelines, to reach new objectives). This is reached as well by keeping a direct link with the workforce to understand their needs and at a later stage use their feedback to construct a well defined plan of change, which can be measured by the creation of a renewed infrastructure with HR professional corresponding to an organizational change agent.

All in all, Ulrich (1997) intended to cover the entire spectrum of organizational needs as regards the way HRM is expected to contribute to organizational performance. Such roles have been played time after time in small and large companies. Some acknowledge the use of these functions and were prepared to carry them out, others just naturally followed through with them by imitating others or just by natural flow.

2.3 - HR emergence and Small Medium Enterprises (SMEs)

Considering the theoretic target of the present study (the emergence of HRM) it can be logically inferred that the empirical target is forcefully small and medium size startup organizations (SMEs). However, most of the literature has been conducted in large companies (Annette and Marilyn, 1998; Wagar, 1998), in accordance with these scholars Hornsby and Kuratco agree that (1990) there is need to increase investigation within the management of HR practices in SMEs due to the shortage of information. There are a few points which support this. A number of findings have shown that Marketing, Finance, Production, and several other departments have priority over HRM, meaning this department is overlooked towards the potential it can bring to an organization (Hess, 1987; McEvoy, 1984) and adding to this is also proof that the great number of people who constitute a workforce for any organization work for SMEs (Golhar and Deshpande, 1997; Kirchoff, 1996). Most importantly SMEs are not a small version (scaled version) of large organizations (Westhead and Storey, 1996). Many findings in large firms cannot be comparable and applicable to smaller firms.

In this sense it is important to understand what is known of managing Human Resources in small organizations. Baron (2003) argued that the field of HRM could benefit from looking

more closely at human resources processes within new and small firms. This is especially critical as ventures started by entrepreneurs offer a "unique and potentially valuable business context for testing the principles and theories of Human Resources Management" (Baron 2003:253).

There is also evidence in literature that management within smaller firms is very different from the style adopted in large firms. New and small firms have more difficulty in recruiting and retaining employees due to the lack of financial resources (Williamson, Cable and Aldrich, 2002) and often lack formal Human Resources policies or systems (Markman and Baron, 2003). According to Cardon and Stevens (2004) younger firms, where experience is likely to be lacking, rely less on formalized training, experience difficulty recruiting due to lack of legitimacy, and trust more on informal and potentially arbitrary employee management systems. Taking into consideration Greiner's (1998) phases it is reasonable to conclude that organizational size and age condition HRM and, at an initial stage the main functions are linked to staffing, compensation, training, development and performance management (Cardon and Stevens, 2004).

Towards staffing (Recruitment and Selection) it is known that most organizations do not have formal Human Resources departments, yet do have recruitment policies (Aldrich and Von Glinow, 1991). These policies can be quite problematic for small organizations (Gupta and Tannembaum, 1989) due to limited financial and material resources (Hannan and Freeman, 1984), lack of legitimacy as an employer-of-choice (Williamson, 2000) and the higher number of jobs where employees typically perform multiple roles with unclear boundaries and job responsibilities (May, 1997). All authors seem to state that although smaller firms know who they are searching for, they may find it difficult to attract the suitable person as they lack the financial resources both to offer a competitive salary and to purchase the required work tools (Cardon and Stevens, 2004).

Additionally recent graduates search for jobs that will give them the prestige that they are searching for, which they expect to find mostly in big organizations with household names; smaller organizations are not the top target for such candidates.

The smaller dimension also translates into the frequency and quality each HR function is performed. For example, recruitment is often sporadic and conducted in a more pragmatic way (Williamson, 2000) giving the impression of lower technical sophistication.

In very small organizations (less than 20 employees) as it is expensive to hire an HR professional (Arthur, 1995) all HR activities become the responsibility of general managers (Longenecker, Moore and Petty, 1994). As these managers need to focus on revenue production (Cook, 1999); they do not have the time to develop the Human Resources mindset needed, thus becoming a problem for small venture managers who are already resource and time constrained (Klaas, McClendon and Galney, 2000).

As these organizations are low on financial resources they will resort themselves to recruitment sources which are convenient, inexpensive and directly controllable by the company. Some examples are spontaneous applications, personal and employee referrals, and newspaper ads (Heneman and Berkley, 1999).

When recruiting, small organizations rely on norms, values and beliefs of the founders or general managers, expecting candidates to align with such values in order to fit in (Heneman and Berkley, 1999) which turns the process into a more personal-based and subjective one failing the biggest challenge of gaining legitimacy by adopting recruitment practices that reflect industry norms (Cardon and Stevens, 2004). Better options would be to use newspaper ads, college recruitment offices, attending job fairs, and falling back on the recent trends of using specific job recruitment sites or specific social media platforms, where the word is spread faster and reaching a higher audience. Even these more traditional, low cost, options for staffing are criticized for being unimaginative (Mayson and Barrett, 2006). Leaders often miss the point that recruitment is not only about staffing but also about building a reputation.

After opening a recruitment phase it is important to select wisely. According to Heneman and Berkley (1999) this may even be the key component of overall effective management of an organization's human resources. The selection of new employees is based on interviews, training experience, education requirements for the job, through references and background checks (Cardon and Stevens, 2004).

Due to the lack of resources SMEs need to build their interviews on a series of questions based on the background check previously done through the analysis of the candidate's *curriculum vitae*; referral letters or other sources of personal information that will allow them to choose the right fit.

This reinforces the idea that SMEs compete by being different, unique and advocating an anti-bureaucratic position, thus valuing informality and flexibility (Cardon and Tolchinsky, 2006).

Compensation in SMEs assumes the important role of emphasizing the desired entrepreneurial activities and signaling legitimacy to external stakeholders as it intrinsically differentiates between key behaviors and non-strategic ones (Graham, Murray and Amuso, 2002; Suchman, 1995). Such key behaviors, in SMEs, are based on personal features such as being creative, having an innovative mindset, being able to take risks, to cooperate, to be interactive and to accept that idea of uncertainty (Balkin and Logan, 1988). This means that these organizations reward their employees towards fitting this profile.

Due to the relative flexibility of entrepreneurial companies (in which a large number of SMEs is expectable to fall under) one should find a greater use of incentives and stock-related rewards (Graham et al., 2002). Mayson and Barrett (2006) report in their literature review on HR practices in SMEs that less than one third of companies establish wage levels on either salary surveys or job analysis, they also tend to rely on intrinsic rewards and that informality prevails in compensation management, which is taken by Cardon and Stevens (2004) as a liability. Such a scenario is persistent as McEvoy (1984) had already reported 20 years before, that only about one third of SMEs had established some sort of job evaluation.

The original purpose of training is related to the individual´s development process by gaining expertise in a needed skill or competence (Bishop, 2003). As regards SMEs, Cardon & Stevens (2004) concluded that there is a lack of information on this topic. This is allegedly due to the reason that training is viewed as a formal event, something that lacks within SMEs and at the same time is undervalued by two motives. Firstly it is linked to the unawareness of the benefits that this practice may provide and secondly the investment required (Storey, 2004; Storey & Westhead, 1997). The two reasons are supported by Banks, Bures and Champion (1987) who suggest that in order for SMEs to consider training they need to weigh the cost of training programs and the time spent away from productive work. Nevertheless, these authors state that progress and improvement of employee skills are quite important to SME managers.

Training needs are answered and characterized within SMEs by being informal, on the job (Mayson & Barett, 2006), relying on trade associations, short college associations and in-house training. Chao (1997) reinforced the idea stressing that unstructured training; informal on-the-job training and organizational socialization are also quite important and many times seen as substitutes for formal training processes.

Just as in the staffing phase, SMEs tend to differ from large organizations by excluding bureaucratic procedures. Towards training there is a specific form that adds a certain character to small organizations, which is the process of socialization of organizational newcomers (Rollag and Cardon, 2003).

Socialization influences learning and career development regardless of the organizational size. Informal socialization tactics influence job satisfaction and productivity because newcomers do not feel isolated from what is going on within the organization, and there is a quicker insertion inside the company by entering the organization daily routine, allowing them to let down their guard and develop into another productive element of the organization. Another feature within training in SMEs, stemming from the lack of resources consists of the multiple roles new employees need to take (May, 1997). Thus, it is important that training focuses on multitasking and role transition capability.

Performance Management might arguably be the core issue in a structured, fully functional HRM system but, surprisingly, there is very little research on this topic (Cardon and Stevens, 2004). This practice in SMEs is often depicted as informal and occurring on a continuous basis focused more on control rather than employee development (Mayson and Barrett, 2006). Performance appraisal and compensation are the key practices to nurture creativity and the development of new ideas; the connection of these two HR practices leads to the boost of performance expectations and highlights the desired behaviors which should rein within an organization (Cardon and Stevens, 2004). According to the authors the lack of information on this topic is due to the shortage of formalized procedures in SMEs for managing performance reviews, disciplinary processes or dismissals of workers. In other words venture founders are not concerned with this, as they are also not concerned whether the employee has the right skills for the job. Their main concern is that he fits the organizational values and culture. Likewise, it can reflect the founders' own preferences in communicating and acting informally.

Two authors, Heneman and Tansky (2002) affirm that if there is a high turnover rate within an organization, all that is tacitly learned is easily lost, and therefore there is a need to institutionalize that know-how through formal training. Additionally, high turnover translates into slower revenue growth (Baron and Hannan, 2002). This is critical for SMEs.

2.4 - Formality

It is important to understand the reason why companies at a very early stage need some sort of formality within their internal environment. Formality makes companies more transparent, allowing them to become more attractive to future employees and as well to their current ones.

Human Resources formality is linked to the way HR practices are documented, systematized and institutionalized (taught or used). Marlow (2002) suggests that as organizations evolve they create a bundle of guidelines which are easily recognizable and followed by the workforce. These guidelines are communicated to the employees as a bunch of rules, regulations and internal procedures, allowing there to be internal balance and external coherence. Some examples of the presence of formal structure is the use of personnel specialized written policies or the use of specific criteria for recruiting, selecting and appraising.

The great difference between a formal and an informal structure is that in the last there is no sort of system and decisions are made on a personal basis, each situation is a situation.

A study carried out by Marlow and Patton (2002) allowed them to conclude that, when the time comes to swift from an informal to a formal system company owners become tense and do not really know how to react to this. It is known that informal environments allow the creations of bonds within the workforce, social interaction are constant leading to higher motivational team. At the same time the workforce is able to negotiate responsibilities, salaries and working hours. This brings the much needed flexibility to SMEs. However, the setback with informality is that when it comes to the point when the owner or founder needs to be strict and proceed with disciplinary actions, severe problems arise. The unwillingness of the founders or owners to move from an informal to a formal system stems from the tradeoff between a positive, personal and team oriented environment and a disciplined and assertive position when it comes to sorting out grievance issues or controlling the work environment.

Formality is usually associated with firm size; the larger the firm the higher will be the need of standardized internal procedures (Kotey and Slade, 2005). Large firms fundamentally differ from small ones in the level of uncertainty they face (Nesthead and Storey, 1996). While large firms face internal uncertainty small firms face higher external uncertainty. In this way, in order to reduce ambiguity large organizations fall back on formal structures, to maintain their

needed control. Conversely, SMEs value flexibility to keep a high responsiveness to external uncertainty.

As mentioned earlier the Human resources are a new source of competitive advantage, when strategically used.

Literature review on SMEs and the decision to move into formal management shows two competing forces. On one hand, SMEs need to balance the fact that by being small, they are highly flexible, more sensitive to market pressure and are quicker to respond to customer needs; this conveys a certain advantage whilst competing with larger companies, the owners of small companies often need to make quick decisions (Wilkinson, 1999). Applying formality and crushing what provides SMEs advantage can cause lengthy procedures and consistent policies inappropriate (Storey, 1993).

Despite this, assuming growth on the basis of Greiner's model, formality is a decision that sooner or later will need to be taken by any SME. The trick is to know how to leverage the best of both worlds, a touch of formality with a touch of informal practices, preserving the features of SMEs. Too much formality destroys advantages and too little inhibit from reaching full potential (Bacon et al., 1996).

As regards HRM, while SMEs compete and interact with larger companies this might push them towards applying a higher level of Human Resources formality. It is important to understand that these firms are not competing only for customers but also for the best employees. Findings have shown that most of the workforce in SMEs affirms that they prefer to work in larger organizations thanks to the higher sense of job security and to the more inviting terms and conditions which are offered in comparison to smaller firms (Marlow and Patton, 2002). This creates pressure for small firm owners to develop and match Human Resources practices used in larger firms, to attract and retain talent.

2.5 - High Performance Work practices

The concept of best practice started in the early models of HRM. To simply context the term, the principle of best practice means to identify and adopt processes that, judging from their use in another organizations, through a benchmarking process (Farndale, Hope-Haily and Kelliher, 2011), yield high performance, cautioning that they fit the organization strategy (Bamberger and Meshoulam, 2000). There is no right or wrong practice per se, studies have

shown the predominance of a few which are common to all firms, but effectiveness comes from knowing how to balance the intensity of each practice.

According with Sun, Aryee and Law (2007) high performance HRM demands a long-term employee relationship in order to increase motivation and build the necessary skills to boost productivity. The effectiveness of each HRM practice is dependent on the development stage the organization is experiencing, namely, startup, growth, maturity, and decline (Hughes, 2002).

Jones and Wright (1992) identified a set of HRM practices which they take as high performing: comprehensive employee recruitment and selection procedures; incentive, compensation and performance management systems; and extensive employment involvement and training. These can improve the knowledge, skills and abilities of a firm's current and potential employees, increase their motivation, and enhance retention of quality employees while encouraging non-performers to leave the firm.

In this way the conceptual literature concludes that HRM practices can help to create a source of sustained competitive advantage especially when they are aligned with a firm's competitive strategy (Huselid, 1995).

Alongside with this vertical strategic alignment, best practices should be horizontally aligned in the sense that its positive effects require consistency across the several functional areas of HRM. For instance, influencing employee behavior through the use of performance appraisals (which assess individual or group performance), should echo on the incentive and compensation systems. In this way, HRM gains a strategic nature, where the business interest gains centrality through the simultaneous consideration of employees needs.

The main idea here is that the HR strategy must be based on the overall business strategy. Schuler and Jackson (1988) and Arthur (1992) demonstrated that organizations following different strategies use different HR practices that influence organizational relevant outcomes such as productivity and profitability (Huselid, 1995).

Three perspectives rose to explain the impact of these best practices on work performance: contingency, configurational, and universalistic. This study's focus will be the universalistic perspective, which sustains that some HR practices are always better than others (Delery and Doty, 1996) implying its universal added value for any organization.

According to the universalistic approach, strategic HR practices are those that are theoretically or empirically related to overall organization performance. Research also

acknowledges that not all practices are linked to strategy. Delery and Doty (1996) through their research and drawing up from the theoretical work of previous scholars (e.g. Miles and Snow, 1984) identified seven practices that are consistently considered strategic HR practices. These same practices are also among Pfeffer's effective practices for managing people; later labeled "High performance work practices" (HPWP) or just "best practices".

Pfeffer had drawn sixteen HPWP in 1994 and in 1998 he reformulated these practices focusing only on seven practices. This reformulation was made due to two reasons: firstly, in order to eliminate redundancy as regards to partial components of basic dimensions (e.g. putting together multiple components of compensation), secondly, some of the practices were in fact facilitators of HPWP implementation and where thus outside the nature of HPWP (Pfeffer, 1998).

The seven practices described by Pfeffer and commonly used by other universalistic authors, are as follow:

- Employment security (Job security);
- Selective hiring of new personnel (Recruitment and selection);
- Self-managed teams and decentralization of decision making (Participation and communication);
- Comparatively high compensation contingent on organizational performance (Reward and Performance Appraisal);
- Extensive training (Training);
- Reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels
- Extensive sharing of financial and performance information throughout the organization (communication).

An alternative proposal by Kroon, De Voorde and Timmers (2012) aggregated HPWP into three dimensions linked with AMO approach (ability, motivation, and opportunity) treating each one as a bundle. This proposal is rather interesting in the sense that it conveys a simpler and functional view of how HPWP are linked with the three basic conditions of high performance: to be able to, to be willing to, and to have the opportunity to put these into use. Notwithstanding its attractive structure for functional analysis of workforce behavior as regards HPWP, Kroon et al (2012) proposal falls short of Pfeffer's (1998) by overlooking

three of the seven high performance practices, namely, employment security, selective hiring, and reduced status distinctions, as visible in the following table.

Ability	• Our organisation tries to educate its employees • Within our organisation it is possible to follow formal internal training courses • Our organisation offers the possibility to follow external training courses • Employees follow training courses to improve their social skills • Our organisation offers the possibility to develop skills	• Extensive training (Training)
Motivation	• Our company pays above-average salaries • Beside their normal wage, employees receive a bonus or another financial reward • The organisation has formal career plans for its employees • Employees are informed about all future plans of the organisation • Employees are informed about the organisation's returns • In our organisation, employees are informed about the organisation's vision and mission	• Comparatively high compensation contingent on organizational performance (Reward and Performance Appraisal); • Extensive sharing of financial and performance information throughout the organization (communication).

Opportunity	• Within our organisation, employees plan their own work • Employees are free to invest in new materials and technology • Employees participate in work meetings • Employees are involved in policy-making • Employees work together in teams	• Self-managed teams and decentralization of decision making (Participation and communication)

Table 1- Kroon et al (2012) AMO analysis against Pfeffer (1998) HPWP

Source: Adapted from Kroon et al (2012**)**

It is worth mentioning that Kroon et al (2012) proposal includes career issues which have passed unnoticed to Pfeffer (1998) typology but makes sense to become a possible critical dimension for HRM. Despite this, and considering the comprehensiveness of Pfeffer (1998) typology as well as the centrality it has deserved in the HPWS literature, we will now detail all the seven dimensions which we shall use as reference in further analysis in the study.

2.5.1 - Employment Security

This practice is related to the way the work force feels towards their employment within the organization. To feel secure in a job means the perception (and corresponding policy and practice) that the organization may not fire employees easily due to economic downturns or any other issues outside the employee's control (Pfeffer, 1998). It takes into consideration that due to situations out of the control of employees, many times they are the first ones in line to be cut, especially at times where the organizations are going through a rough patch (recession, internal crisis, negative results). For an employee to feel safe within his job it is essential that this security can be traced back to other best work practices, as stated by Pfeffer: "Employment security is fundamental to the implementation of most other high-performance management practices, such as selective hiring, extensive training, information sharing, and delegation."(Pfeffer, 1998:100).

At a very early stage one seeks security, that is why it is important that all practices are in synchrony, consistent and that they will maintain that way, encouraging employees to take a longer perspective on their jobs and the organization itself, which is, no doubt, beneficial to everyone (Pfeffer, 1998).

If employees feel security and at ease they will believe that there is a place for them to grow together with the organization and having a committed workforce translates in results and efficient performance.

However, an organization as much as it provides its workforce with the needed security, they still have expectations and know what these employees should deliver; "the idea of employment security does not mean that the organization retains people who don't perform or work effectively with others – that is, performance does matter." (Pfeffer, 1998:99).

As performance is important, as we have stated above, there is a correlation between what candidates are searching for within the organization and what the organization expects from these candidates. Offering employment security is giving a signal of trust that is self-reinforcing in building more trust, more cooperation, better morale, less pressure on wage increases and extrinsic rewards (Pfeffer, 1998); so this security provided to the workforce can grant the organization positive outcomes which will benefit the overall desired results and influence the other best work practices.

2.5.2 - Selective Hiring

This is the first practice, which opens the doors into the organization. Right from the beginning any firm needs to be concise, straightforward, specific and know what they are searching for. Pfeffer (1998) stated that any organization must clearly know what are the most critical skills and attributes required and how to measure it when staffing. The commonly seen notion of trying to find the 'good employee' is not very helpful and can be misleading. The criteria has to be set up on specific terms and precise measurable attributes must be decided before recruiting anyone (Pfeffer, 1998).

In order to understand whether the right attribute can be found within the group of applicants for the designated role, besides reading through their *curriculum vitaes*, or requested workfolios, the interview phase is truly important to match what the candidate says he does or has with a specific situation, in order to assess the truthfulness and the fit for the role, "the skills and abilities hired need to be carefully considered and consistent with the particular job

requirements and the organization's approach to its market. Simply hiring the 'best and brightest' may not make sense in all circumstances." (Pfeffer,1998:101). Selective hiring cannot just be resumed to selecting the best fit for the technical requirements, it is also related to whether an organization is recruiting the applicant due to his soft skills (attitude, personal and intrapersonal skills) or due to his hard skills (knowledge, skills and abilities). Organizations must be keen on screening most attributes that are more hardly changeable through training and tend to last for the entire span of the employee career (Pfeffer, 1998).

In this sense selective hiring can help an organization filter its employees to a similar mindset and to a certain predisposition, by searching for common traits that they believe would be beneficial for the organization's results. As it is known the hard skills or technical skills are easily apprehended than changing a set of personality traits or attitudes which are inherent to a person, "many firms select for specific, job-relevant skills that, while important, are easily acquired. Meanwhile, they fail to find people with the tight attitudes, values and cultural fit – attributes that harder to train or change and that are quite predictive of turnover and performance." (Pfeffer,1998:102). Adding to this fact, many organizations opt to hire "new blood" at the entry level, usually inexperienced young individuals, eager to prove themselves and willing to grab any challenge while being yet more easily shapeable as new talent from the scratch. This way they are molded in to what the organization needs in order to reach the expected results. It is especially the dimension of cultural values that matter the most for a careful staffing process because the degree of individual-organization cultural fit is a significant predictor of job performance and employee turnover (Pfeffer, 1998).

It is possible to state that firms through selective hiring are able to choose at a very early stage what they are looking for, whether it is technical skills or soft skills; in order to conclude whether they are the right fit these applicants are placed through interviews with really specific questions to reach a consensus of organizational fit; "firms serious about selection put applicants through several rounds of interviews and a rigorous selection procedure (…) rigorous selection requires a method, refined and developed over time through feedback and learning, to ensure that the firm can identify the skills it is seeking from the applicant pool" (Pfeffer, 1998:103).

Selective hiring is another practice that needs to be in sync with other best practices which will convey the organization a consistent and coherent image.

2.5.3 - Self-managed teams and Decentralization of decision making

This best work practice is related to how the work force should be allowed to participate in the decision-making. According to Pfeffer (1998) this should be encouraged and stimulated by senior management, as it will bring a whole lot of good to the organization as a whole. Work autonomy and discretion have greater intrinsic rewards and job satisfaction and their teams have better performance than those deprived of autonomy (Pfeffer, 1998).

Another point which should be encouraged is the sense of group cohesion. Functional differentiation is an intrinsic element in any organization and it translates into specific roles. Yet, coordination is required as people are expected to work in teams, due to their advantages. The first advantage lies in transferring the control from management to the team members themselves which is deemed to be more effective than hierarchical supervision, less costly and it frees managers to do more strategic activities (Pfeffer, 1998). Another advantage stems from a greater sense of accountability and responsibility whenever work occurs in a team-based environment which pushes people to have more initiative and put more effort in their tasks. A third advantage consists of efficiency gains by cutting operation costs, as teams members are more able to take on tasks that previously would require hiring specialists, and are more capable of taking better grounded decisions due to their closeness with operations reality.

2.5.4 - High compensation contingent on organizational performance

As mentioned above the best practices should be in sync and compensation, due to its central role, is an especially important and influential component of any decision to enter an organization. People work and exchange hours of their lives expecting to be compensated for such, "the level of salaries sends a message to the firm's work force – they are truly valued or they are not. After all, talk is cheap and many organizations can and do claim that people are their most important asset even as they behave differently." (Pfeffer,1998;108).

In this sense it is important to reinforce that consistency and coherence is imperative when on boarding new employees, since the hiring phase until they are fully integrated in the work force. The decision to pay more is obviously dependent on it being affordable but it is also dependent on managers realizing that higher pay can translate into higher returns (Pfeffer, 1998). The explanative mechanism lies in employees feeling they are being recognized for their professional value and compensated accordingly, and so they will feel the need to be

more productive and present higher results so preserve a sense of fairness. A generous pay may be important but contingent compensation is truly more important in HPWS.

Compensation is not just a fix salary as it can take a number of different forms to become contingent on performance. Variable pay, also called "incentives" in addition to non-monetary rewards, called "benefits" include profit sharing, stock ownership, bonuses, health care plan, car, amongst other forms of individual or team rewards (Pfeffer,1998). The contingency principle in reward management means the acceptance of a differentiation on the basis of results and outcomes. Such incentives are effective as long as they are consistent with underlying values and expectations because, for example, in an organization that states the importance of team work, incentives should reflect team outcomes and not merely individual ones. Also, if the organization is hiring due to a specific skill it should be compensating for that skill thus giving consistency to its HR policies. Adding to this, managers must acknowledge that equity and fairness reign in any compensation. Even when an organization produces greater returns to its shareholders by not dividing some with those who have produced such returns, the principle of justice should make the organization rethink this option (Pfeffer, 1998). This fairness and equity principle is related to how the work force feels towards what they produce and how they compare what they produce towards their fellow co-workers.

The different compensation plans which may be created within an organization all depend on the strategy the firm is trying to portrait which influences not just the hiring but also how this work force will be evaluated and compensated. Therefore contingent compensation has higher motivational potential because people have an expectation of receiving a share of the results they produce while identifying better with the organizational objectives and putting more effort into achieving those (Pfeffer, 1998).

2.5.6 - Training

Training is another vital best practice for any organization. Besides being valued by any candidate or current employee; it is also a source of improving a work force skill in order to adapt to any new situation to fight competition. HPWS rely on qualified employees who have the skills and drive to take on initiatives conducive to solve emerging problems, continuously improving, and initiating changes in the way work is done (Pfeffer, 1998). Therefore, training earns a central critical position in organizations striving to create or maintain a HPWS. Just

like the compensation plan which needs to be constructed based on the business strategy, the same goes for training, if thought out well and if the right assessment is made amongst the employees and combining their needs with the organization's needs, it could positively influence financial results, motivate and make employees feel they are important. As Pfeffer (1998) clearly states, investing in people through training is a visible way of stating HR is an asset, and most successful firms to do, even what there is no formal way of calculating its ROI, just as a proof of their belief in the causal nexus between people and profits.

2.5.7 - Sharing Information

One final best practice which all organizations can benefit from is acknowledging that sharing information with its work force is important, not only because it foments an environment of trust, but also because it gives the team the specific details they need to know in order to assess the direction they should aim their strength and focus their work. Due to the transversal nature and continuous operation in daily activities, information sharing earns an essential position in HPWS. It can concern diverse issues such as financial status, strategy guidelines, KPIs, and operational directives which are critical to ensure work alignment but especially, offer people the sense that they are being trusted important information (Pfeffer, 1998).

Not all organizations are willing to share information with employees that may be leaked to competitors which gives them the sense of not being trusted. As reciprocity is a fundamental principle in human relations, this translates into less loyalty and trustfulness. Therefore, in a non-sharing environment, employees may feel more at ease to disclose information they possess with outsiders. It would be foolish to count on higher employee contribution to the organizational objectives when the organization itself fails to provide the required information to clarify the objectives themselves, the means acceptable to achieve them, and the resources made available to such work force (Pfeffer, 1998). This all comes down to communication within a company being truly important, not just for information sharing but in general sense, this ties all the best practices enumerated together. It is through a good communication plan that internal and external consistency and coherency are reached within an organization. In this way "when people don't know what is going on and don't understand the basic principles and theory of the business, they cannot be expected to positively affect performance. Sharing information and providing training in understanding and using it to make better business decisions works." (Pfeffer, 1998:121).

All in all, there seems to be a certain degree of consensus amongst scholars as regards what HR practices provide higher return to organizations. Such practices, enumerated by Pfeffer (1998), have been recurrently taken as operating in bundles, which are critical to achieve the desired positive effects due to the requirement of consistency and coherency. Despite Kroon et al (2012) adoption of AMO as a three-bundle matrix, the whole of the idea concerns a single bundle where all the seven practices reinforce its unique effects to create the added value attributed to HPWS.

A final issue that might deserve discussion concerns the fact that HPWS has been mostly studied in large size companies thus casting doubts as regards its use in SMEs. However, Kerr, Way and Thacker (2012), found that even in SMEs, when HPWS operated as an integrated set of practices aimed to mutual reinforcement, they increase organizational performance. In a more sophisticated approach, Kroon et al (2012) study found that HPWP implementation (reified into AMO) in SMEs was dependent on how available resource and strategic decision-making occurred.

3 - Methodology

3.1 Nature of the study

The research design will be based on a qualitative approach as it aims to produce rounded understandings on the basis of rich, contextual and detailed data. This research is suitable for cases in which one needs to describe, interpret, and explain. The qualitative approach depends on the research questions which conduct the study, on previous work, on the desired design plan and on what the author wants to prove.

The research question will use conceptual ideas and pre-existing models in which formal hypothesis are not included. Qualitative research strength lays in the fact that it uncovers deeper processes in individuals, teams or organizations; while it also understands how those processes expand over time. Adding to this is that through this research we gain knowledge on what individuals experience and how they perceive those experiences.

It is important to refer that there are two approaches to any study and Lee (1999) distinguished the qualitative approach from the quantitative approach by referring that the first is unique in the ability to focus on matters of description, interpretation and explanation; while the second is appropriate to match matters which concern generalization and calibration.

This type of approach is appropriate for an HRM study, as described above, as we will be taking into consideration already formalized theory and elaborate on it. To achieve this we will be depending on the feedback and input from the organization. Most importantly from the employees, who are important parts of any work environment and the main source of data (Bogdan, 1994). In the qualitative study one values meaning. Researchers base their studies on knowledge and on the different perceptions each individual has, as well as the impact that it has on each one's life. Minayo (1993) stated that the object of a qualitative study lays in the meaning, motives, aspirations, attitudes, beliefs and values which are expressed through a common language and are reflected during our daily routines. This is what we are truly searching for, in order to answer our research question and in this way we will not only contribute to the expansion of HRM findings within SMEs but as well for the organization in which the study will be conducted.

3.2 Methodological Instrument and objective

The approach chosen to gain insight and ability to explore our research problem will be through a single case study. Thomas (2011) sustains that this type of research is one of the key approaches in any social science study. One of the reasons why this is so, is due to the fact that these allow us to completely understand an incident within its real-life environment (Yin, 1999). Adding to this is the fact that these studies are adequate for 'how' and 'what' questions for the reason that they deal with a more operational perspective.

Therefore, the case study is a detailed investigation, providing an analysis of the context and processes involved in the phenomenon under study (Stake, 1995).

Taking into consideration the background conception of what is a case study and its relevance, this alone has allowed us to construct our study and has allowed from the different type of case studies to choose the best fit for the research problem. Simons (1999) defined case study as an exhaustive investigation from various dense and unique perspectives of a specific project, policy or system in a "real life" perception. There are several approaches to construct one, most importantly as Thomas (2011) states this study is not a procedural option but it depends on what is to be studied.

Several have been the attempts to explain what a case study is in fact, however the main importance lays in the fact for a case to exist, we need to be able to identify a distinctive unit, which must be observable but at the same time has relevance. It will gain significance if an observer/ investigator is able to place it to an analytical category or theory. It is not just a situation of observing and describing what one sees, there has to be a form interpretive perspective and contextualizing it (Wieviorka, 1992). Following the framework of Thomas (2011) we too will accept that a case study besides all the features mentioned above, needs to include two elements: a) a practical, historical element, known as subject of study: interesting, unusual or a revealing example where the object can find empirical relevance, and b) an analytical or theoretic element, known as object of study: analytical frame within which the case is viewed and which the case exemplifies. Our subject is built upon our object of study, which is nothing less than our theory, which allows investigators to build and think out what they want to see, as this analytical framework will support the findings or not.

Our case study will be built upon de Vaus (2001) insight, who together with other similar analysts explained based on findings of Eckstein (1995), different types of case studies. According to the author, our object of study will be tested or built upon an exhaustive

explanatory description, on a single case (organization) in which we have no element of comparison, this will be done taking the organizations and all findings in a holistic manner.

In other words, we will be tracking changes over time through descriptions of what will happen, at T0 and at later stage T1.

This way we adopt (Thomas 2011) a diachronic study which refers to the capturing of data during specific moments: a, b, c…n, where our interest will mainly focus on the changes occurred at the two data collected time landmarks. It is important to state even though the study is focused on a real time event, it does differ from other types of longitudinal studies.

In this sense, the single diachronic case study will allow us to register in two specific time frames the changes which have occurred within the organization's environment, through thorough feedback and points of view provided by the employees. These traced changes, which were provoked by the insertion at a certain time of a new element (HR department) which affected the whole company's dynamic and daily function.

The company has been running for 3 years now, they are at a point in which they want to expand yet they need to consolidate what they have here. This is reflected in the employee un-satisfaction, incompatibility between what is the CEO's vision, mission for LPHS and what is fulfilled by the team in order to complete that vision; unstable work environment; there is a lack of the established company values; leading to an undefined Culture.

Mix of identity with the climate and organizational culture, the early development stages in the Organization's life cycle are the most important in order to establish a strong and defined base, following from the values, to all systems.

The feedback provided will allow us to construct on a theory-based plan, two situations:

- Trace the evolution stage of the organization, looking for specific details and characteristics based on Greiner's Growth model;

- Understand at the stage of organization growth, what are the applicable HPWP and understand the impact of formality within the diagnosed stage.

3.3 Empirical object

In this next segment we will describe and present our subject of study, taking into consideration the industry where it operates, its historic background, its structure, its mission, vision, and core values, culture, and resources.

<u>3.3.1 - Industry</u>

The company's core is room rentals in shared apartments, based on two seasons: academic semesters and summer period. The targets are mainly international (Erasmus) and national bachelor's, master's, PhD students or young professionals (internships or full year contracts). As for the summer, apartments are let out to families, groups of friends or couples.

<u>3.3.2 - Historic Background</u>

LPHS was founded in 2009, beginning with 6 apartments. The founder is of Australian nationality in his late twenties, who had an idea, after experiencing several problems related to his move over during his academic experiences through Madrid and Rome.

As he was studying in Lisbon, he saw a window of opportunity to create a service which helped other students who were in the same situation he found himself in during his Erasmus experience and internship in Europe. This service would be more than just renting a room; he had the idea of helping guests to get settled in Lisbon, in order to help them have a positive international experience. Besides accommodation at an initial stage they organized excursions, parties, extra activities, dinners and provided a Portuguese course for the students who stayed with them.

<u>3.3.3 - Structure</u>

Due to its diachronic nature, it is important to characterize the organizational structure for the two moments under analysis: T0 – before September 2013, and T1 – after September 2013.

At the moment the study was initiated (T0), there were ten team members; the majority has been with LPHS for almost a year. There are seven females and three males, the ages varied between mid twenties and early thirties. There were three Brazilians, one American, one Australian and five Portuguese.

The company suffered a relevant increase in business over the last year, acquiring new rooms and new resources in order to fulfill the demand. The majority of the team has a degree or a master and has gained work experience in the different areas: Marketing, Digital Marketing,

Graphic Design, Reservations & Customer Service, Business development, Property Management.

The dynamic within the team was quite liberal; the founder had strong feelings towards a non-existing hierarchy flat organizational structure. There were no levels, each member was equal and no rankings were to be found.

At T1, an HR responsible entered, and upon request of the founder, a few situations occurred which affected the structure described (moment T0). As formality and installing processes and procedures was the aim, the flexible structure that the founder supported, was slowly put through some changes.

These changes affected the perception and the daily routine of the ten members, who through their own initiative and others through organization imposition, were shuffled.

There were a few exits and some new entries, so currently there are seven members, two are still from moment T0, the remaining five are new additions.

3.3.4 - Mission

Provide a foundation for those who share our ideologies and identify with the benefits of being part of a Global Lifestyle Community. Understand that they can "reuse" it, over and over again at the different stages of their lives, as they keep shaping their persona, while discovering a world filled with opportunities.

3.3.5 - Vision

Supported by its mission and guided by its strong and meaningful values LPHS will be a true ICON, for all those global citizens who believe in the benefits of a borderless lifestyle.

Our loyal customers will know that they can count on LPHS and our community spread over the world to keep allowing multicultural exchanges, global networking and mobility experiences. LPHS culture will expand through time: making sure all community members, future members and Team grow and live unforgettable moments which will change them and influence their lives forever.

3.3.6 - Core values

Mobility: being able to travel and understand the benefits that can come from it: knowledge, experiences, exchanges.

Multi cultural exchange: the positive outcome from swapping experiences with others is motivating. Adding to this a whole new set of beliefs, ways of living and knowing how to grasp these opportunities to gain even more incites to one's life is priceless.

Global networking: it all comes down to communication, creating relationships and bonding. Establishing bridges professionally or personally, adding value to one's life.

Integrating in the local community: tolerance, respect, acceptance and allowing oneself to see and live in a different world.

Global synergies: creating an harmonious and unique symbiosis between people, and is shared world widely by those who have a common vision towards global migration lifestyle

Friendship: union, sharing of a unique and priceless experience which is only understood by those who live it. Inside the team and between our customers, creating links which will last a lifetime. Fomenting a sense of belonging, help, cooperation and commitment.

3.3.7 - Culture

The working environment is laid back, flexible and crafted in a way which calls for each member's creativity, and inspirational side. It is driven by goals and in pursuit of their vision to spread out to the entire world. Reaching out to all students or young professionals who take part of different mobility exchanges, sponsored by their universities or companies.

LPHS wants to help these individuals to add value to their experiences and not only being an accommodation provider.

LPHS's intends to achieve its mission through setting, integrating, preparing, and settling each of the customers in their respective rooms. Through activities, it tries to promote cultural exchange between members and guests and in between the guests (who live together).

This culture is strengthened as the workforce puts into practice the core values which support the company. Each member is chosen due to their unique qualities, international experiences and with the belief they will bring new ideas and behaviors, boosting a win-win situation to the company. Firstly, through their experiences they are able to identify what are the customers' needs, fears and aspirations. Secondly, they share amongst them multicultural experiences, allowing internally the exchange of knowledge, experiences, opinions, thoughts and boosting tolerance, respect, unity and cooperation between them.

The leader is open to the teams input and participation. The leader's behavior is aimed at encouraging teamwork, commitment and the sharing of common goals.

This is beneficial for a company which needs to cater an environment of flexibility in order to be able to adapt to any situation, in this ever evolving global world we live in. Adding to this, are the systems and procedures which are being put into place keeping up to date with the trends and adapting them to core business.

HR or People and culture management is people focused, searching for the best way to motivate and assure that the expected results are achieved. The right policies will be put into practice, motivating and making sure that every member is looked after. HR has in mind LPHS's business strategies, core values, mission, vision and together with all other departments are ready to build the culture into an empire, lived by the internal and external customers

3.3.8 - Resources

At the time of the study, LPHS had twenty apartments spread over Lisbon city. Eight apartments in Marquês de Pombal, six apartments in Saldanha, two apartments in Alameda, one apartment in Graça, another in Baixa Chiado, another in Bairro Alto and one final in Santos.

These apartments gave a total of one hundred and eight rooms, each one equipped with a bed, desk, closet, chair and lamp shade. All kitchens are fully equipped i.e. cutlery, plates, glasses, frying pans tec. There is also a plasma TV and washing machine in all apartments.

The prices of the rooms apartments ranged between 275€ to 345€ per month, excluding utilities.

LPHS had at its disposal at the time two cars, to aid the mobility (visits, check-ins and check-outs, buying, deliveries) through the city and a fully equipped office located in Santos.

Each staff member received a startup work kit composed with a set of keys to the office, a personal computer, an own work station and an iPhone. The office was immaculate and provided the necessary motivation and confidence to the team, and all provisions (water, coffee, and fruit) were at the disposal of the members.

LPHS business model briefly is explained as lease of apartments according to set level of standards which are strategically located from property owners and then resale by room while adding value to the quality accommodation through applied green initiatives, thought out for sharing which are fully serviced. LPHS focuses on getting people set-up quickly, helping with

their integration, sharing experiences, cooperation cultural exchange thus maximizing the benefits of their stay and accelerating the growth of the individual.

They promote their products and services in two ways, they are present online (website; social media platforms: facebook, linkedin, twitter; third-party websites; email marketing and land page initiatives). Their offline promotion is linked to protocols with national and international universities (international offices, student associations); tourism offices and prospects which result from word of mouth and recommendations of past guests.

LPHS besides room rental they also provided at the time, trips, events and activities; this complete solution meant they have competitors on both sides. The rental market has become fiercer. Some provide property management services and others do not. The unregulated market is major factor here but they have still been able to maintain close to 100% occupancy. Towards Trips, Events and Activities, there are a number of competitors where this is their core business, ranging from private companies to NPO such as ESN (Erasmus Student Network) and Erasmus Lisboa. Although their offer is different their events are catered to smaller groups as their aim is to create a sense of community and give people a chance to network.

W Student Housing Review (2013) is a study carried out to the room accommodation for students in Lisbon, carried out by WORX a real estate consultant which concluded that Portugal is gaining more interest for students who want to study abroad, this is due to the rankings of national universities which are improving and increasing their scores. Adding to this is the touristic element that Lisbon and the other student cities (Coimbra, Porto, Braga) have to offer while also being quite cost savvy, especially if one takes into consideration that most of the students are from northern Europe, China nevertheless Portugal is comparatively cheaper to any other student city destination.

The study has also revealed that most of the accommodation in Lisbon belongs to the universities / state (student residencies), however there has been an increase of private companies who now offer the same product and services, there is also a parallel rental market which affects the companies who are keeping an honest track towards the issuing of rental receipts and paying taxes on their services, thus meaning they are charging lower rents leading the students to believe that they can find cheaper rooms, not knowing that they are illegally doing so, nevertheless the Portuguese government has reinforced the need to legalize all rentals, register all properties at the financial branches, so this is positive for the

fomentation of a healthy competition between private owners, private companies (LPHS) and state accommodation providers.

At this current moment, there is an unbalance between the demand and supply within this market; the supply is short (one hundred and forty units which provide four thousand beds) and still needs much improvement to satisfy the demand; there has also been an estimate of an increase of the number of students who will be studying in Lisbon, meaning that there will be need to increase the number of beds to ten thousand. LPHS is well aware of the facts and numbers, their strategy is to continue increasing their offer and improving their services based on the feedback and experience given by their guests.

3.4 Data collection

The data was collected based on three sources counting mostly, as a main source of information and data, with employees and former employees.

Our interview script was developed and used as a guide. Rubin and Rubin (1995) state through a conducted dialogue, one is able to maintain a more flexible interview, allowing the interviewer to reach the desired answers. This is a good source of evidence due to the targeted-focuses on case study topic, as well as being insightful providing perceived causal inferences.

The idea is to gain through a well thought out interview script, asking strategic questions to the employees, bearing in mind T0 and T1. As they represent different timelines, the questions towards T0 were mainly related to understanding the work flow, the organization's background and as our study is related to HPWP, we tried to get the most information and insight related to Recruitment and Selection, Training, Work environment, Leadership and further information that the interviewees felt like sharing. In the same interview script, a selection of targeted questions was thought of for T1.

T0 corresponds to the time frame, before September 2013 and T1 to the period after September 2013. These 2 moments occur due to the implementation and settling of an HR department or responsible within the organization.

Our first phase was carried out together with seven employees; these interviews were done over a three-week period during the summer of 2013, which lasted on average about forty-five minutes. All interviews were recorded in Portuguese and English. At a second phase, the

recorded interviews were transcribed one by one; the ones that were in Portuguese were translated to English.

The interviews were carried in locations outside the office, so the interviewees felt more comfortable and at ease to answer the questions. An interview script was drawn out, in order to structure the session with all interviewees, in order to squeeze the most facts as possible and also to keep the conversation flowing, so any further questions which should have been thought of in the script, could be covered.

The script was divided into seven different sections, each section had in average four questions. As our study's aim was to assess the importance of HPWS within an organization, bearing also in mind Greiner's growth model. The questions and the script were carefully crafted, to gain the information on what were the possible practices carried out, characterization of the work flow and general environment, before the presence of an HR mindset (T0) and what were the differences and perceptions after the presence of an HR mindset (T1). The questions proposed (T1) will bear in mind the fact that an HR department has been implemented and slowly initiated formalization. At this point, the data collected is analyzed and categorized bearing in mind the same framework in which we will try through the respondents answers identify, what HR role and HR bundles have more significance at an initial stage, what HR role and respective HR bundles impact in the future stages.

Secondly, we will focus on the tangible features related to the organization, the work processes, procedures and the organizational outcomes. In this way we will cross the findings between both sources in order to sustain our expected results.

Our second tool to obtain evidence comes through direct observation, which can range from formal to casual data collection activities. It is useful in providing additional information about the topic being studied. The observations involve the viewing of meetings and other organizational formal events.

Our last source of evidence comes from additional documentation, which is useful in verifying the correct spellings and titles or names of organizations that might be mentioned in an interview. The most important use of documents is to corroborate and increase evidence from other sources.

  a. Agendas, announcements and minutes of meetings and other written reports of events
  b. Administrative documents

    c.   Formal studies or evaluations of the company under study

    d.   Newspaper clippings and other articles appearing in the mass media

3.5 Content analysis

The analysis of all retrieved data, throughout the interviews, direct observation and gathering of other relevant information is made under a systematic procedure and under specific descriptive objectives of the content (Bardin, 1977). Moraes (1999) adds these descriptive systems allow us to reinterpret the messages in order to develop an understanding of their meanings. In other words, all the input that is given is subject to analysis through a specific system and transformed into a sort of code which allows us to infer the findings we are searching for. This is enlightened by the theory that supports the research question or that simply adds new findings for a new built theory.

A content analysis requires a specific process of data treatment and follows five steps (Bardin, 1977; Moraes, 1999):

1. Analysis preparation and organization – organizing all the necessary documents or information, which were previously gathered through interviews, direct observation/ description;

2. Codification – transforming the information previously gathered in stage one, isolating the essential and relevant content which will analyzed and important for the study, establishing the units of referent, context and numbering;

3. Categorizing – at this stage the analysis is divided in categories or labels. These should be valid, essential and adequate to the study.

4. Inferring – this is an inductive phase in which there is search to reach the causes through the effects;

5. Information treatment – the information and data which are collected from the steps mentioned above, are analyzed and deeply understood. Conclusions are made at this step.

4 – Results

Before we present the findings which make up our results, we find it important to share the
SWOT analysis conducted to LPHS, which help characterize the organization.

<table>
<tr><td>

Strengths

Business model

Increasing demand

Good facilities/ work tools

Young and proactive team

</td><td>

Weaknesses

Mismanagement/ Unorganized

Lack of rigor and discipline

Lack of leadership/ direction

Lack of cost/ revenue conscious

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<tr><td>

Opportunities

Market leader

Differentiating concept

Solidify the brand's name, make
it a reference (years of
experience and know how
mastered)

</td><td>

Threats

Management/ Organization

Lack of rigor and discipline

Lack of leadership/ direction

 Lack of cost/ revenue conscious

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</table>

Figure 2 – LPHS SWOT analysis

This SWOT analysis provides us a personal insight on how the employees see LPHS. We see
that there is great potential while reading the strengths and opportunities however the
overview of the weaknesses and threats show us that the organization drastically needs
change, the workforce feels that the biggest imposition to reach prosperous opportunities and
bring out there strengths lays in the lack of leadership and proper management guidance. This
input is a good introduction to our concrete results and study of HPWP.

The analysis comprehends a direct comparison between positive and negative scores after and
before the implementation of the HRM system. In operational terms, the difference between
the positive and negative scores in the "before" scenario is computed [e.g. Balance = (PSb –
NSb)/2] and likewise to the "after" scenario [Balance = (PSa-NSa)/2]. This is recurrent for
every item within each practice and the score ranges from -100 to 100. The shifts over time
are computed as Change = [(PSa-NSa)– (Psb-NSb)]/2 with the same valid range having the

"no change" corresponding to "zero". It is worth mentioning that each "zero" balance score can be both interpreted as a "balanced situation" (i.e. as many positive as negative issues reported) or an "absent information" (neither best nor worst practices reported at all). This must be taken into consideration for rigor sake.

Rewards	Before			After			Change
	Positive	Negative	Balance	Positive	Negative	Balance	
R1	0	0	0	100	0	50	50
R2	0	0	0	0	0	0	0
R3	0	0	0	0	0	0	0
R4	12.5	87.5	-37.5	75	25	25	62.5
R5	55.6	44.4	5.6	100	0	50	44.4
Total	13.6	26.4	-6.4	55	5	25	**31.4**

Table 2 – HPWP before/ after – Rewards

P. Appraisal	Before			After			Change
	Positive	Negative	Balance	Positive	Negative	Balance	
P.A1	0	0	0	0	0	0	0
P.A2	0	0	0	0	0	0	0
P.A3	0	0	0	0	0	0	0
P.A4	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	**0**

Table 3– HPWP before/ after – Performance Appraisal

R&S	Before			After			Change
	Positive	Negative	Balance	Positive	Negative	Balance	
R.S1	0	0	0	100	0	50	50
R.S2	68	32	18	85.7	14.3	35.7	17.8
R.S3	90	10	40	100	0	50	10
Total	52.6	14	19.3	95.2	4.8	45.2	**25.9**

Table 4 – HPWP before/ after – Recruitment and Selection

R. Management	Before			After			Change
	Positive	Negative	Balance	Positive	Negative	Balance	
R.M1	0	0	0	100	0	50	50
R.M2	0	0	0	100	0	50	50
R.M3	0	0	0	0	100	-50	-50
Total	0	0	0	66.7	33.3	16.7	16.7

Table 5 – HPWP before/ after – Redundancy Management

Communication	Before			After			Change
	Positive	Negative	Balance	Positive	Negative	Balance	
C1	5.9	94.1	-44,1	75	25	25	69.1
C2	25	75	-25	40	60	-10	15
C3	0	100	-50	100	0	50	100
Total	10.3	89.7	-39,7	71.7	28.3	21.7	61.4

Table 6 - HPWP before/after - Communication

Training	Before			After			Change
	Positive	Negative	Balance	Positive	Negative	Balance	
T1	75	25	25	0	0	0	-25
T2	100	0	50	100	0	50	0
T3	39	61	-11	100	0	50	61
T4	50	50	0	100	0	50	50
Total	66	34	16	75	0	37.5	**21.5**

Table 7 - HPWP before/ after –Training*without any references to Induction*

Career Manag.	Before			After			Change
	Positive	Negative	Balance	Positive	Negative	Balance	
CM1	40	60	-10	0	100	0	50
CM2	0	100	-50	0	0	0	-16.7
CM3	66.7	33.3	16.7	0	0	0	50
CM4	0	100	-50	0	0	0	0
Total	26.7	73.3	-23.3	0	100	-50	**-26.7**

Table 8 – HPWP before/ after – Career Management

Job Security	Before			After			Change
	Positive	Negative	Balance	Positive	Negative	Balance	
JS1	50	50	0	25	75	-25	-25
JS2	0	0	0	50	50	0	0
JS3	0	100	-50	75	25	25	75

Total	16.7	50	-16.7	50	50	0	**-16.7**

Table 9 – HPWP before/ after – Job Security

Participation	Before			After			Change
	Positive	Negative	Balance	Positive	Negative	Balance	
P1	100	0	50	100	0	50	0
P2	0	100	-50	50	50	0	50
P3	50	50	0	100	0	50	50
Total	50	50	0	83.3	16.7	33.3	**33.3**

Table 10 – HPWP before/ after – Participation

The data analysis pertaining best practice comparative frequencies will start by an overview of the "T0" (before) situation followed by the "T1" (after) situation for all the sets of HR practices (Rewards, Performance Appraisal, Recruitment & Selection, Redundancy management, Training, Communication, Career management, Job security, and Participation). This allows a comprehensive view of the holistic situation experienced at each moment. Then, with a more analytical view, we shall focus on the overall score comparison for all the sets of best practices. Some key sentences will be provided for illustrative purposes backing up the interpretations offered.

In the "before" scenario the general situation is far from a systematized HRM with best practices in place. Figure 3 noticeably shows a negative situation with most of HR practices hitting negative balances. The one that stands negatively out is communication and also the fact that performance appraisal are inexistent, with no type of score presented.
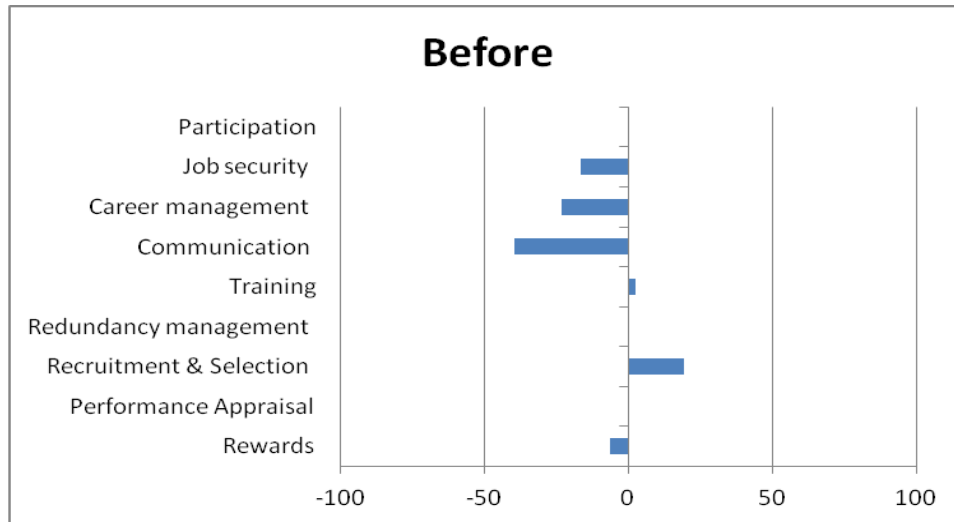
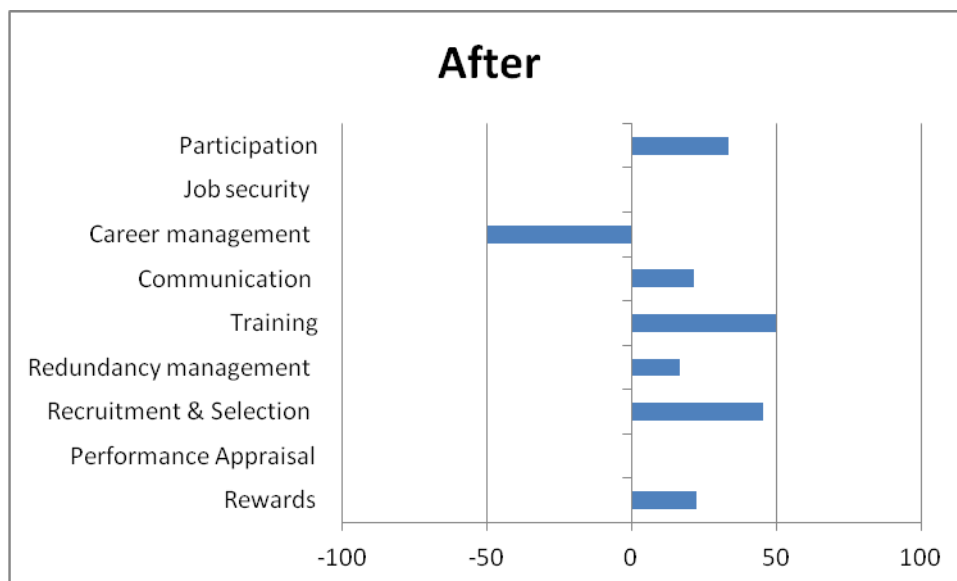**Figure 3 – HR best practices balance – before**

Figure 4 - HR best practices balance – after

The "after scenario" provides a positive look into the HR practices, showing that the creation of an HR mindset where formalization is the ultimate goal may be the way into bringing the most needed structure into the organization.

The overall picture shows that there are now six HR best practices which are above the "zero" border (Participation, Communication, Training, Redundancy management, Recruitment & Selection and Rewards). One practice maintains a negative score (Career Management). Lastly, the two remaining practices have no sort of reference, meaning either they have not altered or there has been no element found during the interviews (Job security and Performance Appraisal).

We also need to reference the fact that there is still no shift towards the Performance Appraisal best practice, which suggests that the redundancy management practice followed a non-structured system, which allows us to continue inferring that management decision towards evaluations or firing could be doubtful, where there is no sort of basis or level of structure to support their decision.

We will now proceed with the description of each isolated category in order to characterize the "overall scenario" between T0 and T1:

Participation

The balance for this HR best practice is a positive 33.3 (thirty there point three) score, which evidently shows that this practice encourages the members to continue proposing improvements on things that are done internally, as well as allowing the members to keep involved in the decision making and problem resolution, (E.g. "Coming in for the first time to a place, and structuring everything for the first time"; "I realized I had to stop everything that was going on to sit down and organize the system because there was nothing to work from, nothing to work for, a few email templates that were poorly written or little or never were used. So I basically created this system, which is now what we are currently using"). Even though the company is still at an initial stage of its development, employees are more conscious of their role within the company and how important their initiative is, in order to get things done, (E.g. "we've all managed to go around the absence of an important figure. We are focused; we are leaders of ourselves"; "I warned him that the company couldn't pay 12.000€ in HR with taxes, for sure by now the company would have closed. I done control cost maps because I wanted to out of my free will".

Communication

This HR best practice which is constituted by three sub-categories has reached a balanced 21, 7 (twenty one point seven) positive score.

There is a higher score for positive feedback than negative, in which the last sub-category (C3) linked to communication between the team and departments scored full marks (E.g. "There is an improvement on the management of projects, deadline fulfillment and priority setting"). The communication from part of the director continued to be an issue scoring -10 and lastly management improved due to the fact that the director beagan to explain why certain decisions (C2) were made, (E.g. "my English wasn't the greatest, he's Portuguese wasn't the greatest and there was so much time to work on it but it was all left for the last minute"; "I was working on different projects, not knowing what they were for, and every time they were presented to CEO, there always some sort of change needed, I had worked on so many different versions, he was inconstant"). In general we are able to state that communication has been paved in order to benefit the entire company, (E.g. "I tried my best to open ways for communication to begin circulating, we began having team meetings, I thought this would be a good way for the team to know what is going on in each functional area, understand what are the problems and how one's role affects the other, it also gave each member the opportunity to share any new idea or thought".

Training

The overall picture of this HR best practice allows us to conclude that management is in the right direction towards training within the company, (E.g. "I was working at the time on a form in order to assess what different courses each member could have benefited from such as TM 2, it was spoken several times about a degree in Hospitality Management, for TM 1 driving lessons, for TM 3 more workshops in Digital Marketing"). The balance result is a positive 37, 5 (thirty seven point five) score, there was no negative reference and that in the "after scenario" there was no change towards access to training for all employees.

Redundancy Management

This is an important and relevant best practice that every company must have, it is constituted by three sub-categories and the general score was a positive 16.7 (sixteen point seven) score. As LPHS is at an initial stage there was never any reason or probably any criteria which management followed through in order to decide whether an employee should be kept or not. It is clear to see with the installation of an HR mindset, the criterion has begun to be

structured, (E.g." after all that has happened we are more productive, besides being fewer members"; "The exits which happened also influenced how people work today, in the sense that people felt weary and made them rethink their work conduct"). Management has been capable to be fair upon the decision to retrench as well as in what situation these employees would be left in, (E.g. "All employees receive what they are meant to receive at the cessation of their contracts (compensation, paid holidays, unemployment subsidy letter. LPHS makes sure they receive if worthy of so a recommendation letter. There is just one situation that negatively affects this best practice which is related to the ideal employee profile (candidates who might be in a precarious situation). The score for this sub-category was a full negative score, (E.g. "the CEO has specific criteria that he uses when he selects someone to on board the team. I don't believe he would ever hire someone who has ever been out of Portugal or has had an international experience; even if they are living in a more precarious way").

Recruitment & Selection

This is one of the pillars for any SHRM in a company, it is positive to look at the balance score and see it is a positive 45.2 (forty-five point two) score. This best practice is constituted by three sub-categories; through these results we may conclude that management tends to first select internally before looking out, this could have to do with convenience, due to the tender age of the company and due to the notoriety in labor market a startup has (E.g. "When TM 1 left the job opening was first given internally and now it is being posted for outsiders to the company"; "It began in February and extended for 9 months and after this I was invited by the company to sign a one year work contract"). There is concern whether a member develops his skills and competencies over time within the company in order to need be to take over other roles or internal openings. There was a negative result towards the selection of the right person for the company "the entrance of certain person due to her age and market experience, turned out to be a very expensive hiring. She was meant to have brought positive change and direction to the team, but all she did was the opposite"). At an initial stage companies should find members who will fit to the culture and then to the role and not first to the role and then to the culture, (E.g. "a different approach was taken in order to narrow down the options for a new opening in January, an eliminative questionnaire was sent out to the candidates").

Rewards

This HR best practice is constituted by 5 (five) sub-categories and is linked to compensation and benefits. It is an important practice as mentioned above, the overall score was a positive 25 (twenty-five). The five subcategories had three which were positively scored and the other two had no sort of reference. We may conclude in general sense that LPHS has a generous benefit system (E.g. "all members who come in receive a kit: office keys, a computer, a Smartphone"), which overall speaking is fair according to most of the employees, (E.g. "There was an increase from the salary that I was receiving from my internship"). Another positive feature of this best practice is that LPHS is paying above the market price to the employees, which is a rare situation taking into consideration that the company considers itself a startup, (E.g. "LPHS is paying way above the average pay of the market"). In an HR view this is truly a plus and a benefit for the remainder of the best practices such as recruitment & selection and performance appraisal.

However the HR mindset which was inserted within the company, brought a shift towards a more cost saving environment, as mentioned above the cost with HR was excessively high, so certain decisions were taken bearing in mind the prosperity and sustainability of the business, (E.g. "I opted not to follow through with the contract due to the salary that I was offered"). There is need to be more conscious towards what an employee is really worth and what the organization can effectively reward him with taking into consideration the various features and financial records.

Career Management

This is the HR practice which we consider a mal practice; it is constituted by 4 sub-categories from which three had a null score meaning that either nothing changed or there was no reference from any member. The only sub-category that had a score, it was computed as fully negative. We conclude that management needs to work on their policies of career progression within LPHS, (E.g. "I don't think there is a possibility for career progression, at least not yet, a leader is missing there").

The balance score is negative 26, 7 (twenty-six point seven), proving evidently that this is a problem which certainly affects and shows that there are problems with other HRM best practices within LPHS. It is very important at an early stage of an organization that if it wants to survive it needs to provide its workforce with the confidence and trust they need to believe

that they themselves may grow together with the organization; this is linked to other best practices mentioned: communication, performance appraisal, job security and rewards. +

Performance Appraisal and Job Security

Both these HRM practices reach null scoring in the "after scenario". This meaning that either there was no reference during the interview phase or that there was no sort of change. Nevertheless, these are two important best practices which management should attend to forming, as they will definitely influence the impact of the remaining eight practices and vice versa.

As mentioned above the need for formal evaluation and providing this feedback to the workforce is essential to align the team with the overall business strategy. It is an opportunity for management to tune the team, get their feedback on several issues and allow them together to work on the various issues, providing this way the necessary job security, as well as increasing their communication while influencing the workforce's commitment. There is great importance for managers to be able to measure work (tasks, attitudes, behaviors) this is the only way they will be able to show the team concrete facts and provide them with the most needed objectives which helps them to shift their work conduct while also having a purpose to reach.

The following two graphs illustrate the differences felt in the "before" and "after" scenario, seven out of ten practices are above zero. Two out of ten practices are under zero and one out of ten maintained at the zero level.

At this point we are able to state that towards the Performance appraisal best practice that LPHS even thought they were working on a formalized form of appraising the members performance, it didn't follow through with, most of the appraisals were qualitative based and not quantitative. Management had no sort of form, or ever sat down with the employees and gave them a numerical feedback session.

Even though communication has improved drastically between the two scenarios, swifting from a mal practice to a best practice there are still some grey areas which need to be cared for, the most striking one is the lack of openness towards communication from management towards the employees (C2).

If we link this to the performance appraisal practice, where communication is the main source of emitting and receiving feedback, we could easily correlate this with one another.

We conclude as well that the rewards best practice even though has improved, in an HR sense it is on a positive track, there are some elements that need to be reconsidered. It is encouraging to see that the employees receive above the market price and that the rewards and benefits are generous, however as this is not linked to the performance appraisal, one questions whether the members are fully committed to the cause and their performance is at its maximum.
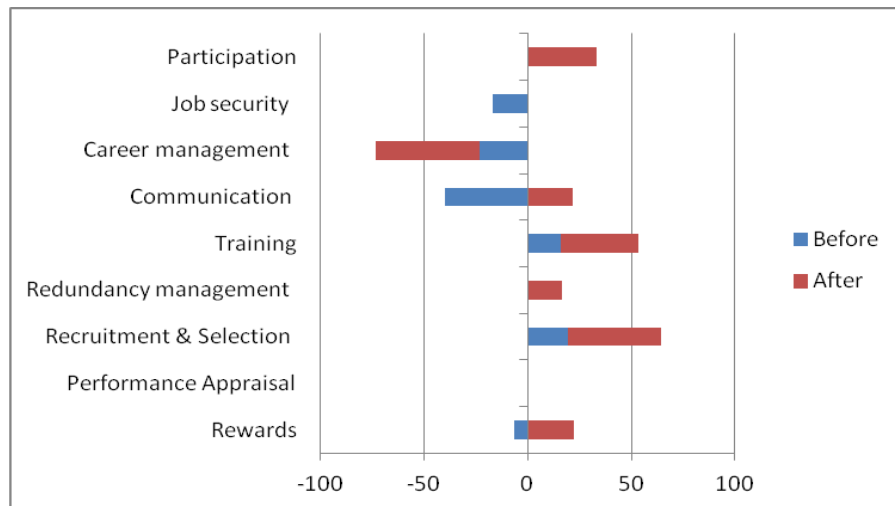

Figure 5 – HR best practices balance – before/after

It is clear to see that job security still maintains to be an issue; once again members were not secure towards most things within the company. There was no source of evaluation, everyone thought they were doing a great job; participation has now reached a positive value, as in this new era employees are well aware that they need to do things, there is greater consciousness as there has been a shift in management's way of communicating certain decisions. However, this does not invalid the fact that many situations need to be addressed and improved even though these practices are at a positive level.

There has been a positive shift for redundancy management as the managerial level never had the need to retrench anyone at this tender age of the company, yet for the company to improve its performance, even though there was no formal evaluation system, a more intuitive way was used to realize who was on the same boat and who wasn't. On the other hand, this never allowed management to forget about its duties and commitment towards these employees, the criteria was weighed, opportunities were given and then decisions were taken, always thinking about the well being of the individual and of the business.
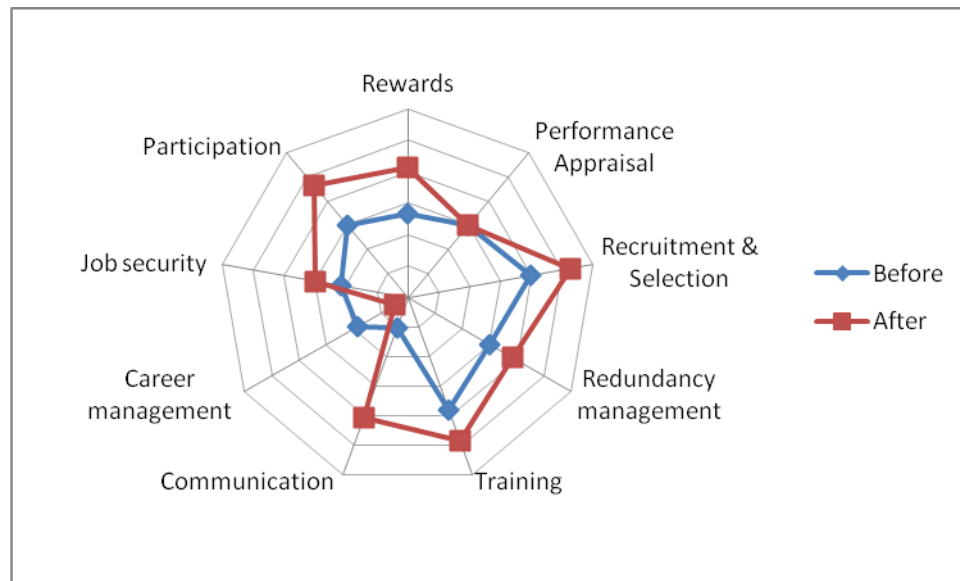
Figure 6 - HR best practices balance - before/after

Some members took on the decision to leave the company after these interviews were done, these employees left due to the lack of communication, set objectives and lack of career aspirations. To work in a place where job security lacks and no career management policies are in place, leads one to think twice whether their commitment and hours dedicated to this startup will have any return one day, besides the pay over the market price. This insecurity linked to a unstable communication from part of management, does definitely get any person thinking, even though they were autonomous, free to take part of decision taking related to their area it still was not enough and there was a need for leadership, proper companionship from part of management. Yet at the same time, these employees in the "after scenario" were more aware of their privileged position in a company where training is valued and was a important feature for management and that should be kept, their compensation for the work they had and the environment in which they worked in was not bad at all, adding to this is they themselves were their own "bosses".

However when the first lay off took place, we conclude that this created a buzz for these employees who felt threatened and due to the insecurity within the work environment felt they would be next or were just not prepared for another change.

Lastly, recruitment and selection since the "before" scenario it always had a distinct, positive and efficient practice. In the "after" scenario certain elements were improved towards the tools that were used upon the on boarding of a new team member. We believe that LPHS's management needs to be aware of selecting someone who fits into the organization and not the organization fit into the person.

6 - Discussion and conclusion

The current study had the objective of learning and gathering information on the formalization of HR practices within an organization, specifically at an initial stage. These HR practices were studied, from a HPWP perspective, with a purpose to show that within a startup phase of any organization it is important to have an HR mindset and from a very tender phase begin to formalize and structure processes and procedures.

In order to address the HPWP, at an initial stage we had to prove at what stage of growth was the organization, we did this through Greiner's Growth model. Following the specific details of each category, we conclude that LPHS finds itself between the first two initial stages of the model and in the midst of a crisis of leadership.

In order to assess the above conclusions, through our explained methodology we gathered through the employees' feedback, several comments which we computed, segmented and distributed accordingly to the specific characteristics each phase presents.

In this sense we found much evidence linking LPHS's to the creative stage, according to Greiner (1998) the founder is entrepreneurially driven, despises management activities as his focus is on building new ideas, and placing them out there to be sold. Within the team, several were the remarks to an informal communication, long hours of work, the workforce and management respond to customers' reactions, and decision capacity and motivation are dependent on market feedback.

However it was clear to see that the employees needed more, a lot of criticism was directed to the leader and that the organization was a pure reflection of his actions, most comments were that for the organization to pull forward either the founder would change his thought process and actions, be more of a guide and show the team direction or else it was time that a new business oriented leader was appointed.

This crisis of leadership had a real impact on the organization, frustration within the team was evident as well as for the founder himself who made clear observations of his lack of managerial skills. However, while admitting this he did try to sort this by attending coaching sessions, by constituting an HR department, in which this proved he believed that there was

something missing within his business (structure) and also searching for candidates with the profile to take over the field of business which he was not capable of doing or interested in following through with.

At the time the data and information were gathered, the organization was in process of on boarding a new member who slowly would start to take over the business coordination. This matches the beginning of a new growth staged named delegation. Truth be said, at an initial stage the response of the team was apparently great, the work environment seemed positive and change seemed to be in the air. There had been some swifts within the team as well, some members left and others were added, these additions brought some needed direction due to the different tools which were appointed to each member due to the area they were in, the formalization of some processes and procedures, communication began to circulate in a stronger manner, members became more aware of financial results and objectives were set.

Nevertheless, the past lingered on the team, bad habits were difficult to change and a few of the older employees were resistant to change, a new business leader was chosen, however the plan backfired and many were the issues which made it impossible for the organization to fully move into this new stage.

The leadership crisis has not been fully sorted, so LPHS even though as our above results show a minor positive swift within the organization, a few things still remain a great issue:

- Lack of leadership;
- Gap between CEO's aspirations and team's effort;
- Lack of HR systems and support (work in progress)

The last point, as mentioned above is one of the purposes of our study, following the research of several authors, but mainly Pfeffer, we aimed to assess the seven best HPWP within LPHS. This was achieved through the interviews, direct observation and the use of further documents which were at our disposal. As our results above explained, we evaluated two moments T0 and T1, we aimed to strikingly state the differences felt and found with the official establishment of an HR mindset, while viewing which are the most important ones.

At the phase T0, the organization had a set of practices which were unstructured; some prevailed over others, providing LPHS with some positive feedback, namely their staffing, their training and development interest, their reward system (which was considerably above the market's pay ranges).

It is worth mentioning that many of the employees who were interviewed did not have a concrete perception on the role of HR inside an organization. They assumed HR was a more administrative one, linked to payroll, labor laws, and contracts, while also being the one's which whenever there was some sort of complaint, were expected to go to people.

By following Ulrich's proposal on the four HR roles the research made us understand that some roles stood out more than others and by attempting to study the best HPWP, we were able to conclude that even though some of the practices were already being used, they obviously did need improvements.

Management needs to work on a performance appraisal best practice which brings everything together; there are some improvements needed towards rewards, communication, career management and job security.

LPHS has generally improved towards the consciousness of the best practices; some improvements took place others need much work on. It is imperative that when setting up a recruitment and selection phase, management has thought of the reward policy which will accompany that selection and link that to a performance appraisal which is just, motivating, and allows all members to take part of, whilst defining at the same time their objectives. As regards rewards, taking into consideration Adams' equity theory one could anticipate that there would be a general feeling of being overpaid, however, the lack of a true performance appraisal system precludes the necessary feedback to judge on the ratio between input and output.

Another general conclusion is LPHS management clearly fell short from having a comprehensive view on how the business would evolve. Managers thought that they had a good business idea, all they needed was to recruit and select one member for each area, project a good image when searching for employees, show at an initial stage that the company was going far, communicate the best image in the beginning to get the person on board (leader's doing). This obviously was not the reality and once the member was inside it was a completely different story, leading the person to feel deceived, as many interviewees shared.

As a sum up, we conclude that the three most important HPWP are communication, rewards and performance appraisal. Evaluating performance is extremely important, it gives the workforce direction, pressure, and when linked to a reward provides them the needed motivation.

Obviously, all practices are linked to each other so the main idea is to keep strategic, this meaning all departments need to be aligned with the overall business strategy and results. In this way, the practices gain meaning and are better applied to the workforce, who will feel complied to perform while the organization will feel secure in the sense they have the right tools which will lead them to the desired success.

As regards limitations, no study can be honestly conducted with a reflection on its limitations and boundary conditions. Firstly, it is important to acknowledge that these findings are solemnly relevant to this organization; all the input and other details and facts used were exclusively related to LPHS. It is also important to state that as the organization found itself at a startup phase (as a pre-requisite to the study) many were the practices that had not been placed into practice due to the young age and size of the organizations and, so conclusions are necessarily bounded to such reality, and no founded exclusion of possible evolutions can be made seriously. Notwithstanding such limitations, findings offer some assurance as the relevant theoretic framework which composed this study somewhat offered support in its interpretation.

In an overall sense the implementation of an HR mindset within LPHS is proof to management of the importance of systematizing the internal processes and procedures. At an initial stage of any company it is normal that management is less on top of situations but it is vital that certain HR practices find a stable base from the very start, if the company's ultimate goal is to be profitable and efficient.

Some other limitations to this study are linked to the time period that these facts were gathered from the members. An HR department is not built up from one day to the next, adding to this is the lack of experience from the person who was responsible for this, at a startup level all practices and procedures need to be started from scratch or improved. It is impossible in a space of months to guarantee full efficiency and getting all pillars in efficiently built up (Reward Management, Performance Appraisal and Staffing), besides this is the setting up of the procedures to be able to fulfill the four HR roles proposed by Ulrich.

Adding to this, the information collected from the employees through interviews, depending on the question and whether they will need to recall back on a past period, can limit all the information they may provide. In the same manner, probably due to possible repercussions they do not feel at ease to give all their input, even though they were comforted knowing it would be traced anonymously.

More studies supporting HPWP inside startups would be a positive step into showing that organizations might benefit from adopting at a very initial stage, an HR mindset. These studies would also provide input on the importance of the leader's role at an initial stage.

One final thought for an organization to reach efficiency and results. The departments which compose it need to be in synchronization with each other and that at the end their strategy, their goals, their desired profit is only achievable once their workforce feels their needs are looked out for, this is reached with a functionally and meaningful set of best HPWP.

6 - References

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7 - Appendix

Appendix 1 – Interview script

Employee backgrounds (current & former employees)

1. What is your academic background?
2. Have you had any experience in hospitality, customer service, real estate?
3. How long have you worked at LPHS? / How long did you work at LPHS?
   a) What lead you to leave the company?

Recrutiment/ Selection processes

1. How did you find out about LPHS?
2. Were you prepared to work at a startup? Were your expectations met?
3. Can you describe your recruitment & selection process (time, what did you have to do, what was your overall impression?)
4. What was agreed once you were selected to work at LPHS. What were the conditions agreed upon?

Induction/ Introduction

1. What were your first impressions about LPHS?
2. In your words, how would you describe the company's structure?
3. Was your job role clear for yourself and for the rest of team? (was it understandable what you would be coming to do inside LPHS)
4. Was there any structured plan:
   a) understand the role of your colleagues inside the company?
   b) understand the internal processes & procedures?
   c) mission, vision and values of the company?

Training/ Development

1. What training did you receive since you entered?
2. Was this training suitable for your role inside LPHS?
3. How would you characterize the trainings inside the company?

Work environment

1. Could you describe how you perceived the work environment?

       a) work flow

       b) communication

       c) deadline fulfillment

       d) relationships

       e) morale

Human Resources

1. What are your thoughts of the HR function?
2. Did you feel any differences or improvements with the establishment of this role in LPHS? In what ways?
3. Could you enumerate a few practices/ tools / activities that have been implemented or tried out by the HR?
4. Do you feel there is possibility for career progression inside LPHS? Why?
5. If you divide your collaboration at LPHS in two periods: before September 2013 and after this. What would be the main differences?
    a) what was expected from you?
    b) Communication
    c) direction, goals
    d) clear job role

Leadership

1. How do you describe LPHS's management style? What are the focuses? What do you feel is lacking? What do you think needs to change?

Appendix 2 – HPWP Category description

Rewards: R

R1: The salary that is offered is higher than other companies in the same sector

R2: The salary the employees receive reflect the employees performance

R3: In the last 3 years, the organization has been able to offer the same level of salary and benefits in its time of great prosperity

R4: The reward system is fair

R5: The organization has a generous policy when it comes to rewards and benefits

Performance Appraisal:P.A

P.A1: During the PA future professional development is valued

P.A2: Performance is measured based on objective criteria and quantifiable results

P.A3: PA is carried out periodically

P.A4: During the PA the employees are able to discuss together with their manager their performance over the time

Recruitment & Selection: R&S

R.S1: Whenever there is a job opening the organization tends to choose internal workers first

R.S2: There is great effort in selecting the right person

R.S3: The selection of new workers is based on their potential to grow

Redundancy Management: R.M

R.M1: The organization uses fair criteria when they decide to fire someone

R.M2: The management of the organization really worries about the situation that the employees which are fired might stay in

R.M3: There has been a tendency to hire employees in a higher precarious situation

Training: T

T1: All employees in the company have access to training

T2: The organization values training

T3: Employees have access to training which improves the necessary competencies in order to perform the role well in the future

T4: Besides technical training, the organization provides training in order for the employees to develop their potential

Communication:C

C1: Managers provide employees with the reason why certain management decisions were taken

C2: Managers maintain an open communication with the employees

C3: There is an easy and open communication culture between all departments

Career Management: C.M

C.M1: The employees have great opportunity for career progression

C.M2: Career progression opportunities are based on performance and merit

C.M3: The organization takes into consideration our career aspirations

C.M4: The organization gives me the opportunity to apply for new functions that might open

Job Security: J.S

J.S1: The employees will remain in the organization, with a secure job, for the time that they want

J.S2: The organization does all it can to avoid firing

J.S3: The organization might be going through a crisis, but employees know that firing would always be the last resort taken by the company

Participation: P

P1: It is possible for employees to propose improvements towards thngs are done inside the organization

P2: Employees participate in the definition of their work objectives

P3: The organization encourages the employees to get involved in decision making and problem resolution