"Hiring for a Start-up is Harder than Raising Money" - Human Resource Management in Start-ups

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Abstract

If Business world is an engine, start-ups are its fuel. Business industry will be more successful if the start-ups working in the industry are capable of generating business more efficiently. The business world is transforming and the most important question which arise in such dynamically changing scenario is - Are start-ups ready to embrace such changes on continual basis? Dynamics of challenges faced by emerging companies have been changed. The biggest challenge faced by the start up companies is to attract best talent and retain it. Whereas funding is no longer a big challenge for the emerging companies especially in developed and developing nations. There are many leading start-ups which have faced this challenge and indulged themselves into Talent war. Hence human resource can enable start-ups to make India No. 1 in this field… Start-up India; Stand up India."

Keywords

Business, Start-up India, Stand up India, Human Resource, Talent War

Introduction

Honourable Prime Minister Narendra Modi announced on 15th August, 2015 "Start-up India, Stand-up India" to promote Bank Financing for start-ups and offer incentives to boost entrepreneurship and job creation. Addressing the Nation on the 69th Independence Day, he said, "We are looking at systems for enabling start-ups. We want to enable start-ups to make India No. 1 in this field…. Start-up India; Stand up India."

With the gen-next cool trend to start working on new and innovative ideas, India is all set to outperform all other nations on the world stage in the years to come. Setting up of small businesses by these young entrepreneurs is definitely going to boost the Indian economy in the near future. India is a home for almost 3100 start-ups starting per year standing just behind US, UK and Israel according to the NASSCOM report of 2015. If the growth is continued on the same pace then it is expected that Indian tech start-ups will generate almost 2.5 lakh jobs in the next five years.[1]

India is also said to enjoy demographic dividend and it is anticipated that by 2020 India will be a home to 112 million working population falling in the age bracket of 20-24years as compared to that of 94 million workers of China. This demographic dividend will definitely boost the start up culture in the country.[2]

Initially, India was considered as the market for providing cheap labour to the world and for export of Indian services in the field of IT. Due to this India has witnessed low product development and innovation in the past. But, still it is not too late and the culture of start-up has started in India in the recent past. It has already started bearing fruits and is all geared up to benefit the Indian economy in the long run.

A curious person on the web likely an enthusiastic entrepreneur asked a simple question does a start-up need an HR person. Start-ups at the time were figuring out how to ride this wave, so it's unsurprising that the first and most popular answer provided was this "No, you don't need an HR person.[3]

Things have changed since then. For one, many believe that the start-up boom may be coming to an end, what with the rate of venture funding long with many valuations ramping downward. Start-ups are also being forced to grapple with their internal cultural problems; big companies like Twitter, Google, and Apple are being asked to divulge their internal demographics thanks to widespread calls for a more open and transparent work culture. But even with an insular industry seeing slightly more public dialog about its intrinsic biases and inequalities, start-ups still have difficulty figuring out how to maintain and cultivate their workforce and this aversion to HR may explain some part of that.

The phrase "HR is dead" is often repeated in start-up circles. Indeed, Fast Company wrote a story about its shortcomings. It's unclear what's at stake when companies overlook this sort of fundamental structure. A recent Motherboard piece took a look at the impact of no HR on company culture. It found that women are more often than not the most vulnerable employee's due to start-ups' lack of HR and general anti-harassment procedures. An article states, "Ultimately, these structural issues contribute to one of the greatest systemic problems facing working women today: barriers to advancement, known to many as the glass ceiling." And over the years some of the biggest tech start-ups have had accusations of harassment levied at them.

GitHub (2014) is probably one of the most memorable examples in 2014 a female engineer left the company and went public with allegations of being targeted and harassed by one of the cofounders and his wife. The company, following an investigation of the company's actions, found no legal wrongdoing, ultimately sweeping this saga under the rug. A few months later, however, GitHub announced it would make its HR procedures more robust, a move that could have perhaps made the original incident less of public spectacle.[4]

These sorts of instances bring to light the fact that harassment in the workplace is not uncommon, especially in Silicon Valley. A recent survey of women in tech

in the Valley revealed that 60% had experienced unwanted sexual advances in the workplace.

The same number of women also said that when they reported instances of harassment, they were dissatisfied with the results.[5]

What is the Purpose of HR?

This leads to the question, what exactly is the function of HR, and why is it historically so despised? Human Resources have become a catch-all for all the functional but non-flashy parts of an organization: hiring, payroll, health insurance, and all other administrative things.

As Libby Sartain, a former HR executive who worked at both Yahoo and Southwest Airlines, sees it, start-ups' resistance to formal human resources is an issue of culture. "In the old days," says Sartain, HR was primarily administration "to get people on payroll." But now companies are more reticent about adding an additional layer. "I see companies concerned about their culture," she says.

But this cultural issue is a double-edged sword. Start-ups are focused on growth and wooing talent by talking about how fun and casual their company is. Indeed, the idea of start-up culture one that has beer on tap and ping pong tables is a direct response to bureaucratic rigmarole like a human resources department killing a buzz. But the start-up stigma with HR has the potential to create unintended consequences. What happens when someone doesn't fit into that culture? And when those problems happen, it's departments like HR that usually attempt to fix the issues.

"There are a lot of younger people," says Sartain, "who don't understand the importance of ethical behaviour in the workplace." And without the proper safeguard in place, this can lead to a hostile work environment. She adds, "I think some of the younger people haven't learned what kind of behaviour is acceptable and what kind of behaviour is unacceptable".

All the same, when unacceptable behaviour does happen, it leaves those at the receiving end with very few options. That's when employees would normally seek out HR for help, but instead turn to an attorney or go to the media. Thus, business veterans like Sartain the co-founder of Atlanta-based Oxford Industries, as well as Lanier Business Products believe it's imperative to have some system in place for these sorts of situations.

Software as a Substitute

On the other end of the spectrum is the issue of cost. Small businesses obviously can't afford to hire a team to do their administrative work. Instead they are now turning to outsourced or software-built services that fill the gaps. Trinet, Zenefits, and Justworks, for example, offer digital dashboards to onboard and keep track of employees similar to what a traditional HR person would do in the past. But, as one start-up founder wrote in a review of the Zenefits platform, it's especially great for early stage companies, but once you reach about 50 employees, you'll

need something more. New companies don't like the idea that they're using old tactics.[6]

These services, however, capitalize on being the answer for small companies looking to automate menial tasks. Isaac Oates, founder and CEO of Just works, says he saw an opening for this kind of bureaucratic platform. He wanted to a build a software solution that would "just do all the stuff that needs to happen." Just works makes it possible for small businesses to automate their payroll, benefits, and regulatory data. These are the kinds of tasks an entire department would have done a decade ago. The focus is precisely on those small businesses that don't have the resources to bring new humans on. With that, just works represents a new cadre of solutions that turn people into software. Employees get their pay stubs through the platform, along with benefits information.

Amanda Moskowitz, founder and CEO of Stacklist - the start-up leadership sharing resource, sees these as one of the big ways start-ups are adapting to HR needs. Instead of hiring one or two new positions, companies are seeking out more soloed products in lieu of an entire human resources department. "While we don't see founders saying they're using X tools and calling it HR," she said, "They are using review tools." These include products, like Glint and Small Improvements, which allow employers to keep track of their workforce, along with opportunities for employees to provide formal feedback.[7]

But it leaves a gap for where a human department once was. Though these HR platforms help businesses stay compliant with state labour laws, they don't provide the same buffer that departments had before. And, perhaps most apparent, a software or automated platform cannot replace the human experience of talking with someone, especially dealing with sensitive issues like health and well-being. If an employee feels uncomfortable in the workplace, he or she can't log on the dashboard and report the event although Just works does offer HR-specific consulting that connects founders with experts when faced with an unexpected event. This leads to the question of whether or not HR is really the issue at hand. If you have a small company of 10-25 people and an employee has very specific, personal needs, would a formal HR associate be what is needed to help the problem?

The Future

According to a recent study by Nasscom (2015), India has around 4400 start-ups that employ close to 85,000 employees. Total funding till 2015 in start-ups is estimated to be $ 6.5 billion. This excludes funding in start-ups incorporated before 2010, such as Flipkart, Quickr, Practo, Zomato, and Inmobi, which, if taken in account, will further inflate the investment figure. These start-ups have put India on the world map by making it the third- ranked Global Start-up in 2015.[8]

To give a new dimension to entrepreneurship and help set up a network of start-ups in the country it should do away with the current practice of interview-based selections for low-skilled jobs and promote merit by recruiting only through transparent, online processes.

As part of the Skill India and Digital India initiative, package of incentives will be given to manufacturing units for generating jobs.[9]

As India has declared 2010-20 the Decade of Innovation the Government has stressed the need to vocalize a policy to synergies science, technology and innovation and has also established the National Innovation Council (NIC) to boost the start-up is possible only with Human resource person. All young Indians who have the courage to enter an environment of risk, the Start-up India Hub will be of your friend, mentor and guide to hold your hand and walk with you through this journey.
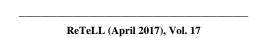
Conclusion

Today start-ups are defined by not only how they are approaching towards their business goals but also how they react in worse business scenarios. Its Human resource which not only matters in good times of start up but also it defines the organization in bad times.[9]

Smarter the talent you got in an industry, tougher is to attract such talent towards a start-up. A rival in such a scenario is not only the big MNCs where your prospective talent can find a lucrative job but also a possible opportunity for prospective hires to start their own ventures. Another issue apart from the fierce form of competition for talent is that if the start-up fails to attract good talent in the business industry, it will eventually fail to sustain its long-term business strategy due to lack of investment.

So, it can be concluded that now-a-days, finding a compatible talent for a start up is not an option but a crucial step for running the business successfully. As truly mentioned by Naval Ravikant (2015) of Venture Hack- "Hiring for a start up is harder than raising money."[10]

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