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Management

HR Trends in Startups and E commerce Companies

KEY WORDS:

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ABSTRACT

The startup ecosystem continues to grow in our country despite having seen many big players going down the path of closure. For each success story there is a double the number of failures. As a HR person my interest in writing this article is to study and gather information so that the role HR plays in such companies can be highlighted. Also because there is lack of literature and opinion on whether the HR role in startups and ecommerce companies is worth its while. Startups at the beginning are small, simple but ambitious. The distinguishing factor is they are yearning for fast growth. Growth means hustle and bustle for numbers, market share and financial targets. In such a scenario where does HR fit in? Does the administrative or bureaucratic part (image)of HR make it a villain against the freedom and unshackled environment of a startup. Ideas, creativity and innovation lie at the heart of each successful startup, and HR might be considered as a threat to all this which a startup stands for.

Introduction

What is a Start-up?

A start-up is a young company that is just beginning to develop. Startups are usually small and initially financed and operated by a handful of founders or one individual. These companies offer a product or service that is not currently being offered elsewhere in the market, or that the founders believe is being offered in an inferior manner. In the early stages, startup companies' expenses tend to exceed their revenues as they work on developing, testing and marketing their idea. As such, they often require financing. Startups may be funded by traditional small business loans from banks or credit unions, by government-sponsored Small Business Administration loans from local banks, or by grants from non-profit organizations and state governments.

Paul Graham says that "A startup is a company designed to grow fast. Being newly founded does not in itself make a company a startup. Nor is it necessary for a startup to work on technology, or take venture funding, or have some sort of "exit". The only essential thing is growth. Everything else we associate with startups follows from growth."

Some facts about start ups in India:

1. More than 4,100 startups were registered in India in 2014 alone
2. 2015 was the biggest year for Indian startups with capital worth \$9 billion being invested in them
3. The government's startup India standup India campaign has been one of the most successful government trade and commerce related programs in recent memory.

Start-ups and Human Resource Management

The founder of startup with fire in his belly and a belief in his business idea works hard to make it profitable. When there are buyers in market of product or the service, the demand grows and work grows. The founder or few founders are not able to manage the whole show. Hence new people are recruited with increase in the business. Many times the founders themselves search and recruit such people based on their personal liking and preferences. Also at this initial stage Startups are often seen to employ executives with dual roles, one being that of a human resources officer. This probably works well when the employee strength ranges between 5-10 people. But in cases, where the headcount count exceeds that number, it's a tedious task to carry out the work of an HR and another important job role in the same organization.

Reasons for absence of HR in startups

Costly Affair

In early days startups are working on shoe string budgets, whereas MNCs might find it easier to pitch a separate department for HR, for startups it another addition to costs that they need to take up on themselves. At this stage the founder's needs to take the strategic role of HR and consider outsourcing the transactional

part of it. But with growing business and other functional roles this role may get sidelined.

Software as a substitute

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.

Personality Matters

The founders of a startup are emotionally tied to their business. They tend look for people who mirror themselves as future employees. So they may be reluctant in delegating recruitment to others. But this might lead to business failing in long run as a business employee should represent the personalities of their customers not the founder. Finally the product has to be sold the customer in market.

Culture of Fun

Startups are focused on growth and wooing talent by talking about how fun and casual their company is. Indeed, the idea of startup culture—one that has beer on tap and ping pong tables—is a direct response to bureaucratic like a human resources department killing a buzz. But the startup stigma with HR has the potential to create unintended consequences: what happens when someone doesn't fit into that culture.

Founders own perception of HR function

The founders of startups are generally people who will want to rush through routine things and stay focused on the core business idea. Having a HR team may not be appealing to him/her as it would mean more structures and rules. The randomness and boundary less functioning of startup may be curtailed if HR comes in being. There might be timings , vacations, rules of behavior in the company which an entrepreneur might like to avoid as far as possible.

Fewer Number of employees

According to **Shaifali Agarwal Holani, co-founder, CEO at EasyFix**, an HR is really not required when the team primarily consists of co-founders and founders. "If entrepreneurs can draft an impactful job description and be precise with their recruitment requirement then multiple free and subscription based recruitment portals come handy," she adds. Easy Fix is a 450 people organization spread across 60 cities and runs without a dedicated HR as they bootstrap!

Cost of HR aversion

A curious person on the web—likely an enthusiastic entrepreneur—asked a simple question on Quora: Does a startup need an HR person? The first and most popular answer provided was this: "No, you don't need an HR person". But startups come have a long way from that time after experiences such as high

attrition rate, ethical issues(housing.com), founders leaving their companies, complaints of sexual misconduct(uber) ,gender discriminations and failures of many promising companies due lack of good people.

Startups are also being forced to tackle 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 increasing public dialog about its intrinsic biases and inequalities, startups still have difficulty figuring out how to maintain and cultivate their workforce. And this aversion to HR may explain some part of that.

Many founders and enterpetnuers still view HR main role as to get people on payroll, manage vacations and keep asking for employee benefits in addition to bringing in a bureaucratic way of functioning. This defies the culture of freedom and creativity in a startup. But what they overlook or undermine is the importance of HR in maintaining and promoting culture of equality, justice and right behaviors at workplace. Absence of such a regulatory layer may make the combination of young, free, male- dominated, 20 something, big bucks earning group, a heady concoction. In such an environment where the founder is also a young chap anybody not confirming to their way of working or raising an objection to unacceptable workplace behavior will have nowhere to go sort out issues. All the same, when unacceptable behavior 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, it's imperative to have some system in place for these sorts of situations. At the very least, there should be a policy in place clearly stating what a founder should do when faced with such a complaint.

Suggested Strategies for HR in Startups Nascent Stage

In a start-up with a team size of less than 30 individuals, an HR team isn't really necessary. Since it is the founder who drives the culture and values of the place, s/he would prefer to invest in hiring individuals who have the same passion as s/he does. The risk of hiring an HR team at the nascent stage of a start-up could be that individuals who get hired might meet the HR team's criteria as opposed to what the founder has in mind. But the founder must not only look for people like him but also those who reflect the personality of his customers too.

Software solutions

New companies don't like the idea that they're using old tactics. That is where the flashy HR software services come into horizon. They make 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. But as the company gets larger number of employees positions should be created to meet the challenges of engagement, development and retention.

Multiple Roles

Since startups have the tendency to have a flat structure, an HR could also diversify his/her roles to become a people's manager or basically the "go to person" for anything related to work life issues. Startups should create a position like people manager who has the responsibility to engage employees well with company objective and goals. As it is quite necessary to foster a sense of individualism and entrepreneurial spirit among the employees, who in a startup constitute a small group, which in turn, helps inculcate a responsible work culture for the people involved in the projects,"

Role of HR in developing culture

As startup founders find themselves stretching out at various ends , somebody needs to be there in the company to make sure that a culture where respectful debates are valued, conflicting voices and differing perspectives are heard. There are safeguards in place which encourage diversity and discourage unethical professional behaviors. In addition the company should reflect the values and

dream of the founder even when he is no longer in the company.

Conclusion

The startup generation may not be the fan of legacy of HR departments but what they can't get away from is the core issues of compensation, compliance, team productivity and employee happiness. Many times they employ a software to do transactional jobs of HR but can a machine replace human when handling sensitive issues like health, harassment and well-being. While some may say ti is a leadership issue, having a position just for this makes a huge difference. When a employee feels uncomfortable in the workplace can s/he log on to system and report it?

So, although startups are all about numbers, technology and race ;they can't ignore the quiet but ever-present need for happy employees who feel comfortable, valued and included.

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