

DOCTORAL PROGRAMME

“NOT MERE SILENT PARTNERS” – UNDERSTANDING ROLE OF VENTURE
CAPITALISTS IN HUMAN RESOURCE MANAGEMENT OF STARTUPS

By

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Abstract

The dissertation explores the influence of venture capital investment on human resource management (HRM) in the context of venture-funded startups. Specifically, it focuses on understanding the role of venture capitalist(VC)¹s on the functional elaboration of HRM in small, entrepreneurial firms. The study uses a qualitative research methodology to show how external investors influence changes in HRM. The present study is significant because it lies at the intersection of the literature on HRM, entrepreneurship, and venture finance. The study focuses on the context of growing ventures that face significant HRM challenges as they transit from an early to a growth stage. The present study's findings make novel contributions to the extant research on HRM in small and emerging firms.

First, the findings of the study suggest that VCs contribute towards both the quantitative and qualitative elaboration of HRM through their involvement in recruitment, performance management, compensation mapping, organization design, founder coaching, networking and outreach. Second, the study explores how VCs themselves, network resources and brand/reputation of the VC firm prompt changes to HRM. Finally, by examining the interaction between the role that VCs play and the stage of the venture, the study contributes towards a nuanced understanding of venture finance and its implications on HRM in entrepreneurial firms.

The study contributes to the growing body of research on the functional elaboration of HRM (Wilkerson & Seers, 2019; Wilkerson, Seers & Johnson, 2020).

The study's findings also highlight the significance of the dyadic VC-entrepreneur relationship and find that trust, credibility, open communication, and rapport building as necessary

¹ I refer to VC as an abbreviated form for venture capital and VCs/VC's as an abbreviated form for venture capitalists/venture partners in the dissertation

conditions for the value-addition to happen. Overall, the study addresses the call to pay more attention to the context of HRM in small and emerging firms (Harney & Alkhalaf, 2021). It also offers insights into how external financing affects the growth of entrepreneurial firms (Burton et al., 2019; Pahnke, Katila & Eisenhardt, 2015). The dissertation makes novel theoretical contributions and offers important insights for practice on the barriers to growth and HR challenges faced by venture capital-backed entrepreneurial firms.

Keywords: *human resource management in startups, venture funding, value addition role of venture capitalists*