



What Challenges Do HR Firms Face When Developing a New Industry

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ABSTRACT

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This study analyzes the challenges faced by HR firms when entering an emerging industry, with a particular focus on small and medium-sized enterprises. Through a combination of quantitative data analysis and semi-structured interviews, both qualitative and quantitative research methods were employed to gain a comprehensive understanding of the practical barriers that HR firms may encounter during industry expansion. The research attempts to identify common challenges and industry-specific pitfalls, providing insights into the key factors that should be considered before entering a new industry.

The main objective of the study is to provide valuable references and strategic recommendations for HR firms planning to enter unfamiliar markets. By combining the theoretical framework of HRM with the findings of empirical research, the importance of careful planning, informed decision-making, and adapting HR practices to the new industry environment is emphasized.

By combining data analysis with theoretical support, the study helps companies set reasonable goals and make more forward-looking strategic decisions in the face of uncertainty in new markets, providing useful practical guidance in the field of HRM.

Key words: human resource management, entering a new industry, mixed methods research

CONTENTS

1 INTRODUCTION	4
1.1 Research Background	4
1.2 Research Objective.....	5
1.3 Research Methodology	6
1.4 Scope of the thesis	7
2 Research Questions	8
2.1 What are the Recruitment Challenges Faced by HR Firms When Entering a New Industry?	8
2.1.1 Labour Shortages Due to Mismatch Problems.....	9
2.1.2 Innovative Transformation of Recruitment Channels and Methods	12
2.1.3 Unclear Recruitment Assessment Criteria	13
2.2 How do Compensation Systems in New Industries Affect HR Firms' Recruiting Strategies.....	14
2.2.1 Difficulty in Salary Restructuring	15
2.2.2 Rising Recruitment Costs.....	17
2.2.3 Competition is Fierce	18
2.3 How do HR Companies Deal with the Complexity of Talent Matching in New Industries.....	20
2.3.1 Building a Strategic Competency Model	21
2.3.2 Updating and Integrating Diverse Recruiting Tools.....	22
2.3.3 Strengthening Industry Training and Collaborative Networks.....	23
2.3.4 Dynamically Adapting Assessment and Feedback Mechanisms.....	25
3 Interview questions and answers	27
3.1 Summary and comments from the interviews	31
4 Theoretical framework	33
5 Ethical issues	36
5.1 Confidentiality and privacy protection.	36
5.2 Fair and non-discriminatory recruitment.....	37
5.3 Conflicts of interest	37
5.4 Transparency and Honest Communication	38
5.5 Informed Consent and Employee Care	38
5.6 Legally compliant labor contracts.....	39
6 Summary.....	41
REFERENCES	42

1 INTRODUCTION

1.1 Research Background

With the rapid development of emerging industries such as artificial intelligence, green energy and the digital economy, the employment needs of enterprises are also changing quietly. Traditional HR companies are standing at a crossroads of “either transform or fall behind.” After all, when the market is changing, customers are changing jobs are changing, the HR industry naturally cannot stand still. More and more HR companies are realizing that they need to grow their business. The traditional service industry alone can no longer adapt to the market, and the development of new areas has become a step that has be taken. However, this is not an easy step to take. Emerging industries have a more diverse definition of talent and require a higher level of skills and cultural fit, while many HR firms are still recruiting in the ‘old school’ way, especially small and medium-sized HR firms, which can easily fail to adapt to the current market. For example, the artificial intelligence industry requires not only knowledge of technical languages but also an understanding of the direction of cutting-edge development. The green energy industry emphasizes environmental protection concepts and interdisciplinary talents, all of which challenge HR firms' ability to select talents, industry sensitivity and strategic synergy. The match between HR and business strategy is especially critical during industry transitions (Mello, 2020, p.78)

In addition, it is said in the video that HR departments have to adjust their recruitment strategies and talent management approaches to different organizational contexts and external market changes (AIHR, 2023, YouTube). Otherwise, it is difficult to play a proper role. In real life, many small and medium-

sized HR companies are 'crossing the river by touching the stone' after entering the new industry, lacking theoretical guidance and practical data reference.

In the HR filed there are now some literature exploring transformation (Troy, V. 2009, pp.37-38), the combination of talent management and innovative industries (AIHR, 2019, YouTube). For how HR companies can specifically address the challenges of emerging industries. Analyze and identify the bottlenecks and opportunities that HR companies encounter in the process of entering new industries through both quantitative and qualitative perspectives to provide more valuable suggestions and strategies for the industry.

1.2 Research Objective

The objective of this study is to systematically identify and analyze the practical problems and challenges that human resource companies may encounter when expanding into emerging industries.

Whether entering new industries such as artificial intelligence, green energy, or digital economy HR companies have to face a series of problems such as new job demands, changes in talent structure, and shortage of industry knowledge. So, which of these problems are "common" across industries? Which of these problems are "common" across industries, and which are "exclusive" to specific industries? This is the first level of objective that we would like to explore in depth. Secondly, we would like to further consider whether HR companies need more thorough strategic planning before entering a new field. For example, they need to be well prepared in terms of organizational capability, recruitment models and industry understanding. Especially for small and medium-sized HR firms, how to better cope with the changes in the external industry environment with limited resources is the focus of this study hoping to answer.

In addition, this study combines HR strategic management theories and data analysis to uncover the key factors behind the challenges, such as company size, business model, talent pool, etc. The goal is to provide HR companies with a better understanding of the challenges they face. The ultimate goal is to provide HR companies, especially small and medium-sized companies, with practical reference value to suggestions and development strategies, helping them to start their business more calmly and directional in the face of the fast-changing market environment.

1.3 Research Methodology

This study uses both quantitative and qualitative methods to analyze the HR sector. In the quantitative part of the study, profiling is done by analyzing public data, industry reports, and annual reports of companies and books. Due to the limitations of quantitative methods. At the same time, a qualitative research approach was also used to dig deeper and closer. Semi-structured interviews were used for the qualitative approach.

The combination of quantitative and qualitative approaches can enhance the persuasiveness of the research and help to make more relevant suggestions for improvement (Creswell, 2014, pp.219-223). This suggests that mixed research methods can bridge the gap between theoretical validation and practical exploration. This leads to a greater understanding of the reasons and details behind the field of HR and makes the research findings richer and more informative.

1.4 Scope of the thesis

This study focuses on the challenges faced by small and medium-sized Finnish HR service organizations as they enter emerging industries (e.g. digital economy, green energy and health tech) for the period 2017 to 2024. The study focuses on the coping strategies of Company A's managers in terms of recruitment, compensation and talent matching through a combination of publicly available data (e.g., industry reports, corporate annual reports) and interviews with the managers of Company A. The study focuses on the recruitment, compensation and talent matching strategies of Company A's managers. The interview process followed the principles of anonymity and informed consent with low ethical risks. Although the research methodology focuses on literature and case studies, the results have limitations in explaining the coping styles of different firms due to the lack of large-scale surveys and in-depth studies of individual-level behaviors. In addition, the inconsistent data sources and the focus on the Finnish market only limit the broad applicability of the study. To enhance the practical value of the study, it is recommended that the sample be expanded in the future, combining both quantitative and qualitative methods, and that a long-term follow-up be conducted to shed more light on the effectiveness of HR companies' strategies and common challenges when entering new industries.

2 Research Questions

This research analyses around the 3 key issues that HR faces when entering a new industry, as well as delving deeper, digging, and identifying potential problems in the HR field. Can we find solutions to these potential problems from this study? Firstly, let's analyze these 3 sub-issues below.

2.1 What are the Recruitment Challenges Faced by HR Firms When Entering a New Industry?

The uniqueness of emerging industries makes recruiting far from a simple continuation of traditional processes. Firstly, the constant segmentation of job requirements brought about by technological innovation has led to a greater diversity of talent criteria and assessment metrics. For example, the artificial intelligence field requires not only basic programming skills but also industry analytical skills. The field of green energy, on the other hand, often requires interdisciplinary knowledge and a sense of sustainable development. For this reason, this study focuses on hiring cycles and candidate matching rates as part of the quantitative data. Although the authors of *HR from the Outside In* do not explicitly use the term “*talent matching success rate*”, Chapter 7, titled “*HR Innovator and Integrator*,” explores how HR professionals can enhance talent management effectiveness by integrating innovative HR practices. The chapter emphasizes that designing and implementing integrated HR strategies is essential for driving business performance and improving the success of talent matching. (Ulrich et al., 2012, Chapter 7). In addition, companies must build credibility as well as actively drive organizational change, which has important implications for improving the quality and effectiveness of talent matching. (Ulrich et al., 2012, Chapter 4.) Although the book does not directly refer to ‘talent

matching success', it is clear from the book that strategic HR practices and organizational change can indirectly improve talent matching success.

2.1.1 Labour Shortages Due to Mismatch Problems

Labour Shortage

Recruitment difficulties are caused by labour shortages or mismatches in the recruitment process. According to (Peltonen, 2021) published in the Finnish Ministry of Employment and the Economy, many employers, when asked about their recruitment experiences, report that it is very difficult to find suitable employees. The report defines the term "recruitment problem" as the inability of a company to attract the talent it needs despite the various measures it has taken. This phenomenon is not only found in senior positions, but also in technical and engineering positions, which are often hard to find. Gary Dessler, In his book *Human Resource Management* points out that HR departments need to continuously update their recruitment strategies in order to adapt to changes in market supply and demand.(Dessler, 2020, p.112)

This supply-demand imbalance is especially pronounced in new industries, where HR firms must not only expand their recruitment channels, but also improve screening efficiency and optimize their employer branding in order to gain a foothold in the fierce competition for talent. These types of challenges may seem clichéd, but they take on new forms and difficulties in emerging industries. Although the difficulty of recruiting is frequently mentioned, the reasons behind it are much more than simply 'not enough people'. In some cases, the problem may stem from an actual shortage of local labour, i.e. there are very few suitable candidates available. At the same time, other factors may also be contributing to the difficulty of recruitment, such as a lack of professional recruitment skills on

the part of the employer, poor working conditions in the job itself, poor incentives, or a lack of motivation on the part of the job seeker to re-enter the workforce. In the study, it is noted that a comparison of employer feedback with registration data shows that recruitment difficulties persist even in sectors that appear to have a large unemployed labour force. This suggests that where there is not a complete shortage of labour, there may still be a 'matching barrier', i.e. a failure to match the right person with the right job. In this case, the challenge is not simply a lack of numbers, but an asymmetry between supply and demand in terms of skills, expectations or conditions. Therefore, a true "talent shortage" should be understood as a combination of situations: not only an objective shortage where there is not enough available manpower, but also a subjective "mismatch" where there are people available but they are not suited to the positions available (Ilmakunnas, Kanninen & Husa, 2013). But also a "mismatch" where there are not enough people available. Kanninen & Husa, 2013).

Mismatch Problems

The mismatch problem is usually categorized into several significant areas. Studies have shown that several factors can affect matching efficiency. (Ilmakunnas, 2013). One, the occupational compatibility of the unemployed person's skills with the job vacancy, which is especially evident when the industrial structure is changing rapidly. Two, the problem of geographical mobility, that is, the position is not in the same region as the job seeker, can also exacerbate the difficulty of recruitment. Third, the smoothness of access to information also affects matching efficiency. In this case, public employment services play a key role in the process. Fourth, wage levels and salary structures also affect the ability of companies to attract talent. This is where high staff

turnover adds to the pressure to recruit. Finally, an employer's reputation in the marketplace also affects the willingness of job seekers to apply, which in turn affects the efficiency of recruitment. The combination of these factors constitutes an important challenge facing the HR field today. (Shimer, R. 2010).

Figure 1. Illustrates the direction of unemployment and job vacancy rates between 2011 and 2022.

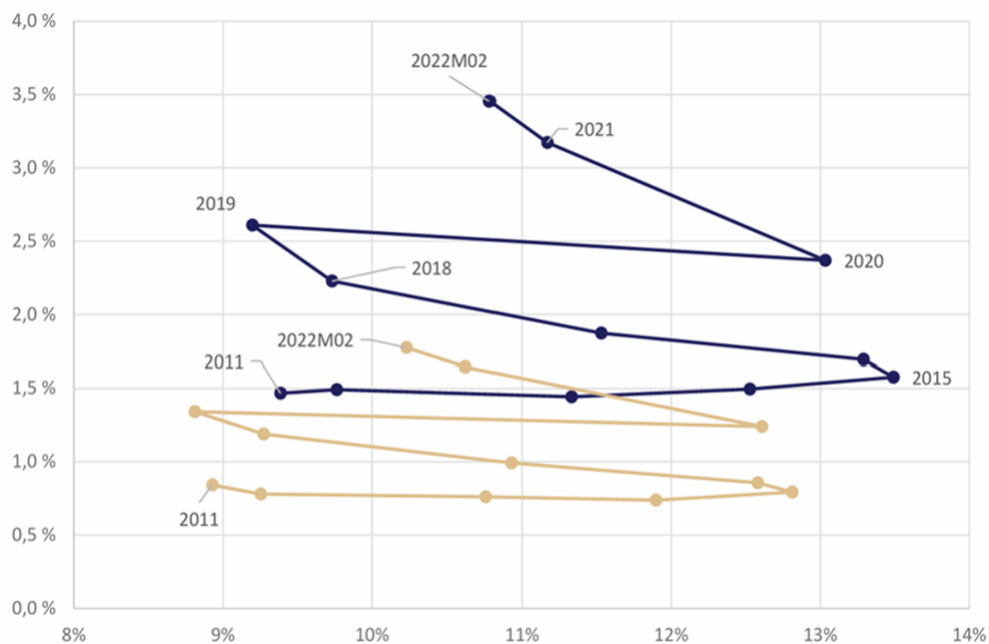


Figure 1. Unemployment-Vacancy curve (Jobless rate----- Vacancies rate-----)

According to the analyses of studies in the economic and employment sectors, it is clear from Figure 1 that the unemployment rate should fall as job vacancies increase. However, this is not actually the case. Since the financial crisis, the UV curve has gradually shifted outwards in each economic cycle. This suggests that even if there is an increase in job vacancies, the unemployment rate does not become smaller with it. Especially after the New Crown epidemic, job vacancies reached 3.5 per cent and the unemployment rate did not fall significantly (Larja & Peltonen, 2023, Publication No. 113/2023)

The fact that job vacancies were not filled as a result of the increase in unemployment suggests that it is not a shortage of labour that is causing job vacancies, but rather a problem that may be exacerbated by labour mismatch.

2.1.2 Innovative Transformation of Recruitment Channels and Methods

With the rapid growth of new industries, traditional recruitment channels and methods are facing serious challenges. Many HR companies still rely mainly on websites to post jobs or search for candidates through offline networks, but what HR companies don't realize is that it is often difficult to reach complex talents with cross-disciplinary backgrounds and highly specialized skills. This is especially true in technology-intensive industries such as IT, clean energy, smart manufacturing and healthcare. Enterprises require talent not only in terms of professional knowledge, but also in terms of cross-functional collaboration and industry sensitivity (Pehkonen, 2018).

The limitations of recruitment channels lead to decreased efficiency in matching talent supply and demand, which in turn affects the overall quality of HR firms' services and customer satisfaction. Therefore, HR companies must reposition and review their roles, evolving from the traditional "CV screener" to a "strategic partner" (Ulrich et al., 2012, Chapter 3). This transformation will increase the company's value within the organization and facilitate the function's evolution into an integrator and innovator, actively participating in the development of strategies and innovations to optimize recruitment practices (Ulrich et al., 2012, Chapter 7). Companies need to proactively adopt new tools such as LinkedIn, GitHub, TikTok, Facebook and other professional social platforms and technology forums to precisely reach their target talent groups. By doing so, a data-driven recruitment strategy is built. If information, knowledge and resources are integrated as one,

the company can truly achieve efficient and accurate matching talent, thus helping clients build core teams, enhance market competitiveness, and achieve sustainable development in the ever-changing business environment.

2.1.3 Unclear Recruitment Assessment Criteria

In a fast-changing job market, many HR organizations have unclear hiring assessment criteria. This is a common phenomenon in the HR field. With the influx of new industries, many are looking beyond education and years of experience, with companies focusing on practical skills, creative thinking, or the flexibility to collaborate across disciplines. For most companies, the traditional hiring assessment system is just a process, so many companies are looking for talent in a 'seemingly standardized, but actually vague' way, and end up missing out on candidates that really match the job requirements.

In the book *Human Resource Management*, it is stated that traditional assessment methods may rely too heavily on CV information, structured questions and answers, or academic qualifications, while overlooking candidates' potential abilities and adaptability to learn. Especially in an era of rapid technological change, a person's experience may not accurately predict their performance in a new role. Therefore, relying solely on "standardized" assessment frameworks may result in overestimating or underestimating a candidate's abilities (Dessler, 2020, pp.239-241). For example, a candidate who had previously worked in logistics and had been unemployed for a few months applied for a job at an HR firm because his cross-border background did not meet the HR firm's "standards" and was not selected despite having highly matched competencies and perspectives.

Silzer and Dowell, in their book *Strategy-Driven Talent Management*, emphasize that assessment tools should be designed in alignment with the job competency model to clearly distinguish between “must-have” competencies and those that are “trainable,” thereby avoiding ambiguity and arbitrariness in assessment criteria. This approach undoubtedly helps HR companies make more rational and scientific judgments in the complex and dynamic market (Silzer & Dowell, 2010, Chapters 5 and 21).

From those information, we can understand that recruitment assessment is not a small issue. It is related to the ability of the company to attract and retain the right talent to play a key role. In this case, HR companies should break the old assessment inertia, take the initiative to adjust the standards and methods, and carry out the recruitment work in a way that is closer to the real needs of the positions. This is one way to improve the quality of recruitment and may also enhance the organization’s competitiveness in the new industry (Dessler, 2020, pp.239-243).

2.2 How do Compensation Systems in New Industries Affect HR Firms’ Recruiting Strategies

Compensation has always been the core level of corporate competitiveness, which directly affects candidates' willingness to submit resumes and employees' long-term loyalty and enthusiasm. Emerging industries, with their fast-changing technology and business models, tend to have fluctuating salary structures, which puts a lot of pressure on HR firms. According to Mello, aligning recruiting strategies with the compensation market is critical (*Strategic Human Resource Management*, 2021, p.45). If the organization has a healthy interaction between mission, culture, and market positioning, the company needs to focus on “external

competitiveness” against the market, while at the same time balancing “internal equity”. This is a challenging pay adjustment. The chapter will scrutinize three sensitive issues to analyze the gap between salary expectations and actual compensation in emerging industries and further explore the impact of this mismatch on recruitment costs and talent turnover.

2.2.1 Difficulty in Salary Restructuring

When entering a new industry, a company may find it difficult to attract top talent with a traditional compensation system because the industry is in a constant trial and error phase with respect to salary levels and incentive models. First, the difficulty of adjusting compensation structure is often one of the first difficulties felt by every HR company when entering a new industry. Emerging industries: e.g. manufacturing, IT, healthcare organizations, etc. Because the business model is still in the rapid trial and error stage, the salary level and incentive model have not yet formed a stable template. This “pricing as we go” situation makes it difficult for companies to balance cost and competitiveness or lack of reference standards when formulating compensation programs. Again, compensation in the new industry is highly variable in the HR neighborhood. There are small differences in compensation from company to company, and startups or high-growth organizations often offer a wide range of prizes for key talent compared to mature industries. Some companies are willing to pay more than the market average. On the other hand, they are forced to squeeze costs at the low to mid-level to control cash flow. This polarization makes it impossible for HR to simply apply the traditional “market median + 10%” formula, and they must conduct frequent market research and data updates in order to keep up with the pace of the industry (Mello, 2021, p.45 /Sage Journals, 2024).

Second, the diversification of compensation models has increased design and communication costs. In the past, a fixed salary plus an annual bonus was enough to cover most positions. But the new industry prefers hybrid incentives: such as performance options, signing bonuses, project bonuses, and even some companies have employee stock ownership plans.

These benefits are more likely to inspire employees to be more enthusiastic about their jobs. Today's HR teams not only have to learn the ropes of documentation tools, but also a little bit about the financial, legal, and tax implications of working with multiple parties to ensure that incentive packages appeal to talent. For example, a green energy startup needs to consider "lock-in period", "exercise price", "tax burden" and other multidimensional factors when designing an incentive program, which invariably increases the workload and communication difficulty of HR. This invariably increases HR's workload and communication difficulty, so as not to cross the red line of compliance. In addition, salary restructuring in a new industry may also raise internal fairness concerns. Early employees who joined the company at a low salary stage and now receive a substantial pay increase as the industry boom improves may cause a "salary inversion" phenomenon for those who come after them and may even lead to friction in the workplace. The company needs to re-balance the salary level within the company through job evaluation, job classification and other mechanisms, and use one-time "entry compensation" or "collateral incentives" when necessary to maintain organizational harmony (Mello, J. A.2021, pp.49-51). For small and medium-sized HR firms, frequent salary adjustments and high incentive costs can put pressure on budgets and management. With the uncertainty of a new industry, first-time pricing prices for clients often do not last long. Companies may change salaries due to changes in the marketplace or company circumstances driving

payroll. This is where companies need to ensure that their compensation programs are “forward looking”. The finance team needs to work together to analyze the cost and value of compensation. This is necessary by evaluating the marginal benefits of each salary increase or new incentive on talent retention and business growth (Mello, 2021, pp.69-72).

2.2.2 Rising Recruitment Costs

Salary expectations in emerging industries have been climbing in recent years, and the cost pressures on HR firms in the recruitment process have intensified. Many HR firms are also exposing their price lists directly online, which makes it seem even more competitive. As the standard of living rises, candidates' salary expectations are also higher than the initial budget range of companies. Companies are forced to increase their recruitment prices to retain the best talent. This has a direct impact on the rise in the stale cost of recruiting, which includes base salary, signing bonuses, relocation allowances, training costs, and other hidden expenses (Mello, 2021, p.45). Regarding this issue, the company should engage in intensive negotiations with the team to optimize this issue, as the internal approval process is relatively cumbersome and extends the cycle from job posting to boarding. When the hiring cycle is extended by more than 5%, the average cost of hiring for a company can increase by about 10% (Dessler, 2020, p.112).

In the highly competitive HR industry, rising costs can further affect the allocation of resources to other key positions and may also force the suspension or elimination of hiring plans for some mid- and lower-level positions. Meanwhile, rising recruitment costs are also manifested in a deepening reliance on external supply chains. According to a report by the Institute of Personnel and

Development, to meet the salary demands of top talent, companies need to rely on more expensive headhunting services or senior talent pools, companies rely on external headhunters for top talent recruitment by 20%, and the corresponding agency fees account for an average of 25% to 30% of the candidate's annual salary. This means paying an additional €25,000 to €30,000 in agency fees for a key position with an annual salary of €100,000, further driving up overall recruitment costs. In the face of rising recruitment spending, HR firms must adopt more flexible strategies to balance costs and competitiveness (CIPD, 2020).

In fact, HR companies can reduce their reliance on high headhunting services by optimizing recruitment channels. For example, internalizing headhunting costs with the help of internal referral programs or talent pool maintenance. As well as incorporating more non-cash incentives in the salary structure. Such as equity, flexible benefits and career development opportunities to reduce direct cash outlay. Meanwhile, quantitatively analyzing the correlation between recruitment cost and employee performance and retention rate helps the company accurately assess the ROI of each input, to achieve the best balance between recruitment efficiency and cost control with limited resources.

2.2.3 Competition is Fierce

According to the CIPD 2023 report, competition for top talent in emerging industries is becoming more intense. It is clear from (Figure 3) that HR firms are relying on external services at a rate of 25% in 2020 and 45% by 2023, indicating that competitive pressures continue to climb (Labor Market Outlook. Autumn 2023). HR's reliance on expensive headhunting services has nearly doubled over the past three years, further driving up recruitment costs. This trend is a reminder that HR firms must optimize their recruiting strategies to balance costs with the

need to acquire top talent. Against this backdrop, HR firms that use salary as their only bargaining chip will find it difficult to distinguish themselves in the fierce competition for talent based on salary alone.

First, salary is only the threshold of entry. Although attractive salaries can quickly attract candidates' attention, if the market level tends to flatten out, it is difficult to retain talent by relying on monetary advantages alone. In the book *Strategic Human Resource Management*, mentions that true competitiveness comes from a "total compensation" strategy, which combines pay with multi-dimensional incentives such as career development, training opportunities, and organizational culture. (Mello, 2021, p. 63)

Second, career paths can also retain talent. In fields where technology is rapidly updating, talent craves continuous learning and advancement opportunities. In the HR industry, companies can provide employees with a platform for continuous growth through internal mentor-ship, cross-departmental rotation, and special project participation. As mentioned in the book "HR from the Outside In: Six Competencies for the Future of Human Resources", HR companies should transform from "business executives" to "strategic partners". It was also mentioned in the book "Outside In: Six Competencies for the Future of Human Resources" that HR companies should transform themselves from 'executors' to "strategic partners" and be deeply involved in the interface between talent development and organizational strategy (Ulrich et al., 2012, pp.78-82). Finally, work environment and cultural identity also play a significant role in competition. Soft factors such as flexible working, creative atmosphere, team cohesion, etc. are also decisive factors for candidates in choosing an employer, with the CIPD reporting that more than 60% of candidates cite work culture as an important consideration in deciding to accept an offer (CIPD, 2023). CIPD reports that over

60% of candidates cite work culture as an important consideration in deciding to accept an offer (CIPD, 2023).

In the face of the “price and quality” competition for talent, internal management strategies must be upgraded. For example, while ensuring that compensation is competitive in the marketplace, the use of systematic career development programs and the building of an attractive organizational culture provide a “non-monetary” advantage that is unique to other HR firms. Standing out in a new industry is the only way to stand out from the competition.

According to the data in Figure 2, the outer arc represents a 25% dependency in 2020, while the inner arc represents a 45% dependency in 2023. HR companies must implement internal optimization measures; otherwise, if they continue to rely on head-hunter services, their dependency index may increase exponentially within the next three years.



Figure 2. This figure shows the change in HR's dependence on external services in 2020 and 2023.

2.3 How do HR Companies Deal with the Complexity of Talent Matching in New Industries

The complexity of talent matching in new industries stems from two main aspects: first, the diversity and foresight of the industry's requirements for skill sets and

experience backgrounds; and second, the rapid adjustment of job requirements in response to technological iterations and market changes, which makes it much more difficult to match “people and jobs” with “people and organizations” .

"HR companies can respond to this challenge from the following four dimensions:

2.3.1 Building a Strategic Competency Model

The Competency Model and Matching Framework proposed by Boxall and Purcell emphasizes aligning hiring processes closely with organizational strategy rather than simply “randomly filling positions.” First, companies need to collaborate with top executives to clearly define their corporate strategy. Will the company rely on cost leadership, pursue differentiation, or focus on specific market segments? Once the strategic direction is established, it can be translated into a series of quantifiable capability elements. For example, if the strategy emphasizes technological innovation, core competencies such as “creative thinking,” “cross-functional collaboration,” and “ability to learn quickly” should be prioritized. Conversely, if the focus is on customer experience, competencies like “communication skills,” “customer orientation,” and “problem-solving skills” should take precedence. (Boxall & Purcell, 2008, pp.147–150)

This approach offers three major advantages. First, clarity of purpose: Recruitment criteria are derived directly from strategy, avoiding the blind pursuit of so-called “hot skills” in the industry. Second, it is highly actionable: By translating the abstract strategy into behavioral indicators, companies can more objectively assess candidates' fit with the position during resume screening, structured interviews, and scenario simulations. (Ulrich et al., 2012, pp.78-82)

Third, dynamic adaptability: When there is a change in strategy or the market and the competencies need to be adjusted, the recruitment criteria can be quickly

updated without having to re-design the program. Even with these three advantages, there are still significant challenges in implementation. For example, competency models must be developed in a collaborative manner across departments to avoid a disconnect between personnel and business. It also needs to be translated into a reliable assessment tool, and companies need to have the ability to design assessments and analyze the data to avoid being wary of excessive subjectivity. (Schuler, Jackson, & Tarique, 2011)

Companies also need to regularly review and update the model to keep pace with the rapid developments in emerging industries. This framework offers a practical pathway for transforming the HR function from an “implementer” to a “strategic partner.” It enables recruitment criteria to align closely with organizational strategy, thereby providing companies with a continuous infusion of strategically aligned core competencies while navigating a highly competitive talent market. (Boxall & Purcell, 2008)

2.3.2 Updating and Integrating Diverse Recruiting Tools

In the evolving market landscape, relying on traditional resume screening no longer meets the need for organizations to comprehensively assess candidates' potential abilities and learning adaptability. In a review of e-HRM, it was noted that (AI matching platforms are able to assess candidates' hard and soft skills in multiple dimensions through big data analysis and automated algorithms, significantly improving recruitment efficiency and accuracy. First, online competency assessment uses standardized questionnaires and scenario-based question banks to transform competency models into quantifiable indicators to help HR quickly identify candidates with key competencies. The advantage is that the assessment results can be fed back in real time and can be seamlessly

connected to the job competency framework, reducing the interference of artificial subjective factors.

Second, the Situation Simulation Center, through group discussions, role-playing and practical exercises, tests the candidate's behavioral performance and teamwork ability in a stressful environment. Compared with a single interview, this immersive assessment is more truly reflective of a candidate's comprehensive qualities and is especially suitable for positions with high management potential and leadership requirements.

Third, AI matching platforms use machine learning algorithms to identify patterns and calculate similarities in large volumes of resumes and assessment data to automatically recommend candidates who are the best fit for the position. Marler and Fisher emphasize that these platforms can continuously “learn” about an organization's hiring preferences to optimize the matching rules and reduce the mismatch rate. Reduce mismatches. (Marler & Fisher, 2013)

Integrating these tools into a unified e-HRM system not only improves the candidate experience but also provides HR companies with visual dashboards that allow for real-time monitoring and analysis of recruiting channels, assessment processes, and matching results. This shows that updating and integrating diversified recruitment tools is of strategic importance to the company in the competition for talents in emerging industries.

2.3.3 Strengthening Industry Training and Collaborative Networks

Regardless of the industry, it often takes time to quickly acquire specialized knowledge and job competency standards, and it's difficult to rely on in-house employees to learn from each other to improve the needs and growth of a company. Collings & Mellahi says that a collaborative approach to talent

development can involve working with universities and industry associations. Optimize the talent development cycle by jointly developing curricula and hands-on projects. (Collings & Mellahi, 2009, pp.308-310)

For example, companies can work with university engineering or business schools to establish “industry preparatory programs” that connect the latest technology case studies and business models to provide rapid training for students and company teams. In the construction sector, a company can partner with a large construction company and invite the company manager or project director to host a “Digital Modeling and Construction Management” workshop. Industry experts will demonstrate how to create Building Information Models (BIM) using Revit, perform collision detection, and conduct schedule simulations with Navisworks, enabling participants to visualize how digital information drives construction processes. Through this hands-on approach, candidates can quickly gain practical experience. Simultaneously, HR companies can accurately assess candidates’ skill levels and on-site adaptability. (Ulrich et al., 2012, pp. 78–82)

In addition, industry associations organize “Talent Labs” or “Hackathons,” which provide candidates with hands-on, project-driven training opportunities (Schuler, Jackson & Tarique, 2011). In the process of real-life operations and teamwork, participants can quickly improve their skills and gain a deeper understanding of the industry ecosystem, and HR companies can more accurately assess talent matches based on these performances. Building a multi-level training and collaboration network is beneficial because it accelerates the pool of talent for new industries and reinforces the company's strategic alignment with universities, corporations, and industry bodies, giving the organization a “first to learn, first to use” advantage over fierce competition.

2.3.4 Dynamically Adapting Assessment and Feedback Mechanisms

In *HR from the Outside In*, Chapter 7, “HR Innovator and Integrator,” focuses on how to continuously optimize competency models through data-driven feedback mechanisms. Static competency models and assessment tools quickly become ineffective. To maintain the agility of fit criteria, HR firms should establish a regular competency review process, such as quarterly or at the end of each program. For instance, the competency model and assessment tools should be updated quarterly or upon project completion based on the latest business results and market feedback. (Ulrich et al., 2012, pp. 161–163)

Through real-time analysis of test scores, on-boarding performance and employee turnover, the company is able to assess the effectiveness of recruitment decisions, identify the reasons for imbalance in matching, and adjust assessment dimensions or weightings to truly achieve the closed-loop management of “learn - use - change”. For example, when a new technology application fails to meet expectations, the company can add “learning agility” and “interdisciplinary collaboration” indicators to the next round of recruitment. When there is a shortage of talent in the market, the assessment of “ability to get up to speed” should be strengthened Schuler et al. Point out that dynamic feedback improves the accuracy of the assessment, and enhances the trust of the candidates, so that they can feel the company's continuous attention to the growth of the talent. (Schuler, Jackson & Tarique, 2011, pp. 23-26)

By building a flexible review and feedback mechanism, the company is able to maintain a high degree of alignment with organizational strategy while also responding quickly to changes in the marketplace when setting hiring standards.

Ensure that in a complex environment, the company continues to provide the core talent in the same frequency as the strategy.

3 Interview questions and answers

To gain a deeper understanding of the HR field, this study featured an interview with Company A. Company A has a 12-year history in the industry. The interviewee is the manager of Company A and has been working in HR for more than 5 years. This interview focused on the exchange of 13 core questions. The focus of the interview was centered on the main challenges that HR companies face when entering an emerging industry. The questions in Table 1 are based on the business operations of Company A, and the following section presents the interview responses from its employees.

Table 1: Questions and Interview Responses from Company A

1. What are the common challenges that organizations typically anticipate in the recruitment process?

Recruiting is in part about minimizing risk, so careful preparation and experience-based judgment are important. We assess a candidate's competence through his or her past experience, professional skills and qualifications, as well as examining his or her fit with the team's culture. Maintaining open, low-threshold communication between employers and candidates in order to identify and address issues that may have been overlooked in a timely manner requires employees to trust the company and be willing to give feedback at any time.

2. Have you entered a new industry and encountered an imbalance between supply and demand for talent and the unforeseen problems that this can cause?

We understand the challenges of supply/demand imbalance: sometimes there are orders but no people to fill them, and other times there are job seekers but no suitable positions. Often, it's a timing mismatch, with a shortage of people at one time and a shortage of orders at another. The solution lies in

utilizing existing contacts and continuously expanding new channels; sometimes the bigger challenge is not to find people, but to create viable working conditions for them (e.g., accommodation), which need to be analyzed on a case-by-case basis and solved individually.

3. How are companies responding to changes in the external market environment? What countermeasures have been taken?

We have reduced our reliance on a single industry (e.g. social and healthcare services) and expanded our client and recruitment programs in a variety of sectors, such as construction, transportation, manufacturing, catering, etc., to diversify our risks.

4. how do you assess and anticipate the difficulty of matching pay to adjust pay systems in a new industry?

Compensation levels are influenced by the laws of supply and demand: the best talent usually demands higher pay, and strong demand drives salaries up. Although collective agreements ensure a salary floor, people are often accustomed to playing at a set level and may not significantly increase their offer in the short term, even if market demand is higher.

5. What issues have companies per-considered in terms of job matching?

- Which clients can provide or assist in arranging accommodation for out-of-town employees?
- How can transportation for commuting or off-site work be organized?
- What cooperative networks exist to match supply and demand?
- What are the trends in demand by region and industry after 3 months, 6 months and 1 year?

6. What are the unforeseen challenges posed by new industry technology applications (e.g., automated tools and digital platforms)?

The existing input systems occasionally has problems in generating bills and payroll. For new industries, the proper application and data transfer of different collective agreement riders and industry agreements are sometimes not accurately reflected in the system in a timely manner, resulting in discrepancies in billing or payroll calculations.

7. what legal, compliance or privacy protection challenges have encountered since entering the new industry? Which were predictable and which were unexpected?

For example, hazardous demolition operations require the purchase of appropriate equipment and scheduling of health screenings, which we had not previously addressed. In addition, with changes in regulations, some traditional positions (e.g., nursing) have begun to require proof of a clean record, which was limited to the childcare field two years ago.

8. Has the external economic environment and increasing competition caused unforeseen difficulties for businesses?

The last two years (2022-2024) have been far more competitive than expected. 2024 onwards has seen an overall downturn in the Finnish economy, a virtual shutdown of the construction industry and a sudden drop in our orders in the social and healthcare services sector since April 1st. At the same time, increased competition has led to shrinking space for winning bids, while labor costs have risen.

9. Before expanding into a new industry, what market research and forecasting does a company need to conduct to understand the structure and demand for manpower in the target industry?

First, it is necessary to confirm the real demand for manpower services in the market: the intensity of demand can be judged by communicating with potential clients and observing the number of job postings; if companies are actively looking for employees, it indicates that there is a clear labor gap and a greater demand for manpower agencies.

10. Does the enterprise have a rapid response plan to deal with high separation rates? If not, how do you compensate?

It is recommended that more candidates be recruited at the early stage of the project to increase the probability of finding a suitable candidate, to reduce the risk arising from the unsuitability of individual candidates and to arrange for a replacement more quickly in case of departure.

11. Has the enterprise encountered communication or management barriers caused by differences in organizational culture? How do deal with it?

We usually adjust our processes according to the needs of our clients and localize our services. If cultural differences lead to miscommunication, we can improve the situation by clarifying the communication process, providing additional training or optimizing the operation standard; if the differences are too big, we can also consider suspending the cooperation and restarting it when the problems are solved or the conditions are ripe.

12. Before moving to a new industry, what training and reinforcement programs should be designed to help the team adapt to industry changes faster?

Before entering a new field, you should conduct in-depth research on industry characteristics, potential risks and customer expectations, and hold internal seminars to clarify customer needs and job requirements to ensure that the training content is highly attuned to the business scenarios to achieve a smooth transition.

13. How can an enterprise formulate a strategy that is both robust and flexible to cope with expected internal and external challenges and ensure a long-term competitive advantage?

Despite the best strategic planning, the environment will still change rapidly.

The key lies in continuous learning, timely updating of skills and rapid adjustment in response to customer feedback. Through senior staff leading teams, regular review and rapid iteration, it is possible to both maintain strategic certainty and find new opportunities during change.

3.1 Summary and comments from the interviews

The interviews revealed in-depth insights into the multiple challenges that HR firms face when crossing over to a new industry and suggested practical responses. First, in terms of hiring risk control, interviewees emphasized the importance of not only assessing competencies based on candidates' experience and skills but also looking at their fit with the team's culture and maintaining open communication to resolve issues in a timely manner. This "hard and soft" approach is worth promoting.

Regarding the imbalance between talent supply and demand, the interviews pointed out the typical extremes of "having orders but no people" and "having people but no orders", and the solution lies in not only revitalizing the existing

resources, but also continuously expanding new channels and providing accommodation and commuting support for off-site employees, which reflects the attention to practical details. Attention to detail.

In response to market fluctuations, HR companies have reduced their reliance on a single sector by diversifying their industry layout, while salary adjustments need to strike a balance between the bottom line of collective agreements and market demand, to avoid the “inertia of offers” and the disconnection of real demand. Technical and compliance challenges are also prominent: existing working hour systems are subject to discrepancies under different industry agreements, while new job types need to meet new requirements such as health checks and criminal records. The external economic downturn and increased competition have further squeezed profit margins, and demand needs to be accurately predicted through customer interviews and job postings.

To reduce high turnover rates, it is recommended that initial hiring be over-allocated, and that cultural training be reinforced, while internal workshops and customized training programs prior to entering a new industry will ensure that teams are quickly brought up to speed. Finally, interviewees unanimously agreed that “using senior staff as traction, continuous learning, regular review, and rapid iteration” is the key to dealing with uncertainty. Overall, the interviews provide a comprehensive and pragmatic reference for HR companies to expand across industries, with both strategic vision and operational detail.

4 Theoretical framework

The theoretical framework of this study synthesizes the theories of human resource management, strategic adaptation, resource base theory, and external environment analysis. These four major theoretical frameworks are used to establish the basis and analytical structure for the subsequent data analysis and interpretation of the interview results. First, the PEST model is elaborated to analyze the macro-environmental challenges, such as policy constraints, technological changes, and market uncertainty, that the company faces when entering an emerging industry. The theory of external environment analysis provides an important perspective. The PEST model helps to identify key variables in the macro-environment through four dimensions: political, economic, social and technological. For example, changes in labor policies and labor contract regulations, the impact of economic fluctuations on hiring demand, shifts in societal values on talent preferences, and innovations in the hiring process due to digital technology can affect HR firms' market entry strategies. Meanwhile, Porter's Five Forces model helps to analyze the competitive dynamics within the industry, such as the threat of new entrants, the risk of substitute services, and customer bargaining power. These factors explain the market entry thresholds, regulatory uncertainties, and resource integration challenges that HR firms may encounter when entering an emerging industry and provide a theoretical basis for firms to develop adaptive strategies.

Second, under the perspective of HRM theory, talent strategies are particularly critical when firms enter emerging industries. New industries often have unique skill requirements, cultural characteristics and development pace, and traditional talent recruitment and management methods may be difficult to fully adapt. Therefore, HRM theory emphasizes the dynamic adjustment of recruitment,

training and performance management systems to match the characteristics of new industries. In terms of human-post matching and human-organization matching, companies need to pay attention to whether the employee's ability and values are compatible with the position and the organizational culture. The competency model proposed by Boxall and Purcell points out that employee performance comes from an organic combination of ability, motivation and opportunity. When entering a new industry, HR firms need this model to identify the core qualities required for key positions and to design incentives and development paths accordingly. This approach helps to enhance talent adaptability and supports companies to maintain organizational effectiveness and strategic flexibility in an uncertain environment. Once again, the complexity of human-post matching and the theory of organizational cultural adaptation explore HR companies' talent mismatch and cultural integration in new industries. The theory of strategic adaptation points out that in the process of entering an emerging industry, a company needs to dynamically adjust the company's internal structure and culture, to cope with the uncertainty of the external environment and industry-specific modes of operation. From the perspective of this theory, a company cannot rely solely on its existing successful experience. It should re-examine the strategic consistency between the company's resource allocation, management style and organizational goals considering the characteristics of the new industry. Especially in the initial stage. How to achieve strategic transformation and organizational change management becomes the most critical issue for the company. For example, a company may need to establish more flexible decision-making mechanisms, cultivate integrated talent across multiple disciplines, or reshape its corporate culture to adapt to the more rapidly iterative pace of the industry. In addition, company managers need to

balance stability and innovation during the change process to ensure the continuation of the company's core values and to create space for the introduction of new thinking. Therefore, strategic adaptation theory provides an important perspective for HR firms. Finally, based on the resource base theory, it provides a theoretical perspective for assessing a firm's competitive advantage from within. According to this theory, the key to a company's success in entering and establishing a foothold in an emerging industry lies in its possession of core resources and capabilities that are scarce, difficult to imitate, irreplaceable, and can bring value. When facing the challenges of a new industry, HR firms should focus on whether they possess key elements such as data analytics, in-depth understanding of the target industry, and brand influence sufficient to build trust. For example, if an HR firm has a skilled data analytic team and a sophisticated candidate assessment system, it will have an advantage in matching talent in a new industry with accuracy and efficiency. In addition, existing client relationships and reputations may be important "steppingstones" to enter an industry with high barriers to entry. Resource-based theory provides an important framework for determining whether firms have what it takes to enter a new field, and it also emphasizes the critical role of continuous improvement of internal capabilities in market expansion.

5 Ethical issues

In Finland, ethical legal compliance in the human resources services industry is rigorous. Legal compliance is also a core principle for building trust, maintaining reputation and driving sustainable development. Ethical issues are of paramount importance for all companies in Finland. For example, confidentiality and privacy protection, fair and non-discriminatory recruitment, conflict of interest management, transparency and honest communication, informed consent and employee care, and continuous compliance and improvement. This chapter can describe some of these areas in general terms. below:

5.1 Confidentiality and privacy protection.

There are strict standards for the handling of personal information under the Finnish Personal Data Act and the EU General Data Protection Regulation. The regulations stipulate that HR companies use information about candidates and employees only to the extent that it is legally necessary, as well as technical and managerial measures such as confidential storage of information about employees, access control and regular auditing (Ministry of Economic Affairs and Employment of Finland, 2021). HR organizations are generally preventing the risk of unauthorized data access and disclosure by embedding data lifecycle management principles in their internal processes. Any sharing of CVs, health records or performance appraisal data with third parties without explicit consent is a legal red herring and can result in hefty fines and serious damage to a company's reputation. (The EU's General Data Protection Regulation. 2024)

5.2 Fair and non-discriminatory recruitment

The Finnish Employment Contracts Act explicitly prohibits discrimination in employment based on gender, age, religion, race, sexual orientation or disability. (Employment Contracts Act. 14-15p) Research has shown that the use of structured interviews (e.g., a uniform question bank, behavioral/situational questions, and rating scales) significantly improves consistency of evaluation and reduces subjective bias on the part of the interviewer (Schmidt & Hunter. 1998). At the same time, blind review of resumes, which removes information such as name, gender, and school, is an approach that improves gender and background diversity and results in a fairer initial screening process (JDP). These two practices, combined with competency modeling, can provide companies with a reliable guarantee of fairness in the hiring process in emerging industries.

5.3 Conflicts of interest

According to Lemmetty et al. (2021), who examine HRM-related conflicts in Finnish project-based companies, inconsistencies in interests and values inevitably lead to conflicts within the framework of mutual dependency between employers and employees. Such conflicts are particularly likely to arise when organizational practices diverge from employee expectations. (Lemmetty et al., 2021) For example, when the quality standards of the products are compressed to catch up with the goods, it triggers a series of problems such as ethical conflicts and undermines the sense of personal justice. Especially in cross-border and rapidly changing project situations, employees are often over stressed by “blurred boundaries”, which affects their physical and mental health and performance (Jehn & Mannix, 2001). This chapter also places conflict in the context of “person-organization fit” theory. When individual values are not aligned with organizational

behaviors, it affects the increase in employee turnover and absenteeism. In this case, HRM should take measures such as shaping a consistent corporate culture and transparent management processes to prevent a crisis of trust caused by moral fissures (Gaudine & Thorne, 2012. Schwepker, 1999). To address the characteristics of “short cycle and high interaction” in project-based organizations, it is recommended to introduce a regular review and feedback mechanism to involve employees in conflict identification and resolution to enhance organizational resilience.

5.4 Transparency and Honest Communication

Transparency of information in the recruitment process has a direct impact on the trust that candidates and clients have in HR companies. In Finland and other European countries, the level of curiosity about job information is similar among job seekers. More than 70% of job seekers consider “clear job descriptions and a realistic presentation of the company culture” to be key factors in deciding to accept an offer, and HR companies are expected to truthfully disclose information about job responsibilities, development paths, salary structures and team profiles in job postings, interview feedback and offer agreements. Over packaging or withholding information, while it may improve on-boarding rates in the short term, is counterproductive and may create a gap in employee expectations after hiring, increasing the risk of turnover and damaging word-of-mouth. (IQpartners. Executive search & recruitment. 2025 & Outbox Recruitment. 2023)

5.5 Informed Consent and Employee Care

When conducting background checks, psychological assessments or employee satisfaction surveys, companies must obtain prior informed consent from

candidates or employees, specifying the purpose of the data, how long it will be kept, and the extent to which it will be shared (Pulakos, 2009, pp.145-148).

For hoarding health checkups or psychological tests, HR firms should also inform about possible health intervention recommendations and confidentiality mechanisms to respect individual privacy. At the same time, when designing employee welfare programs, the needs of different groups should be considered, avoiding overly tilting to certain positions or tiers, so as not to trigger internal dissatisfaction (Huuskonen et al., 2018). Employee needs are not only about salary, but also about physical and mental health and career development. For example, for front-line employees, the company can organize mental health seminars to provide them with counseling and stress management courses to help them cope with intense shift work. For technical positions, which require continuous learning, the company can set up a special training fund to subsidize engineers to attend new technology training and industry conferences. For management, flexible benefits such as telecommuting, paid study leave and high-end medical checkups are offered to help them balance work and life so that they can lead their teams efficiently. Through the care and incentives for different groups, employees meet their basic needs while putting the concept of “people-oriented” into practice.

5.6 Legally compliant labor contracts

HR have to comply with Finnish and EU labor laws, such as wages, insurance, health care, vacations, holidays and other benefits that are necessary for workers to have the basic rights or guarantees during their working life. Secondly, the

minimum wage cannot be lower than the minimum wage stipulated by the Finnish labor law. For example, waiter B works in a restaurant on a full-time basis, 8 hours a day, 40 hours a week. His wage cannot be less than 1800 euros, otherwise he is in violation of the labor contract law.(Palvelualojien ammattiliitto).

By adopting the multidimensional ethical governance approach described above, small and medium-sized HR firms can effectively minimize legal and reputational risks while strengthening trust with clients, candidates, and regulators. When ethical considerations are integrated into strategic management and subject to continuous improvement, they become essential for sustaining stable growth in emerging industries.

6 Summary

This thesis focuses on the multiple challenges faced by HR firms when entering emerging industries. The background of the study stems from the surge in talent demand and structural mismatches triggered by the rapid growth of emerging industries. The objective of the study is to identify typical barriers encountered by HR firms in terms of recruitment processes, compensation strategies, and talent matching, and to propose strategies to address them. Using a combination of quantitative and qualitative methods, the study delves into three core issues, especially through literature analysis and semi-structured interviews: first, the recruitment challenges faced by HR firms include labour shortages, renewal of recruitment channels, and unclear assessment criteria. Second, uncertainty in compensation systems leads to difficulties in restructuring, rising costs and increased competition. Third, the complexity of talent matching requires HR companies to build strategic competency models, introduce diversified recruitment tools, strengthen industry training and continuously optimize assessment mechanisms. The paper also covers ethical issues, such as privacy protection, fair recruitment and informed consent, and points out that HR companies need to improve transparency and honest communication based on legal compliance. The results of the study help provide both theoretical and practical references for HR companies when entering new industries.

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