

## A Study of Need and Challenges of Human Resource Management in Start -up Companies

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**Abstract:** — Human Resource Management is undergoing a transformation. It's not just about following the rules and regulations; for sustainable development it's also about getting the most out of your employees and fostering a positive work environment. Starting a business takes time but learning and implementing HR practices for startups may help the process go more smoothly. The researchers attempted to shed light on the necessity, role, obstacles, and solutions for overcoming the challenges of human resource management in start-ups through this research article. HR solutions for startups, address problems by changing and adapting as the company grows. Innovative hiring, attracting good people, promoting teamwork, recognizing milestones, and rewarding employees for their efforts are all ways that your HR department may help you overcome HR difficulties in startups and provide you an advantage.

**Keywords**— HRM, Startups, Need, Challenges

### **Introduction**

In any form of business, human resource management is a critical management role. It generates the most critical environment for organizational success. Human resource management is a process that aids firms in recruiting, selecting, and developing employees. HRM is concerned with people and their working relationships. The core of HRM is that everyone in the organisation is capable of performing, and it is management's only job to create systems and processes to inspire performance. One of HRM's goals is to create an organisation with the "right people" in the "right places" at the "right time." A human resource framework's mission is to help organisations attain this goal.

A startup is a firm or project founded by an entrepreneur with the goal of finding, developing, and validating a scalable business model. As a result, the terms "startup" and "entrepreneurship" are interchangeable. Entrepreneurship, on the other hand, refers to all new enterprises, including self-employment and businesses that have no plans to grow large or become registered, whereas startups refer to new businesses that plan to expand beyond the

solitary founder, hire workers, and develop huge. Startups, in particular, place a strong emphasis on income generation in their early phases. A Human Resources Department may be low on the priority list in the midst of all of this, but as the firm grows, so does the need for HR policy and talent management. Attracting good people is difficult when a company is in its early stages and small.

### **Research Methodology**

This research was carried out using secondary data. Journals, magazines, books, and electronic sources are used to obtain data. The material was utilized to understand the necessity, the role of HRM in startups, and the issues they face, as well as potential strategies to overcome these HRM challenges in startups.

### **Objective of this Study**

1. To gain an understanding of HRM's need and role in India's startup enterprises.
2. To investigate the challenges of human resources management in the context of start-up businesses.

### **Need of HR Strategies in Startups**

While there are many reasons why a new business may fail, disregarding the necessity of a human resource strategy is one of the most common. In reality, firms fail 23% of the time due to a lack of qualified personnel on their team. This issue can be solved with a robust HR solution for startups. You can keep your best performers by hiring the proper individuals for the job and establishing sound processes.

### **Role of HR In Startups**

Greater flexibility is critical for startups—you can create an HR solution that matches your company's demands while yet allowing your staff to be flexible.

Even if you choose procedures from the more flexible HR solutions, HR's function in a company is to provide much-needed structure, mitigate risk, and provide your team an advantage. You risk enabling negativity and toxic work habits to establish themselves in the workplace if you don't have an HR plan in place for your business, which can lead to low employee morale and retention. Here are a handful of HR's most important responsibilities in keeping your startup functioning successfully.

- **Legal Protection:** One of HR's main responsibilities is to ensure that your startup complies with state and federal laws and regulations in order to avoid potential lawsuits.
- **Talent Acquisition:** A solid HR department will assist you in hiring the right people and ensuring that organized onboarding procedures are in place.
- **Record-keeping:** HR departments are in charge of maintaining corporate records, resumes, sensitive information, and performance assessments, as well as tracking sick leave, vacation time, and workplace accidents.
- **Policy Creations:** HR policies help employees work in a more structured setting. Tardiness, benefits, employee assessments, discipline, internet regulations, dress and grooming standards, holiday leave, and other policies may be considered by your HR department.

- **Employee Training:** Not only does training new employees help you stay ahead of the competition, but it also helps with employee retention.

According to LinkedIn's 2018 Workplace Learning Report, 94 percent of employees would stay with a company longer if they put more effort into their professional growth.

- **Company Culture Development:** One of HR's responsibilities in a startup is to ensure that the company's values are upheld by employing employees who share the company's vision.

- **Employee development:** Compensation structures, gratuities, PPF, leave policies (maternal and paternal), pension policies, and medical insurance, to name a few, must all be implemented at the appropriate time. Aside from the legal ramifications, it's critical that the team feels appreciated. All of this is something that HR is in charge of.

### **HRM Challenges in Startup Companies**

The dynamics of the obstacles that rising enterprises encounter have shifted. The most tough difficulty facing today's startups is attracting and retaining top people. Emerging enterprises, particularly in developed and developing countries, no longer face significant funding challenges. Many of the world's most successful businesses have confronted this difficulty and engaged in a talent war.

Human resource management is critical for a business, yet it is often overlooked by most entrepreneurs. It is the startup's human resource that should devote a significant amount of time to instilling the startup's brand strategy in the minds of its employees.

Startup organizations face numerous HR problems, including hiring personnel, developing procedures, gaining management buy-in, terminating bad performance, and much more. While many of these issues might arise whether or not your company is a startup, it's crucial to recognize the unique problems that each of these offers to a new firm and why they matter. The following are some of the most typical HR difficulties faced by startups:

#### **Lack of Management buy-in –**

In some cases, management at start-ups believes they are too small to matter and ignores HR compliance. The other, more widespread issue is that they consider most HR operations to be superfluous overheads that waste money without adding to earnings. They want HR to only be able to hire people based on the instructions they've been given. HR needs to take the lead here and explain why business culture is important to the founders. Even if it isn't adequately expressed, the organisation will develop its own culture and values, whether they like it or not. It's critical that the corporation seizes control of the situation and steers the culture toward the objectives they've set for themselves.

#### **Documentation of policies –**

Another difficulty is the perception that personnel issues can be dealt with as they arise. Before hiring personnel, the HR department must ensure that not only the basic job description, but also the attendance, vacation, and other policies are well defined. It must ensure that the managers are familiar with the rules that apply to businesses of their size. It's a good idea to hand out a brochure outlining anticipated behavior and corporate standards

along with an employment offer that must be signed and returned. This will serve as a point of reference for everyone in the event of any disagreements.

### **Hiring –**

One of the most challenging hurdles for a business to overcome is finding qualified employees. It's not simply an HR issue; it's also a business one. Because the majority of a startup's early employees are hired through referrals, there's a temptation to keep doing so even as the company grows. One poor apple, on the other hand, can ruin the entire basket. There are also cases of over hiring or overpaying, particularly when businesses are supported by large sums of money. An experienced HR leader can put in place crucial processes to ensure that only the best people is hired at the best possible price.

### **Failure to provide training and development –**

To engage and retain personnel, a commitment to training and a clear progression path are required. Training does not have to be costly. What matters is that employees have possibilities for advancement. Employee happiness is greatly enhanced by a mentoring programme. Non-expensive ways to train staff include cross-training, encouraging employees to attend conferences, and having in-house subject matter experts deliver classes for interested employees. Startups might also give opportunities for their staff to network with industry experts.

### **Solutions to Overcome Challenges:**

Thankfully, there are solutions for every HR difficulty that a business faces. HR plays a critical role in the success and execution of each of these solutions in startups.

### **Management Buy-In**

HR departments must justify why they are vital and helpful to management, as management buy-in for HR spending can be difficult in startups. Before garnering management's buy-in, HR needs to develop a strong plan for what changes need to be made and how that plan will be implemented, backed up by data. This strategy should also be in line with the company's short- and long-term objectives. Presenting information in this way with a solid plan to back it is a great way to get management buy-in.

### **Procedures and Policies**

Why wouldn't you want to invest in building corporate policies for employees as well? A new corporation has a business strategy, vision, goals, and even work procedures thoroughly detailed—why wouldn't you want to do the same? Outlining policies and procedures can assist to clear up a lot of ambiguity and ensure that business practices are consistent. It's not necessary to go into great depth on policies and procedures; a short brochure outlining employee behaviour, policies, and performance expectations would suffice.

## **Organizational Culture**

Whether you do it on purpose or not, your organisation will build its own culture. Examine your present corporate culture and set the tone for the one you want to create. Hire people that reflect the culture you want to create, and choose business ideals that are true to your principles. Once you've established your core principles, don't just say you believe in them; try to live up to them in your day-to-day operations and recruiting practices. Outline the company's principles, objective, and vision from the start to assure success.

## **Hiring**

Startups are strapped for cash and can't afford to waste time during the hiring process. When you have a restricted budget, you need the best people for the position who can make a significant contribution to your growing company. By having organized onboarding procedures in place, a professional HR department can assist you in hiring the right workers and ensuring that they have a positive first impression of the firm.

With our access to social media and hiring resources these days, hiring may appear simple, but without a good, long-term hiring strategy, you won't locate the ideal people for the job. Not only will an HR strategy assist you in finding the right people, but it will also assist you in identifying and compensating the right talent.

## **Training**

Startups must develop a training plan for new hiring as well as existing employees, particularly as the firm grows. Thankfully, training doesn't have to be prohibitively expensive. Employees can learn and improve while working for your company by establishing an in-house mentoring programme, cross-training, encouraging conference participation, and sharing ideas and information.

HR's responsibility in a startup is to help new workers understand their role within their department, teach them company norms and policies, and give them time to become comfortable using their equipment. It's also critical that employees receive training tailored to their individual job role, whether it's sales, IT, or customer service. A training checklist for new hires can be useful.

## **Feedback**

One of HR's responsibilities in a company is to provide a forum for employees to air their grievances, dissatisfactions, and ideas. Employees must believe that their input is valued and taken into account. Determine what kind of feedback are important to your company and collect it using a range of tools. This might include Google Forms, one-on-one discussions, and meetings. Demonstrate to employees that you value both positive and negative feedback.

## **Retention**

We've already discussed how educating your staff may help you retain the finest people, but there are other strategies you can use to encourage your employees to stay with your firm for the long haul. Showing employees respect, giving them new, meaningful duties, delivering non-monetary benefits, providing ample time off, and connecting the company's performance

to monetary incentives for your staff are some of the greatest methods to keep them. Offering your employees stock in the company can be very beneficial for startups because it gives them a stake in the company's success.

### **Firing**

If the situation hasn't improved after you've taken the time to identify and express any performance issues with the employee, it's usually time to terminate employment. Firing an employee should be a well-documented, objective, and performance-based procedure. Don't let the firing come as a shock. Before terminating an employee, always offer them a warning and an opportunity to alter their conduct or actions. It's possible that the employee was unaware that they were doing inappropriately. If you keep detailed records of warnings throughout the process, you will be able to defend your stance if necessary.

### **Going above and beyond**

Startups are known for going beyond the norm, and as a digital media-focused creative communication agency, we do what we preach by utilizing social media. The recruiting procedure has changed dramatically: before interviewing or joining, applicants will check out your Facebook page or LinkedIn profile.

This is especially crucial in the creative industry, as we all hire from the same talent pool. And getting talent to contact you when you're a tiny business is even more difficult. HR is critical in building employer branding and promoting the organisation as a great place to work by ensuring our digital presence is current and interesting. Expressing our ethos on social media is important — it's a great way to ensure that the right kind of applicants approach us.

### **Outcome of the study**

HR is undergoing a transformation. It's not just about following the rules and regulations; it's also about getting the most out of your employees and fostering a positive work environment. HR solutions for startups address problems by changing and adapting as the company grows. Innovative hiring, attracting good people, promoting teamwork, recognizing milestones, and appreciating employees for their work are all ways your HR department may help you overcome HR issues stated above in startup organizations and gain a competitive advantage. Starting a business takes time, but learning and implementing HR practices for startups may help the process go more smoothly. Set a plan to develop your own HR department and give your firm the attention it deserves now that you understand the function of HR in startups.

### **Conclusion**

Today's startups are distinguished not just by how they approach their business goals, but also by how they react in the face of adversity. It is human capital that not only matters in the early stages of a business for sustainable development, but also defines the organisation in the latter stages.

The smarter the expertise you have in an industry, the more difficult it is to recruit that talent to a start-up. Apart from the tough rivalry for talent, another concern is that if a startup fails

to attract good business expertise, it would eventually fail to continue its long-term business strategy owing to a lack of financing.

As a result, it is clear that selecting a compatible talent for a startup is no longer a choice, but rather a necessary step in running a successful firm. "Hiring for a startup is tougher than raising money," Naval Ravikant of Venture Hack stated emphatically.

### **Future Research:**

Future researchers can gather primary data from startup entrepreneurs. Social networking sites can be used to gather data from business owners, particularly in the area of human resources. Furthermore, startups must be classified according to their particular industries.

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