



STARTUPS AND ITS HR CHALLENGES

M. BHARGAVI

Lecturer in Management,
St. Mary's Centenary Degree College,
Secunderabad.
bmullapudi1@gmail.com

VANGASWATHIKIRAN

Lecturer in Commerce,
St. Mary's Centenary Degree College,
Secunderabad.
vangaswathikiran@gmail.com

Abstract:

The intent of a startup is to be one's own boss and to generate employment to others which requires a lot of endurance and persistence. Large populations in India live are the ones with high percentage of middle income group, learned youth with technical as well as non-technical background. These tend to be some of the major drivers for broadening the scope of startup revolution in India. The "Start Up" and "Stand Up" initiatives and various schemes announced by the government boosted the startups among many young aspiring individuals taking up the challenge. With the entailing risk, the startup initially tend to have a lot of challenges such as capital pooling, infrastructure, marketing sources and most importantly sourcing the right employees for the job and their welfare.

This paper tends to focus on the Human Resource challenges mostly faced by Startups and young entrepreneurs who are willing to take risk but failing to reach go up the ladder of success.

Key words: Start up, Stand up, Human Resources, Entrepreneurship, Challenges.

Introduction

It was on the pretext of Independence Day, 15th August 2015, Our honorable Prime Minister Mr. NarendraModi stood with pride at Red Fort and made a call for an initiative of "Startup India, Stand up India". It was apparent by the addressing of Prime Minister about the consequence of startup companies being responsible for fiscal growth of India. The capability of being made use of human resources is one of the major impediment for startups compared to customary companies (Ochtel, 2009). Startup companies can be defined as "a company newly formed for reinforce new products usually innovative products under certain market or economic conditions" (Shabangu, 2015). There is significant growth of startup companies in India during the last decade. Most of the startups are technology-based and innovation-driven and they are launched by prodigiously motivated, educated and high-energy founders. The startup companies are positively influencing the productivity of variety of economic activities like retail, healthcare along with entertainment sectors.

Objectives Of This Study

1. To know the importance of start-up companies in Indian economic environment.
2. To underline the challenges of human resources for start-up companies.

Research Methodology



The secondary data is used for conducting this study. The magazines, print and social media news updates and articles, journals, books and electronic sources are used for data collection. The keywords like startups, challenges for entrepreneurs, government support for startups have been used while searching for literature for this study. After reviewing the literature, the found information was used to explain importance of startup companies and underline the HR challenges in startups.

Importance of Startups:

The technological elevations lead to fiscal or monetary progress and it needs the brace of startups in our country. The developed nations try to resolve many of their issues by the use of technology. At present India is in third position with regard to number of startups after United States and Britain. By the growth of Startups, India can be a Self – Sufficient Nation by producing almost everything locally and reducing imports and dependency on other countries.

Startups aid in self-employment and also create more number of jobs to the unemployed. The imports from other countries can be decreased and exports can be increased with growth of startups. In the current scenario the government is also encouraging startups with seed fund and bestowing tax exemptions. The process of initiating startups is also unraveling with single window system. Startups boosted the economy with profound technology and fabricate new industries over time. And when they went into public, they immensely became money-making engines not just for the owners but also for the employees in the organisation and shareholders.

Importance Of Human Resources:

Startups are meant to introduce new products to the new markets. It is difficult for promoters of the business to get experienced workforce. Hence it would be challenging for startups to possess the sufficiently skilled employees. Since startups are new companies the experienced candidates may not show interest to work with a company that cannot ascertain the future. For monetary resources the technology can be used to contact the investors and fund capitalists whereas accessing the human resources is tough task.

The startups cannot define specific job roles, duties and responsibilities therefore it would be difficult to compensate the employees appropriately and it usually increases the employee turnover rate. In the recent decades it is observed that companies like Google, LinkedIn, Uber, Infosys and Facebook are the most successful startups at the global level. The vital reason behind the leading light of those organizations is their human resources. For example Infosys Technologies, the leading software company based in India, was chosen the best employer in many surveys of human resource (HR) in the recent years. The company is well known throughout the globe for its employee friendly HR practices. Though Infosys grew to become a US\$ 2 billion company by the end of the year 2006, it still retains the culture of a small company to keep up the employee satisfaction levels high.

Literature Review



Most of the startups are assumed to experience failure due to lack of pragmatic estimates with scenario of the market demand and competition. In the opinion of Patel (2015), "lack of market need for their product" is the single biggest reason for failure of startup companies. The four major challenges faced by the startup companies are competition, rapid growth, adding talent and fast-paced market (Cutler, 2014). One of the important things for startup to be successful is to have clear „idea“. There can be many ideas among the entrepreneurs but it should bring a product which gives sustainability for the company (IIT, 2015). Another reason for failure of startups is lack of right teams for attaining the goal of the organization (Griffith, 2014).

Many entrepreneurs do not scrutinize the causes for failure of startup but doing a critique study after the failure gives apprehension to future entrepreneurs. The startups also face the issue of running out of cash due to lack of coherent budgeting for the project. Shabangu (2015) had unfolded that innovation is driving force of economy in a knowledge-based society. Due to hype presented when introducing new products and services, innovations are usually commercialized via isolated formal formations such as startup companies.

Crowne (2002) had asserted that the inexperienced staff is one of the major causes for failure of software development startup companies. The startup companies with entrepreneurs who formulate level-headed goals and don't underestimate their weaknesses and threats can be more successful in their business. (Reid & Smith, 2000).

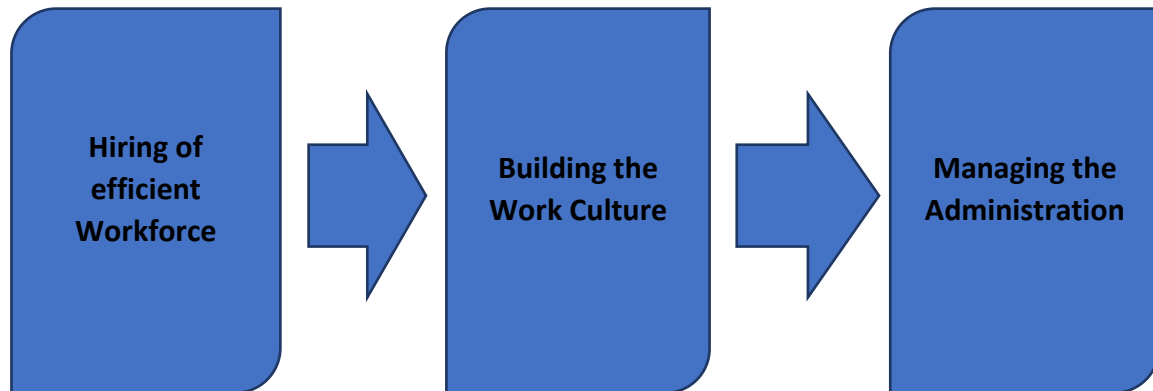
Balch (2015) had mentioned four significant challenges for start-ups which are

- (1) Policies not being in the right place
- (2) Underestimated records and paperwork
- (3) Hiring and Retention of smarter workforce
- (4) Caring less for the issues.

Whenever fiscal downturns occur the startup companies experience crisis situations. The impact of the macroeconomic factors should be inspected by entrepreneur of startup companies (Paik & Woo, 2014). It is apparent from the success of companies like PayTm, Swiggy, Zomato, Flipkart and Make MY Trip that there is an immense scope for startups in a developing nation like India.

Major HR Challenges Faced By Startups:

Bad hiring costs more than just money, as they dent morale too. Bad management hires do more destruction, creating snapped and un-snapped teams. Before pumping out job descriptions the Human Resources manager has to make sure that it is hiring the right people for the job by creating flexible recruiting frameworks. Products are not the only things that can break. With the evolution of Startups, it can incur technical debt with patchwork code, the same can happen with hiring and management.



Robert Laing, Founder of Gengo, has proposed this concept of “HR debt”. According to Laing, HR debt discloses itself in many situations, including:

- Uncertain hierarchies and messy reporting structures.
- Negligence in reviewing the performance and feedbacks.
- Employees with exaggerated titles, salaries, stock options or other embellishments.

Culture differentiates the company from the competitors and helps to identify the external potential by new hires that fit with the vision and mission of the organization. The dynamics of challenges faced by emerging companies are changing with time. In the present scenario, the major challenge faced by any startup companies is to attract best talent and retain it in the organization.

Funding is no longer a bigger issue for the unfolding companies specifically in developing nations like India. There are many paramount startups which have faced this challenge and gratified themselves into the Talent war. As short listing the candidates and conducting interviews can be a little time consuming process, especially when the responsibility is of building a big team. When founders being the authoritarians double up their responsibility as HR Managers, they end up infusing a considerable amount of time and effort in building an efficient employee base, leading to lower productivity. The only upper end to this model is that one might end up saving some costs. But however if the Startup companies requires a small team to begin with, then this could be an exemplary way to go or the entrepreneur can hire a small HR team or a Consultant.

Due to this, the start has to bear extra expenses which will tend to increase as most of them work on the basis of heavy brokerages. Also unlike HR employees, consultants do not assist in retaining a company's talent pool. Many find HR department as an unnecessary cost when establishing a business venture. Effective HR domain saves money by lowering recruitment costs, attrition rate which indirectly results in lower training costs and even save the company from legal consequences.



Outsource if HR is not your competency.

The HR Strategy for the Start-Up Business has to be assimilated as possible. The HR team has to focus on key priorities. HR has to recruit new hires to the company. HR should wisely use the time by not spending it in designing sophisticated processes and benefits. No one would be pleased about them. They just need the intelligent and nimble Human Resources Management that fits into the needs and requirements. HR has to be on par with the leader on the compensation scheme that highlights the moment when the product is finished and launched into the target markets. It narrows all the counterparts because no one in the business wants to lose the time. Everyone is ought to keep their focus on the date of going live and launching of their product or a service.

Conclusion and Suggestions

When a startup has to meet the standards with well-entrenched organizations for the best talent in the business industry, it has to look for more unprecedented hiring approaches. Without of the box and innovative HR practices, the best talent can be taken on board in a start-up. For example, as a start-up cannot afford to compete with big organizations on compensation package. It has to look for other ways to attract and motivate best employees by providing them with challenging scenarios and learning work environment, as this would help the young millennial workforce to have that drive and passion to be a part of the organization. HR should set a simple processes and procedures in right place to keep the high performance in the team. HR departments should establish a clear approaches and blueprints that each milestone is celebrated and small rewards are distributed to employees who contributed the most to the company to make the employees feel their prominence within the organization. HR should have a complete record and paperwork about the progress of all tasks and individual contribution towards to tasks completed. It should encourage team members to help each other because they all want to bring the new product to the market. Additionally, HR should introduce a simple tool on how to appreciate thank employees by patting the back approach as it motivates most when employees get the instant feedback on their given task. They do not have to wait for all the long for yearly appraisal.

The HR strategies which startups should have in place: –

- Explicit written working consensus.
- Handbook for the Employee.
- Clear goal and values of the company
- On-board checklist.
- Creation of an internal knowledge sharing platform.
- Effective HR systems.

Bibliography

1. Balch, S. (2015, April 21). *The 4 biggest HR challenges for startup companies*. Retrieved from *PhonenixBusinessJournal*:
2. Shabangu, S. (2015). *The Startup Receipt: A Guide for Young Entrepreneurs*. Daveyton: Lulu Publishing Services.



3. Patel, N. (2015, January 16). 90% Of Startups Fail: Here's What You Need To Know About The 10%. Retrieved from Forbes: <https://www.forbes.com/sites/neilpatel/2015/01/16/90-of-startups-will-fail-heres-what-you-need-to-know-about-the-10/#3644737f6679>
4. Crowne, M. (2002). Why software product startups fail and what to do about it. *Evolution of software product development in startup companies*. In *Engineering Management Conference, 2002* , 1, 338-343.
5. Cutler, Z. (2014, December 11). 4 Big Challenges That Startups Face. Retrieved from Entrepreneur India: <https://www.entrepreneur.com/article/240742>
6. Griffith, E. (2014, September 25). Why startups fail, according to their founders? Retrieved from Fortune: <http://fortune.com/2014/09/25/why-startups-fail-according-to-their-founders/>
7. IIT. (2015). WHY DO MOST INDIAN STARTUPS FAIL? Retrieved from IIT Delhi: <http://www.cse.iitd.ernet.in/~srsarangi/startups.html>
8. Ochtel, R. T. (2009). *Business Planning, Business Plans, and Venture Funding: A Definitive Reference Guide for Start-up Companies*. CA: The Carlsbad Technology Group, Inc.
9. Paik, Y., & Woo, H. (2014). Economic Downturn and Financing Innovative Startup Companies. *Managerial and Decision Economics* , 35 (2), 114-128.
10. Reid, G. C., & Smith, J. A. (2000). What makes a new business start-up successful? *Small Business Economics*, 14, 165-182.