"A Study on HR related challenges faced by start-up during Covid-19"

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Abstract:

Start-ups are the engines of exponential growth, manifesting the innovation with catalytic effect of technology. The founding of a new organization is not instantaneous and the process is a largely complex one. This project is undertaken with an objective to analysis and understands the concept of HR challenges faced by start-up during Covid-19. The study was taken on the basis of secondary data, literature of start-up, company reports, institutional reports like NASSCOM reports, EBSCO and also primary data collected through online survey. The study covers about the startups, and various challenges faced by start-up during Covid-19. As per the survey made, it was found that most of the start-ups find financial management as their biggest challenge in their early journey of the firm. Due to pandemic situation most of the start-ups use work from home and virtual means of communication (based on up-skilling of employees), and there has been changes in the employees' policies, rules & regulation to meet the Covid-19 challenges. The study aims to identify and examine the most common difficulties encountered by start-ups in the early stages of establishment, irrespective of sector or industry. The study is concerned about financial problems, human resource, location selection problems, political limitations and market competitors of the start-ups. The different approaches are suggested in the literature explaining the process of new venture creation which has attracted much academic controversial theories on the process of new business creation. This study is an attempt to explore the major difficulties or challenges faced by start-ups and discuss the various opportunities for start-ups in India by using a descriptive analysis.

Key Words: *challenges faced by start-up, policies, employee engagement.*

Literature Review

Definition of start-up:

A start-up company or start-up is a young company that is just beginning to develop. Start-ups are usually small & initially financed & 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 early stages, start-up company's expenses tend to exceed their revenues as they work on developing, testing & marketing their idea. Initially Govt.schemes, the start-up companies try to pool money by collecting from their peers & relatives. The funding may also happen through traditional small business loan from government sponsored small business administration loans from local banks or by grants from non-profit organisation & state government.

Paul Graham says that "A start-up is a company designed to grow fast being newly founded does not in itself make a company nor it is necessary for a start-up to work on technology ,or take venture funding ,or have some sort of"exit",the only essential things is growth everything else we associate with start-up follows from growth.

Challenges faced by start-ups:

- **Culture** - Entrepreneurship and start-ups are only a recent phenomenon in the country. It is only in the last decade and half that people in the country have moved from being job seekers to job creators. It's tough to come up with the start-ups and every country sees more failures than success. More often than not an entrepreneur needs to be prepared to face failures and unprecedented hardship.

- **Mentoring** - Start-ups are perilous and often a lonely journey. They may have cofounders, but may not necessarily possess the business acumen to succeed. Having a brilliant idea is different from making that idea a business success. For a start-up, it is very important to have mentors who have been through a similar process of starting or have business experience. A great mentor is one who separates success from failure by providing valuable inputs.

- **Policies**- Government is the single largest enabler for the start –up & entrepreneurial ecosystem. Government's role is to ease the business process and helping companies to start & it's vital to ensure the success.

- **Hiring**- The economy has been in a flux and in an uncertain economy where one is not sure about demand, for a start-up, it is particularly difficult to make correct estimates on the number of employees needed to their business.

- **Funding** - Capital and access to capital has been a perennial problem for start-ups. While, of late angel investors, venture capital and private equity have brought assistance to some extent, a large number of start-ups still grapple to raise funds from institutional setup.

- *The opportunities can be listed and can be briefly explained with the simple pattern. Demographic dividend* – According to the latest UN report India with 356 million 10-24-year-olds have the largest concentration of youth population despite having a smaller population than China. This augurs well for the country as right education and healthcare can see the economy soar. Best suited to address emerging countries' challenges – India has a unique set of problems that need innovations to originate out of the country. Problems around its health, education, infrastructure, sanitation are unique to the country and solutions from western world cannot solve it. Each problem provides a unique opportunity for start-ups to solve some pressing issue and at the same time create a business around it.

- **Large population** – For start-ups in the country, it is not essential to go overseas. India, with over a billion people, presents a very large home market for any goods or services. A rising disposable income and growing aspirations of a mushrooming middle class have meant there is a large appetite for brands.

- **High Mobile penetration** – According to latest TRAI figures India's tele-density reached 76.55 percent with a subscriber base of 95.76 crore. Significantly wireless subscriber base touched 95.76 crore, just shy of 100 crore mark. High mobile penetration in urban and rural India has reshaped the economy of the country and how goods and services are offered. It has lead to greater efficiencies and increased productivity. It has meant businesses profit through faster decision making.

- The main objective of this study is to investigate the challenges and opportunities in the way of start-ups in Hubli-Dharwad. This research paper speaks about the necessary requirements of start-ups. To go with the process of the study the tools used are Qualitative & Quantitative method of data collection done with the help of SPSS and MS-Excel. Random sampling used and have considered 20 Start-ups (a few) at Hubli & Dharwad.

Impact of COVID-19 Crisis:

Insights from Global Start-up Survey with the Voice of the Entrepreneurs

41% of startup globally are threatened in what we call "red zone": they have three months or less of cash runway left. Many very young startups live with only a few months in cash—29%

were in that situation already before the crisis—but the crisis put 40% more of them in that precarious position.

To better understand the impact of the COVID-19 crisis on startups globally and equip governments with tools and actionable insights to support their innovation ecosystems, Startup Genome launched the first-ever global startup survey on the topic. This continues our broader initiatives on the impact of COVID-19 on global startup ecosystems, like Global Policy Knowledge Base and our ongoing Research Series.

The Main HR Issues For Start-Up

Most entrepreneurs who are starting a company don't think in terms of HR. Instead, they're thinking of activities or programs, such as payroll or hiring. In reality it would serve them well to start right out of the gate by thinking of human resources as a system, where an intervention in one area may have an impact on another area. That may be a bit of wishful thinking on my part— after all there are many mature HR departments that don't even have that perspective. Nonetheless, there are important issues that should be considered from day one. Here are what I consider to be the top five issues for start-ups.

ISSUE #1: HIRING THE RIGHT PEOPLE

Quite often an entrepreneur will start a business by hiring friends, family, or colleagues as the first employees. Sometimes this is good and sometimes it's bad, because people are hired because of who they are, not necessarily what they are capable of doing. Sometimes they will step up to the plate and do a great job, other times they are ill suited to the role and then they become a liability and a management challenge.

To avoid this, entrepreneurs should spend some time writing job descriptions for those first key roles. This is really an exercise in thinking through the skill sets that will be necessary in those first jobs, rather than crafting the perfect job description. With a document like this, you'll have something to measure the capabilities of candidates against, and a starting point for talking to candidates about their experience. No one should be hired without this kind of evaluation, regardless of how well you know the person. Putting someone in a position for which he or she is ill suited is a formula for disaster and will cause heartache for all parties involved in the future.

ISSUE #2: DECIDING WHAT TO PAY

Money is always an issue in a start-up. What someone is willing to accept and what the company is willing to offer will determine how successful the company is in attracting the talent needed. Typically, the package will consist of a base salary plus an offer of some equity in the

company, depending on the level of the position. Lower-level non-exempt positions may be strictly based on an hourly wage. The prime consideration will be what the different levels and combinations should be. There's generally enough industry information available on the Internet about salaries for an entrepreneur to make a guess at what will be appropriate, based on the company finances. Owners may be willing to work for nothing, but employees have to be paid. And that leads to the next issue.

ISSUE #3: KNOWING WHAT HR-RELATED LAWS APPLY

Most of the federal laws in the U.S. that are considered to be HR-related don't kick in until a company reaches 15 employees. But there are several that are not based on size, but on other factors. Prime among these is the Fair Labor Standards Act. This is the law that dictates minimum wage, a 40-hour workweek, and overtime pay. This law kicks in when a company reaches $500,000 in revenue and is engaged in interstate commerce. This is not as big a hurdle today as it was in 1938. That's why many small companies run afoul of this law early on, and can start loading up a big plate of liabilities.

Other laws a small company needs to be aware of have to do with workers' compensation, OSHA (if they are a manufacturing startup), and new hire reporting. Outsourcing activities such as payroll will help in understanding some of these issues and can take the worry out of compliance.

ISSUE #4: COMMUNICATION

 Many entrepreneurs get so caught up in the creation of their product or service and setting up the company that they forget to talk to their co-workers. They operate under the mistaken impression that everyone is on the same wavelength. Unfortunately, sometimes nothing could be further from the truth. Without proper and timely communication, employee efforts can head off in the wrong direction and may only be turned around—too late—as the result of a mistake that occurs.

ISSUE #5: TERMINATING EMPLOYEES

If you have been doing the performance feedback, you may not have to terminate an employee in the early stages. Sometimes, however, the person may just not be the match you had hoped he or she was going to be. Unfortunately, this causes heartache for many entrepreneurs; after all, they have made an investment of time and effort in this person, and as a result they often take forever before deciding to let the person go. This is a mistake. It causes productivity problems, morale problems, and it potentially harms relationships with customers and suppliers that may lead to legal liability issues. Therefore, terminations need to be swift, performance-related, and well documented. Yes, I said it, documentation. This is another thing

that entrepreneurs often do a poor job at. Those performance discussions I mentioned before need to be documented, especially if the behavior or performance is not improving.

Documentation does not need to be multi-page essays. A simple note or recording that can be put in a Drop box folder is often sufficient. If you can whip out your mobile device, record a comment such as "Just talked to Joe about the excess waste he produced. I told him I expected an improvement on the next job," and then save that in the Drop box folder you have set up on Joe, you will have met the documentation requirement. From there, if you get to the point of terminating Joe, you will have a history of discussions and warnings.

Solution for the issues:

Most entrepreneurs who are starting a company don't think in terms of HR. Instead, they're thinking of activities or programs, such as payroll or hiring. In reality it would serve them well to start right out of the gate by thinking of human resources as a system, where an intervention in one area may have an impact on another area. That may be a bit of wishful thinking on my part after there are many mature HR departments that don't even have that perspective. Nonetheless, there are important issues that should be considered from day one. Here are what I consider to be the top five issues for start-ups.

1. **Human resources policies:** These are guidelines about the management of the people. Thus, according to my view human resource must have their own policies. The term HR policies does not mean HR policy manual with general guideline that employees perceive to be the rate book. These policies have the effect on the immediate and future success.

2. **Scout all year round**: Search for candidates all year round, whether a position is currently open or not. Place them in talent pool. This makes it a bit easier to find top talent when the open position does arise.

3. **Introduce company culture early**: Company culture can be crafted in such a way that makes potential candidates want to stay. Office perks are a great incentive and way to boost morale, as long as you have the drive & challenges good candidates need to back them up.

4. **Optimize the hiring process constantly**: Construct a well thought out interview process. In the post linked above, there are some creative ways to strategically optimize the hiring workflow Refine these practices as you go & as you realize what you truly want in an employee.

5. **Centralize your hiring in one platform**: In order to stay on top of things, use an applicant tracking system, like recruiter to organize & streamline the hiring process. This allows a user-friendly interface in which candidates can be compared easily. Recruited has everything from employees branding, job board posting, talent sourcing, to applicant tracking, ensuring the best hiring strategy possible.

HR VALUES IN START-UP

The HR business partner in start-up will get involved in the shop floor areas in the day to day operational issues in general and in particular, interactions with shop floor employees which adds value to good industrial relations.

- HR should get updated on market trends and Production targets, new technology and other factors and understand the key profiles. This also helps to select high productive people while recruiting and vis-à-vis retain them through people development strategies.

- The HR image also reflects on its objectives. One of the objectives should be focused on developing employee friendly policies.

- The start-up company by recruiting HR will have a positive move towards the development. Human Resource Department will be instrumental in enriching the employee values. Employees are going to take a pivotal role in exhibiting the values in the organization by way of good ethics, respect and productive behaviour in building a sustainable, profitable and successful organization.

- The HR foundation becomes more important and mandate in the start-up organization in building dynamic, competitive and motivating teams and making the start-ups as Robust Start-ups. The Founder's vision 'TODAY'S STARTUP IS TOMORROW'S GLOBAL COMPANY' will become true when he brings HR on board.

Policy:

38% of start-ups have not received assistance and do not expect to be helped by policy relief measures related to the crisis. At the same time, 16% are not currently supported but expect to be helped by a policy measure soon. The remaining 46% of start-ups are currently receiving assistance.

- According to founders and start-up executives, the top four most helpful policy responses for their businesses would be, in order: #1 Grants to preserve company liquidity (29%); #2 Instruments to boost investment (18%); #3 Support to protect employees, like payroll supplementation grants (17%); and #4 Loans to preserve company liquidity (12%).

Biggest Challenges of HR in COVID-19 Pandemic

1. **Mental Health and Wellbeing:**
   The sudden shift in work culture took a toll on overall employee health and wellbeing. Stress, anxiety, and other mental health issues have always been there, and it is no new story. Organizations have always been initiating wellness programs and providing employees with security, health benefits, and flexibility to help them

overcome their health issues. But the sudden COVID-19 outbreak has brought the employees' mental problems in the front seat.

When you have your workers working in an office work environment, you at least understand their pulse and sensitivity, and that helps you immensely to tackle the issues. But employees going remote, communication routes have been significantly compromised, leaving the managers clueless or at least less conscious. In a recent COVID-19 pulse survey, HR professionals across the globe responded health and wellbeing of the workers to be a major concern.

2. **Managing Remote Work:**
   The transition to remote work culture is not as seamless as it seems. Before the COVID-19 outbreak, less than 50% of companies had a remote work program. Banks, regulated industries, and many financial services companies did not encourage remote working. Now almost all of them rushing to build remote work strategies.
   This has led to many undiscovered problems. HR managers are trying to build seamless routes and strategies to overcome the challenges that it brings. Strategies are no more designed periodically or in advance but in real-time. The focus on employee productivity and engagement has shifted to immediate responses and diagnosis. To provide employees with the right remote workings tools and also gather real-time updates from them from time to time to untangle the intricacies and offer support.

HR role in improving working environment and working condition for better employee behaviour and relations:

The start-up manufacturing company will become very effective and fruitful if the management picks up right HR personnel matching the requirements and who can work beyond the boundary line in improving the employee work life standards which reflects the positive growth of the organization through workforce.

The HR Officer can do a wonderful job in the hazardous companies of a start-up where work related risks are abundant. His/her work is dedicated in solving the grievances of the workmen. He/she will be an 'Arch' in bringing to the notice of the factory management the grievances of the workers, individual and collective as well with a view to secure their expeditious redress and to act as a liaison officer between the management and workforce.

The work environment is hazardous in manufacturing start-up which produces hazardous substances. This affects the employee behaviour and causes problems in morale, health, productivity, absenteeism, fatigue, work related accidents.

➢ From the Factories Act also, it is understood that HR has to deal with legal compliance and handle workmen who are working in the hazardous departments and create a good and safe working environment. The vision and mission of HR in a hazardous manufacturing start-up is to create a congenial work atmosphere and enrich the healthy employee / industrial relations.

➢ The HR by introducing welfare schemes helps in creating efficient, healthy, vibrant work force for the company / organization. The purpose of administering such welfare activities is to make their work life better and improve the quality of work life and organizational development as well.

➢ The HR discharges the duties to uplift the workforce morale and enrich quality of work life. He will be an instrumental in bridging the gap between the workers and management and thus bringing a healthy workplace relationship between management and employees.

➢ Unlike many grievances, the major grievance HR takes up the safety issues with the production head and represents in issuing the timely procurement of safety gadgets and implements the safety at workplace through proper safety training, designing the safety policies, conducting the safety committee meeting with the workmen and supervisors/Managers.

➢ Issuing of PPE (Personal protective equipment), conducting accident investigation to analyse and submitting the report to the Production Head and to the Founder/CEO besides sending the compliance report to the Inspectorate of Factories and Employee state Insurance Act 1948, authorities as required by the act. The HR prepares the accident analysis and represents in the Management meetings and reports with an action plan in reducing the accidents at workplace.

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➢ The other important function that HR takes up is studying and understanding the workforce and management point of view and formulates personnel policies. Interpret these policies to the workers in a language they can understand. The Officer can interpret in the language known to the workers the rules and regulations and many other production related schemes and bring out an effective communication in the production areas.

➢ The Standing orders of the company as per the Industrial Employment Ac, (1946) is also governed on the rules and regulations stipulated and cover the areas of employment conditions and disciplinary matters as well.

➢ The HR Officer understands the pulse of the shop floor issues. Since he/she is always in the mid of the workforce and visible to management and employees, the officer has better idea and able to analyse the situation better. He can try to pacify the situation and try to bridge the gap in helping for better employee relations.

FINDINGS OF THE STUDY:

1. As per the study, 76% of the respondents are young people of age below 30 and majority of them are male. Start-ups are generally created by ambitious youth working hard with different skill-sets in the competitive environment.
2. The analysis shows that 83% of the start-up find financial management as the greatest challenges faced by start-up during Covid-19 pandemic, 50% of find lack of demand ,41% talent acquisition, and other 56% of them respondents for the tracking performances of employees, it is believe that financial management is the main for any start-ups & help for the growth.
3. In order to grow any business, the prior important aspect is marketing plan, availability of finance and HR plans. But as per the survey a large section of the founders of start-ups (48%) lack of knowledge with few important aspects as their set-up is not organized to understand their target customers and ways to reach and retain them.
4. It is found that (76.7%) Work from home is the major HR challenges during Covid-19, as the pandemic-include lockdown forced employees to work from home, start-ups have realized that productivity, at least in some of the verticals, can be maintained even by

not going to the workplace. Last month, education technology start-up Unacademy was one of the first ones in the Indian start-ups ecosystem to have announced that (60%) of its workforce would be working from home.

5. According to the survey it is found that (56.7%) increase in social media marketing is more important for start-ups, now than ever before and creating the right strategy can make or break ability to succeed with the start-up. They will only increase social media presence, but create an inbound marketing strategy that will bring more traffic, leads, and sales.

6. Most of the respondents agree that lack of qualified candidates is affecting the talent acquisition as believed the qualified candidates make good employees, hence lack of qualified candidates effect the talent acquisition the most.

7. The analysis shows that from above interpretation it can analysed (56%) that virtual communication not only helps to avoid misunderstandings, but it will also increase effectiveness, tools such as Skype, Microsoft teams, zoom and other virtual meeting platform present different communication challenges.

8. From the survey it can analysed (83%) are of them consider adopting new technology can help in growth of start-up and technology change can bring about advantages & opportunities for business, it can create new products & services and process can increase productivity & reduce costs.

9. As per the analysis, it is found that (82%) of the start-up identify the majority of them say yes there has been changes in the ' employees' policies, rules & regulation in start-up to meet the Covid-19 challenges.

SUGGESTIONS AND RECOMMENDATIONS:

➢ The study found financial management as the greatest challenges faced by start-up during Covid-19 pandemic. Entrepreneurs complained of lack of demand, talent issues and Covid related constraints as big hurdles. Start-ups may focus on cost cutting measures and managing with limited resources to overcome the financial problems. They may look at government schemes or some banking loans at lesser rates to manage their financial problems. They should focus on getting the right talent at the right cost and avoid having employees more than required. Use of technology may help in cost cutting.

➢ Start-ups need to find out new ways to understand their target customers and ways to reach and retain them. Use of social media and digital means will help in this regard.

➢ Work from home is the major HR challenges during Covid-19. But work from home can be an opportunity also. Start-ups have realized that productivity, at least in some of the verticals, can be maintained even by not going to the workplace. Employees need to be trained and technology infrastructure improved to implement better work from home practices.

➤ Increase in social media marketing is more important for start-ups, now than ever before and creating the right strategy can make or break ability to succeed with the start-up. They should increase social media presence and create new marketing strategy that will bring more traffic, leads, and sales.

➤ Start-ups should look for qualified candidates at lower costs. Use of reference-based recruitment will help in this regard.

➤ Use of virtual communication should be increased as it helps to avoid misunderstandings and also increase effectiveness. Tools such as Skype, Microsoft teams, zoom and other virtual meeting platform present new opportunities to speed up effective work.

➤ The start-ups are advised to keep an eye for the changes happening in the environment and keep looking for adopting new technology. Latest technology can help in growth of start-up and can bring about new opportunities for business. it can create new products & services and process can increase productivity & reduce costs.

➤ They should bring in changes in the ' employees' policies, rules & regulation in start-up to meet the Covid-19 challenges.

➤ Salary is one of the biggest challenges in start-up during Covid-19 pandemic. Employees should be made to feel engaged and empowered to make up for the loss of salary.

CONCLUSION:

This study is pointed towards the key challenges faced by start-ups during Covid-19 like main business of their start-ups. We were forced to adopt digitalization in our everyday life. These new habits have created new business opportunities but at the cost of huge economic losses. Enterprises had to adopt new normal and smartly diverse their operations. All industries like auto, tourism, travel, real estate have been impacted. In these adverse times, the role of decision –makers to implement smart and sustainable business models is very important.

Workers also need to be aware of changing scenarios and adopt new skills or up skill themselves. Change is the only constant; adopting it wisely is in our hands. One of the key factors being the concerns over job security of the candidates as the start-ups are usually unheard of during initial years and they also have a reservation about the start-up's stability during initial year.

This research paper found that respondents supported the idea of funding incubation centers. If the start-ups understand the present need to overcome the existing challenges and to minimize the risks with the freedom and personal satisfaction along with the financial rewards, the founders of the start-ups can transform themselves in to a successful entrepreneur by tapping the untapped market with innovative methodologies.

The two months of project was very wonderful and filled with lots of learning for me. This project has helped me to understand about current scenarios and emerging trend that define the Indian start-ups ecosystem. Role played by ecosystem enables like policies in nurturing the starups ecosystem.

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