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# **Research on Strategic Human Resource Management of Entrepreneurial Enterprises in China**

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Cohort: 2017

Candidate: GAO Ran

Supervisor: ZHANG Shixian

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# ABSTRACT

The year 2024, which marks the 75<sup>th</sup> anniversary of the founding of New China, is a critical year for China to achieve the goals set in the “14<sup>th</sup> Five-Year Plan”. The just-concluded “Two Sessions” (the collective term for the Chinese government’s annual plenary sessions) once again raised the concept of “innovation” to the level of national strategy so as to build the nation into an innovation highland and a hot spot for entrepreneurship for the new era. Against the backdrop of the increasingly competitive market, an increasing number of outstanding entrepreneurial companies in China come to realization that Strategic Human Resource Management (SHRM) plays a fundamental role for the company to compete in the market. To study how to align the HRM with the strategic development of entrepreneurial companies presents a guiding significance.

Based on the literature review and data analysis, this dissertation reviews the research and development trends of SHRM, the overall development course of entrepreneurial companies in China and the experiences accumulated and challenges confronted. It can be found that traditional HRM has been subject to disruptive challenges, including the transformation from the “pyramid-shaped” to the “network” organizational structure, the transformation of the relations between HRM and corporate strategy from “obedience” to “partnership”, as well as the overall rising importance of personal value, personality, recognition, and capabilities among the new-generation employees. These changes necessitate upgrading and transforming the existing HRM, which also lay the groundwork for subsequent research.

This dissertation conducts a questionnaire survey on 20 entrepreneurial companies in China in which the basic employee landscape in entrepreneurial companies and their views on SHRM are described. The survey findings characterize three main problems lying within the SHRM among entrepreneurial companies: a lack of diversity in terms of the way of management; incompetence and improper attitude of HR managers; the low degree of digitization used during HRM activities.

Through in-depth interviews and grounded theory, this dissertation finds that what plays a positive role in Chinese entrepreneurial companies is a “control-oriented and commitment-oriented” SHRM model. This dissertation refines the SHRM implemented by Chinese entrepreneurial companies into nine aspects, namely: recruitment and selection, managerial communication, organizational environment,

work design, work process, training and promotion, incentives and benefits, career development, and merit pay. These nine aspects can be further summarized into three main categories, namely: symbiosis, synergy, and empowerment. Through data processing by means of the three-level coding, coupled with connecting the “story-lines”, the SHRM model for the Chinese entrepreneurial companies is summarized. The model is then revised and supplemented after “digital transformation” is added as one of the drivers. When the three major factors, namely “digitization”, “strategy” and “HRM” intertwine with each other, the SHRM in entrepreneurial companies can be given full play, forming a Control-Commitment Combination with its own distinctive Chinese features. Reviewing the use cases of such a SHRM model in three entrepreneurial companies, the operability of the model is verified.

In this dissertation, a Confucian perspective is used for the China-context analysis of SHRM. There are five fundamental concepts: the concepts of “ren” (benevolence) and “he” (harmony) in Confucian thought, as well as the five concepts that extend from Confucianism: collectivism, *mianzi* (face), and *guanxi* (personal connections). By applying these traditional Chinese culture to the modern SHRM in China, a management model that is in line both with the modern management laws and the characteristics of traditional Chinese culture is built. The concept of “Benevolence” is closely related to employee care, social responsibility, fairness and justice. “Harmony”, which can be used to explain “symbiosis” and “commitment-orientation”, represents the best state of management practice. Collectivism, which is the inheritance of the collective unconsciousness of a generation when China was a planned economy before 1978, still exists and will continue to exist for a certain period of time. It can be used to explain “symbiosis” and “synergy”. Such a psychological state is useful to cultivate the sense of community among the employees so that they would prioritize the interests of the company as a whole rather than their own. “*Mianzi*” is said to be the overarching philosophy behind how the Chinese society runs. In this dissertation, “empowerment” best represents the concept of “*mianzi*”, whose most intuitive manifestation can be found in power struggle, internal strife, and cutthroat competition. “*Guanxi*”, which can be used to explain “symbiosis” and “control orientation”. “*Guanxi*” refers to the process of establishing and maintaining personal connections to gain certain benefits or achieve specific goals while ultimately aiming to preserve “face”. However, it can also lead to unfair

resource allocation, hinder fair competition, and occasionally result in power abuse and corruption. Therefore, this study emphasizes the need for a certain “control orientation”.

This dissertation suggests that managers and HR practitioners in entrepreneurial companies should reposition themselves in order to adapt to the changes.

**Keywords: Entrepreneurial companies; SHRM; Symbiosis, Synergy and Empowerment; Control Orientation; Commitment Orientation**

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