



A Study on Human Resource Management in Startups

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Abstract – Human Resource Management (HRM) is the most delicate and sensitive part of an organisation, that plays a vital role in the success of a startup. Its function is not only to do administrative tasks but it also plays its part in the strategic functions to enhance the performance, be innovative and shape organizational culture. The aim of Human Resource Management (HRM) is to provide a cooperative work environment for employees coming from diverse cultural backgrounds, which helps them grow professionally. At the same time, it ensures that employees work in alignment with the company's vision and mission. Humans are the primary and active factor of a firm. Startups face many challenges in establishing their name in a competitive market. In such situations, not having a positive and enthusiastic workforce can lower their morale. They face many challenges in acquiring, retaining qualified employees, managing high employee turnover, motivating employees, getting experienced employees to work according to their way. HRM designed before works better in the companies who operate at a wide scale so they often fail to assist the new startups to align with their work and resources convenience. This is the reason why many HR strategies fail when it gets applied to new firms. In these startups founders work as HR who recruit and make them work as per their vision. As they lack the experience of the same, their HR strategies backfire at them big time. With the growth of the startups transitioning from informal working style to formal working style is essential, so the company can manage more employees efficiently and provide proper assistance to all the employees. This involves selection of the candidate, job profiling, job descriptions, analyzing the performance, compensation structures, payroll, managing legal aspects of the department. Startups don't have time for a long term growth and adaptability of the employees to the firm norms, they focus more on short term necessities. Therefore this paper is going to focus on the challenges faced by the new startups in managing their human resource and how they tend to remove the same.

Keywords - Startups, human resources, challenges, improvement.

I. INTRODUCTION

Human Resource Management is the most vital and sensitive segment of a business. It can help the firm achieve the milestone or can cause irreparable harm. Business is not just the products, it's the people. A founder can have the most awesome idea but if not conveyed in the most effective ways it can cause loss before it can be productive. Indian startups are highly driven by new found technologies and a young entrepreneurial workforce. Managing human resources is a very delicate part of all the organisation, every business has their own ways of dealing with their employees. Giant organisations often provide benefits to their employees other than the salary. But, the same strategy cannot be used in startups as they need to find cost effective measures with their already limited budget. With this comes cultural diversity and regulatory compliance of Indian law that adds more layers to HRM functions. Even after struggling with the norms and trying to find an ideal way to deal with the employees, startups keep on experimenting with flexible and adaptive, employee-centric HR practices, including flat hierarchies, office work policies and performance based cultures.

This primary aspiration of this research paper is to look into the challenges faced by the founder of Indian startups, highlighting their major concerns and ways to tackle them.

This paper is also intended to throw light on the laws formed by the government in the field of HR and the effectiveness it shows in the respective area.

II. LITERATURE REVIEW

Dr. D. Renukadevi, Dr. P Vidhya, et al. "Impact of Government Policies on Startup Ecosystem," research paper explains from the secondary data studied by them about the government laws' effects on startups, they concluded both pros and cons for the effect of the same.

Chanchal Dey, Debashish Biswas, et al.(December 2022), "The Influence of HRM Practices on Job Satisfaction in Select Indian Unicorn Startups," through their primary data collected by a survey done on unicorn company, they analysed the data and by their findings they provided a data on how demographics works in a startups. The opinions and expectations of employees on hrm vary as per their age,gender and experience, establishing a positive relationship between hrm practices like performance appraisal, training and development and job satisfaction.

Dr. Gopinath.R., T.S. Poornappriya et al. "An Analysis of Human Resource Development Practices in Small Scale Startups,"evaluated HR management on each level of



hierarchy, there is a positive association with experience and the salary increment of the salary. Thus, the methods for human resources adopted in startups have the aim of increasing executive engagement to decrease employee unhappiness, absenteeism, turnover, and poor quality.

Mrs. Rohini U. Nikam, Dr. Yuvraj Lahoti, Dr. Samrat Ray, et al. (2023) "A Study of Need and Challenges of Human Resource Management in Start-up Companies," explained the role and challenges in their paper. They also gave some suggestions that can be helpful for the startups as HR is undergoing a transformation. It is about creating a positive environment for work, not just following rules and regulations.

Sabrina Korreck et al. (2019), "The Indian startup ecosystem: Drivers, challenges and pillars of support," describes how the growth of startups in India and its contributing factors and explains the pillars that gives strength to the new found business. This paper has its perspective on the current state of the Indian startup ecosystem.

Anubhab Patnaik, Srinivas Subbarao Pasumarti et al. (2020), "A Study On Startup HR Practices: Where Learning Meets Fun," pays attention to the challenges faced by the startups in acquisition, attaining and retaining of talented employees for the new firm during uncertain environment. It's a conceptual study rather than empirical study yet offers valuable guidance for founder-led HR strategies.

Budhwar, P. S., & Bhatnagar, J. et al. (2007). "The Changing Face of People Management in India," emphasizes how institutional, cultural, socio-economic factors help in shaping the Indian HRM. In their research paper, they explained that companies are adopting global HRM practices, but they are modifying them to fit the Indian context. They also addressed the challenges such as employee retention, leadership shortages and skill gaps faced by firms.

Aayushi Chopra, et al. (2022), "Legal Requirements For Startup In India," in her paper published on social dhara described about the legal formalities and requirements that a startup needs to fulfill.

Garima Mitra, et al. (2024), "Navigating India's Labour Law : A Comprehensive Regulatory Guide for Startups," published in treelife explains about India's intricate labour law landscape, explaining about the importance of these compliances for startups. The paper explains that both central and state government laws need to be essentially followed by the firm in order to run smoothly. Although,

this paper doesn't explain much about the challenges faced by the startups.

Dr. Kama Raju Chitrapu, et al. (2017), "Startups and Legal Compliance in India," his paper focuses that the founders should not only focus on business strategy but also simultaneously navigate complexity of legal framework which involves structuring the firm, legality regarding tax, contracts and employees. It also explains that as the startups are quick to enter into contracts with vendors, suppliers, customers, they need to manage the contracts legitimately to avoid legal risks.

Vasu, et al. "HR Compliances checklist for Indian Startups," published in Corrdialeal, describes the mandatory legal laws that need to be followed by the startups for the proper management of human resources, as this attracts talented employees and boosts the confidence of the investors providing transparency.

Biranchi Narayan P. Panda, et al. (2024) Labour Law Compliance And Exemptions For Start-Ups in India: Ensuring Better Business Operations & Expansions, explains the laws that need to be applied and followed by the startups in order to be legally secured.

B.Kirthik, Dr. I. Savarimuthu, et al. (2020) "A Study On Talent Management Practices In India," their paper explains how Indian startups approach talent management in terms of acquisition, development, retention. They conduct a survey and take responses from both employers and employees to have a holistic approach. Based on the interactions they concluded that hiring in startups are mostly based on referrals and social media like LinkedIn and Naukari.com as they are more cost effective. They provided an empirical insight of talent management in Indian startups explaining informal yet strategic recruitment.

Khandelwal, S., & Kumar, A., et al. (2020), "Organizational Culture in Indian Startups: An Exploratory Study. Asian Journal of Management Research," their paper explores the role of organisational culture shaping the dynamics of the startups in India. Based on the semi structured interviews with founders and employees of various Indian startups they draw a semi qualitative design. Their findings show that the approach of the founders highly influence norms of the organization, they mostly have a flat hierarchy that helps in making quick decisions. Yet, further empirical, outcome-linked research is needed to generalize these observations as the paper is sample biased.

Supraja Haridoss, et al. (2018) "Impact of social media marketing on HRM" conceptually investigates how the



social media tools that are traditionally used for marketing are now being adopted by human resource management. Startups use social media to acquire the talented candidates, although it adds valuable context and brandin of the employer for Indian HR practices yet more empirical research and broader thematic coverage remain necessary.

Ashutosh Muduli, Jignesh Trivedi, Sameer Pingle, et al. (2020) "Social Media Recruitment and Culture: An Empirical Study" from the Unified Theory of Acceptance & Use of Technology (UTAUT), the paper explains how recruiters' use social media recruitment (SMR) influencing both pre-hire (e.g., number & quality of applicants) and post-hire outcomes (e.g., job performance, retention) in Indian organizations. While this paper focuses on the positive effects of SRM on recruiters, it doesn't provide much explanation about its impact on the applicants and their experience.

III. DISCUSSION

To understand the effect of HRM on startups let's start from knowing the basics meaning of Startup and HRM.

Startup

When we say the word "startup" people often assume that it will be a small project started by any young person or a group of friends or young entrepreneurs. There are also people who assume that any company having a fresh set up is a "startup". The concept of startup is small, innovative firms aiming towards rapid growth started in the 1900s to early 2000s. It became popular in India in the mid-2000s to early 2010s.

Startup is a setting up a new business to develop a unique product or provide services to the prospective customers. These businesses basically intend to solve problems that the society is currently facing and try to solve the same in innovative ways. New founders don't just follow the path of the companies already in the market they find cost effective, technical handy ideas.

Startups usually start with a small group of people, it's common among founders but this is not necessary, they can start at large scale if they have investors or experienced founders. The major reason why they begin with few people is cost issues. Also having small teams leads to making quick decisions.

A company who already has its name in the market and is doing well can also set up a startup, if the new project it wants to start has its own identity, solves an unsolved problem of the society, uses innovative ideas and is totally separate from the idea the company was already working

on, it runs with an individual identity but uses the funds of the parent company. It is a distinct business unit having its own product, team and strategy. These kinds of startups are called startups within a larger company, "internal startups" or "corporate startups."

Some examples are:

Gmail started by Google was first an experimental idea that ran by using Google resources. Paytm started Paytm Mall in 2017 to compete with Amazon and Flipkart in the marketplace.

Reliance Jio Platform started under Reliance Industries Ltd. in 2016 focusing on the telecom services.

Ola electric was introduced in 2017 as an internal startup by Ola to help Indians move to electric vehicles which can reduce pollution and dependence on fuel.

Stage of Startup being popular in India

Beginning (Late 1900s to early 2000s)	Companies like Infosys and Wipro cannot be called a modern day startup but it surely gave a direction for the upcoming founders.	Zoho (1996), Naukari.com (2007), Rediff and Make my Trip (2000)
Growth stage (2007-2015)	Startup being popular specially in e-commerce and tech support zones of business.	Zomato, Swiggy, Ola, Nykaa, Byju's
Ecosystem assistance (2016 Onwards)	Government support to encourage new startups emphasizing on <i>Make in India</i> .	Udaan, CRED, Groww

Factors which contribute towards the growth of startups are:

- Government Support.
- Digital Revolution.
- Funding Availability.
- Approach of consumers.
- Technology driven environment.
- Improved infrastructure.
- Easy and accessible internet.

Characteristics of Startup

- Introducing new ideas, innovative product or service
- Aims at rapid growth.
- Technology driven.
- Limited resources.
- Ability to quickly adapt.
- Usually targets niche neglected segments of market needs.
- Operates in a high risk environment.



- Build-Measure-Learn cycle followed for quick feedback from customers and improved the same for speed up growth.

III. HUMAN RESOURCE MANAGEMENT

A business doesn't just grow big from a single idea. It becomes truly large when a group of people works together, with one vision, to turn that idea into reality.

Resource refers to all those factors that are used by the organisation to attain its goal.

Human Resource is people who work for the organisation, their skill, experience and effort which leads a firm to accomplish the target.

HRM Review magazine article by Harjoth Kaur (published in September 2010) used a very clear way to define Management stating management is Manage+Men+Tactfully.

Human Resource Management is about managing employees well so that they can achieve both organizational goals and their own personal goals, ensuring success and the growth of the business. From the acquisition of an employee to termination every aspect comes under HRM. No business can run without people from turning scratch material to a quality product and selling the same to the selective market, or providing services to the consumers. Everything in a firm can operate with efficiency only by the people, they are the active factor of an organisation and the most valuable asset. HRM is the most sensitive part of an organisation as it includes people having dynamic and individual personalities, comes from diversified cultures, different parts of Bharat, having different priorities and goals thus, they need to be handled with care so they can work for the same vision as of the company.

Core Objective of HRM

- Aim to achieve organisational goals for organisational growth.
- Aim to achieve personal goals for personal growth.
- Aim to achieve societal and ethical goals for ensuring a healthy workplace.

Functions of HRM

Managerial Functions

- Planning
- Organising
- Directing
- Controlling

Operative Functions

- Procurement - Job analysis, human resource, planning, recruitment, selection, placement, induction, transfer, promotion, termination.
- Development - Performance, training, executive development, career planning, development
- Compensation - Job Evaluation, Wages Salary Administration, Bonus and incentives, Pay Roll
- Integration - Motivation, Job Satisfaction, Grievances redressal, Collective bargaining, Conflict Management, Participation of employees, Discipline.
- Maintenance - Health, Safety, Social security, Welfare scheme, Personnel records, Personnel research, Personnel audit

Relation Between Startups and HRM

As already explained, no business can run without people. Employees give a real shape to the vision of the founder. There are few founders who don't want to be the one doing the job but want to be the job creator. Few founders also go for startups because they don't want a tag of being a corporate slave. Some are experienced employees working in an organisation to earn some extra cash or to see if the idea runs effectively they could quit the job they try out a new business on small scale or individuals who have resigned from their job to start something fresh on their own name taking up all the challenges and risks after doing all the research and background work that can help the business grow.

The point is even after having everything worked out on a file and in the founder's mind if they won't be able to explain the same to the people who will come and work for them in the new firm all the hard work will be wasted. A founder needs to communicate the motive of their project and their clear idea so employees understand the vision.

Startups come with their own challenges of limited resources, inviting vendors and customers, struggling to create a new identity, already existing big players who can influence the market, always changing trends and high end competition. Amidst all these struggles, managing human resources itself is a significant challenge.

From doing interviews, trying to attract talented candidates to making terms of termination and resignation every part of HR is crucial and sensitive. If handled well HR can bring the most effective results for the startup or can disrupt the reputation of the same if ignored.

It is not only about forming HR rules as per the firm but also following the law for the same. There are many complex rules and regulations that can be very irritating for a founder to go through and can consume a lot of time.



To deal with employees efficiently, founders often hire HR, as the founders might have bright ideas and great strategies but might fail in managing employees. HRM is a complicated segment that could consume the founders' productive time in managing it.

Need of HR in startups

- To serve as a link between the brand and the people making it a brand.
- To hire the right person for the right job as HRs have experience in recruitment.
- To manage people so the number of turnover remains minimum.
- To know how and when to let go of an employee if he is not giving results.
- To make a smooth and strong connection between employees and founders/company.
- To share the problems of the employees to the founders and try to find a cost effective solution.
- To develop a positive and enthusiastic, cooperative, problem solving work culture.
- To prevent office politics that can damage a new startup.
- To create a repo of founders to the employees and communicate their vision and mission properly.
- To ensure compliance with employee related laws to prevent the startup from legal issues, as these are often ignored by the founders due to lack of knowledge and time.
- To set a benchmark for employees performance and direct and control them accordingly.
- To ensure centralised, accessible and secured data of the employees.
- To ensure which employee app should be used to have a collective analytic report of the employees that assist in taking the right decision at the right time.

Government Laws for HRM that needs to be followed

- 1948 Minimum Wage Act
- The 1936 Wage Payment Act
- The Maternity Benefit Act of 1961
- The Payment of Bonus Act of 1965
- The Child Labour (Prohibition and Regulation) Act of 1986
- 2020 Occupational Health, Safety, and Conditions of Employment Code:
- The Workmen's Compensation Act of 1923
- The Equal Compensation Act of 1976
- The Inter-State Migrant Workers (Regulation of Employment and Terms of Service) Act of 1979
- The Building and Related Construction Workers (Employment and Terms of Service) Act of 1996
- The Inter-State Migrant Workers (Regulation of Work and Conditions of Service) Act of 1979
- The Gratuity Payment Act of 1972

- The Employees' Pension Funds and Other Provisions Act of 1952 and the Contract Labour (Regulation and Abolition) Act of 1970
- Workers' State Insurance Act of 1948
- Equal Remuneration Act of 1976
- Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013

Startups need funding because cost management is a basic challenge for every startup. Investors often hesitate to invest in a new firm for various reasons they don't want their money to get stuck. In such situations, it's essential for founders to present their company as strong in every aspect.

Since a company grows through its employees the main workforce that turns a vision into reality it's equally important that all employee-related formalities are clearly in place. The more legally strong and transparent a startup is, the more confidence the founders will have in the company, and employees will also feel a sense of security. This also helps protect the firm from potential lawsuits.

Employees who want to work on a contract basis, or those who are experienced and already associated with big companies, often hesitate to join new startups. And if they do join, they can sometimes create problems later on especially if the founders don't want to operate in the way those employees expect. In such situations, these employees often resort to legal measures to exit the company or challenge decisions. If the startup has clear legal compliances related to HRM (Human Resource Management), then it doesn't get trapped in legal complications and can handle such situations effectively and transparently.

Compensation Method followed by startups for employees

Indian startups often find flexible and hybrid compensation methods convenient to acquire and retain talent while managing their resources that are often very limited in the early stage.

Ways of compensation that is often adopted by the founders

- Fixed Salary - This is the basic way of payment that is adopted by all the organizations. Employees working for a fixed amount given to them after the end of every month.
- Salary and incentives - To encourage employees to be more involved and contribute with greater input, some firms offer incentives in addition to salary. These incentives are based on individual performance. Firms that lack sufficient resources typically focus on hiring only highly efficient employees, so that even a small



team can deliver strong results. Based on those results, the employees are rewarded with performance-based incentives.

- Equity / ESOPs (Employee Stock Option Plans) - To compensate for lower salaries, and to make employees feel like a part of the startup while showing them long-term growth potential, startups are increasingly adopting this method.

Equity / ESOPs (Employee Stock Option Plans)

This is a very popular method used in startups for engaging and encouraging employees by offering shares or stock options to compensate for low salaries. This way they align employee interest with long term company growth and often includes a vesting schedule. This method is helpful in attracting talent who are willing to take short term salary cuts for long term wealth.

Performance-Based Incentives

Startups often provide bonuses or variable pay linked to:

- Individual performance
- Team performance
- Startup's overall success (KPIs or OKRs)

Above methods help in encouraging the employees with a growth driven output.

Non-Monetary Perks & Benefits

This method is often used when the salary is less and a boost in morale is needed.

- Flexible work hours / remote work
- Free meals or travel reimbursements Co-working space perks
- Health insurance
- Learning and development stipends

IV. RESEARCH METHODOLOGY

The present study follows a descriptive and exploratory research design to understand the Human Resource Management practices adopted by startups operating in different sectors. Since startups differ in terms of size, industry, organizational structure and employee management practices, a descriptive approach was considered suitable for analysing their HR-related challenges and practices.

Research Design

- Descriptive Research
- Exploratory Research

Sources of Data

The study is based on both primary and secondary data.

Primary Data

Primary data were collected through a structured questionnaire circulated among startup founders and HR professionals using Snowball Sampling. The questionnaire consisted of close-ended and opinion-based questions covering recruitment, onboarding, performance management, employee retention, compensation, government policies and HR challenges.

A total of 43 valid responses were received from startups operating in different sectors.

Secondary Data

Secondary information was collected from:

- Research journals
- Government reports
- Books
- Startup India publications
- Published articles on Human Resource Management and Startups

Sample Profile

The survey represents startups belonging to multiple industries, indicating that HR challenges are common across different business sectors.

Table 1: Sector-wise Distribution of Respondents

Sector	Frequency	Percentage
E-Commerce	16	37.2%
Technology	9	20.9%
Other Industries	8	18.6%
Healthcare	2	4.7%
Education	2	4.7%
Fitness	1	2.3%
Gaming	1	2.3%
Textiles	1	2.3%
Construction	1	2.3%
Power Sector	1	2.3%
Food	1	2.3%

Interpretation

The survey shows that E-Commerce startups (37.2%) constitute the largest proportion of respondents, followed by Technology startups (20.9%). This reflects the rapid expansion of digital businesses in India and suggests that HR challenges are particularly significant in technology-driven sectors. At the same time, participation from healthcare, education, gaming, textiles and manufacturing-related businesses makes the study more representative of the startup ecosystem.



Startup Size

Table 2: Number of Employees

Employees	Frequency	Percentage
Less than 10	19	44.2%
10–30	10	23.3%
30–50	2	4.7%
50–100	7	16.3%
More than 100	5	11.6%

Interpretation

Nearly 44% of the surveyed startups employ fewer than ten people, confirming that most participating firms are in their early stages of growth. Smaller teams often require employees to perform multiple responsibilities, making recruitment, training and retention particularly critical.

Recruitment Practices

Table 3: Primary Source of Hiring

Source	Frequency	Percentage
Walk-in Interviews	18	41.9%
Freelancers	10	23.3%
Job Portals	6	14.0%
Referrals	4	9.3%
Recruitment Agencies	3	7.0%
Others	2	4.5%

Interpretation

Walk-in interviews remain the most commonly used recruitment method among startups (41.9%). Freelance hiring is the second most preferred approach (23.3%), suggesting that startups rely heavily on flexible workforce arrangements to reduce fixed employment costs. The comparatively lower dependence on recruitment agencies indicates that startups generally avoid expensive hiring channels during their initial stages.

Difficulty in Attracting Qualified Talent

Table 4

Rating	Frequency
1	3
2	3
3	19
4	13
5	5

Interpretation

Most respondents selected 3 or 4, indicating that attracting qualified employees is moderately difficult for startups. Only a small number considered recruitment either very easy or extremely difficult. These findings suggest that startups continue to compete with established companies

for skilled professionals while operating under tighter financial constraints.

Satisfaction with Current Hiring Process

Table 5

Rating	Frequency
1	4
2	6
3	15
4	15
5	3

Interpretation

The majority of respondents rated their hiring process between 3 and 4, indicating moderate satisfaction. Although startup founders are generally satisfied with their recruitment procedures, there remains significant scope for improvement through structured HR practices, employer branding and technology-assisted recruitment.

Onboarding Practices

Table 6

Response	Frequency	Percentage
Partial	16	37.2%
Yes	15	34.9%
No	12	27.9%

Interpretation

The findings reveal that only about one-third of startups have a completely formal onboarding system. The largest proportion follows a partially structured process. This indicates that many startups continue to rely on informal methods of employee induction, which may affect role clarity and employee engagement during the initial period of employment.

Employee Turnover

Table 7

Response	Frequency	Percentage
No	20	46.5%
Yes	13	30.2%
Maybe	10	23.3%

Interpretation

Almost half of the respondents reported that they do not experience high employee turnover.

However, nearly one-third acknowledged turnover as a significant concern, while several founders remained uncertain about the trend. This suggests that employee retention remains an emerging challenge rather than a universal problem across startups.



Preferred Working Model

Table 8

Working Model	Frequency	Percentage
Hybrid Working	20	46.5%
Office-Based	13	30.2%
Remote Working	9	20.9%
Flexible Multi-skilled Workforce	1	2.3%

Interpretation

Hybrid working is the most preferred work arrangement among surveyed startups. Founders perceive hybrid work as a balance between operational efficiency, employee flexibility and cost reduction. Traditional office-based work remains important for certain sectors, while fully remote work is preferred by comparatively fewer organizations.

Perception Towards Government Policies

Table 9

Response	Frequency	Percentage
Neutral	19	44.2%
Agree	9	20.9%
Strongly Agree	3	7.0%
Disagree	4	9.3%
Strongly Disagree	8	18.6%

Interpretation

The responses indicate that founders have mixed opinions regarding employee-related government policies. Nearly 44% remained neutral, while others expressed both agreement and disagreement. This suggests that although labour regulations provide necessary protection for employees, many startups perceive compliance requirements as complex and resource-intensive during their early stages.

Summary of Major Findings from the Survey

The survey highlights several important trends in startup HR practices:

- Most participating startups are micro and small enterprises, employing fewer than ten people.
- Walk-in interviews and freelance hiring remain the most common recruitment methods.
- Attracting skilled employees is moderately challenging for most founders.
- Many startups still rely on partially structured onboarding systems.
- Hybrid work has emerged as the preferred working model.
- Employee turnover exists but is not uniformly high across startups.

- Startup founders generally believe that HR practices require greater formalization as organizations grow.
- Views on government labour policies remain divided, indicating a need for simpler compliance mechanisms.

V. DISCUSSION

The survey findings provide important insights into the Human Resource Management practices followed by Indian startups and the challenges experienced by founders while managing employees. The discussion is organized around the major HR dimensions identified from the responses.

1. Recruitment Challenges in Startups

The survey reveals that recruitment remains one of the most difficult functions for startups. A significant number of founders reported that they face high competition from large firms, high salary expectations, lack of qualified candidates, and poor cultural fit during the selection process.

These responses indicate that startups are not only competing for technical talent but also for employer credibility. Established organizations are generally perceived as more stable, offer higher compensation, and provide better career growth opportunities. Consequently, startups often struggle to attract candidates who possess both the required skills and the willingness to work in an uncertain environment.

One founder specifically mentioned that the challenge is finding candidates who are technically qualified and culturally aligned with the company, which shows that startups increasingly value attitude and adaptability in addition to technical competence.

The findings are consistent with the literature, which suggests that startups rely on flexible and informal hiring practices but face difficulties in competing with larger organizations for skilled talent.

2. Employee Expectations and Job Offer Rejections

When respondents were asked why candidates reject startup job offers, the most common themes were:

- Higher salary expectations
- Demand for benefits and holidays
- Preference for established companies
- Job stability concerns
- Work-life balance expectations
- Growth opportunities

These responses clearly show that compensation is important, but it is not the only factor influencing



candidate decisions. Many employees evaluate startups based on perceived long-term security and career development.

One respondent stated that candidates often expect job stability, competitive salary, and growth opportunities, which many believe startups may not consistently provide. This highlights the importance of employer branding and transparent communication during recruitment.

3. Onboarding and Integration

Although some startups have formal onboarding processes, many still follow partial or informal induction methods. Informal onboarding may help save time and cost, but it can create:

- Role ambiguity
- Lack of performance clarity
- Lower engagement
- Slower adaptation to organizational culture

As startups scale, structured onboarding becomes necessary to ensure that employees understand expectations, reporting relationships, and performance standards from the beginning.

4. Performance Management

The responses suggest that startups generally prefer continuous feedback and direct communication rather than highly formal appraisal systems. However, some founders admitted difficulties in maintaining proper records of employee achievements and reporting.

This indicates that performance management in startups is often relationship-driven rather than system-driven. While such flexibility is useful in small teams, it may become ineffective as the organization grows.

5. Employee Retention and Turnover

The survey identified two major reasons for employee exits:

- Better salary offers elsewhere
- Workload and stress

A smaller number of respondents also mentioned lack of growth opportunities.

These findings show that startups lose employees primarily due to external opportunities and internal pressure. Employees may initially join a startup for learning and exposure, but they often move to larger organizations when better financial or career prospects become available.

One respondent explained that retention challenges were addressed through open communication, regular feedback,

and creating a positive work culture. This suggests that non-monetary factors can partially compensate for financial limitations.

6. Working Model Preferred by Startups

Most respondents preferred hybrid working arrangements. Founders consider hybrid work more economical because it reduces infrastructure costs while maintaining team coordination.

However, a few respondents reported difficulties in implementing work-from-office policies, indicating that employee preferences have changed significantly after the widespread acceptance of remote and hybrid work.

7. Handling Resignations and Terminations

The responses show that emotional and procedural challenges are common during employee exits. Founders reported issues such as:

- Employees leaving without notice
- Failure to serve notice period
- Concern for the employee's future
- Maintaining emotional balance during termination

One founder mentioned that the biggest challenge is balancing personal relationships with business decisions. This reflects the unique nature of startups, where founders often work closely with small teams and develop strong interpersonal connections.

18. The Most Difficult Aspect of HRM

The most frequently repeated themes were:

- Retaining the right talent with limited resources
- High employee turnover
- Finding qualified candidates at reasonable salaries
- Maintaining performance records
- Managing people effectively

These findings suggest that talent acquisition and retention together form the core HR challenge in startups.

HR Costing and Compensation Practices

The survey and supporting literature indicate that startups commonly use a hybrid compensation model consisting of:

- Fixed salary
- Performance incentives
- Flexible work arrangements
- Non-monetary benefits

Due to financial constraints, many startups cannot match corporate salary levels. Therefore, they attempt to compensate through learning opportunities, flexibility, direct access to founders, and faster career growth.



From an HR costing perspective, startups tend to focus on:

- Cost per hire
- Retention cost
- Productivity per employee
- Payroll sustainability

The increasing use of freelancers and contract-based hiring also reflects an effort to convert fixed labour costs into variable costs.

Technology and HR Support

Respondents expressed a clear need for technological support. The most commonly suggested tools were:

- HR software
- Payroll automation
- Performance tracking systems
- Applicant Tracking Systems (ATS)
- Centralized digital platforms
- Collaboration tools such as Slack

This shows that founders recognize the importance of HR technology but may not yet have fully implemented integrated HR systems.

Government Policies and HR Compliance

Opinions regarding government policies were mixed. Some founders considered employee-protection laws beneficial, while others viewed compliance requirements as complex and time-consuming.

The findings suggest that startups generally support employee welfare but require:

- Simpler compliance procedures
- Better awareness programs
- Digital compliance systems
- Startup-specific HR guidance

Case Illustration: HR Practices in a Growing Startup

Based on the survey responses, a common pattern emerges in growing startups:

A startup begins with fewer than ten employees and founders personally handle recruitment. Hiring is conducted through walk-ins, referrals, or freelance networks. As the team expands, challenges such as salary expectations, workload management, and employee retention become more visible. To address these issues, founders gradually introduce onboarding procedures, regular feedback meetings, performance tracking, and flexible work arrangements. The startup may still face occasional turnover, but communication and culture become the primary tools for retention.

This pattern closely reflects the transition from informal founder-led HR to semi-formal strategic HR management.

Major Findings of the Study

The study reveals the following key findings:

- Most surveyed startups are small or early-stage organizations with limited manpower.
- Walk-in interviews and freelance hiring are widely used because they are relatively economical.
- Attracting skilled talent is moderately difficult due to competition from established companies.
- Salary expectations and job security concerns are the main reasons candidates reject startup offers.
- Many startups still lack a fully formal onboarding system.
- Better salary opportunities and workload-related stress are the leading causes of employee turnover.
- Hybrid work is considered the most practical and cost-effective working model.
- Founders need stronger HR technology support for recruitment, payroll, and performance management.
- Talent retention is viewed as the most difficult aspect of HRM in startups.
- Positive culture, communication, and feedback help improve employee retention even when financial resources are limited.

Suggestions

Based on the findings, the following suggestions are proposed for startups:

Strengthen Employer Branding

Startups should communicate their vision, growth opportunities, learning exposure, and innovation culture to attract suitable candidates.

Introduce Structured Onboarding

Even a simple 3–5day onboarding program can improve role clarity and employee engagement.

Use Data-Driven Recruitment

Adopting Applicant Tracking Systems and skill-based assessments can improve hiring quality.

Focus on Retention, Not Only Hiring

Regular feedback, recognition, career discussions, and flexible work options can reduce turnover.

Implement Simple Performance Metrics

Startups should define measurable goals for each role rather than relying solely on informal supervision.

Invest in HR Technology

Affordable cloud-based HR tools can automate payroll, attendance, leave management, and performance tracking.



Improve Legal Awareness

Founders should receive basic training regarding labour laws, contracts, and employee-related compliance.

Build a Healthy Work Culture

Transparency, respect, ownership, and open communication are essential for long-term employee commitment.

Managerial Implications

This study has practical implications for startup founders and HR professionals.

- HR should be treated as a strategic function, not merely an administrative activity.
- Early investment in people management can prevent future organizational problems.
- Non-monetary benefits can significantly influence employee satisfaction.
- Technology can help startups manage HR efficiently with limited resources.
- A strong organizational culture can become a competitive advantage in talent retention.

Limitations of the Study

- The study is based on a relatively small sample of startup founders.
- Responses are self-reported and may contain personal bias.
- Startups from all industries were not equally represented.
- The study focuses primarily on the Indian startup context.
- Financial and operational data were not examined in detail.

Future Scope of the Study

Future researchers may conduct:

- Industry-specific studies
- Comparative studies between startups and established firms
- Longitudinal studies on HR evolution
- Research on remote-work HR practices
- Studies linking HR practices with startup financial performance

VI. CONCLUSION

Human Resource Management plays a decisive role in the success and sustainability of startups. The study demonstrates that startups operate in a highly uncertain environment where limited resources, rapid growth expectations, and intense competition make people management particularly challenging. The survey findings show that recruitment, retention, workload management,

compensation expectations, and legal compliance are the most significant HR concerns faced by startup founders.

The research also reveals that startups often begin with informal HR practices, but as the organization grows, the need for structured onboarding, performance management, documentation, and employee engagement becomes increasingly important. Financial constraints may prevent startups from offering corporate-level salaries, yet factors such as meaningful work, learning opportunities, flexibility, communication, and organizational culture can strongly influence employee commitment.

A notable insight from the study is that founders who maintain open communication, provide regular feedback, and create a positive work environment are better able to manage retention challenges. Technology and HR automation further emerge as important tools for improving efficiency and reducing administrative burden.

In conclusion, Human Resource Management should be viewed as a strategic investment rather than a cost. Startups that develop clear HR policies, adopt appropriate technology, ensure legal compliance, and prioritize employee development are more likely to achieve sustainable growth and long-term competitive advantage.

The future of successful startups will depend not only on innovative ideas and funding, but also on their ability to attract, develop, motivate, and retain the right people.

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